

TABLE NO. 5
Projected Openings As Of December 31, 2024

Column 1	Column 2	Column 3	Column 4
State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
[All States]	0	0	0
Total	0	0	0

* All listed facilities are Production Facilities.

* A list of all current franchisees and the addresses and telephone numbers of all of their Bandag Facilities, and the names and addresses of the franchisees whose franchises were discontinued for any reason in the preceding 12 months, is included in this Disclosure Document at Exhibit H.

* No franchisee has failed to communicate with Bandag within 10 weeks of the date of this Disclosure Document.

- a. In some instances, during our last 3 fiscal years current and former franchisees have signed provisions restricting their ability to speak openly about their experience with Bandag. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.
- b. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

21. FINANCIAL STATEMENTS

Our affiliate Bridgestone Bandag Franchising, LLC absolutely and unconditionally guarantees the performance of our obligations under (a) our franchise registrations that become effective on or after March 20, 2008 in states requiring the registration of the offer and sale of our franchises and (b) our Bandag Dealer Franchise Agreements and related agreements entered into after March 20, 2008. The audited statements of financial position of Bridgestone Bandag Franchising, LLC as of December 31, 2024, ~~2023~~ and 2022, and 2021, and the related statements of comprehensive income, changes in member's equity, and cash flows for the years ended December 31, 2024, ~~December 31, 2023~~ and December 31, 2022, and 2021 are included in this Disclosure Document at Exhibit B.

The Guarantee of Performance is also included in Exhibit B.

22. CONTRACTS

A sample of Bandag's standard Dealer Franchise Agreement is included in this Disclosure Document at Exhibit A. The following agreements also are attached: Security Agreement (Exhibit C); Individual Guaranty and Entity Guaranty (Exhibits C-1 and C-2, respectively); BASys Product Program Request Form and Master Purchase Agreement for BASys Suite of Products (Exhibit D); National Account Program Description (Exhibit E); Dealer Subcontract (Exhibit F); and State Riders to the Franchise Agreement (Exhibit J).

EXHIBIT B

BRIDGESTONE BANDAG FRANCHISING, LLC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (WITH INDEPENDENT AUDITOR'S REPORT THEREON), AUDITED BRIDGESTONE BANDAG FRANCHISING, LLC FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 ~~AN~~AND INDEPENDENT AUDITOR'S REPORT

AND

GUARANTEE OF PERFORMANCE OF BRIDGESTONE BANDAG FRANCHISING, LLC



BRIDGESTONE BANDAG FRANCHISING, LLC

(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Financial Statements as of and for the years ended
December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)



KPMG LLP
1201 Demonbreun Street
Suite 1100
Nashville, TN 37203

Independent Auditors' Report

Board of Managers and Member of
Bridgestone Bandag Franchising, LLC:

Opinion

We have audited the financial statements of Bridgestone Bandag Franchising, LLC (the Company), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of comprehensive income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Nashville, Tennessee
March 24, 2025

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Statements of Financial Position

December 31, 2024 and 2023
(U.S. dollars)

Assets	2024	2023
Cash and cash equivalents (note 2)	\$ 1,103,367	1,103,367
Note receivable - related party (note 2)	4,597,809	4,396,821
Total assets	\$ 5,701,176	5,500,188
Liabilities and Member's Equity		
Liabilities:		
Accrued liability - due to related party (note 2)	\$ 156,125	121,125
Total liabilities	156,125	121,125
Member's equity	5,545,051	5,379,063
Total liabilities and member's equity	\$ 5,701,176	5,500,188

See accompanying notes to the financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Statements of Comprehensive Income

Years ended December 31, 2024 and 2023
(U.S. dollars)

	<u>2024</u>	<u>2023</u>
Interest income (note 2)	\$ 200,988	157,946
Expenses:		
Audit fees (note 2)	<u>35,000</u>	<u>13,500</u>
Net income and total comprehensive income	<u>\$ 165,988</u>	<u>144,446</u>

See accompanying notes to the financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Statements of Changes in Member's Equity

Years ended December 31, 2024 and 2023
(U.S. dollars)

	Member's Equity
Balance, January 1, 2023	\$ 5,234,617
Net income	<u>144,446</u>
Balance, December 31, 2023	5,379,063
Net income	<u>165,988</u>
Balance, December 31, 2024	<u><u>\$ 5,545,051</u></u>

