

FRANCHISE DISCLOSURE DOCUMENT



SmallBizPros, Inc. d/b/a PADGETT BUSINESS SERVICES®
A Georgia Corporation
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<http://www.padgettadvisors.com>

The franchisee will operate a PADGETT BUSINESS SERVICES® ("PADGETT") franchised business offering tax, payroll compliance and reporting services. As a part of providing these services, franchisees will prepare financial statements for management use, provide income tax advice and preparation services, provide payroll services and provide business counseling and related services using forms, systems and procedures authorized by PADGETT.

The total investment necessary to begin operation of a conversion Padgett franchise ranges from \$8,700 to ~~\$84,650~~\$84,920. This includes \$3,500 to ~~\$38,250~~\$38,520 that must be paid to PADGETT.

The total investment necessary to begin operation of a new Padgett franchise is ~~\$117,025~~\$117,295. This includes ~~\$62,750~~\$63,020 that must be paid to PADGETT.

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 governmental 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 the Franchise Development Team at 1550 Timothy Road, Suite 101, Athens, Georgia 30606 and (706) 548-1040.

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 an accountant.

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

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

The issuance date: March ~~31~~²³, ~~2025~~²⁰²⁶.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 us by mediation only in Georgia and arbitration only in Georgia. Out-of-State mediation and arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate or arbitrate with us in Georgia than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

- A. Franchise Agreement
- B. Financial Statements
- C. List of Agents for Service of Process
- D. List of State Administrators
- E. List of Franchisees
- F. List of Former Franchisees
- G. Summary of Laws and Regulations
- H. Application Agreement
- I. General Release
- J. Franchise Disclosure Questionnaire
- K. State Addendum
- L. State Effective Dates
- M. Receipt

Item 1: The Franchisor, and any Parents, Predecessors, and Affiliates

To simplify the language of this disclosure document, "PADGETT" or "we" means SmallBizPros, Inc. d/b/a Padgett Business Services, the franchisor. "You" means the person, corporation, partnership or other entity who or that buys the franchise. If you are a corporation or other entity and we require your shareholders or partners to sign a personal guaranty, "you" includes each person signing a guaranty.

PADGETT is a Georgia corporation that was incorporated on June 1, 1988 as "Padgett Business Services USA, Inc." In June 2002, we changed our corporate name to "SmallBizPros, Inc." PADGETT does business under the trade name "Padgett Business Services" and service marks "Padgett Business Services (and design)," "Padgett" and related marks that we designate (the "Proprietary Marks"). Our principal corporate address is 1550 Timothy Road, Suite 101, Athens, Georgia 30606; our principal franchise support center is at 1550 Timothy Road, Suite 101, Athens, Georgia 30606.

Our agents for service of process are disclosed in Exhibit C.

PADGETT is affiliated with SmallBizPros Ltd dba Padgett Business Services ("Padgett Canada"). The principal business address of Padgett Canada is 3150 Harvester Road, Suite 202, Burlington, ON L7N 3W8. PADGETT is also affiliated with a payroll service called PayTrak Payroll Services, Inc. ("PayTrak"), which is owned by Brian Austin who is Padgett's Chairman of the Board.

PADGETT franchises the right to operate businesses that provide preparation of financial statements for management use, income tax advice and preparation services, payroll services, data processing, business counseling and related services authorized by PADGETT ("Padgett Services"), using forms, systems, procedures and approved partners that we authorize (the "Padgett System"). PADGETT targets its franchise marketing efforts to individuals with current or previous experience in or with income tax while also considering experience with general business, accounting, and/or preparation of financial statements. Persons with some or all of this experience may be more suitable to operate a Padgett franchise. You may not compete with PADGETT in any way and must use the specialized forms and systems we have authorized and offer only the services that we designate under our Proprietary Marks.

