

## FRANCHISE DISCLOSURE DOCUMENT-SINGLE UNIT



**The Inspection Boys Franchise USA LLC  
d/b/a The Inspection Boys®,  
a Virginia Limited Liability Company  
780 Lynnhaven Parkway  
Suite 240  
Virginia Beach, VA 23452  
(800) 819-4403  
<https://inspectionboys.com>**

We offer a franchise opportunity to you as a franchisee to operate a business on our behalf for a specified territory. The franchise offered is for the establishment and operation of an entity to deliver inspection services of residential and commercial properties under the trade name “The Inspection Boys®” (the “Franchised Business”).

The total investment necessary to begin operations of a Franchised Business is \$51,100 - \$61,750. This includes \$40,000 that must be paid to the franchisor or affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 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 government agency has verified the information contained in this 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: Matthew Rivera, 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia, 23452, (800) 819-4403.

The terms of your contract will govern your franchise relationship. Don’t 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 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 (FTC). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only The Inspection Boys® business in the area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be an The Inspection Boys® franchisee?</b>	Item 20 or Exhibits E-1 and E-2 list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## WHAT YOU NEED TO KNOW ABOUT FRANCHISING *GENERALLY*

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

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

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

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

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor 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 C

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 requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Virginia. Out-of-State mediation, arbitration, or litigation may force you to accept a less favorable settlement to disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own 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 business and loss of your investment.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **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 you.
5. **Litigation History.** The litigation history of certain members of the management team may increase the risk of your investment. You may wish to further review this litigation history whether or not it has been required to be disclosed in this FDD.

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

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### Exhibits

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A	State Addenda
B	Franchise Agreement
C	List of State Administrators
D	Table of Contents-Manual
E-1	List of Franchisees
E-2	List of Former Franchisees
F	Financial Statements
G	State Effective Dates
H	Receipt

## ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

### ***The Franchisor***

To simplify the language in this disclosure document (the "Disclosure Document"), “we,” “us,” or “our” means The Inspection Boys Franchise USA LLC, trading as The Inspection Boys®, the franchisor. The terms “you” and “your” refer to the person or entity who buys this franchise. If you are a corporation, limited liability company, or other entity, then “you” will also include your owners.

We are a Virginia Limited Liability Corporation formed on November 19, 2020, as a Virginia Limited Liability Company. Our principal place of business is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. We do business under the name of The Inspection Boys®. Our agent for service of process in Virginia is John Allen Waldrop, III whose principal place of business is 780 Lynnhaven Parkway, Suite 400, Virginia Beach, Virginia 23452. Our agents for service of process in other states which vary by state are identified in Exhibit C-List of State Administrators and Registered Agents to this Disclosure Document.

We do not engage in any other business activity or offer franchises in any other lines of business. We have not operated a business of the type you are being offered. We have not conducted business in any other line of business or offered franchises in any other line of business. We began offering franchises for this business in 2021.

Franchises in the same line of business were previously offered by our predecessor identified in this Disclosure Document. Further, Matthew Rivera, Chief Executive Officer, and founder of our predecessor, owns and operates The Inspection Boys Inc., a corporation registered in New York, which has operated a home inspection business under The Inspection Boys mark since April 2017.

### ***Parent***

Loyalty Franchising LLC is our parent company. Loyalty Franchising LLC was formed on September 23, 2020 as a Virginia Limited Liability Company. Loyalty Franchising LLC’s principal place of business is also located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Loyalty Franchising LLC does not offer products or services to our franchisees or offer franchises in any line of business.

Loyalty, LLC is the parent company of Loyalty Franchising LLC. Loyalty, LLC was formed on November 6, 2017 as a Virginia Limited Liability Company. Loyalty, LLC’s principal place of business is also located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Loyalty, LLC does not offer products or services to our franchisees or offer franchises in any line of business.

### ***Predecessor***

On December 8, 2020, we purchased all of the assets of our predecessor, The Inspection Boys Franchise, Inc., a Pennsylvania Corporation which had purchased the franchise business from The Inspection Boys Franchising, Inc. a New Jersey Corporation on January 1, 2018.

### **Affiliates**

We have an affiliate, ATAX LLC d/b/a ATAX, formed on February 20, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. ATAX offers franchise opportunities for retail tax, bookkeeping and payroll office. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2019. They do not offer franchises in any other line of business.

We have an affiliate, Jomsom Franchise Company LLC d/b/a Jomsom, formed in March 2012, with a principal business address of 4390 US Highway 1, STE 203, Princeton, NJ 08540. Jomsom offers franchise opportunities for staffing and payroll services. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2012. They do not offer franchises in any other line of business.

We have an affiliate, Loyalty Brokers LLC d/b/a Loyalty Business Brokers, formed December 30, 2020, with a principal place of business at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Loyalty Business Brokers offers franchise opportunities for business brokerage. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business.

We have an affiliate, Loyalty Business Services LLC d/b/a Ledgers, formed on October 30, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Ledgers offers franchise opportunities for compliance, advisory and tax services. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business.

We have an affiliate, LMS Franchising, LLC established on May 21, 2014, with a principal place of business of 707 N. New Ballas Road, St. Louis, Missouri 63141, which also conducts business under the Little Medical School® trade name and may also use the name “Little Medical School” or “Little Nursing School” or “Little Veterinarian School.” LMS Franchising, LCC offers franchise opportunities for curriculum-based educational programs that focus on medicine, science and the benefits of good health for children ages four to fourteen years old. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2014. They do not offer franchises in any other line of business.

We have an affiliate, Tectum Franchising LLC d/b/a CR3 American Exteriors, formed on July 12, 2022, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. CR3 American Exteriors offers franchise opportunities for offering, selling, and performing roofing and remodeling services for commercial and residential customers. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business.

We have an affiliate, Zoomin Groomin USA, LLC d/b/a Zoomin Groomin, formed December 30, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Zoomin Groomin offers franchise opportunities for pet grooming services. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2020. They do not offer franchises in any other line of business.

### ***Description of the Franchise***

We offer the opportunity to operate a business (“Franchise Business”), using The Inspection Boys® model (“System”) which involves delivering residential and commercial facility inspection services (collectively “Services”) in accordance with prescribed processes which are defined in writing (“Manual”). We have offered these franchises since April 15, 2021. A Franchise Business operates under the trade name “The Inspection Boys®” and other such trademarks as we may designate for use from time to time which we refer to as the “Marks.”

### ***Industry-Specific Laws and Regulations***

Many states have laws that regulate individuals conducting building inspections and/or other requirements that in some way regulate building inspection businesses. These regulations often require some form of certification, licensing, or registration to offer or conduct services as a building inspector and/or to establish and operate a building inspection business. This means you and your inspection staff may be required to meet education levels, complete training and apprentice programs, have inspection experience, complete a recognized exam, and engage in continuing education programs to offer our Services. Our Initial Training is intended to enable you to operate the Franchised Business according to our System; however, our Initial Training is not sufficient to meet these industry requirements. Compliance with the requirements of building inspection laws and regulations is necessary to conduct an inspection business.

You are responsible for researching and meeting the licensure, certification, and/or registration requirements for businesses and home inspectors in your local jurisdiction, including all associated costs. You should consult with your attorney concerning these and other local laws and ordinances that may affect your operation of the Franchise Business.

### ***Description of the Franchise***

We offer the opportunity to operate a business (“Franchise Business”), using The Inspection Boys® model (“System”) which involves delivering residential and commercial facility inspection services (collectively “Services”) in accordance with prescribed processes which are defined in writing (“Manual”). We have offered these franchises since April 15, 2021. A Franchise Business operates under the trade name “The Inspection Boys®” and other such trademarks as we may designate for use from time to time which we refer to as the “Marks.”

### ***Area Representatives***

We offer an Area Representative franchise program, through a separate Franchise Disclosure Document, pursuant to which Area Representatives recruit and support unit franchisees in exchange for a portion of the initial franchise fee and royalty. Area Representatives do not have management responsibility related to the franchise. As of December 31, 2023, there was 1 Area Representative. There may be an area representative with area representative rights over your Territory when you sign a Franchise Agreement or during the term. We will provide a roster of all current area representatives upon your reasonable request.

### ***Market and Competition.***

The target market for Services consists of residential and commercial clients seeking affordable inspection services. The business model is operated from a home office location or small commercial office location which typically is centrally located in your market and you will drive to customers and provide our services onsite at their location. You will be reviewing and analyzing

properties for a variety of reasons including sales, purchases, or assessments being done on properties. You will be primarily driving to these homes and properties to perform assessments and developing the written reports from your home office location. These inspection services are not seasonal.

The general market for any home inspection service is highly developed and very competitive. Our customers are primarily individuals and families who buy a home.

In some jurisdictions, you will need a “home inspection” license or similar governmental permit. You should inquire with your local state, county and city regulators as to specific regulations that may exist related to home inspection service operations.

As a Home Inspection Business, you will compete with other home inspection companies and individual home inspectors. The industry is highly competitive. You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

***Prior Business Experience***

Our predecessor, Inspection Boys Franchising, LLC had offered franchises since 2017.

## ITEM 2. BUSINESS EXPERIENCE

### **Matthew Rivera: Chief Executive Officer**

Matthew Rivera has served as our Chief Executive Officer since December 2020. From December 2017 through November 2020, he served as the founder and Chief Operating Officer of our predecessor, The Inspection Boys Franchising, Inc., in Farmingville, New York. He is also the owner of The Inspection Boys Inc., which has operated a home inspection business under The Inspection Boys mark in Farmingville, New York, since April 2017. Mr. Rivera has been a licensed home inspector in New York State since 2015 and has been approved in New York State to provide qualifying home inspection courses through his management of the Long Island division of NY Home Inspector School since 2017. Mr. Rivera previously owned MJM Home Inspections Inc., in Farmingville, New York from 2015 through April 2017.

### **John T. Hewitt: Chief Executive Officer and Chairman of Loyalty, LLC**

John T. Hewitt has served as the Chief Executive Officer and Chairman of Loyalty, LLC, in Virginia Beach, Virginia since September 2017.

### ITEM 3. LITIGATION

**John Hewitt, Chairman of Loyalty, LLC, has been named in the following litigation:**

**Pending Actions:**

*There are no pending actions.*

**Concluded Actions:**

JTH Tax LLC d/b/a Liberty Tax Service v. John T. Hewitt, Loyalty LLC, ATAX LLC, ATAX Franchise, Inc. and Yneva Marte (Case No.2:21-cv-00076-RBS-LRL) filed February 4, 2021 in the United States District Court for the Eastern District of Virginia. Plaintiff filed the action alleging that ATAX franchisees maintained signage that is confusingly similar to trade dress and logos of the Plaintiff. The Plaintiff also alleges that Mr. Hewitt tortiously interfered with certain contractual relations by discussing with existing and former franchisees of the Plaintiff opportunities at ATAX. The complaint alleges that Mr. Hewitt breached his employment agreement by sharing and using trade secrets, confidential and proprietary information for his own benefit or the benefit of a third party by convincing existing and prospective franchisees of the Plaintiff to leave and instead open ATAX franchises. Lastly, the complaint alleges that Mr. Hewitt engaged in a conspiracy to unfairly compete against and damage Liberty Tax by convincing customers and prospective customers to pick ATAX over Liberty Tax. Plaintiffs sought \$20 million in actual damages, treble damages, costs, and legal fees along with injunctive relief. The Defendants have denied the allegations. The matter was settled on December 31, 2021. Under the Settlement Agreement, Defendants agreed to pay the Plaintiff \$545,000 over 6 years, and to refrain from: (1) unfairly competing with Liberty Tax by tortiously interfering with its franchise agreements; (2) diverting or attempting to interfere with or divert any leases from Liberty; (3) palming off any of ATAX's products or services as those of Liberty; (4) any action or statement that could reasonably cause likelihood of confusion that any ATAX location is associated with Liberty; (5) possessing, misappropriating, using or disclosing Liberty's confidential information; and (6) accessing any of Liberty's computer systems or databases. ATAX agreed to permanently close three specific ATAX locations and use their best efforts to assign leases for those locations to Liberty. The Court retained jurisdiction to enforce the final consent order.

*Rose Mauro, individually and on behalf of all others similarly situated v. Liberty Tax, Inc. Edward L. Brunot. John T. Hewitt, and Kathleen Donovan*, (Case No. 18 CV 245) filed on January 12, 2018 in the United States District Court for the Eastern District of New York. Plaintiff filed a securities class action asserting violations of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants and a second count for violations of Section 20(a) of the Exchange Act against the individual defendants. According to the complaint, throughout the class period, Liberty Tax, Inc. allegedly issued materially false and misleading statements and/or failed to disclose that: (1) Hewitt created an inappropriate tone at the top; (2) the inappropriate tone at the top led to ineffective entity level controls over the organization; and (3) as a result, defendants' statements about the operations and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times. This case was consolidated with the *Patrick Beland* matter listed below and then further information on this case is reported below under the caption *In Re: Liberty Tax, Inc., Securities Litigation* Case No. 27 CV 07327 (E.D.N.Y.).

Patrick Beland, individually and on behalf of all others, similarly, situated v. Liberty Tax, Inc., Edward L. Brunot, John T. Hewitt, and Kathleen E. Donovan, (Case No. 17 CV 7327) filed on December 15, 2017 in the United States District Court for the Eastern District of New York. Plaintiff filed a securities class action asserting violations of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants and a second count for violations of Section 20(a) of the Exchange Act against the individual defendants. According to the complaint, throughout the class period, Liberty Tax, Inc. allegedly issued materially false and misleading statements and/or failed to disclose that: (1) Hewitt created an inappropriate tone at the top; (2) the inappropriate tone at the top led to ineffective entity level controls over the organization; and (3) as a result, defendants' statements about the business, operations and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times.

The two above referenced shareholder actions were consolidated under the caption In Re: Liberty Tax, Inc., Securities Litigation, (Case No. 27 CV 07327) (E.D.N.Y.). On June 12, 2018, the Lead Plaintiff, IBEW Local 98 Pension Fund, filed its Consolidated Class Action Amended Complaint, which removed Ed Brunot as a defendant and added additional securities claim based on Section 14(a) of the Exchange Act and Rules 14-a3 and 14a-9. The Consolidated Amended Class Action Complaint, among other things, asserted that LT Inc.'s SEC filings over a multi-year period failed to disclose the alleged misconduct of the individual defendants and that disclosure of the alleged misconduct caused LT Inc.'s stock price to drop and, thereby harm the purported class of shareholders. The Class Period is alleged to be October 1, 2013 through February 23, 2018. The defendants filed a joint motion to dismiss the Consolidated Amended Class Action Complaint on September 17, 2018. The Lead Plaintiff served their opposition on November 1, 2018 and the defendants filed their reply brief on November 27, 2018. A mediation took place on November 12, 2018 but did not result in a resolution. On January 16, 2020, the case was dismissed for failure to state a claim. The Plaintiff filed a Notice of Appeal on February 19, 2020. The dismissal was affirmed on appeal.

Kenneth Martin et al. v JTH Tax, Inc. d/b/a Liberty Tax Service, John Hewitt and Danny Hewitt, (Case No. 9:10-3016-CWH) filed on November 22, 2010 in the U.S. District Court for the District of South Carolina. The plaintiffs, former clients of two Liberty Tax franchised offices, filed suit claiming that, pursuant to a plan or scheme, JTH fraudulently increased their tax refunds when preparing their income tax returns. The plaintiffs brought the case as a class action seeking to represent all Liberty Tax customers that were charged additional fees for the filing of schedules or forms which accompanied a federal income tax return, but the Court denied class action status in February 2013. The plaintiffs also brought a RICO claim against John and Danny Hewitt individually, a breach of contract claim against us, a breach of fiduciary duty claim against us, and an unjust enrichment claim against all defendants. The plaintiffs sought at least \$5,000,000 in actual damages, treble damages under the RICO claim, punitive damages against us, restitution against all defendants, reasonable attorney's fees, accountants' fees, experts' fees, costs, and an incentive payment to the class representatives.