See accompanying notes to the financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Statements of Cash Flows

Years ended December 31, 2024 and 2023
(U.S. dollars)

	2024	2023
Cash flows from operating activities:		
Net income	\$ 165,988	144,446
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Note receivable - related party (note 2)	(200,988)	(146,821)
Accrued liability - due to related party (note 2)	35,000	2,375
Net cash provided by operating activities	—	—
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of year	1,103,367	1,103,367
Cash and cash equivalents, end of year	\$ 1,103,367	1,103,367

See accompanying notes to the financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Notes to the Financial Statements

December 31, 2024 and 2023

(1) Description of Business

On March 7, 2008, Bridgestone Bandag Franchising, LLC (“BSBF” or “Company”) was formed as a wholly-owned subsidiary of Bridgestone Americas, Inc. (“BSAM”). BSBF’s sole purpose is to guarantee the franchisor obligations of Bridgestone Bandag, LLC (“BSBD”), an affiliated company also wholly owned by BSAM. On March 20, 2008, BSBF was funded with \$5,005,000 of cash as an investment by BSAM. Effective June 1, 2008, BSAM transferred its membership interest in BSBF and BSBD to its wholly-owned subsidiary, Bridgestone Americas Tire Operations, LLC (“BATO”). The Company’s member’s equity is comprised of a single unit which is held by BATO. The Company’s registered office is at 200 4th Avenue South, Nashville, Tennessee 37201.

The businesses of BSBD include the (i) production and sale of pre-cured tread rubber, equipment and supplies used by its franchisees for the retreading of tires primarily for trucks; (ii) sale and maintenance of new and retread tires to principally commercial and industrial customers through a wholly-owned commercial distribution network; and (iii) providing of quick-service truck lubrication, routine tire service and light truck maintenance through BSBD majority-owned retail establishments.

BSBD, as a franchisor, must provide a Franchise Disclosure Document (“FDD”), including its audited financial statements, to prospective franchisees. Federal and state laws allow a franchisor to substitute in the FDD the audited financial statements of an affiliate that guarantees the franchisor’s obligations under its franchise agreement. Accordingly, BSBF’s sole purpose is to guarantee BSBD’s franchisor obligations, and has no distinct business operations.

(2) Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared based on historical cost, except for items such as financial instruments that are measured at fair value as stated below. Further, the financial statements are presented in U.S. Dollars (USD), which is the functional currency of the Company.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and other highly liquid, interest-bearing, investments purchased with original maturities of three months or less.

(c) Credit Risk Management

The Company may be exposed to credit risk such as a counterparty’s default on contractual obligations resulting in financial losses to the Company. With respect to the note receivable, the Company monitors the financial position of the counterparty to promptly detect and minimize the risk of defaults resulting from the deterioration of the counterparty’s financial position.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

Notes to the Financial Statements

December 31, 2024 and 2023

(d) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and notes receivable from related party approximate fair value because of the short-term nature of the instruments. At December 31, 2024 and 2023, the Company had no financial assets or liabilities that required fair value measurement.

(e) Guarantee

BSBF absolutely and unconditionally guarantees the performance of BSBD for all its franchisor obligations under its franchise registrations and dealer franchise agreements (“Franchise Documents”) that became effective after March 20, 2008. The guarantee has no limit and is in force until all franchisor obligations of BSBD under the Franchise Documents have been satisfied or until BSBD’s liability to its franchisees has been completely discharged.

There have been no claims filed against BSBD related to BSBD’s obligations under the Franchise Documents. Therefore, BSBF has recorded no liability on the balance sheets related to the guarantee.

(f) Related Party Services and Income Taxes

BSBF is the recipient of related party services from BSAM and BATO including legal, accounting and management. Additionally, BSBF’s operating results are included in BSAM’s consolidated federal and state tax returns. Based upon an agreement between BSAM, BATO and BSBF, costs excluding audit fees, beginning in 2010, will not be allocated or charged to BSBF. During 2024 and 2023, BSAM allocated audit fees to BSBF for professional services performed by our independent auditor amounting to \$35,000 and \$13,500, respectively. These allocated fees were charged to expense during 2024 and 2023 upon being invoiced by BSAM. As a result of this agreement, the accompanying financial statements of BSBF may not necessarily be indicative of the conditions that would have existed or the results of operations if BSBF had been operated as an unaffiliated company.