You must agree to promote the sale of Padgett Services actively through the use of promotional materials or methods we have furnished or approved. You will draw upon a broad spectrum of the general public for your customer bases. Exhibit G to this disclosure document contains a general summary of the regulations for Padgett Services that may apply in your state. You are responsible for ensuring that you may operate a Padgett Services business under the Proprietary Marks under your state's laws regarding accountants and tax preparers. Your competitors include other businesses offering similar services, including preparation of financial statements, payroll and tax preparation services, and accountants. We permit you to represent to the public only that you are a tax, payroll, compliance and reporting firm. (See Paragraph VIII D of the Franchise Agreement.) At no time may you represent that you are a public accountant, tax expert or computer specialist, unless you maintain licensing that allows this claim. We will provide training in the areas of preparation of financial statements, income tax preparation services, data processing necessary to operate the PADGETT franchised business, business counseling and related programs. Although we do not require that you have previous experience in these areas, we may require you to hire certain employees to perform certain functions until you acquire the necessary knowledge to perform said function(s). Prospective franchisees who are in the same business and bring an existing book of business into Padgett of at least \$100,000 in revenue may qualify as a conversion franchise.

PADGETT has owned and operated one Padgett Business Services business of the type being franchised in the past. Since 1998, PADGETT has only offered its services through its franchised system. PADGETT has sold franchises similar to the franchise offered to you since June 1, 1988. PADGETT does not sell franchises in any other line of business. Prior to June 1, 1988, the date on which we acquired our Predecessor, our Predecessor granted franchises for the operation of Padgett Services similar to those described above. Our Predecessor operated a business of the type being franchised prior to 1984. Predecessor did not offer franchises in any other line of business. Since 1986 Padgett Canada has sold

franchises in Canada similar to the franchise offered to you. Padgett Canada provides the same services in Canada as PADGETT provides in the United States. Padgett Canada does not own or operate businesses of the type being franchised and does not offer franchises in any other line of business.

Item 2: Business Experience

President: Roger Harris

President, PADGETT, 1550 Timothy Road, Suite 101, Athens, GA, 30606, August 1992-Present.

Chief Executive Officer: Jeffrey Phillips

Chief Executive Officer, PADGETT, Athens, GA, June 2020-Present. Co-founder & Director of Accountingfly, 212 S. Alcaniz St., Pensacola, FL, 32502, May 2012 to present.

Chairman of the Board: Treasurer: Brian Austin

Chairman, PADGETT, 3150 Harvester Road, Suite 202, Burlington, ON L7N 3W8 June 1988-Present; Chairman, Padgett Business Services of Canada, 3150 Harvester Road, Suite 202, Burlington, ON L7N 3W8 September 1989-Present.

Chief Financial Officer: Secretary: ~~Michael McLane~~ Beth Russell

Chief Financial Officer PADGETT, Athens, GA November 1996-Present, Secretary, PADGETT, 1550 Timothy Road, Suite 101, Athens, GA, 30606, ~~June 2020~~ January 2026-Present. ~~Prior to this Mr. McLane was retired.~~

Director, Franchise Development: Chris Thomason

Director, Franchise Development, PADGETT, Athens, GA, April 2022 to Present. Business Development Manager/Associate Vice President of Franchise Development/Franchise Development Support Manager for Red Lion Hotel Corporation/Sonesta Atlanta, GA, November 2019 to April 2022.

Item 3: Litigation

~~There is no litigation that is required to be disclosed in this item.~~

Lawana Webb v Jack Whitley & SmallBizPros d/b/a Padgett Business Services. Docket No. 3:25-cv-00265 (hereinafter the "Litigation"). On or around February 5, 2025, Lawana Webb, a former employee of Padgett Business Services Franchisee Jack Whitley, filed a Declaratory Judgment (Count I) complaint in the Chancery Court for Wilson County in the state of Tennessee against Webb and Whitley seeking to clarify her rights to compete and service former Padgett clients in the marketplace that she claimed to have purchased from Whitley without Padgett's authorization. Padgett removed the matter to the United States District Court for the Middle District of Tennessee Nashville Division and filed counterclaims against Whitley for Federal Unfair Competition (Count I), Federal Trademark Infringement (Count II), Federal Trademark Dilution (Count III), Tortious Interference with Contract & Business Relationship (Count IV), Inducement of Breach of Contract (Count V), Civil Conspiracy (Count VI), and Expenses of Litigation, Including Attorneys' Fees (Count VII); and crossclaims against Whitley for Federal Unfair Competition (Count I), Breach of Contract (Count II), Civil Conspiracy (Count III), Expenses of Litigation, Including Attorneys' Fees (Count IV). On November 17, 2025, Padgett and Webb entered into a settlement agreement to resolve the dispute. Among other things, the Settlement Agreement called for: (i) the dismissal of the Litigation by all of the parties; (ii) the official/unofficial end of the franchise relationship(s) between or among the parties; and (iii) payment of money from Webb to Padgett; and (iv) no payment of any money whatsoever between Whitley and Padgett. The matter is now resolved.