In January 2011, JTH filed an answer denying these claims and filed third-party claims against Annie Fuller, a former Liberty Tax franchisee, claiming that she had committed defamation by providing false information to the plaintiffs' attorneys and possibly others about JTH, breached her franchise agreement and a purchase and sale agreement, and that she owed indemnity. JTH

also asked for declaratory judgment finding that, as a result of Fuller's breaches, it had no further duty to pay sums to her from a purchase and sale agreement and should be refunded monies already paid. On May 31, 2011, Fuller filed a counterclaim against JTH alleging that JTH breached a purchase and sale agreement, breached the purchase and sale agreement with a fraudulent intent, violated the Virginia Retail Franchising Act, and breached her franchise agreement. Fuller sued for unspecified damages, costs, and attorney's fees. JTH denied the allegations. The Court granted summary judgment for Danny Hewitt on all claims and for John Hewitt on unjust enrichment. In June 2013, the plaintiffs and Liberty settled all remaining matters in controversy with Liberty agreeing to pay the plaintiffs \$300,000. The plaintiffs signed releases and, on June 28, 2013, all claims were dismissed with prejudice. In May 2013, both Fuller and Liberty dismissed their claims without prejudice.

*K&A Publicidad, Inc. v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc. d/b/a Siempre Tax and John Hewitt*, (Case No. CL17-4169), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff is a company owned and controlled by Kirke Franz Szawronski. Plaintiff alleges that it entered into a contract with Liberty to provide promotional and strategic relationship services to help grow the SiempreTax brand. Plaintiff alleged that defendants breached the contract for failure to pay for services and seeks damages. This matter, along with the *Kirke Franz Szawronski* matter described below, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

*Kirke Franz Szawronski v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc., d/b/a Siempre Tax and John Hewitt*, (Case No. CL17-4170), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff was a former employee and filed a lawsuit claiming breach of employment agreement with Plaintiff by failing to pay 6-months' severance. Plaintiff also asserted a claim for defamation. This matter, along with the *KK&A Publicidad, Inc.* matter described above, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

*Asbestos Workers' Philadelphia Pension Fund, derivatively on behalf of Liberty Tax, Inc., v. John Hewitt. Defendant, and Liberty Tax, Inc., Nominal Defendant*, (Case No. 2017-0883), filed on December 12, 2017 in the Court of Chancery of the State of Delaware. Plaintiff alleged that Liberty's former CEO, John T. Hewitt ("Hewitt"), breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with the *Erie County* matter described just below and then continued under the caption *In Re: Liberty Tax, Inc. Stockholder Litigation*.

*Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant*, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought to enjoin Hewitt from managing LT's business operations and seeks

compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with another action into *In Re: Liberty Tax, Inc. Stockholder Litigation* (*see below*).

On December 27, 2017, the two above referenced shareholder matters were consolidated with the caption *In Re: Liberty Tax, Inc. Stockholder Litigation*, (Case No. 2017-0883). The Complaint asserted claims for breach of fiduciary duty and breach of fiduciary duty by violation of the nominating committee charter. A mediation took place on November 12, 2018 but did not result in a resolution. On March 15, 2019, the parties entered into a stipulation of settlement of which the material terms of the settlement are as follows: (i) Liberty Tax agreed to implement an anti-harassment policy; (ii) Liberty Tax will conduct yearly code of conduct training; (iii) Liberty Tax will terminate for cause any employee who violates the anti-harassment policy that has been substantiated as such; (iv) Liberty Tax will revise its audit committee charter to reflect that SEC filings must be pre-approved by the Audit Committee; (v) Liberty Tax will take reasonable steps to be listed on NASDAQ or NYSE; (vi) Hewitt agrees not to solicit company employees; and (vii) No party admits any liability. On June 28, 2019, the Court of Chancery approved a Derivative and Class Action Settlement. All issues have been resolved and the Delaware derivative actions were dismissed with prejudice in 2019 without any finding of liability on the part of the Defendants.

*RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al.*, (Case No. 2:18-cv-00127-HCM-DEM), filed on March 7, 2018, in the United States District Court for the Eastern District of Virginia. This purported shareholder derivative action was filed on behalf of LT Inc. seeking to address the alleged wrongs of LT Inc.'s directors and officers. The Complaint claimed that certain conduct created an inappropriate tone at the top, resulting in the loss of key executives, employees, directors and otherwise harmed LT Inc. The Complaint asserted claims under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Section 10(b) and Rule 10b-5 and Section 20(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Complaint sought the following relief: (a) declaring that the Plaintiff may maintain this action on behalf of LT Inc., and that the Plaintiff is an adequate representative of LT Inc.; (b) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to LT Inc.; (c) determining and awarding to LT Inc. the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon; (d) directing LT Inc. and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect LT Inc. and its shareholders from a repeat of the damaging events (e) awarding LT Inc. restitution from Individual Defendants; and (f) awarding the Plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees, costs, and expenses. The parties to this action have agreed that all claims have been settled and agreed to dismiss the action within five business days of the *In Re: Liberty Tax, Inc. Stockholder Litigation* action in Delaware Chancery Court becoming final. On September 11, 2019, the Court conducted a hearing for approval of the settlement and for attorney's fees. On September 12, 2019, the Court found the shareholder notice to be adequate and in compliance with the requirements of rule 23.1(c). The Court approved the settlement ordered in the *In Re: Liberty Tax, Inc. Stockholder Litigation* which incorporated the

Plaintiff's claims in this action and approved the \$295,000 in attorneys' fees, including the case contribution award of \$2,000 to Plaintiff. This matter was dismissed with prejudice.

*Bablu Shahabuddin v. JTH Tax, Inc., Siempre Tax, and John Hewitt*, (Case No. 2:18-cv-00016-MDS-DEM) filed on January 11, 2018 in the United States District Court for the Eastern District of Virginia. The plaintiff filed suit which, as amended, claimed that JTH Tax and Siempre Tax failed to pay to him certain monies owed under various Purchase and Sale Agreements, that a constructive trust should be imposed on certain monies received by Liberty Tax and Siempre for the subsequent sale of those territories, that the defendants committed fraud in the inducement, and that Hewitt orally guaranteed the Purchase and Sale obligations. Shahabuddin sued for \$600,000 in compensatory damages, \$350,000 in punitive damages, plus pre-judgment and post-judgment interest. The parties reached a settlement of all claims whereby JTH Tax paid \$775,000 and a portion of certain upcoming Net Revenue at offices previously owned by the plaintiff to him. The case was dismissed on November 14, 2018.

#### **Governmental Actions Against John T. Hewitt:**

In the Matter of a Consent Order between The Commissioner of Financial Protection and Innovation and John T. Hewitt, before the Commissioner of Financial Protection and Innovation for the State of California. The Commissioner is the head of the Department of Financial Protection and Innovation (Department) and is responsible for administering and enforcing the Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.), The Commissioner has determined pursuant to her authority under the FIL that John T. Hewitt is “subject to” the Final entered in the matter of United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern 25 District of Virginia (the Final Order). John T. Hewitt agreed that he is required to disclose the Final Order in Item 3 of any Franchise Disclosure Document filed by any present or future Franchisor where John T. Hewitt is a director, trustee, general partner, principal officer, or maintains management responsibility relating to the sale or operation of the respective Franchisor, along with disclosure of this governmental action.

#### **Governmental Actions against Unrelated Entities:**

United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service, (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern District of Virginia. The Department of Justice (DOJ) filed a complaint asserting that Liberty Tax failed to maintain adequate controls over the tax returns prepared by its franchisees and failed to take steps to prevent the filing of potentially false or fraudulent returns prepared by its franchises despite notice of fraud at some of its franchisee stores. The primary focus of the DOJ's investigation that preceded the complaint related to the alleged operational wrongdoing of 12 franchisees. Also on December 3, 2019, the DOJ and Liberty Tax filed a joint motion asking the court to approve a proposed settlement order setting forth certain enhancements to the Liberty Tax service compliance program and requiring Liberty Tax to retain an independent monitor to oversee the implementation of the required enhancements to the

compliance program; and work with Liberty Tax to make further enhancements to improve the compliance program. As part of the proposed order, Liberty Tax agreed not to rehire John T. Hewitt, under whose supervision the alleged conduct at issue occurred. Liberty Tax further agreed not to grant John T. Hewitt any options or other rights to acquire equity in Liberty Tax or to nominate him to the company's board of directors. On December 20, 2019, the court granted the joint motion and the motion to seal, which fully resolved the legal proceedings initiated by the DOJ. Although he is referenced in the court's order, John T. Hewitt was not a named party to this case.

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

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**ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

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## ITEM 5. INITIAL FEES

We will charge you an initial fee of \$40,000 (the “Initial Franchise Fee”) for a single franchise location. You must submit the initial franchise fee to us before attending initial training. We will refund to you the initial fee if we do not approve your application or if you do not pass our initial training in accordance with our current passing standards for training provided that you return to us all materials which we distributed to you during training.

We disclose financing terms in Item 10.

We offer a 10% discount to all qualified veterans and first responders who purchase a Territory. We may offer limited incentive programs as part of our franchise development efforts. We reserve the right to offer, modify, or withdraw any such incentive program without notice to you.

Except as described in this Item 5, the initial fees are uniformly imposed and non-refundable once paid.

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## ITEM 6. OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee (Notes 2 and 3)	The Royalty Fee rate is 7% on Gross Revenue (Note 4) with a minimum Royalty Fee of: 0-6 months=\$0 7-24 months=\$250 25-48 months=\$325 Over 48 months=-\$400.	Payable monthly by electronic funds transfer ("EFT") from your bank account.	Revenues from the Franchised Business.
Late Fees	Lesser of 1.5% per month or the highest rate allowable by law of the state where you are located.	As incurred	Apply to amounts owed to us that are five (5) days past due.
Regional Marketing Fund Contribution	The Regional Marketing Fund Contribution is 2% of Gross Revenue.	Payable monthly	Local, regional, or national advertising and support to promote the brand.
Additional Assistance (Note 5)	Then current rate.	When rendered	If you request non-standard assistance.
Transfer Fee (Note 6)	\$5,000	Prior to acceptance of transferee	Payable at closing
Technology Fee (Note 7)	\$375 per month	Monthly in the same manner as the Royalty Fee	To us
Indemnification	Will vary under circumstances	As incurred	Payable if we incur on your behalf.
Attorney Fees and Costs	Will vary under circumstances	As incurred	Prevailing party pays litigation cost of the other party.
Insurance (Note 8)	Varies by state	As incurred	Payable to third parties
Licensing (Note 9)	Varies by state	As incurred	To Licensing Authority
Local Advertising	\$500-\$1,000 per month	As incurred	Local, regional, or national advertising

Market Introduction Plan	\$5,000	As incurred	You will be required to develop a market introduction plan and spend \$5,000 in local advertising as part of your grand opening.
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Note 1: All of the listed fees are uniformly imposed payable to us unless otherwise noted and are non-refundable. You must participate in our electronic funds transfer program which authorizes us to utilize a pre-authorized bank draft system. Fees payable to approved suppliers are subject to change during the term of the franchise agreement. These changes are not within our control.

Note 2: Payment of the monthly Royalty Fee will begin following the first full week of operation. However, there will be no minimum Royalty for the first six (6) months.

Note 3: If you change your bank account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and the bank new documents to permit us to debit your bank account within three days. We require you to execute an Automatic Bank Draft Authorization and pay most fees to us via ACH electronic funds transfer. See Schedule 2 to the Franchise Agreement.

Note 4: "Gross Revenues" means the total of all receipts whether cash, credit, checks, bitcoin, or other means of exchange net of any tax, adjustments, credits and allowances actually made in accordance with the Operations Manual. Even though we reserve the right to access your computer system to download sales information, you must provide us with the required Gross Revenue report every Tuesday for the prior week's activity. The end of each week for Royalty collection purposes is Saturday at midnight.

Note 5: Additional assistance may be obtained from us via phone, video conference, and webinar. However, if additional assistance is requested onsite then you will pay per diem travel cost to include any necessary transportation, lodging, and meals.

Note 6: For the protection of both buyer and seller, The Inspection Boys Franchise USA LLC will serve as the settlement agent on transfers of ownership. However, no Transfer Fee is required if you transfer your Outlet to an entity in which you are the majority owner, or if you transfer the Outlet to your child, parent, sibling, or spouse. In addition, prior to transfer, all outstanding amounts due must be paid.

Note 7: The Technology Fee covers the cost of the customer relationship management system which includes scheduling functionality.

Note 8: You will be required to carry policies covering commercial general liability, auto and workers compensation. The specific requirements are included in the Operations Manual. We estimate the initial costs of these policies to be \$2,000 to \$3,000. (See Item 7)

Note 9: You must invest in necessary licenses and permits required by your market to operate a Home Inspection Business. Some jurisdictions require a home inspector license.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure*	Estimated Amount (Low)	Estimated Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (Note 1)	\$40,000	\$40,000	Check or Wire Transfer	At Signing of Franchise Agreement	Us
Market Introduction Plan (Note 2)	\$5,000	\$5,000	As Incurred	Upon Opening Operations	Third Party Advertising Suppliers
Cost of Travel, Food and Lodging for Training (Note 3)	\$500	\$2,000	As Incurred	During Training	Airlines, Lodging & Ground Transportation
Vehicle (Note 4)	\$0	\$500	As Arranged	Before Beginning Operations	Suppliers
Tools, Inventory & Supplies (Note 5)	\$200	\$500	As Arranged	Before Beginning Operations	Suppliers
Computer Equipment Services & Software (Note 6)	\$500	\$750	As Arranged	Before Beginning Operations	Suppliers
Licenses & Permits (Note 7)	\$400	\$2,500	As Arranged	Before Beginning Operations	Licensing Authorities
Insurance (Note 8)	\$2,000	\$3,000	As Arranged	Before Beginning Operations	Insurance Company
Professional Fees- Legal & Accounting (Note 9)	\$500	\$1,000	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds -3 Months (Note 10)	\$2,000	\$5,000	As Arranged	As Necessary	Us, Employees, Utilities, Lessor & Suppliers
Facility (Note 11)	\$0	\$1,500	As Arranged	As Necessary	Utilities, Lessor
<b>TOTAL</b>	<b>\$51,100</b>	<b>\$61,750</b>			

\*All fees are uniformly imposed payable to us unless otherwise noted and are nonrefundable.

Note 1: **Franchise Fee**-Depending on your creditworthiness, we may extend financing to you. (See Item 10).

Note 2: **Market Introduction Plan**-You must develop a market introduction plan, obtain our approval, and then execute the plan as part of your grand opening by deploying \$5,000 in local advertising, online advertising, or search engine optimization.

Note 3: **Initial Training**-You must pay for the travel, lodging, meals, and wages of attendees at initial training if not offered via videoconference. Your costs will vary.

Note 4: **Vehicle**-You must maintain a vehicle. We estimate the down payment on a purchase or lease to be at least \$500 depending on creditworthiness. The full cost of the vehicle is approximately \$80,000. Taxes and delivery fees are not included with this total and will vary depending on your location. We make no guarantee regarding the availability of financing, nor do we finance any portion of the vehicle expense. If you already own an appropriate vehicle your cost is calculated at \$0. The estimate assumes you will finance the purchase or lease of the vehicle.

Note 5: **Inventory and Supplies**-You must purchase an initial inventory of tools and supplies, basic office supplies, and other operating supplies.

Note 6: **Technology**- You must comply with our computer hardware, software, and network services specifications which we set forth in detail in Item 11.

Note 7:**Permits**-States and localities will set permits and license requirements, if any. You must comply with any such requirements that are established for your territory

Note 8: **Insurance**- You must comply with the insurance requirements as defined in the Operating Manual. These insurance costs vary by state and can change over time based on your risk management skill.