On March 21, 2017, the Company entered into an agreement with BSAM to transfer \$4,250,000 of cash from the Federated fund of BSBF to BSAM in exchange for an intercompany note for the same amount repayable in full on March 31, 2018, with an auto renewal option for one additional year unless specifically terminated per the terms of the agreement. In addition, this agreement would remain in full force and effect until the loan is paid in full.

On March 31, 2023, the Company entered into a Cash Pooling and Loan Agreement with BSAM which replaces the original agreement dated March 21, 2017. The amount of the cash pooling loan remained at \$4,250,000. On demand, BSAM shall pay the aggregate unpaid amount of all loans made by the Company. This note bears an interest obligation payable by BSAM, calculated by the variable rate (the one-month CME Term SOFR Rate as published by CME Group for the first day of each month rounded to the nearest 0.1%) minus 0.75% per annum, subject to a floor of 0%. The variable rate resets on the first day of each month. In 2024, interest receivable of \$200,988 was rolled into the principal balance.

The contractual terms of the note receivable give rise to cash flows that are solely payments of principal and interest on the outstanding amount. The note receivable is considered to be held within a held-to-collect business model and is measured at amortized cost. The Company recognizes loss

BRIDGESTONE BANDAG FRANCHISING, LLC
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Notes to the Financial Statements

December 31, 2024 and 2023

allowances at an amount equal to lifetime expected credit losses (ECL). The loss allowance was immaterial as of December 31, 2024 and 2023.

(g) Subsequent Events

The Company has evaluated events and transactions that occurred after the balance sheet date for potential recognition or disclosure in the financial statements through March 24, 2025, the date the financial statements were authorized for issuance. No events or transactions occurred subsequent to December 31, 2024, that would require adjustment to, or disclosure in the financial statements.

(3) Recent IFRS Pronouncements

(a) Standards and Interpretations Adopted as of December 31, 2024

Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

In the current year, the Company adopted the IAS 1 amendment which aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The implementation of this standard did not have a significant impact on the Company's financial statements.

(b) Standards and Interpretations Not Yet Adopted as of December 31, 2024

Classification and Measurement of Financial Instruments

This amendment to IFRS 7 and 9 clarifies financial assets and financial liabilities that are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The amendment permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

The amendment is effective for reporting periods beginning on or after January 1, 2026.

Presentation of Financial Statements

IFRS 18, to replace IAS 1, aims to promote clearer disclosure of recognized revenue and expenses between operating, investing, and financing sources as well as new presentation requirements for certain income and expenses on the consolidated statement of comprehensive income.

IFRS 18 is effective for reporting periods beginning on or after January 1, 2027.

While there are other newly issued or revised standards and interpretations that were issued on or before the date of approval of the financial statements but have not yet been early adopted, none of them are anticipated to have a significant impact on the Company's financial statements.

**BRIDGESTONE BANDAG
FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)**

**Financial Statements for the Years Ended
December 31, 2022 and 2021
and Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers and Member of
Bridgestone Bandag Franchising, LLC
Muscatine, Iowa

We have audited the accompanying financial statements of Bridgestone Bandag Franchising, LLC (the "Company"), a wholly-owned subsidiary of Bridgestone Americas Tire Operations, LLC, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of profit or loss, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Other Matter

As discussed in Note 2 to the financial statements, the accompanying financial statements have been prepared from the separate records maintained by the Company and may not necessarily be indicative of the conditions that would have existed or the results of operations if the Company had been operated as an unaffiliated company.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, twelve months from the end of the reporting period, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Deloitte & Touche LLP

March 22, 2023

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF BRIDGESTONE
AMERICAS TIRE OPERATIONS, LLC)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 and 2021

	December 31,	December 31,
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,103,367	\$ 1,095,632
Note receivable - related party	<u>4,250,000</u>	<u>4,250,000</u>
Total assets	<u>\$ 5,353,367</u>	<u>\$ 5,345,632</u>
 LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accrued liability - due to related party	\$ 107,625	\$ 94,125
Interest received in advance - related party	<u>11,125</u>	<u>3,390</u>
Total liabilities	<u>118,750</u>	<u>97,515</u>
Commitments and contingent liabilities (see Note 2)		
Member's equity	<u>5,234,617</u>	<u>5,248,117</u>
Total Liabilities and Equity	<u>\$ 5,353,367</u>	<u>\$ 5,345,632</u>