Item 4: Bankruptcy

No bankruptcy is required to be disclosed in this Item.

Item 5: Initial Fees

Startup Franchises are defined by owners joining Padgett with no clients.

Conversion franchises are defined as firms with existing clients who are converting to a Padgett franchise.

Startup Franchises must pay PADGETT \$62,750 for initial fees if you are starting a PADGETT business with no current clients. This fee has four components. The first component is a \$1,000 application fee, which you pay when submitting an application (in the form of an "Application Agreement," which is Exhibit H to this disclosure document). The second and third components are a \$37,000 initial license fee and an \$18,000 initial training fee, both of which you must pay at the time you sign the Franchise Agreement.). The fourth component is a ~~\$6,750~~ \$7,020 Initial Software Fee you must pay PADGETT at the time you start the initial training course.

PADGETT may reduce the initial fees for new franchisees that have been operating in the same or similar business as PADGETT and will be starting the PADGETT franchised business with revenues above certain levels (conversion ~~franchisee~~ franchise). New franchises who bring an existing book of business into Padgett of at least \$100,000 in revenue may qualify as a conversion franchise. You must pay PADGETT \$3,500 to \$38,250 in initial fees for a conversion franchise. These fees consist of an initial application fee of \$1,000, initial license fee of \$2,500-\$12,500, a training fee of \$0-\$18,000, and an Initial Software Fee of \$0 - ~~\$6,750~~ \$7,020.

All fees are uniformly imposed. As a startup franchise you must complete the initial training program satisfactorily before you open your franchise for business. We do not give refunds of the initial franchise fee under any circumstances, except that under the Application Agreement, if we elect not to issue a franchise to you within 60 days of your application, or if you withdraw your application within 60 days of your application and prior to signing a Franchise Agreement with us, we will refund the \$1,000 application fee. The initial license, training and software fees are not refundable.

PADGETT participates in the VetFran program and offers a \$4,000 reduction of the initial franchise fee to qualifying veterans who qualify as a startup franchise. Therefore, for qualified veterans, the initial fee is \$52,000 and the initial license fee is \$33,000. Notwithstanding the foregoing, Padgett reserves the right to engage in a pilot program for existing franchisees who purchase an outside book of business or new franchisees who enter the System with an outside book of business or provide unique experiences that Padgett deems to be of unique value in its sole and absolute discretion. In any such situation, as part of the pilot program Padgett reserves the right to negotiate, in its sole discretion, a modified initial franchise fee. The terms of the modified initial franchise fee may, but is not required to, be different on a case by case basis.

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Item 6: Other Fees

Type of fee	Amount	Due Date	Remarks
Royalty Fee on Padgett Services – Conversion (Note 1, 6)	9% (Note 7) of Gross Receipts except that during the first twelve- month period, the Royalty Rate is 5% for each month Royalties are paid in a timely manner and during the second twelve- month period, the Royalty Rate is 6.5% for each month Royalties are paid in a timely manner. Minimum shall apply after 24 months. (Note 2)	Payable monthly no later than the 10th day of each month (Note 3)	The royalty fees for some services are subject to a rebate. (Note 4)
Royalty Fee on Padgett Services – Start-Up Franchisee (Note 1, 6)	The greater of 9% (Note 7) of Gross Receipts (Note 2) OR: \$100/mo. for the first three months of operation after the First Six-Month Period; \$200/mo. for the second three months of operation after the First Six-Month Period; \$400/mo. for the third three months of operation after the First Six-Month Period; \$600/mo. for the fourth three months of operation after the First Six-Month Period; \$800/mo. for the fifth three months of operation after the First Six-Month Period; \$1,000/mo. for the next consecutive 9 months of operation after the First Six-Month Period; \$1,200/mo. for the next consecutive 12 months of operation after the First Six-Month Period;	Payable monthly no later than the 10th day of each month (Note 3)	The royalty fees for some services are subject to a rebate. (Note 4)

