

## FRANCHISE DISCLOSURE DOCUMENT- AREA REPRESENTATIVE



We offer a franchise opportunity to you as a Ledgers Area Representative to solicit, recruit and service franchises on our behalf, for a specified territory (the “Franchised Business”).

The total investment necessary to begin operation of a Ledgers Area Representative Franchised Business is between \$155,250 to \$314,000. This includes \$150,000 to \$300,000 that must be paid to the franchisor or its 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 833-920-0735.

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](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.

Issuance date: April 25, 2024, Amended June 17, 2024

## 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 for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.

2. **Minimum Sales Performance.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, 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 to you.

5. **Turnover Rate.** During the last year, approximately 50% of franchised outlets were terminated. The franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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

## ITEM 2 BUSINESS EXPERIENCE

### ~~Mary Jane DeJaager~~ ~~Keven Elwood~~: Chief Executive Officer ~~(Interim)~~

~~Mary Jane DeJaager~~ ~~Keven Elwood~~ has served as our ~~Interim~~ Chief Executive Officer since ~~April~~ May 2024. ~~She has also been employed with Loyalty, LLC as the Director of Operations since August, 2023. Ms. DeJaager~~ He previously served as ~~our~~ the Chief ~~Executive~~ Operating Officer of VetCor Franchising, LLC from December 2021 May 2023 through ~~August, 2023. Ms. DeJaager~~ May 2024 in Tampa, Florida. Mr. Elwood also previously served as ~~our~~ Vice President of Operations a Chief Process Officer for Premium Service Brands from ~~March 2020~~ August 2021 through ~~April 2023~~ in Charlottesville, Virginia. Mr. Elwood was also an owner of a College Hunks Hauling Junk and Moving franchise from August 2015 through ~~December 2021. She has also served as Director~~ October 2023 in Colorado Springs, Colorado and served as a Franchise Business Consultant of Strategic Resoureing for Loyalty, LLC, the franchisor, CHHJ Franchising, L.L.C., from January 2019 through July ~~2020. 2021~~ in Tampa, Florida.

### ~~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.

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## ITEM 12. TERRITORY

Your territory is set forth in Schedule 1 of the Area Representative Agreement and will be defined by zip codes, political, or geographic boundaries. A typical territory will contain area representative rights over approximately 10-20 unit franchise territories. Each unit franchise territory will contain a population of approximately 65,000 people. We obtain population data from the U.S. Census Bureau or another service we deem reliable.

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your Franchised Business, but you must stay within your Territory.

You recruit franchisees for the purpose of signing them up as a Unit Franchise owner.

You do not have rights of first refusal, or similar rights to acquire additional territories.

You will not receive an exclusive territory. You may face competition from other Area Representatives, from other channels of distribution or competitive brands that we control. However, any prospect that is interesting in purchasing a franchise business in your Area Representative territory will be assigned to your Area, in your discretion. In addition, you may only recruit franchisees to locate a Unit Franchise in your Territory.

Continuation of your Territorial rights depends on achieving a certain sales volume development goal, namely, the Minimum Requirements specified in your Area Representative Agreement. You must satisfy the Minimum Requirements as to the total yearly number of Unit Franchise Agreements signed with Unit Franchises designated and to be located within the Area Representative Territory and, the cumulative number of Unit Franchises located within your Area Representative Territory that are developed, open, and operating. Your Minimum Requirements will be developed and agreed upon by both of us before you sign an Area Representative Agreement and will be set forth in Schedule 2 of your Area Representative Agreement, based upon what you and we believe is a reasonable development schedule given the characteristics of the Area Representative Territory. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the Initial Franchisee Franchise Fees and Royalties for any existing franchise agreements for the term of the Area Representative Agreement so long as you are in compliance with the remaining terms of the Area Representative Agreement; however, we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees or royalties. If we choose to delete a portion of your Territory due to your failure to meet Minimum Requirements, we will issue a credit or pay the pro-rata portion of the original purchase price back to you. There are no other circumstances that permit us to modify your territorial rights except on expiration or termination of the Area Representative Agreement.

~~There are no other circumstances that permit us to modify your territorial rights.~~

~~We or an affiliate may make sales within your Territory using our principal trademarks, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales.~~

~~We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under the Area Representative Agreement, including through the use of~~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.

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;

~~If we establish another Unit Franchisee in your Territory, you will receive 50% of the net Initial Franchise Fees paid by the Unit Franchisee (the Unit Franchise Fee less any broker or sales commission and any Internal Sales Fee), and 50% of the royalties paid by the Unit Franchisee, just as if you sold the Unit Franchisee the Territory yourself.~~

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

~~We can develop, acquire or be acquired by, or engage in any other transaction with other businesses, companies and/or units (competitive or not), that are or will be located anywhere, including arrangements where other units are (or are not) converted to our System or other format, or in which company owned, franchised or other businesses (including your Franchised Business) are (or are not) converted to another format (whether competitive or not), or both, and is maintained as the same concept, as a new concept, or as a separate concept in your protected Territory. You must fully cooperate with any of these conversions, at your sole expense.~~

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(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 Businesses 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.