Note 9: **Professional Fees**-You may incur professional fees like legal and accounting expenses to assist with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.

Note 10: **Additional Funds**-The estimate of additional funds for the initial phase of your Franchised Business is based on your staff salaries and operating expenses for the first three months of operation. The estimate of additional funds does not include an owner's salary or draw. We base this estimate upon the years of experience our management team has in the industry.

Note 11: **Facility**-You can operate the Franchise Business out of your home. However, if you need additional space for parking the vehicle or storage of supplies, then you may need to obtain lease space; typically, 100 square feet.

## ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

### 1. *The Goods or Services Required to be Purchased or Leased*

#### 1.1. *Advertising and Marketing.*

You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing, prior to its use.

#### 1.2. *Computer Hardware, Software, Point of Sale Credit Card System, Merchant Account.*

We require you to use such computer hardware, software, Point of Sale Credit Card systems, and Merchant Account as we specify in the Manual, which may include vendor designations.

#### 1.3. *Tools and Equipment.*

You must purchase tools and equipment from a supplier that we designate or subject to our specifications as provided in the Manual.

#### 1.4. *Insurance.*

You must obtain and maintain, at your own expense, such insurance coverage as required by your state laws.

Moreover, you must obtain and maintain insurance coverage as we require which may exceed insurance coverage required by your state laws.

All insurance policies must name us as an “additional insured” party.

Our current insurance specifications are as follows:

- “all risk” property insurance coverage for assets of the franchised business;
- workers’ compensation insurance and employer liability coverage with a minimum limit of \$100,000 or higher if your state law requires;
- comprehensive general liability insurance which includes contractual indemnity with a minimum liability coverage of \$1,000,000 per occurrence, or higher if your state law requires;
- business interruption insurance;
- commercial automobile liability insurance of at least \$1,000,000 or higher if your state law requires;
- liability insurance for errors and omissions in the amount of \$1,000,000.

You may obtain insurance to cover any risk associated with your activity. These insurance costs vary by state and can change over time based on your risk management skill.

**1.5. Signs.**

You must purchase vehicle signage from a supplier that we designate or subject to our specifications.

**1.6. Supplies/Inventory.**

You must purchase such supplies and inventory as we may designate in the Manual, subject to any specifications we may issue, which may include a vendor designation.

**1.7. Officer Interests in Suppliers.**

Neither the franchisor nor its officers own any interest in a supplier.

**2. Whether We or Our Affiliates are Approved Suppliers**

Neither The Inspection Boys® nor any person or company affiliated with it receives any consideration from suppliers that we may recommend to you on account of your purchases from such suppliers. There are no approved suppliers in which any of our officers owns an interest. No one affiliated with The Inspection Boys ® is currently an approved supplier.

**2.1. Alternative Suppliers**

We do not maintain written criteria for approving suppliers and therefore these criteria are not available to you or your proposed supplier. You may contract with alternative suppliers if they meet our criteria except you must use the Franchise Disclosure Document that we provide or make available to you to use.

If you wish to propose another supplier, you must do so in writing. We will review the supplier to determine whether to consider adding the supplier to our list of approved vendors. We reserve the right to approve or revoke approval of any supplier. We will notify you within 30 days if we approve or disapprove of an alternative supplier. If we revoke approval for a supplier, we will provide written notice to you.

**2.2. Supplier Payments to Us**

We currently do not receive payments from suppliers as a result of purchases by our franchisees; however, we may do so in the future. Further, we may utilize any such funds received by us in our sole judgment. In our last fiscal year ended December 31, 2023, neither we nor our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

**2.3. Purchasing or Distribution Cooperatives**

There currently are no purchasing or distribution cooperatives.

**2.4. Purchase arrangements**

We do not presently, but reserve the right in the future to, negotiate purchase arrangements with supplies, including preferred pricing arrangements, for the benefit of our franchisees. Further, we do not currently, but reserve the right in the future to, receive payments from approved suppliers with respect to your purchases. Furthermore, we may utilize any such funds received by us in our sole judgment.

**2.5. Material Benefits**

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers.

**3. Required Purchases as a Proportion of Costs**

We estimate that required purchases described above will be approximately 15-20% of all purchases and leases by you of goods and services to establish a franchise and approximately 10-15% of your operating costs.

## ITEM 9. FRANCHISEE’S OBLIGATIONS

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

Franchisee’s Obligations	Section In Franchise Agreement	Item in Disclosure document
a. Site selection and acquisition/lease	1.4	11
b. Pre-opening purchases/leases	4	7, 8
c. Site development and other pre-opening requirements	4.3	11
d. Initial and ongoing training	4.2	11
e. Opening	1.4A	11
f. Fees	2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	4.5	Ex D, 8, 11
h. Trademarks and proprietary information	5	13, 14
i. Restrictions on products/services offered	4.1	8, 16
j. Warranty and customer service requirements	4.1B	6
k. Territorial development and sales quotas	1.4C, Schedule 2	12
l. Ongoing product/service purchases	3.3, 4.6	8
m. Maintenance, appearance & remodeling requirements	4.3	Not Applicable
n. Insurance	4.9	8
o. Advertising	1.5	8, 11
p. Indemnification	4.8	6
q. Owner’s participation/management/staffing	4.1A	15
r. Records and reports	4.7	11
s. Inspections and Audits	4.7	11
t. Transfer	7	17
u. Renewal	1.3B	17
v. Post-termination obligations	8.5	15, 16, 17
w. Non-competition covenants	8.6	15, 16, 17
x. Dispute resolution	9	17

## ITEM 10. FINANCING

We offer the following financing program:

Parameter	Initial Franchise Fee and for additional territories
Item (Note 1) <span style="float: right;">Financed</span>	Varies, up to 50% of the Initial Franchise Fee
Source of Financing (Note 2)	Us
Down Payment	Minimum of 50%
Amount Financed	Up to 50%
Interest Rate/Finance Charge	12% per annum (including finance charges)*
Period of Repayment	48 months with repayment due on year anniversary each year
Security Required	Personal Guarantee
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt (Note 3)	If the franchisee is an entity, its owners must personally guarantee the debt
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.
Intent to Sell (Note 4)	There is no intent to sell, assign or factor the debt to a third party.
Consideration for placement of financing (Note 5)	None

\* The highest interest rate allowed by law in California is ten percent (10%) annually.

## NOTES

Note 1:**Discretionary**-We may in our sole discretion provide financing to you.

Note 2:**Form**-Schedule 5 contains the form of Promissory Note that you must sign for us to extend financing to you.

Note 3:**Corporate Guarantee**- If the Franchisee is a corporation, each officer and shareholder of the Franchisee must execute a personal guaranty for the note, agreeing to be personally and jointly and severally liable for its repayment. Schedule 5 has the Promissory Note that must be executed. We do not guarantee your notes, leases, or obligations.

Note 4:**Intent to Sell**-We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so.

Note 5:**Commissions/Rebates**-We do not receive any direct or indirect payments or other consideration for placing financing.

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

Except as listed below, The Inspection Boys<sup>®</sup> is not required to provide you with any assistance.

### 1. *Pre-Opening Obligations*

**Initial Training.** We provide an initial training program in New York City, Virginia Beach, another designated training location, or online. The topics covered in initial training are described in the chart below in this Item 11. (Franchise Agreement, Section 3.2A).

**Real Estate.** We do not require that you maintain an office, and instead can work from home. If you choose to operate from commercial office space, then your business location is not subject to our approval.

**Assistance to Hire and Train Employees.** We provide guidance on how to hire and train employees. (Franchise Agreement, Section 3.2C).

**Assistance to Obtain Equipment, Signs, Fixtures, Opening Inventory, and Supplies.** We provide guidance to obtain vehicle signage, tools, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items. (Franchise Agreement Section 3.3).

**Operations Manual.** We provide access to our Operations Manual ("Manual") to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 4.5 & 3.1).

**Length of Time Before Opening:** The typical length of time between the signing of the franchise agreement and the opening of your franchise business is 3-4 months. You will begin operations and be open for business the sooner of 3 months from the time both parties execute the franchise agreement.

Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain financing; (2) establish pricing; (3) acquire tools; (4) obtain licenses and permits; (5) perform initial marketing; (6) weather conditions; (7) acquire vehicle and signage; and (8) hire and train staff.

### 2. *During the Operation of the Franchise:*

**Marketing Support.** We offer marketing assistance and support. (Franchise Agreement, Section 1.6).

**Computer Hardware and Software.** We specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 4.6).

**Additional Training or Seminars.** We may elect to offer additional training or seminars. (Franchise Agreement, Section 4.2B, 4.2C).

**Establishing Prices.** We do not establish prices at which the franchisee must sell its products and services. We may but are not obligated to make pricing recommendations based on industry wide standards and the going rates in the particular market as part of the initial and ongoing training. We may also include such pricing recommendations in the Operations Manual. This information is solely for training and educational purposes. Each franchisee is solely responsible for establishing their own prices.

### **3. Advertising Program and Fund:**

**Grand Opening Advertising.** You must spend \$5,000 as part of your Market Introduction Plan (See Item 7) for local advertising and promotion to launch your The Inspection Boys® Business.

**Local Advertising.** We require you to spend a minimum of \$1,200 per year on local advertising pursuant to our guidelines.

**Advertising Fund.** You agree to contribute 2% of your Gross Revenues into our Advertising Fund. (Franchise Agreement, Section 1.5C,D). Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

If not all Advertising Fees are spent in the fiscal year in which they accrue, we will carry over those fees and apply them to the next fiscal year.

We may not use Advertising Fees to solicit new franchise sales.

As of December 31, 2023, there had been no contributions by franchisees into the Advertising Fund and no expenditures from the Advertising Fund.

**Our Obligation to Conduct Advertising.** We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or territory where you will be located. (Franchise Agreement, Section 1.6).

**Corporate Website.** We will develop and maintain a comprehensive website that contains your location's contact information. (Franchise Agreement, Section 1.6A).

**Digital Marketing.** We may create, operate and promote websites, social media accounts (including but not limited to Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Franchise Agreement, Section 1.6).

**Digital Campaigns.** We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Franchise Agreement, Section 1.6C).

**Print Material.** We supply you with templates of fliers, coupons, and other print material. (Franchise Agreement, Section 1.6D)

**Use of Your Own Advertising Material.** You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 1.6E).

**Private Websites.** You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Franchise Agreement, Section 1.6G).

**Advertising Council.** We have a Franchisee Advisory Council (“FAC”) composed of franchisees that advises us on operational and advertising policy. We select the members. The FAC serves in an advisory capacity only. We have the power to form, change, or dissolve the advertising council.

**Advertising Cooperative.** You are not required to participate in a local or regional advertising cooperative.

#### **4. Computer and Cash Register Systems:**

We require you to use our The Inspection Boys® CRM (customer relationship management) cloud-based software system. You access The Inspection Boys® CRM from a tablet or computer. This system provides you the ability to manage cash flow and daily operating activities. These systems will generate or store data such as daily sales data and transactional data related to the operation of the franchised business.

We estimate that these systems will cost between \$0 (if you use your existing personal tablet or laptop) and \$750 to purchase.

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, show information, profit and loss, and cash flow analysis. There is no contractual limitation on our right to access the information.

You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$500.

#### **5. Independent Access to Information.**

We have and you are required to provide independent access to the information that will be generated or stored in your computer systems which includes, but is not limited to, customer, transaction, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information as well as your security camera systems. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records

related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a copy of any business records, you must send us at your expense these records within five (5) business days of receiving our request.

**6.        *Operations Manual:***

Exhibit D-Table of Contents of Franchisee Operations Manual contains the Table of Contents to the Operations Manual. The Manual contains approximately 140 pages.

**7.        *Initial Training Program:***

After you sign the franchise agreement and no later than six weeks before the opening of your The Inspection Boys® Business, we provide an Initial Training Program as follows:

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<b>TRAINING PROGRAM</b>			
<b>Subject</b>	<b>Hours in Classroom</b>	<b>Hours On- The-Job</b>	<b>Location (Note 1)</b>
Initial Overview: How to operate the day-to-day business Understanding The Inspection Boys Value Proposition Building a Business Plan	8	0	Virginia Beach, VA or East Islip, NY
Operational Training: Hiring Staff Managing the Location How to Interact with Customers	6	0	Virginia Beach, VA or East Islip, NY
Marketing the Business: How to create awareness in your market for The Inspection Boys Understanding and Management How to Present yourself and the Brand at the Shows	4	0	Virginia Beach, VA or East Islip, NY
Administrative Responsibilities: Using the POS System Managing Paperwork Reporting Taxes and Bookkeeping Insurance	10	8	Virginia Beach, VA or East Islip, NY
In Field Inspection	0	10	Virginia Beach, VA or East Islip, NY
Working with the Franchisor Support Training Accessibility	8	0	Virginia Beach, VA or East Islip, NY
<b>TOTALS:</b>	<b>36</b>	<b>18</b>	

Note 1- We hold initial training in New York City, Virginia Beach, another designated training center, or online.

Matthew Rivera and Brigitte Malik have 9 years of experience in the home inspection field.

We hold initial training classes quarterly, or more often if necessary.

The instructional material includes the Manual, lectures, demonstrations, discussions, practice and forms.

We do not charge for you to attend initial training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend initial training.

We require that you, or in the case of an entity your principals, attend initial training. You may enroll your management personnel upon our approval. Your successful completion of initial training to our satisfaction is required to operate a franchise within three months of signing the franchise agreement. We advise you during or immediately after initial training if you have successfully completed the course.

**8. Additional Training or Seminars.**

We may elect to offer and require you to attend, either live or electronically, additional training and seminars that we may offer. You must pay any travel and living expenses that you or we incur to attend training.

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## ITEM 12. TERRITORY

The territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth on Schedule 1 to the franchise agreement.

A territory will normally include a minimum population of approximately 150,000 residents as determined by the U.S. Census Bureau or mapping software that we feel is reliable.

We may grant to you approval to open additional outlets within your territory if circumstances so permit, such as within other businesses with whom we have formed a relation, or if there is a population increase. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory. If you wish to relocate your Inspection Boys® franchise site, the proposed new site must meet our then-current site selection criteria and be approved by us.

We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises

Any franchisee can serve any customer anywhere. However, you may only engage in marketing activities in your protected territory.

You will not receive an exclusive 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 franchise agreement will specify a protected territory. In your protected territory, we will neither open a business under The Inspection Boys brand, nor license or franchise another party to open a business under our The Inspection Boys brand.

However, we may serve (or authorize other franchisees to serve) customers in your territory if you are in default, or if you are incapable of meeting customer demand in your territory. We may also serve (or authorize another franchisee to serve) a particular customer in your territory if you fail to properly serve such customer, or if we reasonably believe that you will not properly serve such customer.

Although you receive protection from competition as described in this section, you will not receive an exclusive territory with respect to customers and instead you will receive an exclusive marketing territory.

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory even if there is a population increase in your territory. However, your right to operate a Franchised Business in the Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:

(a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal

trademarks (or another trademark) without any compensation to you, however, we will direct inquiries for mobile pet grooming services from within your Territory to your Franchised Business;

(b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;

(c) to establish and operate, and grant rights to others to establish and operate a Franchised Business or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;

(d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement;

(e) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;

(f) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,


(g) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

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### ITEM 13. TRADEMARKS

The franchise agreement licenses to you the right to use the following principal trademarks (“Marks”) registered or applied for with the U.S. Patent and Trademark Office (“USPTO”):

Description of Mark	Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
 <p>The color(s) teal, dark teal, and gray is/are claimed as a feature of the mark. The mark consists of the wording "THE INSPECTION BOYS" on three lines in stylized, teal uppercase lettering, with dark teal 3-D effect. There is a magnifying glass instead of the letter "O" in "BOYS". There is a teal, horizontal line with dark teal 3-D effect on either side of the word "BOYS". Around the top of the wording is the stylized outline of a house and roof in teal with dark teal 3-D effect. The entire mark has a gray shadow effect and is on a slight diagonal plane.</p>	5539862	Principal	May 29, 2018
“We Inspect and Respect Your Home”	5539860	Principal	08/14/2018

We purchased the right to use the name and marks in the United States from the predecessor on or about December 8, 2020. A Notice of Recordation of Assignment Document was issued by the United States Patent and Trademark Office with a Recordation Date of May 23, 2023.