Type of fee	Amount	Due Date	Remarks
	~~\$1,700~~ <u>\$1,500</u> /mo. for the remainder of the Franchise Agreement term.		
Advertising Fund Contribution (Note 6)	Up to 2% of Gross Receipts.	Payable Monthly no later than the 10th day of each month. (Note 3)	The Franchise Agreement gives us the right to establish an advertising Fund and to require you to make this contribution. We have not yet established the Fund. You will not be required to make this contribution until at least fifty percent of franchisees of the Padgett System are required to or agree to make this contribution.
Transfer Fee (Note 1, 6)	The then-current application fee, plus 10% of the then-current initial license fee, plus the then-current initial training fee (if transferee is your lineal descendant); The then-current application fee, plus 25% of then-current initial license fee, plus then-current initial training fee, plus then-current listing fee if you sell the business through us (if transferee is not your lineal descendant).	Upon the execution by the transferee of PADGETT's then-current Franchise Agreement.	Payable by the transferee. There is no charge if you transfer your franchise to a corporation which you control. Subject to state law.
Audit (Note 6)	Cost of audit plus interest on deficiency (\$1,500-\$2,500) plus 10%-18% interest on deficiency.	As Incurred.	This charge applies only if the audit discloses that the Gross Receipts (Note 2) during any scheduled reporting period actually exceeded the amount you reported as the Gross Volume of Business for that period by 10% or more. Interest begins from the date of the underpayment.
Tax Return and Financial Reporting Preparation (Note 6)	Our reasonable, cost-based fee for this service. At this time, Padgett does not charge a fee for write-ups, but we reserve the right to do so in the future. The fee for tax return preparation ranges from 25% to 50% of the fee collected for this service.	As Incurred.	If you are not an attorney, certified public accountant or an enrolled agent that Padgett has determined is qualified to perform the functions herein, the Franchise Agreement gives us the right to perform tax preparation services and financial reporting preparation services on your behalf until such time as Padgett has determined that you are qualified to perform the functions

Type of fee	Amount	Due Date	Remarks
			herein. (Note 5)
Fees for Unpaid Balances (Note 3)	Interest charge of the highest applicable legal rate, not to exceed 18% per annum; and an administrative late fee of \$50 per occurrence	After due date	Applies to Fees due to Franchisor and any deficiencies in payments identified as a result of an audit, as described above.
PAS License Fee	~~\$6,750~~ 7,020 - ~~\$7,100~~ 7,370 per year (depending on the payment terms chosen)	Prior to opening and annually thereafter.	The Padgett Accounting System, which includes a bundle of software from Thomson Reuters, is only available at Padgett rates through Padgett. We license to you our Padgett Processing Software, which you must install and use to provide Padgett Services. PADGETT has the master license and charges an annual sub-license fee (the "PAS License Fee") to its franchisees in a non- discriminatory manner. We will provide ongoing support, maintenance, upgrades and updates to this software consistent with the operating practices of the franchise.

NOTES

Note 1: PADGETT imposes these fees, and they are payable to PADGETT unless we direct you to pay another person. These fees are ~~nonrefundable~~non-refundable. We are considering, and have the right to, but do not yet require, electronic debiting of franchisees' accounts to pay these fees.

Note 2: "Gross Receipts" means the total dollar aggregate of monies that you receive for all Padgett Services that you sell or perform in the operation of this franchise. You must provide a monthly accounting of the previous month's Gross Receipts and royalties to PADGETT upon request. Your liability for payment of royalties begins on the date you begin operation of your franchise or within two months after you complete initial training, whichever is earlier.