See notes to financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF BRIDGESTONE
AMERICAS TIRE OPERATIONS, LLC)

STATEMENTS OF PROFIT OR LOSS
YEARS ENDED DECEMBER 31, 2022 and 2021

	2022	2021
Interest income	\$ -	\$ 11,794
Expenses		
Audit fees	<u>13,500</u>	<u>13,500</u>
Net loss	<u>\$ (13,500)</u>	<u>\$ (1,706)</u>

Comprehensive loss for the years ended December 31, 2022 and 2021, is equal to net loss.
See notes to financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF BRIDGESTONE
AMERICAS TIRE OPERATIONS, LLC)

STATEMENTS OF CHANGES IN MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Member's Equity
Balance, January 1, 2021	\$ 5,249,823
Net Loss	<u>(1,706)</u>
Balance, December 31, 2021	5,248,117
Net loss	<u>(13,500)</u>
Balance, December 31, 2022	<u><u>\$ 5,234,617</u></u>

See notes to financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC
(A WHOLLY-OWNED SUBSIDIARY OF BRIDGESTONE
AMERICAS TIRE OPERATIONS, LLC)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (13,500)	\$ (1,706)
Adjustments to reconcile net income to net cash provided by operating activities		
Accrued interest on intercompany note	-	8,665
Change in liabilities	21,235	16,890
Net cash provided by operating activities	<u>7,735</u>	<u>23,849</u>
Net increase in cash and cash equivalents	7,735	23,849
Cash and cash equivalents, beginning of year	<u>1,095,632</u>	<u>1,071,783</u>
Cash and cash equivalents, end of year	<u>\$ 1,103,367</u>	<u>\$ 1,095,632</u>

See notes to financial statements.

BRIDGESTONE BANDAG FRANCHISING, LLC (A WHOLLY-OWNED SUBSIDIARY OF BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. DESCRIPTION OF BUSINESS

On March 7, 2008, Bridgestone Bandag Franchising, LLC (“BSBF”) was formed as a wholly-owned subsidiary of Bridgestone Americas, Inc. (“BSAM”). BSBF’s sole purpose is to guarantee the franchisor obligations of Bridgestone Bandag, LLC (“BSBD”), an affiliated company also owned by BSAM. On March 20, 2008, BSBF was funded with \$5,005,000 of cash as an investment by BSAM. Effective June 1, 2008, BSAM transferred its membership interest in BSBF and BSBD to its wholly-owned subsidiary, Bridgestone Americas Tire Operations, LLC (“BATO”).

The businesses of BSBD include the (i) production and sale of pre-cured tread rubber, equipment and supplies used by its franchisees for the retreading of tires primarily for trucks; (ii) sale and maintenance of new and retread tires to principally commercial and industrial customers through a wholly-owned commercial distribution network; and (iii) providing of quick-service truck lubrication, routine tire service and light truck maintenance through BSBD majority-owned retail establishments.

BSBD, as a franchisor, must provide a Franchise Disclosure Document (“FDD”), including its audited financial statements, to prospective franchisees. Federal and state laws allow a franchisor to substitute in the FDD the audited financial statements of an affiliate that guarantees the franchisor’s obligations under its franchise agreement. Accordingly, BSBF’s sole purpose is to guarantee BSBD’s franchisor obligations, and has no distinct business operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents – Cash and cash equivalents includes highly liquid, interest-bearing, investments purchased with original maturities of three months or less.

Fair Value of Financial Instruments – The carrying value of cash and cash equivalents and notes receivable from related party approximates fair value because of the short-term nature of the instruments. At December 31, 2022 and 2021, the Company had no financial assets or liabilities that required fair value measurement.

Comprehensive Income – Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. Comprehensive income for the years ended December 31, 2022 and 2021, is equal to net (loss) income as reported.

Guarantee – BSBF absolutely and unconditionally guarantees the performance of BSBD for all its franchisor obligations under its franchise registrations and dealer franchise agreements (“Franchise Documents”) that became effective after March 20, 2008. The guarantee has no limit and is in force until all franchisor obligations of BSBD under the Franchise Documents have been satisfied or until BSBD’s liability to its franchisees has been completely discharged.