Other than as mentioned in the preceding paragraph, all required affidavits and renewals have been filed. There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

There are no currently effective agreements that significantly limit our rights to use or license the use of our trademarks listed in this section.

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The franchise agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If we discontinue or modify our Marks, you must adopt and use any new Marks as required by us. Any expenses you incur because of adopting and using these Marks are your responsibility.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere.

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## ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

At this time, we do not hold any patents. We claim a copyright in our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights.

There are no currently effective determinations of the U.S. Copyright Office or any court or any pending litigation or other proceedings regarding any copyrighted materials. No agreement limits our rights to use or allow others to use the copyrighted materials.

We will protect our patent or copyrights as necessary. We will remain in control of any such litigation. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense. We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials. We claim proprietary rights in our Manual and business methods. You must use these items per the terms of your franchise agreement. We are not required to participate in your defense or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third party establishes to our satisfaction, in our discretion, that it possesses copyright or patent rights superior to ours, then you must modify or discontinue your use of these materials in accordance with our written instructions.

You will not directly or indirectly disclose, publish, disseminate or use our “Confidential Information” except as authorized in the franchise agreement. You may use our Confidential Information to perform your obligations under the franchise agreement, but in doing so you will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. We may share performance data of your Franchised Business between us, our employees and affiliates, our franchisees and their employees. You agree to keep such performance data confidential.

“Confidential Information” means our information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, that is valuable and not generally known or readily available to third parties obtained by you from us during the term of the franchise agreement. The Confidential Information of ours includes all intellectual property associated with our Franchise System, all other materials relating to our Franchise System that are not a matter of public record, and all information generated during the performance of the franchise agreement.

“Customer Data” is considered Confidential Information and includes all information about customers that may be collected in connection with their use of your services including, but not limited to, name, telephone number, address and email address.

Upon termination of your franchise agreement, you must return to us our Operations Manuals and any Confidential Information. You may never - during the initial term, any renewal term, or after the franchise agreement expires or is terminated - reveal any of our Confidential Information to any other person or entity or use it for the benefit of any other person or business.

**ITEM 15. OBLIGATION TO PARTICIPATE  
IN OPERATION OF THE FRANCHISED BUSINESS**

You must personally supervise and participate in the day-to-day operation of your Franchised Business unless we permit otherwise in writing. You must devote your time, attention and best efforts to performing your obligations under the franchise agreement.

You may designate a Business Manager to fulfill your obligations of day-to-day management, though you are still responsible. You must inform us in writing of the identity of your Business Manager, furnish information to us regarding the candidate's background, experience and credentials, and secure our advance written approval before you engage him or her. We will not unreasonably withhold or deny our approval.

Your Business Manager must have complete decision-making authority with regard to your Franchised Business and must have authority to act on your behalf in all respects under the franchise agreement. Your Business Manager must successfully complete the initial training program, and complete ongoing advance training requirements.

All owners of the Franchised Business must guarantee the obligations under the franchise agreement.

Franchisees and Business Managers are subject to a covenant not to compete along with confidentiality requirements.

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## **ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell only the goods and services that we approve, and you must sell all the goods and services that we authorize. We have the right to change the types of authorized goods and services, but we do not intend to materially change the nature of this relation or the authorized goods and services.

During the term of your franchise agreement, and for two years thereafter, you are bound to a non-compete agreement which limits your ability to offer competitive services.

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## ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	1.3A	Ten (10) years.
b. Renewal or extension of the term	1.3B	Can be renewed for successive terms if you are in compliance with your franchise agreement (“Agreement”).
c. Requirements for you to renew or extend	1.3B	Renewing your franchise agreement means that you are able to continue your operations as a franchisee for an additional term. You must notify us in writing at least 90 days before the expiration, sign a new franchise agreement along with a general release of claims, pay a renewal fee (if any). Currently, there is no renewal fee. The new franchise agreement may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	7.2; 7.7	You may terminate the Franchise Agreement if you sell the Franchise Business pursuant to the terms of the franchise agreement or do not renew.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	8.2, 8.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	8.3	Violate the Franchise Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. “Cause” defined – non-curable defaults	8.2	Do not pass initial training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false franchise application,

Provision	Section In Franchise Agreement	Summary
		conviction of a felony or serious misdemeanor, fail to pay bills in the ordinary course when they are due; fail to permit us to inspect or audit your franchise.
i. Franchisee’s obligations on termination/renewal	8.5	Cease operations and stop using our Marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	7.1	We may assign to a successor in interest who remains bound by terms of the Franchise Agreement.
k. “Transfer” by franchisee - defined	7.2	Includes transfer of franchise agreement, any interest of the franchise agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor’s approval of transfer by franchisee	7.2iii	We have the right to approve all transfers.
m. Conditions for franchisor’s approval of transfer	7.2 & 7.8	<p>You must be:</p> <ul style="list-style-type: none"> <li>-current in monetary obligations;</li> <li>-in compliance with the franchise agreement;</li> <li>-execute any transfer, amendment, or release forms that we may require;</li> <li>-provide to us a copy of the proposed transfer documents;</li> <li>-transferee must meet our criteria;</li> <li>-transferee must execute our then-current franchise agreement;</li> <li>-pay to us the Transfer Fee;</li> <li>-transferee must satisfactorily complete our initial training program;</li> <li>-comply with the post-termination provisions;</li> </ul>

<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
		<p>-transferee must obtain necessary licenses and permits;</p> <p>-obtain any lessor approval for transfer;</p> <p>-the transfer must be made in compliance with any laws that apply to the transfer;</p> <p>-the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation;</p> <p>-you must request that we provide the prospective transferee with our current franchise disclosure document.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	7.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	7.6	We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.
p. Death or disability by franchisee	7.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Franchise Agreement.
q. Non-competition covenants during the term of the franchise	8.6	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	8.6A	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years.
s. Modification of the agreement	10.2	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Franchise Agreement.
t. Integration/merger clause	10.1	Only the terms in the franchise agreement are binding (subject to federal or state law). Any

Provision	Section In Franchise Agreement	Summary
		representations or promises made outside the disclosure document and franchise agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	9	You must first attempt to resolve claims against us through mediation.
v. Choice of forum	9.7	All claims must be brought before a court of general jurisdiction closest to our corporate office in Virginia Beach, Virginia (subject to applicable state law).
w. Choice of Law	9.6	Virginia law governs (subject to applicable state law).

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**ITEM 18. PUBLIC FIGURES**

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

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## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information and 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) franchisor provides the actual records of an existing outlet you are considering buying; or, 2) 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised Outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Outlet; however, we may provide you with the actual records of that Outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Matthew Rivera at (800) 819-4403, 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452, the Federal Trade Commission, and the appropriate state regulatory agencies

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**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of Year</b>	<b>Outlets at the End of Year</b>	<b>Net Change</b>
Franchised	2021	5	4	-1
	2022	4	14	+10
	2023	14	14	0
Company Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	1
Total Outlets	2021	6	5	-1
	2022	5	15	+10
	2023	15	15	0

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2021	0
	2022	0
	2023	0

**Table No. 3**  
**Status of Franchise Outlets**  
**For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations-Other Reasons</b>	<b>Outlets at End of Year</b>
Florida	2021	0	0	0	0	0	0	0
	2022	0	10	0	0	0	0	10
	2023	10	0	0	0	0	0	10
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New York	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Ohio	2021	0	0	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
South Carolina	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	5	0	1	0	0	0	4
	2022	4	10	0	0	0	0	14
	2023	14	0	0	0	0	0	14

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**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Re-acquired from Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees</b>	<b>Outlets at End of Year</b>
New York	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

**Table No. 5**  
**Projected Openings as of December 2023**

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Open</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
NY	1	3	0
NJ	1	3	0
<b>TOTALS</b>	2	6	0

Exhibit E-1 contains a list of the names of all franchisees and the addresses and telephone numbers of their Outlets as of the end of our last fiscal year.

Exhibit E-2 contains the name and last known address and telephone number of every franchisee who has had an Outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance

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

There are no trademark-specific franchisee organizations associated with the Franchise System which are incorporated or otherwise organized under state law and have asked us to be included in our Disclosure Document during the next fiscal year.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our Franchise System.

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## ITEM 21. FINANCIAL STATEMENTS

Exhibit F contains our audited financial statements for the period ending December 31, 2021, 2022 and 2023.

Our fiscal year end is December 31.

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## ITEM 22. CONTRACTS

The proposed agreements regarding this franchise offering are included as exhibits to this Disclosure Document as follows:

<b>Exhibit B</b>	<b>Franchise Agreement</b>
Schedule 1	Territory
Schedule 2	Minimum Requirements
Schedule 3	Automatic Bank Draft Authorization
Schedule 4	Telephone Number Assignment
Schedule 5	Promissory Note
Schedule 5-1	Personal Guarantee
Schedule 6	Release

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

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### **ITEM 23. RECEIPTS**

Exhibit H contains two copies of a Receipt of our Disclosure Document.

You must sign and date both; keep one copy and deliver one copy to us for our records.

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## **EXHIBIT A**

### **STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications are to The Inspection Boys Franchise USA LLC d/b/a The Inspection Boys® Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_.

The provisions of this State Law Addendum to Franchise Disclosure Document and Franchise Agreement (“State Addendum”) apply only to those persons residing or operating Inspection Boys® in the following states:

## MICHIGAN

**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 this 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, logo type, 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 obligation to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

Any questions regarding this notice should be directed to Department of the Attorney General's Office, Consumer Protection Division, Franchise Section, G. Mennen Williams Building, 525 W. Ottawa Street, Lansing, Michigan 48913; telephone number (517) 373-7117.

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

## CALIFORNIA

The following modifications are to the Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Disclosure Document or Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

The Franchise Agreement provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

Neither the franchisor, any person or franchise broker in Item 2 of the 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement require application of the laws of Virginia. This provision may not be enforceable under California law.

You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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 DISCLOSURE DOCUMENT.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Section 10.8 of the Franchise Agreement contains a waiver that violates California Corporations Code section 31512 and Business and Professions Code section 20010. The release excludes claims under the California Franchise Investment Law and California Franchise Relations Acts

OUR WEBSITE, <https://inspectionboys.com/>, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfp.ca.gov](http://www.dfp.ca.gov).

The highest interest rate allowed by law in California is ten percent (10%) annually.

Item 5 of the Franchise Disclosure Document and Section 2.1 of the Franchise Agreement is modified with the addition of the following language: “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.”

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

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the Commissioner.

## ILLINOIS

As to franchises governed by the Illinois Franchise Disclosure Act, if any of the terms of the Disclosure Document or Franchise Agreement are inconsistent with the terms below, the terms below control.

- Illinois law governs the Franchise Agreement.
  - 2 In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
  - 2 The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
  - 2 In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

Item 5 of the Franchise Disclosure Document and Section 2.1 of the Franchise Agreement are modified with the addition of the following language: "Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition."

## MARYLAND

As to franchises governed by the Maryland Franchise Registration and Disclosure Law, if any of the terms of the Franchise Disclosure Document (FDD) or Franchise Agreement are inconsistent with the terms below, the terms below control.

- a Item 17.b. of the FDD and Section 1.3.B of the FA is modified to also provide,  
*“The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”*
- b Item 17.u. of the FDD and Section 9.2.E of the FA is modified to also provide,  
*“This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a 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.”*
- c Item 17.v. of the FDD and Section 9.5.A of the FA is modified to also provide,  
*“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”*
- d Item 5 of the FDD and Section 2.1 of the FA are modified with the addition of the following language:  
*“Based upon the franchisor’s financial condition , the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened.”*

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under the federal bankruptcy law (11 U.S.C. Section 1010 et seq.).

The FA and the Franchisee Questionnaire are amended with the addition of the following language: “All representations requiring prospective franchisees 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.”

This addendum must be executed simultaneously with the Franchise Agreement.

## MINNESOTA

As to franchises governed by The Minnesota Franchise Act, if any of the terms of the Franchise Disclosure Document (“FDD”) and Franchise Agreement (“FA”) are inconsistent with the terms below, the terms below control.

1. “Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws or the jurisdiction.”

**FDD:** Item 17

**FA:** Section 9

2. “With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.”

**FDD:** Item 17

**FA:** Section 8

3. The franchisor will protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

**FDD:** Item 13

**FA:** Section 1.10

4. Minn. Rule 2860.4400D. prohibits requiring a franchisee to assent to a general release. Amend to exclude claims under the Minnesota Franchise Law.

**FDD:** Item 17

**FA:** Section 1.2

5. Minn. Rule 2860.4400J prohibits termination penalties.

**FDD:** Item 17

**FA:** Section 8

6. Pursuant to Minn. Stat. Sec. 80C.17, Subd.5, no action may be commenced pursuant to this section more than three years after the cause of action accrues.

**FDD:** Item 17

**FA:** Section 9.5.A

7. Franchisor defers the collection of the Initial Fee until the opening of the franchised business.

**FDD:** Item 5 and Item 7 are modified to provide: “The Minnesota Department of Commerce requires us to defer payment of the initial franchise fee owed by franchisees to the franchisor until the franchisee has opened the franchised business.”

**ARA:** Section 2.1 is modified to provide, “Payment of the Initial Fee is deferred until you have opened the franchised business.”

## NEW YORK

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

### 1. Cover Page

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

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

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

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud;

embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

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

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

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

4. The following language replaces the “**Summary**” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.
5. The following is added to the end of the “**Summary**” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

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

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

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

## RHODE ISLAND

As to franchises governed by the Rhode Island Franchise Investment Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

Item 17.m. of the Disclosure Document is revised to provide:

*Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits a franchisee to be restricted in choice of jurisdiction or venue. To the extent any such restriction is purported to be required by us, it is void with respect to all franchisees governed under the laws of Rhode Island.*

Item 17.w. of the Disclosure Document is revised to provide:

*Rhode Island law applies.*

## VIRGINIA

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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 ground 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.

Item 5 of the Disclosure Document is modified to also provide: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”

## WASHINGTON

The State of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator, or as determined by the arbitrator at the time of arbitration. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisors reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

## WISCONSIN

The State of Wisconsin has a statute, the Wisconsin Franchise Investment Law, Wis. Stat. § 553.01, et. seq., and Wis. Adm. Code Chapter DFI-Sec. 31.01, et seq., which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In the event of a conflict of laws, the provisions of the Wisconsin Franchise Investment Law, Wis. Stat. § 553.01, et. seq., and Wis. Adm. Code Chapter DFI-Sec. 31.01, et seq., shall prevail.

1. The Franchise Disclosure Document and Franchise Agreement require a Franchisee to sue in a State other than Wisconsin, and are hereby amended to expressly permit a Franchisee to file a civil lawsuit in Wisconsin for claims arising under the Wisconsin Franchise Investment Law.

FDD: Item 17

FA: Section 9

2. Item 17 of the Franchise Disclosure Document and Section 8 of the Franchise Agreement permit Franchisor to terminate, cancel, not renew or make a substantial change in competitive circumstances in the Franchise Agreement, without cause under certain circumstances. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 8 of the Franchise Agreement are hereby amended to prevent the termination, cancellation, non-renewal or substantial change in competitive circumstances of the Franchise Agreement without good cause.