Note 3: If you do not pay a fee or expense on its due date, then interest begins to accrue as of the due date at a rate of the daily equivalent of 18% of the overdue amount per year or, if less, the highest rate permitted by law. We may charge or eliminate the amount of the administrative late fee in our sole discretion.

Note 4: If you have sent all records and payments on time and on the proper forms to Padgett for any January 1 to December 31 year, Padgett will provide the rebates below in connection with the Padgett Services portion of your Gross Receipts that you pay full Royalties on. For Affiliates who converted to PADGETT and who are paying Royalties based on a lower rate, Gross Receipts for Padgett Services are not included in the Royalty Rebate Program during the period that the Royalty Rate is discounted.

Rebate

<u>Gross Receipts</u>	<u>(% of Gross Receipts)</u>
\$0- ~~\$201,019~~ 231,172	~~0%~~ 0.00
~~\$201,020~~ 231.173- ~~\$288,472~~ 331,742	~~.25%~~ 0.25

~~\$288,473~~331,743 - ~~\$375,925~~ ~~.50%~~ ~~etc.~~ 432,312 0.50
("Income Boundary")

For each ~~\$87,453~~700,569 increase in Gross Receipts, the rebate increases .25% of total Gross Receipts. The maximum rebate is 4.5%.

We reduce the amount of the rebate by one-third for each time during the year that you fail to meet your payment or reporting deadline. The Income Boundary will increase 15% in each five-year period beginning on January 1, ~~2026~~2031. We will confirm rebate amounts by March 31 following the end of the year in which earned. If Franchisees have not taken the earned rebates in advance during the year earned, then a royalty credit will be issued which may be deducted from future royalties.

Note 5: If we determine that we need to perform tax preparation during and/or after the initial start-up period on your behalf and/or financial reporting preparation services after the initial start-up period on your behalf, then all fees incurred are imposed, collected and payable to PADGETT.

Note 6: All fees are uniformly imposed. Notwithstanding the foregoing, Padgett reserves the right to engage in a pilot program for existing franchisees who purchase an outside book of business or new franchisees who enter the System with an outside book of business or provide unique experiences that Padgett deems to be of unique value in its sole and absolute discretion. In any such ~~situations~~situation, as part of the pilot program Padgett reserves the right to negotiate, in its sole discretion, a business royalty credit designed to reduce the amount of royalties paid by franchisees who purchase or bring to the System an outside book of business. The terms of the business credit may, but is not required to, be different on a ~~case-by-case~~case-by-case basis.

Note 7: We reserve the right to increase your Royalty rate no more than two (2) times during the term of your Franchise Agreement, such rate not to exceed 12%. We reserve the right to decrease your Royalty rate at any time. ~~It is Padgett's present intention to increase the Royalty rate to 12% effective January 1, 2027.~~

All fees are uniformly imposed and collected.

Item 7: Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

CONVERSION FRANCHISE

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Application Fee	\$1,000	Lump Sum	When you submit your application to us	PADGETT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial License Fee	\$2,500 - \$12,500 (Note 1)	Application Fee and Lump Sum	On the date you sign the Franchise Agreement	PADGETT
Training Fee	\$0 - \$18,000	Lump Sum	On the date you sign Franchise Agreement	PADGETT
Travel and Living Expenses	\$2,000 (Note 2)	As Incurred	During Initial Training	Airlines, Hotel and Restaurants
Real Estate Improvements	Not required	(Note 3)	(Note 3)	(Note 3)
Equipment and Fixtures	\$0 (Note 4)	As Incurred	As Incurred	Vendors
Marketing	\$0 - \$41,200 (Note 9)	As Incurred	As Incurred	Vendors
Initial Software Fee	\$0 - ~~\$6,750~~ <u>\$7,020</u>	Lump Sum	On the date you sign Franchise Agreement	PADGETT
Office Supplies	\$0	As Incurred	Before Opening	Vendors
Initial Insurance	\$0 (Note 5)	As Incurred	Before Opening	Insurance Carrier
Rent, Telephone, Postage, etc.	\$0	As Incurred	As Incurred	Vendors
Other Expenses	\$2,000	As Incurred	As Incurred	Vendors
Additional Funds –3 Months	\$1,200 (Note 6)	As Incurred	As Incurred	Vendors, Utilities, Government
TOTAL FOR PADGETT FRANCHISE	\$8,700 - ~~\$4,650~~ <u>\$4,920</u> (Notes 7 and 8)	(Does not include real estate costs)		