There have been no claims filed against BSBD related to BSBD’s obligations under the Franchise Documents. Therefore, BSBF has recorded no liability on the balance sheets related to the guarantee.

Related Party Services and Income Taxes – BSBF is the recipient of related party services from BSAM and BATO including legal, accounting and management. Additionally, BSBF’s operating results are included in BSAM’s consolidated federal and state tax returns. Based upon an agreement between BSAM, BATO and BSBF, costs excluding audit fees, beginning in 2010, will not be allocated or charged to BSBF. During both 2022 and 2021, BSAM allocated \$13,500 of audit fees to BSBF for professional services performed by our independent auditor. These allocated fees were charged to expense during 2022 and 2021 upon being invoiced by BSAM. As a result of this agreement, the accompanying financial statements of BSBF may not necessarily be indicative of the conditions that would have existed or the results of operations if BSBF had been operated as an unaffiliated company.

On March 21, 2017, the Company entered into an agreement with BSAM to transfer \$4,250,000 of cash from the Federated fund of BSBF to BSAM in exchange for an intercompany note for the same amount repayable in full on March 31, 2018, with an auto renewal option for one additional year unless specifically terminated per the terms of the agreement. In addition, this agreement would remain in full force and effect until the loan is paid in full. As the notice of termination was not issued in 2022 and the loan was not paid during the year 2022, the loan was automatically extended to March 31, 2023. This note bears an interest obligation payable by BSAM, calculated at LIBOR minus 25 basis points per annum with a floor rate of 0%. As a result of the fall in LIBOR, a 0% interest rate is considered for December 2022 (0% for January 1, 2022 to March 31, 2022 and 0% for April 1, 2022 to December 31, 2022) with interest payments due on September 30th and March 31st.

Subsequent Events – The Company has evaluated events and transactions that occurred after the balance sheet date for potential recognition or disclosure in the financial statements through March 22, 2023, the date the financial statements were available to be issued. No events or transactions occurred subsequent to December 31, 2022, that would require adjustment to, or disclosure in the financial statements.

Recent IFRS pronouncements

Standards and interpretations not yet adopted as of December 31, 2022, that impact the Company

IFRS Interest Rate Benchmark Reform – Phase 2

On July 27, 2017, the Financial Conduct Authority in the U.K. announced that it would phase out LIBOR as a benchmark by the end of 2021. However, for U.S. dollar LIBOR, the date has been deferred to June 30, 2023, for certain tenors (including overnight and one, three, six and 12 months), at which time the LIBOR administrator has indicated that it intends to cease publication of U.S. dollar LIBOR.

The Company has an intercompany note agreement with BSAM that uses LIBOR as a benchmark for interest rate calculation. The loan has a 12-month tenor with the agreement being renewed each year for a 12-month period. The Company has plans to transition out of LIBOR and will be considering Secured Overnight Financing Rate (SOFR) as the potential benchmark from March 2023. The change in benchmark is not expected to have a material impact on the Company’s financial statements.

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GUARANTEE OF PERFORMANCE

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For value received Bridgestone Bandag Franchising, LLC, an Iowa limited liability company located at 200 4th Avenue South, Nashville, Tennessee 37201, absolutely and unconditionally guarantees to assume the duties and obligations of Bridgestone Bandag, LLC, located at 200 4th Avenue South, Nashville, Tennessee 37201 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 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 Nashville, Tennessee on the 24th day of March, 2025.

Guarantor:

BRIDGESTONE BANDAG FRANCHISING, LLC

By: _____



Name: Brian Douglas

Title: Chairman and President

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	Pending
Hawaii	Pending
Illinois	March 28, 2025, as amended March 31, 2025 (Exempt)
Indiana	March 28, 2025 , as amended March 31, 2025
Maryland	Pending
Michigan	March 28, 2025 , as amended March 31, 2025
Minnesota	Pending
New York	Pending
North Dakota	March 28, 2025 , as amended [Pending], 2025
Rhode Island	Pending
South Dakota	March 29, 2025 , as amended March 31, 2025
Virginia	March 28, 2025 , as amended March 31, 2025
Washington	Pending
Wisconsin	March 28, 2025 , as amended March 31, 2025