FDD: Item 17

FA: Section 8

3. Item 17 of the Franchise Disclosure Document and Section 8 of the Franchise Agreement permit the Franchisor to terminate the Franchise Agreement without providing the Franchisee ninety (90) days prior notice of the proposed termination or sixty (60) days to cure the deficiency. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 8 of the Franchise Agreement are hereby amended to require that prior to the termination of the Franchise Agreement Franchisor must provide Franchisee ninety (90) days written notice of a proposed termination, which states all the reasons for the termination, cancellation, non-renewal or substantive change in circumstances, and the Franchisee shall be given sixty (60) days from the date of delivery or posting of such notice to rectify any claimed deficiency. If the deficiency is rectified within the sixty (60) days the notice shall be void. The notice provisions shall not apply if the reason for termination, cancellation or non-renewal is insolvency, the occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation or non-renewal or

substantial change in competitive circumstances is nonpayment of sums due under the Franchise Agreement, Franchisee shall still be entitled to (90) days written notice, as referenced above, however, Franchisee shall only have ten (10) days in which to remedy such default from the date of delivery or post of such notice.

FDD:           Item 17

FA:             Section 8

**ACKNOWLEDGMENT:**

It is agreed that the applicable foregoing State-Specific Addendum, if any, supersedes any inconsistent portion of the Franchise Agreement date \_\_\_\_\_, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect, and the parties further acknowledge and agree that this State-Specific Addendum is applicable only to those persons specifically subject to the protections of the state laws referenced in this State-Specific Addendum.

DATED: \_\_\_\_\_.

FRANCHISOR:

FRANCHISEE:

**THE INSPECTION BOYS FRANCHISE USA  
USA LLC D/B/A THE INSPECTION BOYS**

\_\_\_\_\_

\_\_\_\_\_

By:

By:

Title:

Title:

**EXHIBIT B- FRANCHISEE AGREEMENT**



## SUMMARY PAGE

1. **Franchisee Business Entity** \_\_\_\_\_
2. **Initial Franchise Fee** \$ \_\_\_\_\_
3. **Territory Name** \_\_\_\_\_
4. **Opening Deadline** \_\_\_\_\_
5. **Principal Executive** \_\_\_\_\_
6. **Franchisee's Address** \_\_\_\_\_
7. **Outlet #** \_\_\_\_\_

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3	Automatic Bank Draft Authorization
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## FRANCHISE AGREEMENT

### SINGLE UNIT

This contract (“Agreement”) is between The Inspection Boys Franchise USA LLC (“The Inspection Boys®,” “we,” “us,” or “our”) and the entity and all Signators identified on the signature page, in your personal capacity, (collectively “Franchisee”, “you,” or “your”).

### RECITALS

The Inspection Boys® has developed a system (“Franchise System”) to deliver delivering residential and commercial facility inspection services (collectively “Services”). The Franchise System utilizes prescribed marketing techniques and operating procedures to deliver outstanding service to businesses (“Clients”).

We seek to identify and recruit candidates with the ability to deliver outstanding Client service in a defined Territory who are willing to own at least one Franchise Business.

Franchisee seeks to use the Franchise System to profitably deliver an outstanding Client experience (collectively the “Services”).

For mutual promises expressed in this Agreement, along with other valuable consideration, the receipt of which is acknowledged, The Inspection Boys® and Franchisee (collectively “the Parties”) will be bound as follows:

#### **1. Scope**

##### **1.2. Franchise Relationship**

###### **A. Grant of Franchise**

The Inspection Boys® grants to you the right to operate a company (“Franchised Business”) using our System and our Marks to deliver Services solely within the geographic boundaries identified in Schedule 1 (the “Territory”) during the Term by and through the Franchisee Business Entity identified on the Summary Page and signature page of this Agreement (or as a sole proprietor or partnership if there is no business entity) and in conformity with the terms and conditions of this Agreement.

###### **B. Independent Contractors.**

Your relationship with us is that of an independent contractor. This Agreement does not create a partnership, joint venture, or any other entity between the Parties. Neither Party has a fiduciary duty or other special duty respect to the other party. You are not a third-party beneficiary to any contract between us and any other franchisee.

**C. Your Employees**

As a separate Franchise Business, you have sole and exclusive control over your employees. Neither you nor your employees and agents may make a claim as employees or agents of us for any purpose including participation in an employee benefit plan, stock option program, or workers compensation law.

**D. No Unauthorized Commitments.**

Similarly, you will not make any promises, guarantees or warranties to any third party, that would create a binding obligation for us without our prior written consent.

**E. Reserved Rights.**

We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:

- (i) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you; however, we will direct inquiries for mobile pet grooming services from within your Territory to your Franchised Business;
- (ii) implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (iii) establish and operate, and grant rights to others to establish and operate a Franchised Business or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;
- (iv) own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement;
- (v) operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (vi) negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (vii) engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

**1.3. Term and Renewal****A. Term.**

This Agreement will commence upon its Effective Date and will last for a term of Ten (10) years (the "Term").

## B. Renewal and Subsequent Renewals.

Upon the completion of the Term, or a renewal Term as the case may be, if you are in compliance with this Agreement and meet other conditions for renewal, you may enter into a new contract on the then current form. We will not change your Territory in your renewals. If you wish to renew this Agreement, you must:

- i. *notify us in writing at least 90 days before the expiration of this Agreement;*
- ii. *execute a general release of all claims you may have against us; (See Schedule 6)*
- iii. *pay any required renewal fee (if any);*

### 1.4. Territory

You will receive a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service Marks. A geographic area will normally include a population of **150,000** residents as determined by the U.S. Census Bureau, or other mapping data that we feel is reliable. Schedule 1 defines your "Territory" by zip codes, political, or geographic boundaries.

#### A. Facility

##### Initial Location

You must begin operations within your Territory within three (3) months from the Effective Date of this Agreement. If you do not, then we can terminate without any refund to you.

##### Relocation

We may approve relocation of the Franchised Business if we feel that conditions have changed such that a relocation represents a sound business decision.

#### B. Additional Outlets and Territories

We may grant to you approval to open additional Outlets within your Territory if circumstances permit such as the population increases. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate more Outlets. You do not have rights of first refusal or similar rights to acquire additional Territories.

#### C. Minimum Requirements

Continuation of your territorial rights depends on paying minimum monthly Royalty Fee in accordance with Section 2.2. A year will include each fiscal year (including any partial year) ending on December 31. If you fail to meet Minimum Requirements, then we reserve the right to establish a company-owned Outlet selling the same or similar goods or services under the same or similar trademarks or Service Marks.

#### D. Dual Distribution

1. Client Choice

A Client will always retain the right to choose the service provider that the Client believes in their sole and exclusive discretion best meets their respective needs.

## 2. Exclusive

The Territory you receive is exclusive in that we will neither open a Company owned nor sell another Franchised Business within your Territory. All leads that we generate or receive from within your Territory will be directed to you.

## 3. Limits on Exclusivity

You may face competition from other franchisees, Outlets that we own, other channels of distribution or competitive brands that we control for Clients that resides in your Territory. Another The Inspection Boys® franchisee or an affiliate may make sales to a Client within your Territory using our Marks including through general networking and referral or through the use of other channels of distribution such as the Internet, catalog sales, or telemarketing.

## 4. Profit Passover

We are not obligated to pay compensation to you for soliciting or accepting sales from a Client inside your Territory. However, we will normally direct all inquiries for Services from within your Territory to your Franchise Business.

## 5. Client Coordination

We also reserve the right to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of Clients who may reside in one territory, yet work in another, and other cross-territorial situations. You will use commercially reasonable efforts to implement such cross-territorial protocols.

## 6. Other Brands

We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under this Agreement. Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

## 7. Area Representatives

We offer an area representative franchise opportunity through its own franchise disclosure document. Area representatives find, solicit, and recruit prospective franchisees to operate a franchised business like yours. Area representatives may also support franchised business within their area representative territory through marketing and operating assistance. Your Territory may now, or in the future, be within an area representative's territory. We will provide you with contact information for the area representative with area representative rights in the Territory upon request (if applicable to you).

## **1.5. Advertising**

### **A. Market Introduction.**

You will develop a plan to introduce the Franchised Business to your local market. The plan will be submitted to us for our approval prior to your opening. Pursuant to the plan, you will deploy \$5,000 to local advertisers, online advertisers, search engine optimization, or other advertising sources approved by us. The plan will be used for local advertising and promotion of your Franchise Business from one month before opening through the month after you open.

### **B. Local Advertising and Promotions.**

Your advertising and promotions will conform to the following requirements:

- i. You will advertise and promote only in a manner that will reflect favorably on us.*
- ii. You will participate in all promotional programs and that we create, offer or advertise.*
- iii. Your advertising must comply with federal, state, and local laws.*
- iv. You will spend a minimum of \$1,200 per year on local advertising, pursuant to our guidelines.*
- v. You will pay to us an Unauthorized Advertising Fee of \$1,000 if you use unapproved advertising.*

### **C. Advertising Fee**

You will contribute 2% of your Gross Revenues into our Advertising Fund.

### **D. Fund.**

Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request. If not all Advertising Fees are spent in the fiscal year in which they accrue, we may carry over those fees and apply them to the next fiscal year. We may not use Advertising Fees to solicit new franchise sales.

## **1.6. Our Obligation to Conduct Advertising**

We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or Territory where you will be located.

### **A. Corporate Website.**

We will develop and maintain a comprehensive website that contains your location's contact information.

### **B. Digital Marketing.**

We may create, operate and promote websites, social media accounts (including but not limited to Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and

display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities.

We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business.

**C. Digital Campaigns.**

We may negotiate contracts with vendors such as Google AdWords.

If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

**D. Print Material.**

We supply you with templates of fliers, coupons, and other print material.

**E. Use of Your Own Advertising Material.**

You must use our advertising templates or, if you wish to use your own advertising materials, you may do so if:

- i. you submit them to us;*
- ii. they conform to the Manual;*
- iii. they adhere to federal, state and local law; and*
- iv. we approve them, in writing. If our written approval is not received within fourteen (14) days that we receive the request, then the material is deemed approved.*

**F. Business cards.**

You may purchase business cards to use in the operation of your Franchise Business in accordance with the Manual.

**G. Private Websites.**

You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business without first obtaining our written approval.

**H. Social Media.**

Any social media used to promote the Franchise Business must be in accord with our Manual.

**I. Publicity.**

Except as required by law, you may not make any press release or other public announcement respecting the subject matter of this Agreement without our written consent as to the form of such press release or public announcement.

## **1.7. Trademarks**

### **A. Use of our Marks.**

We allow and require you to use our trademarks and service marks (“Marks”) to hold out your Franchise Business to the public. You will use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Manual.

### **B. Changes to the Marks**

We may update or change our Marks. We may replace, modify, or add to our Marks. If we replace, modify, or add additional Marks, you will update or replace your supplies, etc. to reflect the new Marks, at your expense in the time frame we provide at the time of such an update.

### **C. Marks Within a Company Name.**

You may not use the words “The Inspection Boys®” or any confusingly similar words as any part of the name of a corporation, LLC or other entity. However, The Inspection Boys® followed by your entity number, or such other designation as we will specify, will be your “doing business as” name for an entity which owns this franchise, sometimes also called your “assumed name,” “trading as” name, or “fictitious name.”

### **D. No Confusingly Similar Marks.**

You will avoid using any Marks that could be confused with our Marks.

### **E. Infringement Claims.**

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us.

### **F. Control of Proceedings.**

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

### **G. Name and Likeness.**

You give us permission to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes.

## **2. Fees**

### **2.1. Initial Franchisee Fee**

Upon execution of this Agreement, you will pay us a Franchise Fee of **\$40,000.00**. The Franchise Fee is fully earned and nonrefundable when both Parties execute this Agreement.

### **2.2. Royalty Fee**

You will pay to us a Royalty Fee of 7% on Gross Revenue a monthly basis as follows:

From	Monthly Minimum
0-6 months	\$0
7-24 months	\$250
25-48 months	\$325
Over 48 months	\$400

“Gross Revenues” means the total of all receipts whether cash, credit, checks, bitcoin, or other means of exchange net of any tax, adjustments, credits and allowances actually made in accordance with the Operations Manual. Even though we reserve the right to access your computer system to download sales information, you must provide us with the required Gross Revenue report every Tuesday for the prior week’s activity. The end of each week for Royalty collection purposes is Saturday at midnight.

**2.3. Sales, Excise or Gross Receipts Tax**

If required by the federal government, state or locality in which your Franchised Business is located, the initial franchise fee, royalties, and possibly other goods or services may be subject to sales, excise, gross receipts or similar type tax which you will pay to us at the same time and in the same manner as you pay these fees to us.

**2.4. Third Party Software Fees**

You may pay fees to third party software providers, if any, as specified in the Manual.

**2.5. On-Site Training Fee**

If we provide on-site training to you at your request, then you will reimburse us up to \$500 per day for travel and living expenses for our trainer to travel to you.

**2.6. Annual Convention**

Either you or your General Manager must attend the Annual Convention. While there will be no admission fee, you are responsible for any travel related expenditures such as lodging, meals and transportation.

**2.7. Third Party Charges**

If we incur third party charges on your behalf, you will reimburse us for any such charges.

**2.8. Transfer Fee**

You will pay to us a Transfer Fee of \$5,000 if you wish to transfer ownership of the rights under this Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement.

**2.9. Administration**

In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing operation of your Franchised Business, plus 10%

of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

**2.10. Client Refunds**

If you do not resolve a Client service complaint and we believe a reasonable basis exists for a refund to the Client all or a portion of the Client's fees, we may pay the Client directly. We will charge you for the settlement and you will reimburse us within the next normal payment cycle.

**2.11. Audit Fee**

You will pay to us our cost in performing an audit of your Franchise Business plus a Late Fee of \$50 per month on any late payment found through such audit if the audit discloses an under reporting of Gross Revenues or underpayment to us by 5% or more.

**2.12. Payment Terms**

Recurring fees, including Royalty payments, and reports must be submitted by Tuesday of each week. We may provide an invoice to you for other fees incurred. Payment is due upon receipt. We reserve the right to deduct monies that you owe to us from Monies that we pay to you and pay you the net amount owed to you or charge you any net amount you may owe to us. You will execute an Automatic Bank Draft Authorization in a form substantially similar to that in Schedule 3.

**2.13. Credit Card Fee**

If we allow you to pay any fee to us by credit card, you also will pay to us 3% of the amount charged as a credit card fee.

**2.14. Late Fees**

Overdue amounts owed by you are subject to a service charge of 1% per month on the unpaid balance, or if lower, then the maximum rate allowed by law.

**3. Duties of Franchisor**

**3.1. Manual**

We provide you access to our proprietary and confidential document that prescribes policies and procedures, as well as any other instructions and forms (collectively "Manual") for your use in operating a Franchised Business. We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for competitive, legal or technological changes, or continuous improvement.

**3.2. Training**

**A. Initial Training.**

We will provide you a three (3) day initial training course. The initial training course will cover fundamental skills necessary to perform the Services. We presently offer this training live in Virginia Beach, VA or Islip, NY but may offer it in other locations, or via interactive video conference or webinar. Successful completion of the Initial training is mandatory. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

**B. Advanced Training.**

We may provide you advance training on various topics. We presently offer this training live in Virginia Beach, VA, but may offer it in other locations, or via interactive video conference or webinar. Attendance at advanced training is required.

**C. People Management**

You are solely responsible for hiring, firing, compensating, withholding and remitting applicable payroll taxes and day-to-day supervision and control over your employees. The Manual may recommend best practices on how to hire and train employees; however, nothing in the Manual will be construed to shift control over your employees to us.

**3.3. Signage, Supplies and Sourcing**

We provide guidance to obtain equipment, vehicle signage, tools, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items.

**4. Duties of Franchisee****4.1. Commitment****A. Involvement.**

You must operate the Franchise Business personally unless you submit to us a General Manager who attends and successfully completes our initial franchisee training course, and who is not later disapproved by us.