START-UP FRANCHISEES

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Application Fee	\$1,000	Lump Sum	When you submit your application to us	PADGETT
Initial License Fee	\$37,000 (Note 1)	Application Fee and Lump Sum	On the date you sign the Franchise Agreement	PADGETT
Training Fee	\$18,000	Lump Sum	On the date you sign Franchise Agreement	PADGETT
Travel and Living Expenses	\$2,000 (Note 2)	As Incurred	During Initial Training	Airlines, Hotel and Restaurants
Real Estate Improvements	Not required	(Note 3)	(Note 3)	(Note 3)
Equipment and Fixtures	\$3,500 (Note 4)	As Incurred	As Incurred	Vendors
Marketing	\$41,200 (Note 9)	As Incurred	As Incurred	Vendors
Initial Software Fee	~~\$6,750~~ <u>7,020</u>	Lump Sum	On the date you sign Franchise Agreement	PADGETT
Office Supplies	\$2,000	As Incurred	Before Opening	Vendors
Initial Insurance	\$800 (Note 5)	As Incurred	Before Opening	Insurance Carrier
Rent, Telephone, Postage, Etc.	\$1,200	As Incurred	As Incurred	Vendors
Other Expenses	\$2,375	As Incurred	As Incurred	Vendors
Additional Funds –3 Months	\$1,200 (Note 6)	As Incurred	As Incurred	Vendors, Utilities, Government
TOTAL FOR PADGETT FRANCHISE	~~\$117,025~~ <u>117,295</u> (Notes 7 and 8)	(Does not include real estate costs)		

NOTES

Note 1: See Item 5. All initial franchise fees and training fees are ~~nonrefundable~~non-refundable (except that under the Application Agreement, if we elect not to issue a franchise to you or if you withdraw your application prior to signing a Franchise Agreement with us, we will refund the \$1,000 application fee (see Item 5)). Refundability of other charges will be as required by the payee. PADGETT participates in the VetFran program and offers ~~a~~ a \$500 reduction for conversion franchisees of the initial franchise fee to qualifying veterans. The initial franchise fee is based on the billings of the purchaser – if they are \$100,000 or less, the fee is \$12,500, if over \$100,000 but less than \$200,000 the fee is \$10,000, if over \$200,000 but less than \$300,000 the fee is \$7,500, if over \$300,000 but less than \$400,000 the fee is ~~\$5,000~~\$5,000, if \$400,000 and above the fee is \$2,500.

Note 2: This includes travel to initial and continuing classroom training and attendance at tax seminar and marketing convention.

Note 3: If you choose to have a physical location you must lease or sub-lease the land and building for your facility. PADGETT estimates initial facility has approximately 500 square feet. We estimate rent to be between \$1,500 and \$4,000 per month, depending on factors like size, conditions and location of the leased premises, but these amounts may vary widely depending on geographic location, general economic conditions, and the availability of and demand for office space in your area.

Note 4: This includes computers, and other office equipment. Conversion franchises will usually have no additional equipment needs beyond what is used in the existing business.

Note 5: You must obtain and maintain various types of insurance, which are described in Item 8. Conversion franchises will usually have no additional insurance needs beyond what is used in the existing business.

Note 6: This expense includes security deposits, utility deposits, business licenses and other prepaid expenses.

Note 7: PADGETT has compiled the estimates based on its past experience with Padgett Services. We do not offer any direct or indirect financing to franchisees for any items (see Item 10).

Note 8: The following information identifies in general terms the recipients of your initial investment. Amount paid to Padgett for initial franchise fees on the date you sign the Franchise Agreement: \$15,000 to \$36,000 for conversion franchises and \$59,700 for new franchisees.

