

**FRANCHISE DISCLOSURE DOCUMENT
(Area Representative)**



We offer a franchise opportunity to you as an Area Representative to, within a designated territory, solicit, recruit and service Ledgers unit franchises that offer business advisory, bookkeeping, payroll, and income tax preparation services (the “Franchised Business”).

The total investment necessary to begin operation of a Ledgers Area Representative Franchised Business is \$155,250 to \$314,000. This includes \$150,000 to \$300,000 that must be paid to the franchisor or affiliate.

The disclosure document summarizes certain provisions of your Area Representative 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 Mary Jane DeJaager at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452 or by phone at (888) 268-0321.

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. 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 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.

Issuance date: April 29, 2025; Amended June 5, 2025

Operations from March 2020 through December 2021. She has also served as Director of Strategic Resourcing for Loyalty from January 2019 through July 2020.

Timothy Tyler Wynn: President

Timothy Tyler Wynn has served as our President since December 2024. Mr. Wynn has also served as the owner of Taxus Street Coffee in Chesapeake, Virginia since January 2023. He previously served as a Nuclear Pipefitter from July 2015 through May 2023 and as a Cost Estimating Analyst from May 2023 through December 2024 at Newport News Shipbuilding in Newport News, Virginia. He also previously served as a real estate agent with A Better Way Realty in Chesapeake, Virginia from July 2022 through December 2024. He also previously served as real estate agent with Rose and Womble Realty in Chesapeake, Virginia from July 2019 through July 2022.

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

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

ITEM 3 LITIGATION

John Hewitt, the Chief Executive Officer and Chairman of Loyalty, LLC, has been named in the following litigation:

1. Pending Actions:

~~There are no pending actions.~~

Ira Lubert and John Martinson v. John T. Hewitt, ATAX, LLC, and Loyalty, LLC (Case No 250503829) filed May 30, 2025, in the Court of Common Pleas of Philadelphia County, Pennsylvania. The Plaintiffs are investors in ATAX, LLC, and claim that they were solicited to invest in ATAX as a qualified opportunity zone business (QOZB), yet it did not qualify as a QOZB. Further, Plaintiffs claim that, as a result of the non-QOZB status, the defendants promised certain changes, some of which defendants have not made, specifically an amendment to ATAX’s Operating Agreement and certain financial controls. The Plaintiffs also allege that Hewitt, with the assistance of certain Loyalty employees, made cash withdrawals from ATAX and paid those funds to himself, to Loyalty, and to other Loyalty brand companies without ATAX Board approval. The Plaintiffs sue for (1) Fraud Against Defendant Hewitt, (2) Aiding and Abetting Fraud (Against Defendant Loyalty), (3) Breach of Fiduciary Duty (Against Defendants Hewitt and Loyalty), (4) Conversion (Against Defendants Hewitt and Loyalty), (5) Breach of Contract (Against Defendants Hewitt, Loyalty, and ATAX), (6) Unjust Enrichment (Against Defendants Hewitt and Loyalty), (7) Breach of Virginia Stock Corporation Act (Against Defendants Hewitt and Loyalty), and (8) Violation of Pennsylvania Voidable Transfers Act (Against Defendants Hewitt and Loyalty). Plaintiffs seek a judgment, an order rescinding their investments, redemption of their ownership interests at a fair value, monetary damages in an amount to be determined at trial, fees, and interest. Defendants offered to buy out the Plaintiffs' investments for a profit that would be beneficial to Plaintiffs. Defendants intend to file an Answer generally denying the allegations and vigorously contesting the claims made. No trial date has been set.

Fortis Lux Financial, Inc. and Tutum Strategies, LLC v. Loyalty Business Services, LLC a/k/a Ledgers USA, JSM Tax, Inc. d/b/a Ledgers, USA, and Loyalty, LLC d/b/a Loyalty Brands, filed May 9, 2025, before the American Arbitration Association for hearing in Virginia (AAA Case No. 01-25-0002-2722). The Claimants are an investment advisory and insurance products sales organization, and they entered a joint venture with Ledgers to develop or acquire accounting offices and then convert them to franchise locations. The Claimants allege that Ledgers committed fraud and fraud in the inducement by misrepresented its ability to deliver services to the acquisition target's clients to induce Claimant's to enter the joint venture. The Claimant's also allege that Ledgers breached the contract between the parties by failing to service the acquisition target clients. Claimants never signed a franchise agreement for the locations they opened. Claimants are seeking compensatory damages and lost expectation profit in an amount to be determined in the arbitration. Respondent filed an Answer on May 30, 2025, denying the claims and reserving the right to file counterclaims. No date has been set.

2. 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.

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

EXHIBIT G-STATE EFFECTIVE DATES

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

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

State:	Effective Date:
California	PENDING
Illinois	April 30, 2025; <u>Pending</u>
Indiana	May 1, 2025; <u>June 5, 2025</u>
Maryland	PENDING
Michigan	April 11, 2025
Minnesota	PENDING
New York	PENDING
Rhode Island	May 21, 2025; <u>Pending</u>
Virginia	PENDING
Wisconsin	April 30, 2025; <u>June 5, 2025</u>

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 Loyalty Business Services LLC doing business as Ledgers 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.

Michigan requires that we give you this Disclosure Document at least ten (10) business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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.

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If 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 is Ledgers and is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is (888) 528-5687.

Issuance date: April 29, 2025; Amended June 5, 2025

The name, principal business address, and telephone number of each franchise seller offering the franchise is:

- Mary Jane DeJaager, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (888) 412-7224
- Timothy T. Wynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- Tayler Romanelli, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- Colin Flynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
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- _____
Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
- _____
Loyalty Business Services LLC, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (832) 660-6727

We have authorized the respective state agencies identified on Exhibit C to receive service of process for us in the particular state.

I have received a Disclosure Document issued April 29, 2025; Amended June 5, 2025, that included the following:

Exhibits

Exhibit A- State Addenda to the Disclosure Document

Exhibit B- Area Representative Agreement

Schedule 1-Territory

Schedule 2-Minimum Requirements

Schedule 3-Automatic Bank Draft Authorization

Schedule 4-Telephone Number Assignment

Schedule 5-Promissory Notes

Schedule 5A-Personal Guaranty

Schedule 6-Release

Schedule 6A-Biographical Information

Schedule 7-State Addenda to the Area Representative Agreement

Exhibit C-List of State Administrators and Registered Agents

Exhibit D-Table of Contents of Area Representative Operations Manual

Exhibit E-1 List of Area Representatives

Exhibit E-2 List of Former Area Representatives

Exhibit F- Financial Statements

Exhibit G-State Effective Dates

Exhibit H-Receipts

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

FOR YOUR RECORDS

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Signature of Prospective Franchisee

Print Name

FOR OUR RECORDS