**B. Client Service**

Your Franchised Business must serve Clients in a professional and respectful businesslike manner diligently fulfilling your obligations to them when they desire to purchase your goods or services.

**4.2. Training****A. Initial Training.**

You and any General Manager working for you must attend and successfully complete our initial Franchisee training before you may operate the Franchise Business. We do not charge for initial training, but you must pay for any travel and living expenses to attend.

**B. Advanced Training.**

You will attend any advanced or refresher training that we may require either through electronic means or in person.

**C. Employee Training.**

You will train your employees to competently and professionally carry out their duties and offer excellent Client service. You will ensure that your employees have any training, licenses, or certifications required by applicable law. This includes any necessary continuing education needed to maintain appropriate licensure or certification.

**4.3. Facility****A. Permitting.**

It is your responsibility to comply with any federal, state or local ordinances, building codes, licensing requirements and obtain any required permits.

**B. Brand Image and Remodeling.**

You must operate your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our Franchise System. You and your employees must follow the guidelines, including any dress codes, as prescribed in the Manual.

**4.4. Vehicle**

If Franchisee purchases or leases one or more vehicles for the Business, Franchisee shall ensure that all vehicles comply with all applicable System Standards, including without limitation required equipment and exterior décor. Franchisee shall keep all vehicles in good repair, clean, and free of dents and other damage, and shall ensure that the vehicles presents a first-class image appropriate to The Inspection Boys® System.

**4.5. Operations****A. Manual.**

You must operate the Franchise Business according to the then current Manual.

**B. Modification**

We may modify the Manual to adjust for competitive changes, technological advancements, legal requirements, and continuous improvement. You will implement those changes as if they were present when you signed this Agreement.

**4.6. OpTech****A. Telephone Number.**

You will obtain and maintain an operational telephone number and email address for your Franchised Business.

**B. Requirement**

Since technology changes rapidly, all required and optional computer hardware, software, network connectivity, telephony and support services (collectively “Optech”) to operate your Franchised Business is specified in the Manual.

**C. Technology Refresh**

You will obtain and maintain the Optech as listed in the Manual. We will update the Manual from time to time as necessary to integrate new technologies as they become available and demonstrate value to the Client. We will use commercially reasonable efforts to provide sufficient notice and transition time to migrate Optech as necessary.

#### **4.7. Reports and Review**

##### **A. Reports.**

You must send us such reports at the frequency and manner that is specified in the Manual. Presently, you must send to us the reports in the following table:

Name of Report	When Due
Annual Budget	September 30 of each year
Annual Profit & Loss Statement and Balance Sheet	By February 15 of each year as to income and expenses incurred in the prior year

##### **B. Independent Access to Information.**

You will allow us to have independent access to the information that will be generated or stored in your computer system arising out of or related to the Franchise Business, which includes prospect, financial, and operational information.

##### **C. Reviews.**

We reserve the right to review your business operations in person, by mail, or electronically.

##### **D. Timely Access to Records**

Upon our request, you will provide copies within five (5) business days of receiving our request of your paper and electronic records related to the Franchised Business and any other operations taking place through your Franchised Business. This also includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. Alternatively, we may require review only access to all bank accounts used by you receiving deposits arising from or related to the Franchise Business.

##### **E. Secret Shoppers**

We may use secret shoppers including third party agents to assist with reviews.

##### **F. Corrective Action Plan**

We also have the right to require that you implement a corrective action plan to resolve issues that we discern from any review we conduct.

#### **4.8. Indemnity**

You will indemnify, hold harmless and defend us along with our affiliates, officers, directors, members, partners, employees, and agents (the "Indemnified Parties") from and against any claim, cause of action, lawsuit, or demand (collectively "Claim") for damage, liability, cost, or expense including reasonable attorney fees (collectively "Damages") that relates to or arises from your:

- i. breach or alleged breach of this Agreement;*

- ii. *negligence, or*
- iii. *willful misconduct.*

The obligations in this Section are effective during the Term and extend to any post termination obligation.

#### **4.9. Insurance**

You will maintain policies of insurance with appropriate limit to cover the risk in this Section. Minimum limits are defined in the Manual. You must name us as “additional insured” and provide a certificate of insurance annually.

### **5. Intellectual Property**

#### **5.1. Ownership**

We exclusively own the Franchise System and any related copyright, trademark, service Mark, trade secret, patent right, domain name, website, telephone number or other intellectual property (collectively “Intellectual Property”). You will not undertake to obtain Intellectual Property with respect to the Franchise System. To the extent you have gained or later obtain any Intellectual Property in the Franchise System, by operation of law or otherwise, you will disclaim such Intellectual Property and will promptly assign and transfer it entirely and exclusively to us.

#### **5.2. Client Data**

We retain all right, title, and interest in and to the Client Data during and after the Term. You may use Client Data during the Term as permitted by this Agreement and our Manual as long as the use is consistent with applicable law. “Client Data” means any and all information about Clients that may be collected in connection with their use of your Services including, but not limited to, name, telephone number, address and email address.

#### **5.3. Suggestions**

We may incorporate into our Franchise System any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else. We will have sole and exclusive rights and title to such suggestions.

#### **5.4. Performance Data**

Performance data is Confidential Information and must be treated as defined in Section 6.2. We reserve the right to share performance data of your Franchise Business with individuals and agents who need it to provide us with assistance.

### **6. Confidentiality**

#### **6.1. Definition**

The term “Confidential Information” is defined as non-public sensitive or proprietary material related to our Franchise System, relationship with you or the Franchise Business whether provided by us or by you. The disclosure may be oral or written in any form including tangible, intangible and electronic media regardless whether it is marked. For the avoidance of doubt, Confidential Information includes Client lists, performance data and reports from our Franchise System along with any notes, summaries or other derivative works. Confidential Information does not include

material that: a) you possessed more than thirty (30) days before the Effective Date of any contract between us, b) independently developed, c) obtained from a third party with no corresponding obligation of confidentiality, or d) in the public domain.

**6.2. Confidentiality**

You will not directly or indirectly disclose, publish, share with any third party any Confidential Information without our prior written consent. You may share Confidential Information with your employees or agents that need it to complete essential job functions if they are covered by equivalent restrictions.

**6.3. Use**

You may only use Confidential Information to perform your obligations under this Agreement. You will avoid using Confidential Information for your own benefit or to our detriment. For the avoidance of doubt, Confidential Information cannot be used in a competing business that is detrimental to us.

**6.4. Storage**

You will store Confidential Information in secure location whether physically or electronically. You must notify us if the Confidential Information is lost or stolen, regardless of fault.

**6.5. Return**

Upon Termination or Expiration of this Agreement, you must return Confidential Information within ten (10) days or certify that the Confidential Information has otherwise been deleted or destroyed. However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

**7. Transfer**

**7.1. Assignment by Us**

We may assign this Agreement to an assignee who remains bound by its terms. We do not permit a sub-license of the Agreement.

**7.2. Transfer by You**

You may transfer your interest in this Agreement or your ownership in the Franchise Business if:

- i. you are in full compliance with the Agreement;*
- ii. current in all monies owed to us;*
- iii. we approve of the individual or entity to which you are transferring (“Transferee”); which our consent will not be unreadably withheld;*
- iv. Transferee meets the requirements of Section 7.8;*
- v. You sign the then current transfer and release form; and*
- vi. You pay to use the transfer fee (if any). See Section 2.8.*

**7.3. Joint Tenancy**

If this Agreement is held by joint tenants or tenants in common, all joint tenants or tenants in common must join in any transfer of an ownership interest in this Agreement, except any person who is deceased or under a legal disability.

**7.4. Transfer to Controlled Entity**

A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a "Controlled Entity" will not trigger the Right of First Refusal. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such person of the Controlled Entity must sign the then current amendment and release forms or Franchisee Agreement as required by us. We do not charge a transfer fee for this change.

**7.5. Transfer within an Entity**

A transfer of interest within a Franchisee entity will not trigger the Right of First Refusal if only the percentage ownership changes rather than the identity of the owners. At the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity will sign the then current amendment and release forms or Franchisee Agreement as required by us. We do not charge a transfer fee for this change.

**7.6. Right of First Refusal****A. Third-Party Offer**

If you receive and desire to accept a signed, bona fide offer to purchase or otherwise transfer this Agreement or any interest in it ("Third-Party Offer"), you will grant us the option (the "Right of First Refusal") to purchase the Franchise Business as provided in this Section.

**B. Notice**

Within fourteen (14) days of receipt of Third-Party Offer, you will offer the Right of First Refusal to us by notice in writing, including a copy of the signed Third-Party Offer.

**C. Option**

We will have the right to purchase the Franchise Business or interest in the Franchise Business for the price and upon the terms in the Third-Party Offer. However, we may substitute cash for any non-cash form of payment proposed and we will have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase.

**D. Acceptance**

If we exercise our Right of First Refusal, then we will notify you in writing within fifteen (15) days from our receipt of the Third-Party Offer from you.

### **E. Binding**

Upon the giving of such notice by us, there will immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Third-Party Offer.

If we do not exercise our Rights of First Refusal within fifteen (15) days, then you may transfer the Franchise Business or ownership interest according to the Third-Party Offer, provided that you:

1. *satisfy the conditions in Section 7.2 entitled Transfer by You; and*
  - vii. *complete the sale within ninety (90) days from the day on which you received the Third-Party Offer.*

If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us will continue in full force and effect.

## **7.7. Death or Incapacity**

### **A. Definition**

The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement for thirty (30) consecutive days.

### **B. Transfer**

We may terminate this Agreement unless, within sixty (60) days of your death or incapacity, your executor, personal representative or guardian:

- i. seeks a transfer of your rights under this Agreement;*
- ii. completes the transfer within six (6) months of your death or incapacity;*
- iii. pays all monies owed to us, including the transfer fee, and*
- iv. signs the then current transfer and release form*

### **C. New Franchisee**

The Transferee(s) must:

1. *meet the requirements of Section 7.8 entitled Transferee Requirements.*
  - v. complete initial training, and*
  - vi. enter into a new Franchise Agreement on the then current form.*

### **D. Interim Services**

An interim operator must meet the Transferee Requirements as defined in Section 7.8, except such interim operator may not enter into a new Franchise Agreement.

We are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

**7.8. Transferee Requirements**

The proposed Transferee(s) must:

1. *complete our then current Franchisee application and*
  - vii. *pass our application screening using our then current qualifications;*
  - viii. *and attend and successfully complete initial training.*
  - ix. *sign either, at our option, an assignment of the rights remaining in your Franchisee Agreement, or our current Franchisee Agreement with the term adjusted to such length as remains on the term of your Franchisee Agreement;*

**8. Termination****8.1. Effect of Termination**

Expiration or Termination does not relieve any duties to comply with all of the provisions of this Agreement that require performance post-termination.

**8.2. Termination by Us**

We may terminate this Agreement for Cause without notice, and without the opportunity for you to cure. "Cause" means:

- a. If you do not attend and pass our initial training in accordance with our current passing standards;
- b. If you are convicted indicted for a felony or serious misdemeanor involving moral turpitude;
- c. if you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law;
- d. If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices;
- e. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form including the request for consideration or application,
- f. If you refuse to completely fill out a requested forms or tender supporting documentation upon reasonable request; or
- g. You become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- h. If a final judgment of record against you or your Franchise Business remains unsatisfied for thirty (30) days or longer;
- i. If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months.
- j. If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster or government order;

**8.3. Termination by Us with the Opportunity to Cure**

We may terminate this Agreement, if the following conditions remain within thirty (30) days after sending you notice and an opportunity to cure:

- a. You violate any other term or condition of this Agreement, the Franchisee Operations Manual, or any other agreement with us; or
- b. Any amount owing to us from you is more than 30 days past due.

**8.4. No Refund of Initial Fee**

We have no obligation to return or refund any fee to you upon termination or expiration of this Agreement.

**8.5. Post Termination Obligations**

Upon termination or expiration of this Agreement, including a sale of the Franchise Business, you will:

1. Cease to operate the Franchised Business
2. Discontinue using any of our "Marks;"
3. Cancel all fictitious name filings which you use that includes any of our Marks;
4. Pay to us all amounts owing to us;
5. Reimburse Clients for any fees paid for services not yet rendered;
6. If requested by us, transfer to us all telephone numbers used in relation to this Franchise Business by executing the form in Schedule 4a, and deliver to us written proof of transfer;
7. At our option, and upon our request, use your best efforts to assist in transferring the lease of the facility of your Franchised Business, whether it be through a new lease or assignment;
8. Return to us or certify destruction of any paper and electronic copies of the Manual and any Confidential Information (retaining only such copies as you need for legal or tax purposes);
9. Adhere to the post-term duties stated in Section 8.6 entitled Non-Compete and No Solicitation and any other duties that require your performance after you are no longer an Franchisee.
10. At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within thirty (30) days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
11. Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee.
12. Refrain from making disparaging comments in any form about us or our current and former employees, agents, members, directors, or franchisees.

**8.6. Non-Compete and No Solicitation****A. Post-Term.**

You will not, during the Term and for a period of two (2) years after expiration or termination of this Agreement ("Restriction Period"), in the Territory or within twenty-five (25) miles of the boundaries of the Territory ("Restricted Market"), provide or offer to provide prospective clients services of a similar kind or nature ("Restricted Activities"). For the avoidance of doubt,

Restricted Activities include directly or indirectly owning, managing, or providing services to a third party that sells services. This restriction applies even if you sell your Franchise Business.

**B. No Solicitation**

During the Restriction Period, you will not directly or indirectly provide services of a similar kind or nature to any Client, except through the Franchise Business.

**C. Disparagement**

During the Restricted Period, you will avoid intentional conduct that leads any existing Client or vendor to modify their relationship to the harm of the Franchise Business.

**8.7. Waiver of Bond**

If we are forced to bring suit to enforce any sections of this Agreement, you will waive any requirement that we post bond to obtain a temporary or permanent injunction to enforce these duties.

**8.8. Severability**

If any covenant or provision of this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either Party to this Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.

**9. Dispute Resolution**

**9.1. Continued Performance**

Each Party will continue performance under this Agreement while the Matter is being resolved as described in this Section.

**9.2. Internal Resolution**

Any issue that you may have arising out of or related to this Agreement (“Matter”) will be resolved as described in this Section. You must exhaust this internal dispute resolution procedure before you bring your Claim in Court.

**A. Notice**

You must provide written notice by sending a letter to our Chief Executive Officer (“CEO”) via either certified mail or overnight delivery through a common carrier like FedEx, UPS or DHL. The Notice must contain:

1. A description of the specific nature of the Claim,
2. All relevant facts,
3. All supporting evidence, and
4. Either the specific dollar amount of Damages, or the action requested to resolve the Matter (“Cure”);

**B. Response**

We will reply (“Response”) in writing within ten (10) business days with either:

1. Corrective Action Plan with a schedule of when the Matter will be resolved if it cannot be Cured within ten (10) business days; or
2. A detailed explanation of why the Matter should not be considered a breach or dispute including any supporting evidence to clarify any disputed facts.

**C. Meeting**

If in good faith, you do not believe the Matter is settled after the Response then within twenty-one (21) days of receipt of the Response, you may meet with the CEO or our agent in Virginia Beach, VA to discuss in person. Upon mutual agreement, the Parties may choose an alternate location or meet via video call.

**D. Mediation**

If in good faith, you do not believe the Matter is settled after the Meeting, then within thirty (30) days of receipt of the Response, such party will request mediation by:

1. completing the request for mediation form at: [https://www.adr.org/sites/default/files/Request\\_for\\_Mediation.pdf](https://www.adr.org/sites/default/files/Request_for_Mediation.pdf)
2. paying the applicable fee, and
3. notifying the other party.

The mediation will be conducted in accordance with the mediation rules of the American Arbitration Association (“AAA”).