Note 9: PADGETT offers comprehensive marketing campaigns for its franchisees which may include mailings, email, microsite management, interaction tracking and inbound and outbound calling to prospects. The fees shown represent the current costs for these comprehensive programs for twelve (12) months.

Item 8: Restrictions on Sources of Products and Services.

You do not have to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate to establish or operate the franchised business from PADGETT or suppliers designated or approved by PADGETT except as stated below. PADGETT currently does not have any purchasing or distribution cooperatives.

We have specific requirements for the computer hardware, software, telecommunications equipment, and supplies you must acquire for your Padgett Office (see Item 11). We base these requirements on the necessity for compatibility among our systems, client systems and your systems and to ensure that you can provide clients with the full range of Padgett Services. The other goods and

services you use in operating your Padgett Office must meet our general standards for quality, which we impose to protect the general image for quality of the Padgett System.

The PADGETT marketing programs are part of the PADGETT System and PADGETT may require the implementation of certain marketing programs by specific vendors. When you are required to use specific vendors, PADGETT may facilitate payment to said vendors by collecting the fees from you and paying the fees for the services provided on your behalf to the vendor(s).

You do not have to purchase or lease any goods, supplies, fixtures, equipment, inventory or real estate from PADGETT or any of our affiliates, other than our Padgett Processing Software (see Item 11) and the initial supply of consumable materials we provide you, both of which are included as part of your initial franchise fee. We may make these consumable materials available to you on our website, when appropriate, from which you may download the items that you need. For your continuing needs for these consumable materials, you may have them reproduced by any desired source, purchase them from a recommended source, or, for some materials that we designate, reproduce them yourself. We may also develop or make available to you those materials, supplies, equipment, signs, and support services we consider necessary for the proper operation of your franchise. PADGETT will furnish the availability and price of each item to you. Where purchase from us is voluntary, we may charge a profit margin in addition to our costs associated with developing these materials. Neither we nor our affiliates derive any revenue or other material consideration as a result of required purchases.

You do not have to purchase any tax preparation or write-up services from PADGETT or any of our affiliates, unless PADGETT, in its sole determination, finds that you are not able to perform such services based on PADGETT's standards. In this case, PADGETT will charge you for any services it provides for you according to PADGETT's then standard pricing formula for said services. We have the right to perform tax preparation and financial reporting preparation services on your behalf and may choose to exercise this right. Neither we nor our affiliates derive any revenues or other material consideration as a result of required purchases.

PADGETT maintains a list of approved suppliers. As we note above, we provide detailed specifications for your computer and telecommunications-related equipment, but you may purchase this equipment from suppliers you choose. Any supplier who is able to provide supplies and materials meeting our standards and specifications is, in effect, an approved supplier. We evaluate potential suppliers on the basis of cost, delivery, quality and service capabilities. There are no currently approved suppliers in which PADGETT or any of our officers owns an interest. We do not provide material benefits (e.g., renewal or granting additional franchises) to our franchisees based on a franchisee's purchase of particular products or services or use of particular suppliers. As a service, we occasionally negotiate preferred pricing arrangements with suppliers. At the current time, we do not require franchisees to purchase from these suppliers, but we reserve the right to do so in the future. We may designate ourselves, or one of our affiliates, as the approved supplier for given materials, such as marketing materials or forms to be used in your business, and we may charge you our associated costs plus a profit margin for purchases of these materials.

You must submit printed, internet, blog, podcast and/or social media advertising materials and programs to us for our approval. We will base our decision of whether to approve these materials and programs on their quality and conformity with our Proprietary Marks or consistency and synergy with PADGETT's like programs in effect. We have the right to require you to participate in marketing program(s) that we designate during the first twelve months of operation. If we require your participation in any such marketing program, you may be required to participate in appointment-setting or in-bound, web-based marketing programs conducted by third-party suppliers that are approved by PADGETT.