Furthermore, our affiliate ATAX LLC d/b/a ATAX operates company outlets and offers franchise opportunities for income tax preparation, bookkeeping, payroll, and incorporation services, along with other business services, as described in Item 1. Although Ledgers and ATAX typically target a different client base, ATAX franchisees do offer goods and services that are similar to the goods and services franchisees will offer in your Territory and therefore may solicit or accept orders from within your Territory. Ledgers and ATAX share the same principal business address, but their staff maintain physically separate offices and they provide training at different times or at different facilities.

We will be the sole decision maker for any conflicts between the franchisor and franchisees and between franchisees of each system regarding territory, customers, and franchisor support. Except as stated in this Item 12, neither we, our parent, or affiliates have any plans to operate or franchise a business under a different trademark that offers or sells similar goods and services.

## AREA REPRESENTATIVE AGREEMENT

This contract (“Agreement”) is between Loyalty Business Services LLC d/b/a Ledgers (“Franchisor”, “we”, “us”, or “our”) and entity and all Signators identified on the signature page, in your personal capacity, (collectively “Area Representative,” “you,” or “your”).

### RECITALS

Ledgers has developed a system (“Franchise System”) to deliver business advisory, bookkeeping, payroll and income tax preparation services using the Ledgers system. The Franchise System utilizes prescribed marketing techniques and operating procedures to deliver outstanding service to businesses (“Clients”).

Area Representative desires to identify and recruit qualified candidates (“Candidates”) willing to own and operate one or more single units (each a “Unit Franchise” as a “Unit Franchisee”).

Ledgers will compensate Area Representative for identifying and recruiting Candidates while also provide continuing support (collectively “Services”) on our behalf to Candidates that purchase a Franchise (“Franchisee”).

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

### 1. Scope

#### 1.1. Grant of Franchise

Ledgers grants you the right to operate an area representative business (“Area Representative Business” or “Franchised Business”) using our System and our Marks to recruit Candidates to open and operate a Unit Franchise within the geographical boundaries identified in Schedule 1 (the “Territory” or “Area Representative Territory”) and then support such Franchisees, 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 you have no business entity) during the Term and subject to terms and conditions of this Agreement.

#### 1.2. 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.

Upon the completion of the Term, if you are in compliance with all material terms and conditions in this Agreement, then you may enter into a new agreement, on the then current form, for an additional ten-year term. We will not make material

changes to your agreement including your Territory or the Area Representative Commissions in your renewals. If you wish to renew this Agreement, you must:

- i. notify us in writing at least one hundred twenty (120) days before the expiration of this Agreement, and
  - ii. execute a general release of all claims you may have against us similar to the one in Schedule 6;
- C. Subsequent Renewals

You may renew future Area Representative Agreements if you are in compliance with its terms and qualify for renewal.

### ***1.3. Territory***

Schedule 1 defines the “Territory” by zip codes, political, or geographic boundaries. However, you may only recruit Franchisees to locate a Unit Franchise in your Territory. This Agreement conveys no right to operate a Unit Franchise within the Territory.

### ***1.4. Office Location***

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your Franchised business. We do not provide any site selection assistance.

### ***1.5. Additional Territories***

You do not have rights of first refusal, or similar rights to acquire additional Territories.

### ***1.6. Minimum Requirements***

#### **A. Development Requirements**

Area Representative will provide Ledgers with a minimum number of Candidates each year that ~~open~~execute a franchise agreement (“Unit Franchise Territories with an active Agreement) and then open and operate a Ledgers ~~Location in operation~~unit franchised business within its Area Representative Territory, as described in Schedule 2 (the “Minimum Requirements”). For this purpose, a year will include each calendar year ending on December 30.

#### **B. Failure to Meet Minimum Requirements**

If Area Representative does not meet the Minimum Requirement, then within ninety (90) days after the end of the year in which the Minimum Requirement was not met, Ledgers may notify Area Representative that it desires to delete from the Territory up to the number of Franchise Territories by which Area Representative failed to meet the Minimum Requirement for that year. The notice will designate which of the territories it desires to delete from the Area Representative Territory, and Ledgers shall have the sole discretion to determine which then unassigned (meaning unsold) territories it chooses to delete.

Those Franchise Territories will be deemed deleted from the Area Representative Territory effective upon Ledgers notice, and Area Representative will thereafter not be

entitled to any share of Franchise Fees and Royalties paid with respect to Franchisees appointed within those Franchise Territories (“Ledgers Franchisees”) and Ledgers Franchisees will not be deemed Franchisees for the purposes of this Agreement. This deletion is Ledgers sole remedy for failure to meet Minimum Requirements.