**E. Arbitration**

If a Matter cannot be resolved through Mediation, then you must submit the Matter to arbitration in accordance with the rules of the AAA.

**F. Proportionality of Fees**

Your attorney must include in your demand for arbitration an estimate for legal fees (“Budget”) necessary to establish liability and damages. The Budget will include the maximum number of: a) witness, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator, before conducting any discovery, or hearings. The Arbitrator must approve any increases in the Budget.

**9.3. Enforceable**

In the event such Matter is resolved following submission to arbitration, then the decision and award determined by such arbitration will be final and binding upon both parties, enforceable by any court of competent jurisdiction.

**9.4. Costs**

Each party will bear their own cost including reasonable attorney's fees and expert witness fees related to the resolution of the Matter. Other than the initiation fees, the cost of the Mediator or Arbitrator will be shared equally among the Parties.

**9.5. Limitations and Waivers****A. Limitation of Actions.**

You will bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims.

**B. Non-Waiver of Breach**

The failure of either party to enforce any one or more of the terms or conditions of this Agreement will not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

**C. Jury Waiver.**

In any trial between any of the parties as to any Claims, you and we will waive our rights to a jury trial and instead have such action tried by a judge.

**D. Class Action Waiver.**

You will bring any Claims, if at all, individually and you will not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

**E. Compensatory Damages.**

As to any Claims, you and we will waive our rights, if any, to seek or recover punitive damages.

**F. Waiver of Bond.**

If we are forced to bring suit to enforce any provision of this Agreement, you will waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**9.6. Governing Law**

This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties. However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee will apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**9.7. Jurisdiction and Venue**

Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our headquarters, presently located in Virginia Beach, VA. However, if you are an Illinois or Maryland resident or your Franchise Business is located in Illinois or Maryland, you will bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.”

## **10. General**

### **10.1. Entire Agreement**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

### **10.2. Modification**

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent.

### **10.3. Third Party Beneficiaries**

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries to this Agreement. You are not a third-party beneficiary to any agreement between us and any other franchisee.

### **10.4. Survival**

All of the covenants that may require performance after the termination or expirations will survive any termination or expiration of this Agreement.

### **10.5. Severability Clause**

If any covenant or provision in this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not impair the validity of any other covenant or provision of this Agreement.

### **10.6. Notices**

Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and will be given by mail or courier, postage fully prepaid, or delivered personally or by facsimile, to our President, at our corporate office, presently

780 Lynnhaven Parkway, Suite 240

Virginia Beach, VA 23452

Phone 888-268-0321

Any such notice may also be given to you in the same manner at the address indicated with your signature on this Agreement or such other more current address as we may have on file for you. We may also give notice to you by e-mail.

### **10.7. Acknowledgements**

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

**10.8. Release of Prior Claims**

By executing this Agreement, the Franchisee, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all claims arising prior to the date of this Agreement. However, this release does not apply to any claim you may have arising from representations in our Franchise Disclosure Document.

**10.9. Counterparts**

This Agreement may be executed by the parties in this Agreement in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

**10.10. Electronic Signature**

The Agreement may be signed and delivered electronically via email, facsimile or other means, which will each have the same legal effect as if signed in hardcopy with traditional ink.

*[The remainder of the Page is intentionally blank]*

**10.11. Signature**

Intending to be bound by all the provisions expressed in this Agreement, on \_\_\_\_\_ (“Effective Date”) the authorized representatives of each party affix his or her signature below to signify acceptance.

Franchisee Entity Name: \_\_\_\_\_

	<b>The Inspection Boys®</b>	<b>Franchisee Entity</b>
Signature		
Name		
Title		
Date		
Address		

	<b>Signator</b>	<b>Signator</b>
Signature		
Name		
Date		
Address		

## **SCHEDULE 1-TERRITORY**

Your territory will be defined here.

## SCHEDULE 2-MINIMUM REQUIREMENTS

Growth is key. You must use commercially reasonable efforts to deliver all recommended Services. You must use commercially reasonable efforts to participate fully in all marketing programs offered by us. The following table establishes the monthly minimum royalty payments required.

From	Monthly Minimum
0-6 months	\$0
7-24 months	\$250
25-48 months	\$325
Over 48 months	\$400

### SCHEDULE 3-AUTOMATIC BANK DRAFT AUTHORIZATION

Please complete the following with your banking information and attach a voided check:

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

Name of Financial Institution: \_\_\_\_\_

Address of Financial Institution: \_\_\_\_\_

Routing Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

I hereby authorize The Inspection Boys Franchise USA LLC and the financial institution named above to initiate entries to my checking or savings accounts as identified above in accordance with the terms of my franchise agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify The Inspection Boys Franchise USA LLC or the above-named financial institution in writing to cancel it in such time as to afford a reasonable opportunity to act on such instructions. I can stop payment of any entry by notifying the above-named financial institution at least three (3) days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to fifteen (15) days following issuance of my statement by the above-referenced financial institution or up to sixty (60) days after deposit, whichever occurs first.

Signature: \_\_\_\_\_

Printed Name of Person Signing: \_\_\_\_\_

Title (if any): \_\_\_\_\_

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

Telephone Number: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

## **SCHEDULE 4-TELEPHONE NUMBER ASSIGNMENT**

**THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT** is made between The Inspection Boys Franchise USA LLC doing business as The Inspection Boys® (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee,” “you” or “your”).

### ***ii. BACKGROUND***

- a. The parties are entering into a Franchise Agreement (“Agreement”).
- b. As a condition to signing the Franchise Agreement, we have required that you appoint us Attorney in Fact, to take effect upon the expiration or termination of the Agreement, as to the telephone numbers, listings, and advertisements (collectively “Listings”) relating to your Franchise.

### ***iii. TELEPHONE NUMBER ASSIGNMENT***

Upon expiration or termination of the Agreement for any reason, Franchisee’s right of use of the Listings shall terminate. In the event of termination or expiration of the Agreement, Franchisee will pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request,

- a. take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent,
- b. install and maintain, at Franchisee’s sole expense, an intercept message, in a form and manner acceptable to Franchisor on any or all of the Listings;
- c. disconnect the Listings; and/or
- d. cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

Franchisor may require Franchisee to “port” or transfer to Franchisor or an approved call routing and tracking vendor all Listings.

### ***iv. Appointment as Attorney in Fact.***

For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

***v. Governing Law and Survival.***

The validity, construction and performance of this Assignment is governed by the laws of the State in which we are located. All our rights survive the termination, expiration or non-renewal of the Agreement and inure to our benefit and to the benefit of our successors and assigns.

<b>FRANCHISEE:</b>	<b>FRANCHISOR:</b>
By:	By:
Date:	Date:

Promissory Note#

Date

Amount:

Virginia Beach, VA

## SCHEDULE 5-PROMISSORY NOTES

FOR VALUE RECEIVED, \_\_\_\_\_ (each a "Maker") promises to pay to the order of The Inspection Boys Franchise USA LLC ("Payee") the principal amount of \_\_\_\_\_ together with interest at the rate of 12% per year.

This Note will be payable in (X) ANNUAL installments of \$\_\_\_\_\_ each plus interest. The first payment is due April 30, 2023 and will continue on April 30 of each year until paid.

The Maker may prepay this Note, in whole or in part, without penalty, at any time. TIME IS OF THE ESSENCE regarding the payment of any amounts due under this Note.

As security for Maker's obligations under this Note, Maker grants to Holder a security interest in Maker's right, title and interest in the Collateral, whether owned now or hereafter acquired. The Security Interest extends into any proceeds of the Collateral including but not limited to bank accounts and insurance payments. Collateral means: (1) All franchise agreements and related agreements, as amended, between Holder and Maker pertaining to Maker's operation of a franchise business; and (2) All "Accounts" and all "General Intangibles" used by Maker in connection with the franchise business, including (without limitation) all ledgers, files, books, records, and accounts receivables; and (3) Any commissions, fees, concessions or payments of any money due Maker as a sales representative, financial advisor, independent contractor, licensee, business owner, franchisee, stockholder, partner, officer, director or employee with any financial services business; and (4) All "Equipment", "Supplies" and "Furniture and Fixtures" used by Maker in the franchise business, including all computers, printers, computer networks, telephone systems, fax machines, file cabinets, all office furniture, desks, chairs, tables, signs, panels and calculators.

Maker will enroll in the automatic payment transfer program. Repayment of the principal and interest under this Note will be made by deducting interest then principal amounts from revenue, then remitting the balance to Maker. Interest will be calculated based on a 360-day year consisting of twelve (12) months of 30 days each.

Any of the following will constitute an event of default by Maker under this Note: (1) Failure to pay of any installment of principal or interest when due; (2) Failure any other provision in this Note; (3) Uncured default in any other agreement between Maker and Holder; (4) Death or disability of any Maker; (5) Insolvency of Maker, involving failure to pay debts as they become due or makes an assignment for the benefit of creditors; (6) Maker files or becomes the subject of any petition for relief under the Federal bankruptcy laws or any state insolvency statute; (7) Attachment, levy or garnishment of Collateral by a creditor of Maker; (8) Material change in Maker's creditworthiness; or (9) Sale or termination of Maker's ownership rights in the business to which this Note relates.

Upon default, Holder may take any one or more of the following actions without releasing or discharging such Maker from liability on the Note: (1) Require immediate payment of the entire unpaid balance of this Note and all accrued interest without further notice or demand; (2) Extend the time for payment of any principal, interest or other amount; (3) Renew this Note, in whole or in part; (4) Grant a full or partial release or discharge from liability; (5) Grant a modification of the rate of interest or any other term of this Note. The remedies are cumulative and not exclusive of any other remedies provided under any other agreement or at law or in equity.

This Note will be construed in all respects and enforced according to the laws of Virginia. If any term of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or render unenforceable such term in any other jurisdiction. The failure of Holder to enforce any one or more of the terms or conditions of this Note will not be deemed a waiver of such terms or conditions or of Holder’s rights to enforce any term and condition of this Note. The Maker will pay all reasonable attorneys’ fees and other expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any Collateral. Maker waives the right to a trial by jury in any action in connection with this Note. This waiver is knowingly, willingly and voluntarily made by each Maker. Maker warrants that no representations of fact or opinion have been made by any individual to induce this waiver. Maker represents that Maker had the opportunity to be represented by independent legal counsel selected of Maker’s own free will, and that Maker has had the opportunity to discuss this waiver with Maker’s counsel.

The Maker will submit monthly financial information to Holder, such as an income statement balance sheet, and supporting documents, as Holder requests from time to time and in the format Holder reasonably requires. The Maker represents and warrants to Holder that the loan evidenced by this Note is being made for approved business, commercial or investment purposes associated with the franchised business. The Maker further represents and warrants that the execution of this Note and the performance of the obligations stated herein have been duly authorized by all necessary action in accordance with all applicable laws.

Each person liable on this Note in any capacity, whether as Maker, endorser, surety, guarantor or otherwise, and any holder (collectively hereafter “Obligor”), waives the benefit of the homestead exemption and of all other exemptions available to him and also waives presentment, demand, protest, notice of dishonor and all other notices of every kind and nature to which he would otherwise be entitled under the applicable law.

This Note constitutes the entire understanding of the parties and supersedes all prior negotiations, and undertakings of the parties with respect to the subject matter. This Note and any judgment based upon it may be assigned, transferred or negotiated by the Holder to any person at any time without notice to or the consent of the Maker or any guarantor. This Note will be binding upon the heirs, personal representatives, successors and assigns of Maker and will inure to the benefit of Holder, Holder’s successors and assigns. The Maker may neither assign nor transfer this Note or any of its rights without the prior written consent of the Holder. This Note may be executed in counterparts, each of which will constitute an original, but all taken together will constitute a single instrument. This Note may be executed or transmitted electronically. Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

Intending to be bound by this Note, both Makers affix the signatures, intending to be bound below to signify acceptance on this day \_\_\_\_\_.

**Maker:** \_\_\_\_\_

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

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

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

**Guarantors:**

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

Home Address:  
\_\_\_\_\_  
\_\_\_\_\_

**SCHEDULE 5-1-PERSONAL GUARANTY**

This binding contract (“Guaranty”) is between:

\_\_\_\_\_ (“Franchisor”)and  
\_\_\_\_\_ (“Guarantor”) for  
\_\_\_\_\_ (“Beneficiary”)

In exchange for awarding certain franchise rights to the Beneficiary, pursuant to a franchise agreement, along with other valuable consideration, Guarantor(s) jointly and severally personally guarantee the payment of any money and the performance of any obligation of the Beneficiary to Franchisor. Therefore, each Guarantor will pay the Franchisor, on demand and without offset, any sum due to the Franchisor by the Beneficiary arising out of or related to the Franchise Agreement. Guarantor further will pay all costs of collection including reasonable attorney’s fees.

This Guaranty will be a continuing and irrevocable guaranty and indemnity for indebtedness of the Beneficiary. The Guarantor will, to the extent permitted by law, waive the Homestead exemption, notice of acceptance, notice of presentment, demand, non-payment, dishonor and protest, along with the right to require Franchisor to proceed against the Beneficiary. Furthermore, Guarantor consents to and waives notice of any modification, amendment or extension of the terms of any Agreement between Franchisor and Beneficiary. Guarantor authorizes Franchisor to obtain and use Consumer Reports from time to time on the Guarantor for the sole purpose of evaluating current and ongoing creditworthiness.

This Guaranty will not exceed five million dollars (\$5,000,000) and will remain in force for ten (10) years from date of execution of the Beneficiary’s franchise agreement. Guarantor may revoke this Personal Guaranty only by providing Franchisor written notice via certified mail of its intent to revoke. Revocation will not relieve any obligations incurred prior to receipt of such notice subject to the limit set forth above. Subsequent agreements and credit applications will not serve to alter, supersede or otherwise modify this Personal Guaranty.

Electronic signatures will be deemed valid having the same legal as if it were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law. Each Guarantor signifies the intent to be bound to the terms of this Guaranty by affixing their signatures in the space provided below.

_____	_____	_____
<b>Guarantor 1(Signature)</b>	<b>Printed Name</b>	<b>Date</b>
_____	_____	_____
<b>Guarantor 2(Signature)</b>	<b>Printed Name</b>	<b>Date</b>

## SCHEDULE 6-RELEASE

THIS RELEASE is made and given by \_\_\_\_\_,  
("Releasor") with reference to the following facts:

1. Releasor and The Inspection Boys Franchise USA LLC doing business as The Inspection Boys® ("Releasee") are parties to one or more Franchise Agreements.

2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise"); or

\_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Franchise Agreement; or

\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Franchise Agreement; or

\_\_\_\_\_ [insert description]

3. Release- Franchisee and all Franchises' guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Area Representatives, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Representative could assert against Released Parties or any of them up through and including the date of this Release.

4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.

5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

*A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.*

6. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

Approved and agreed to by:

<b>Franchisee</b>	<b>Franchisor</b>
Signature:	
Name:	
Date:	

Please date, sign, and keep this copy for your records.