### C. Credit

Ledger’s notice will be accompanied by a credit to amounts owed by Area Representative to Ledgers or a payment to Area Representative, as Ledgers selects. The amount of the credit or payment will equal the prorata amount actually received by Ledgers or the respective territory. For example, if Ledgers received \$150,000 cash from Area Representative for 15 undeveloped territories, then Ledgers would issue a credit or payment of \$10,000 per undeveloped territory that was deleted from the Area Representative Territory.

### D. Duty

On the event of a deletion of a poartion of your Territory, you will still maintain your obligations and rights including the right to share in the initial franchisee fees and royalties for any existing ~~Single~~-Unit Franchises in the Territory that you sold or developed during the Term. However, we may freely sell and develop the deleted territory without sharing any of the initial franchise fees or royalties.

### E. Exclusive Remedy

There are no other circumstances that permit us to modify your Territorial Rights-, except in the event of Termination or Expiration of this Agreement.

#### ***1.7.Dual Distribution***

No other party will have Ledgers area representative rights or otherwise receive area representative compensation from Ledgers Unit Franchises in your Territory; however, the Territory you receive is non-exclusive. You may face competition from other franchisees, outlets that we own, other channels of distribution or competitive brands that we control. We or an affiliate may make sales within your Territory using our principal trademarks, including through the use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales. However, you will retain the right to approve any Candidate that we recommend for a Single Unit Franchise in your Territory. We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under this Agreement. ~~If we establish another Unit Franchisee in your Territory, then you will receive 50% of the net initial franchise fees paid by the Unit Franchisee, less any broker or sales commission including any Internal Sales Fee, along with 50% of the royalties paid by the Unit Franchisee, just as if you sold the Unit Franchisee the Territory yourself.~~

#### ***1.8.Advertising and Trademarks***

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

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

K. 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.

**1.9.Reservation of Rights**

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;
- (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 Businesses 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.

**2. Fees.**

**2.1.Paid by Ledgers (“Commissions”)**

We pay to you the following Commissions for your Services under this Agreement:

## SCHEDULE 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 25, 2024, Amended June 17, 2024

The franchise seller for this offering is:

| <b>Seller</b>  | <b>Address</b>                      | <b>City, State Zip</b>      | <b>Phone</b>       |
|--|-------------------------------------|-----------------------------|--------------------|
| John T. Hewitt<br>(Loyalty Brands)                   | 780 Lyynhaven Parkway,<br>Suite 240 | Virginia Beach, VA<br>23454 | (888) 268-<br>0321 |
| <del>Mary Jane<br/>DeJaager</del><br>Keven<br>Elwood | 780 Lyynhaven Parkway,<br>Suite 240 | Virginia Beach, VA<br>23454 | (888) 528-<br>5687 |
| Erik Klumpe<br>(Loyalty Brands)                      | 780 Lyynhaven Parkway,<br>Suite 240 | Virginia Beach, VA<br>23454 | (833) 920-<br>0735 |
| Jamie Marcil<br>(Loyalty Brands)                     | 780 Lynnhaven Parkway,<br>Suite 240 | Virginia Beach, VA<br>23452 | (833) 920 0735     |

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

I have received a Disclosure Document issued April 25, 2024, Amended June 17, 2024, that included the following:

| Received                            | Reference         | Name   |
|-------------------------------------|-------------------|--|
| <input checked="" type="checkbox"/> | <b>Exhibit A:</b> | <b>State Addenda</b>                               |
| <input checked="" type="checkbox"/> | <b>Exhibit B:</b> | <b>Area Representative Agreement and Schedules</b> |
| <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 Note-Sample Form                        |
| <input checked="" type="checkbox"/> | Schedule 5A       | Personal Guarantee                                 |
| <input checked="" type="checkbox"/> | Schedule 6        | Release  |
| <input checked="" type="checkbox"/> | Schedule 7        | State Addenda                                      |
| <input checked="" type="checkbox"/> | Exhibit C:        | State Administrators/Agents for Service of Process |
| <input checked="" type="checkbox"/> | Exhibit D:        | Table of Contents-Manual                           |
| <input checked="" type="checkbox"/> | Exhibit E-1:      | List of Franchisees                                |
| <input checked="" type="checkbox"/> | Exhibit E-2:      | List of Former Franchisee                          |
| <input checked="" type="checkbox"/> | Exhibit F:        | Financial Statements                               |
| <input checked="" type="checkbox"/> | Exhibit G:        | State Effective Dates                              |
| <input checked="" type="checkbox"/> | Exhibit H:        | Receipts   |

|            |
|------------|
| Signature: |
| Name:      |
| Date:      |

**PLEASE DATE, SIGN, AND KEEP THIS COPY FOR YOUR RECORDS.**

## SCHEDULE I-RECEIPT

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|            |
|------------|
| Signature: |
| Name:      |
| Date:      |

**PLEASE DATE, SIGN, AND RETURN THIS COPY.**