**EXHIBIT C-LIST OF STATE ADMINISTRATORS AND REGISTERED AGENTS**

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd Sacramento, CA 95834 1-866-275-2677 <a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> <a href="mailto:ask.dfpi@dfpi.ca.gov">ask.dfpi@dfpi.ca.gov</a>	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 <a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> <a href="mailto:ask.dfpi@dfpi.ca.gov">ask.dfpi@dfpi.ca.gov</a>
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020

	(410) 576-6360	
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236	Secretary of State 99 Washington Avenue Albany, New York 12231 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce	

	Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Securities Division, Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 (360) 902- 8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

**EXHIBIT D-TABLE OF CONTENTS OF FRANCHISEE OPERATIONS MANUAL**

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## EXHIBIT E-1 LIST OF FRANCHISEES

The following is a list of the names of all Single Unit Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

### Operational Outlets:

First	Last	Franchise Name	Address	State	Phone
Joe	Byrne	The Inspection Boys of Eastern Suffolk	383 Main St., East Setauket 11733	NY	631-371-7840
Vincent	Messina	The Inspection Boys of Western Suffolk	25 Sugar Tom's Ridge East Norwich 11732	NY	516-383-5675
Matthew	Rivera*	The Inspection Boys Inc	44 Foxboro Ave, Farmingville, NY	NY	631-372-3202
Kristy Andy	Bodenhamer Holmes	The Inspection Boys Kansas City	118 N Conistor St, Ste B273 Liberty, MO 64068	MO	816-805-3207 913-515-5135
Lakarielle	McInnis Chisolm	The Inspection Boys Charleston	2623 Clements Ferry Rd. Charleston, SC 29492	SC	704-840-4135
Oliver	Malik	Merit Inspection Solutions of Florida, Inc.  10 Territories, serving:  Marion County Hernando County Pasco County (3x) Sumter County Marion County Gainesville Citrus County (2x)	3331 NW 22 <sup>nd</sup> Drive Coconut Creek, FL 33066	FL	347-525-3501

\*Matthew Rivera is our CEO and his location is considered a Company Owned Outlet for purpose of Item 20.

### Agreement signed, but not yet open as of December 31, 2023:

First	Last	Franchise Name	Address	State	Phone
Peter	Cafaro	Peter Cafaro, Sole Proprietor	0 South Ct, Port Washington, NY 11050	NY	19175925924
Sabrina John	Giordano Giordano	S&J LLC	67 Ball Rd., Mountain Lakes, NJ 07046	NJ	973-214-1896

## **EXHIBIT E-2 LIST OF FORMER FRANCHISEES**

The following is a list of former Single Unit Franchisees. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Not applicable.

**EXHIBIT F- FINANCIAL STATEMENTS**

THE INSPECTION BOYS  
FRANCHISE USA LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE THREE YEARS ENDED DECEMBER 31, 2023

# THE INSPECTION BOYS FRANCHISE USA LLC

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# **DASH Business Solutions, LLC**

## ***Independent Auditor's Report***

To the Members of  
The Inspection Boys Franchise USA LLC

### ***Opinion***

We have audited the accompanying financial statements of The Inspection Boys Franchise USA LLC, which comprise the balance sheets as of December 31, 2023, and the related statements of operations, members' equity, and cash flows for the three years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Inspection Boys Franchise USA LLC as of December 31, 2023, and the results of its operations and its cash flows for the three years then ended, in accordance with the generally accepted accounting principles in the United States of America.

### ***Basis for Opinion***

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

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

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

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

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

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

# DASH Business Solutions, LLC

## *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

*DASH Business Solutions, LLC*

DASH Business Solutions, LLC  
Royal Palm Beach, FL  
April 2, 2024

## THE INSPECTION BOYS FRANCHISE USA LLC

	Balance Sheets		
	December 31		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 5,051	\$ 2,752	\$ 7,292
Accounts Receivable	48,513	1,840	-
Income Tax Asset	43,807	-	-
Due From Affiliates	50,084	44,885	-
Total Current Assets	<u>147,455</u>	<u>49,477</u>	<u>7,292</u>
Other Assets			
Notes Receivable	10,000	50,000	-
Total Other Assets	<u>10,000</u>	<u>50,000</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 157,455</u></u>	<u><u>\$ 99,477</u></u>	<u><u>\$ 7,292</u></u>
<b>LIABILITIES &amp; EQUITY</b>			
Current Liabilities			
Accounts Payable	\$ -	\$ -	\$ 508
Due To Affiliates	145,919	61,327	87,829
Deferred Tax Asset	43,807	-	-
Deferred Revenue - Current	15,996	15,996	-
Total Current Liabilities	<u>205,722</u>	<u>77,323</u>	<u>88,337</u>
Long-Term Liabilities			
Deferred Revenue	122,342	138,338	-
Total Long-Term Liabilities	<u>122,342</u>	<u>138,338</u>	<u>-</u>
Total Liabilities	<u>328,064</u>	<u>215,661</u>	<u>88,337</u>
Members' Equity			
Retained Earnings	(170,609)	(116,184)	(81,045)
Members' Equity	<u>(170,609)</u>	<u>(116,184)</u>	<u>(81,045)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>\$ 157,455</u></u>	<u><u>\$ 99,477</u></u>	<u><u>\$ 7,292</u></u>

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Statements of Operations For The Three Years Ended December 31

	2023	2022	2021
<b>Revenues</b>			
Franchise Fees	\$ 3,996	\$ 666	\$ -
Marketing Revenue	915	574	-
Area Rep Sales Revenue	12,000	5,000	-
Royalty Revenue	7,247	7,240	1,321
Other Income	7,367	-	-
Interest Income	6,673	1,840	-
<b>Total Revenues</b>	<b>38,198</b>	<b>15,320</b>	<b>1,321</b>
<b>Expenses</b>			
Advertising and Marketing	20,365	327	47,806
Bank Fees	60	533	20
Contract Labor	-	1,543	9,914
Dues and Subscriptions	-	67	637
Filing Fees	6,105	5,586	-
Insurance Expense	-	508	484
Legal and Professional	6,500	13,077	22,259
Licenses & Fees	156	50	50
Meal Expense	2,047	1,690	-
Meeting Expense	380	2,689	1,508
Office Supplies and Expense	943	1,150	505
Overhead - Corporate	41,718	-	-
Overhead - Marketing & Sales	4,098	-	-
Payroll Processing Fees	39	508	345
Payroll Taxes	33	736	3,364
Postage and Shipping	440	561	-
Rent Expense	-	1,467	3,269
Salaries and Wages	-	5,736	30,462
Technology Expense	9,739	10,405	638
Telephone Expense	-	50	116
Travel Expense	-	3,374	51
Website Expense	-	402	938
<b>Total Expenses</b>	<b>92,623</b>	<b>50,459</b>	<b>122,366</b>
<b>Net Income (Loss)</b>	<b>\$ (54,425)</b>	<b>\$ (35,139)</b>	<b>\$ (121,045)</b>

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Statements of Changes in Members' Equity For The Three Years Ended December 31, 2023

Equity at January 1, 2021	\$	-
Member Contributions		40,000
Member Distributions		-
Net Income (Loss)		<u>(121,045)</u>
Equity at December 31, 2021	\$	<u><u>(81,045)</u></u>
Equity at January 1, 2022	\$	(81,045)
Member Contributions		-
Member Distributions		-
Net Income (Loss)		<u>(35,139)</u>
Equity at December 31, 2022	\$	<u><u>(116,184)</u></u>
Equity at January 1, 2023	\$	(116,184)
Member Contributions		-
Member Distributions		-
Net Income (Loss)		<u>(54,425)</u>
Equity at December 31, 2023	\$	<u><u>(170,609)</u></u>

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Statements of Cash Flows For The Three Years Ended December 31, 2023

	2023	2022	2021
<u>Cash Flows From Operating Activities:</u>			
Net Income (Loss)	\$ (54,425)	\$ (35,139)	\$ (121,045)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(46,673)	(1,840)	-
Increase (Decrease) in Accounts Payable	-	(508)	508
Increase (Decrease) in Deferred Revenue	(15,996)	154,334	-
Net Cash Provided by Operating Activities	(117,094)	116,847	(120,537)
<u>Cash Flows From Investing Activities:</u>			
Due To Affiliates	84,592	(26,502)	87,829
Due From Affiliates	(5,199)	(44,885)	-
Notes Receivable Assets	40,000	(50,000)	-
Net Cash Provided by Investing Activities	119,393	(121,387)	87,829
<u>Cash Flows From Financing Activities:</u>			
Members' Contributions	-	-	40,000
Net Cash Provided by Financing Activities	-	-	40,000
Net Change in Cash	2,299	(4,540)	7,292
Cash - Beginning of Period	2,752	7,292	-
Cash - End of Period	\$ 5,051	\$ 2,752	\$ 7,292
<u>Supplementary Disclosures Of Cash Flows</u>			
Cash Paid For Interest	\$ -	\$ -	\$ -
Cash Paid For Income Taxes	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization and Nature of Business*

The Inspection Boys Franchise USA LLC (hereinafter the “Company”) was formed on November 19, 2020 as a Virginia limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchise location of The Inspection Boys, a home inspection company.

#### *Basis of Accounting*

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions.

#### *Financial Instruments*

For certain of the Company’s financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

#### *Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

#### *Advertising Costs*

The Company expenses advertising costs as they are incurred.

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and other revenues. These receivables are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of outstanding amounts. At December 31, 2023, the Company had accounts receivables of \$48,513, and all accounts are deemed collectible.

#### *Other Assets*

The Company has notes receivable from franchises based on financing provided by the Company to fund their initial purchase and/or provide working capital loans. The terms of the promissory note include a fixed interest rate of twelve percent (12%) annually and the notes have various due dates. Total interest income for the Company is reflected in the financial statements and included in income from operations.

#### *Subsequent Events*

Management has reviewed and evaluated subsequent events through April 2, 2024, the date on which the financial statements were issued.

#### *Revenue Recognition*

The Financial Accounting Standards Board (“FASB”) issued codification Topic 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The Company has instituted ASC 606 using the full retrospective approach. The franchise fee revenue is recognized equally over a ten-year period, amortized monthly based on the contract signing date.

The Company’s revenues consist of fees from franchises such as initial franchise fees, royalties, marketing fees, area representative fees, and other fees. The franchise fees are initially deferred revenue and recognized monthly. If the contract is signed before the fifteenth day of the month, half of the monthly accrual amount is recognized. If the contract is signed on or after the fifteenth day of the month, the entire month of the accrual is recognized. The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract. The Company is obligated to provide the franchise with specific performances, including name and trademark use, as outlined in the franchise disclosure document. The initial franchise fee: is not refundable; is typically collected upon contract signing; and, future allocations of the initial franchise fees have no risk of impairment. When a franchise terminates the contract, the remainder of the initial franchise fee may be recognized in the year of termination.

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Income Taxes*

The entity is structured as a limited liability company under the laws of the State of Virginia. The Company has elected to be treated as a corporation for federal and state income tax purposes. The Company follows the guidance under Accounting Standards Codification Topic 740, Accounting for Uncertainty in Income Taxes, which prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the Company. The Company has not identified any uncertain tax positions for the three years ending December 31, 2023. The Company has a net operating loss carryforward that may be used to offset future income tax expense. At December 31, 2023, Management estimated the benefit of the operating loss and recorded an income tax asset on the balance sheet based on the current federal and state corporate tax rates of twenty-one percent and five percent, respectively. The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

### NOTE 2 - RECLASSIFICATIONS

Certain reclassifications and combinations have been made to allow for conformity and clarity. The updates have not materially changed the financial statements and were completed as part of the audit process.

### NOTE 3 - OTHER INCOME

During the year ending December 31, 2023, the Company has inspection fee income of \$7,367 as reflected in the Other Income category in the financial statements.

### NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

### NOTE 5 - ROYALTY REVENUE

The Company's royalty revenue includes royalty income from franchises owned by the original Inspection Boys. The agreement between the parties includes that the royalties are collected by the current owner in exchange for a salary to the original owner plus \$467 each month for the rent expense. The agreement was satisfied during the year ending December 31, 2022.

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements

### NOTE 6 - DEFERRED REVENUE

As stated in Note 1, under ASC 606, Management has determined that revenue from the initial franchise fee should be recognized equally over a ten-year period monthly beginning when the contract is signed. At December 31, 2023, the amounts in deferred revenue consist of the current portion that will be recognized during the subsequent calendar year, and the long-term portion that will be recognized as previously stated.

### NOTE 7 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2023, the Company began allocating overhead costs of the managing affiliate for services provided to the Company based on the percentage of time spent on the Company by affiliate through the use of shared labor, utilities, office space, and other overhead costs. The allocation was deemed reasonable by management and the services are allocated by the same allocation method amongst multiple franchisor affiliates. The summary allocations are reflected in the financial statements and the repayment is adjusted through the affiliate loan accounts. The details of the corporate overhead expenses are as follows:

	<b>2023</b>
Legal Overhead	30,193
Operations Overhead	862
Mapping Overhead	1,525
Accounting Overhead	9,138
<b>Total</b>	<b>41,718</b>

### NOTE 8 - AFFILIATE LOANS

During the ordinary course of business, the Company enters into transactions with affiliates that share common ownership primarily due to short term advances and cost reimbursements. The amounts are reflected on the balance sheet as affiliate loan assets and/or affiliate loan liabilities and are expected to be repaid during the subsequent year. There are no written terms of repayment and no interest charged. Any amounts outstanding after the subsequent twelve months will be included in a formal note with an imputed interest rate, if applicable.

### NOTE 9 - FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. All other terms of the Franchise Disclosure Document.

## EXHIBIT G-STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<u>Effective Dates</u>	
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
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 H-RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Inspection Boys Franchise USA LLC d/b/a The Inspection Boys ® offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, we must provide this Disclosure Document to you at your first personal meeting to discuss the franchise.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If we do 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, DC 20580 and the appropriate state agency listed on Exhibit C.

The franchisor, The Inspection Boys®, is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452.

Issuance date: April 8, 2024

The franchise seller for this offering is:

<b>Seller</b>	<b>Address</b>	<b>City, State Zip</b>	<b>Phone</b>
Matt Rivera	780 Lynnhaven Pkwy, Suit 240	Virginia Beach, VA 23452	(888) 268-0321
John T. Hewitt (Loyalty Brands)	780 Lynnhaven Pkwy, Suite 240	Virginia Beach, VA 23452	(888) 268-0321
Erik Klumpe (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(833) 920 0735
Kelly Wyatt (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(757) 560 1040
Gwendolyn DiFerndinando	6307 Thornblade Court	Greensboro, NC 27410	(336) 207 0071

We have authorized the respective state agencies identified on Exhibit C-List of State Administrators and Registered Agents to receive service of process for us in the particular state.

I have received a Disclosure Document dated April 8, 2024, that included the following:

Received	Reference	Name
<input checked="" type="checkbox"/>	ITEM 1-ITEM 23	Franchise Disclosure Document
<input checked="" type="checkbox"/>	EXHIBIT A	State Addendum
<input checked="" type="checkbox"/>	EXHIBIT B	Franchise Agreement
<input checked="" type="checkbox"/>	Schedule 1	Territory
<input checked="" type="checkbox"/>	Schedule 2	Minimum Requirements
<input checked="" type="checkbox"/>	Schedule 3	Automatic Bank Draft Authorization
<input checked="" type="checkbox"/>	Schedule 4	Telephone Number Assignment
<input checked="" type="checkbox"/>	Schedule 5	Promissory Notes
<input checked="" type="checkbox"/>	Schedule 5-1	Personal Guaranty
<input checked="" type="checkbox"/>	Schedule 6	Release
<input checked="" type="checkbox"/>	EXHIBIT C	List of State Administrators and Registered Agents
<input checked="" type="checkbox"/>	EXHIBIT D	Table of Contents of Operations Manual
<input checked="" type="checkbox"/>	EXHIBIT E-1	List of Franchisees
<input checked="" type="checkbox"/>	EXHIBIT E-2	List of Former Franchisees
<input checked="" type="checkbox"/>	EXHIBIT F	Financial Statements
<input checked="" type="checkbox"/>	EXHIBIT G	State Effective Dates
<input checked="" type="checkbox"/>	EXHIBIT H	Receipts

Please sign this copy of the receipt, date your signature, and return it to The Inspection Boys® at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452.

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

Signature: \_\_\_\_\_

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

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<input checked="" type="checkbox"/>	EXHIBIT F	Financial Statements
<input checked="" type="checkbox"/>	EXHIBIT G	State Effective Dates
<input checked="" type="checkbox"/>	EXHIBIT H	Receipts

Please sign this copy of the receipt, date your signature, and keep for your records.

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

Signature: \_\_\_\_\_

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