You must purchase and maintain in effect at all times during the term of the Franchise Agreement policies of insurance of the types listed below, naming PADGETT as an additional insured, at your sole cost and expense, in the amounts we specify in the Confidential Manuals:

1. Employer's liability and workers' compensation as prescribed by law.
2. General liability insurance covering the operation of your franchised business (this amount cannot be less than \$1,000,000 but may be higher as we specify).
3. Errors and omissions insurance in an amount adequate and customary for your size of practice (this amount cannot be less than \$1,000,000 but may be higher as we specify).
4. Cyber Insurance in an amount adequate and customary for your size of practice (this amount cannot be less than \$250,000 but may be higher as we specify).

Every year you must send to PADGETT certificates of all required insurance. We may increase the required insurance amounts over time to reflect inflation or industry practices, and we may increase the amount of insurance that we require you to carry even if we do not require other franchisees to carry the same amounts.

We estimate that the purchases and leases we require you to make will be 80-90% of all purchases and leases you make in establishing and operating the franchise.

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.

	Obligation	Section In Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Not Applicable	
b.	Pre-opening purchases/leases	Para. III.C of Franchise Agreement	Items 5, 7 and 8
c.	Site development and other pre-opening requirements	Para. III of Franchise Agreement	Items 7, 8 and 11
d.	Initial and ongoing training	Para. III & Para. IV.D of Franchise Agreement	Item 11
f.	Fees	Paras. II, IV. D, V, VIII. C, X.D of Franchise Agreement	Items 5, 6 7, 8 and 11
g.	Compliance with standards and policies/Operating Manual	Para. VIII of Franchise Agreement	Items 11 and 15
h.	Trademarks and proprietary information	Para. IV.B & Para. VI of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Paras. IV, VI and VIII of Franchise Agreement	Items 8 and 16
j.	Warranty and customer services requirements	Para. VIII of Franchise Agreement	Item 11

	Obligation	Section In Agreement	Disclosure Document Item
k.	Territorial Development and sales quotas	Not Applicable	
l.	Ongoing product/service purchases	Para. IV and VIII of Franchise Agreement	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Not Applicable	
n.	Insurance	Para. IX of Franchise Agreement	Items 7 and 8
o.	Advertising	Para. VIII of Franchise Agreement	Items 6, 8 and 11
p.	Indemnification	Para. IX of Franchise Agreement	None
q.	Owner's participation/ management/staffing	Para. VIII of Franchise Agreement	Items 11 and 15
r.	Records/reports	Para. V of Franchise Agreement	Item 6
s.	Inspections/audits	Para. V of Franchise Agreement	Item 6
t.	Transfer	Para. X of Franchise Agreement	Item 17
u.	Renewal	Para. I of Franchise Agreement	Item 17
v.	Post-termination obligations	Para. X.B. & Para. XII of Franchise Agreement	Item 17
w.	Non-competition covenants	Para. XIII of Franchise Agreement	Item 17
x.	Dispute resolution	Para. XV of Franchise Agreement	Item 17
y.	Personal guaranty obligations of franchisee's spouse and owners/shareholders	Para. XIII of Franchise Agreement	Item 15

Item 10: Financing

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours.

Item 11: Franchisor's Assistance, Advertising, Computer Systems and Training

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

Startup Franchise Pre-Opening Obligations

Before you open your startup franchise, PADGETT will provide you with the following assistance:

Training Programs. We will make available to you, and you or a mutually agreed representative must attend and successfully complete, to our satisfaction, our training program, which occurs primarily before but also after you begin operations. Periodically, Padgett offers a six-month review course. Currently, it is not being offered. However, if it is offered within the first year of operation of your business, you will be obligated to attend. You must attend our training until you have successfully completed it even if it takes additional time. (Paragraphs III.A and C.1 of the Franchise Agreement). Our training program is described in the chart below under the heading "TRAINING PROGRAM."

Initial Counseling & Advice. We will provide you with the necessary counseling and advice in matters of space needs, equipment and furniture, storage needs, communication needs, insurance needs, and other continuing needs following the opening of your franchise for business. (Paragraph III.C.3 of the Franchise Agreement).

Access to Padgett Manuals. We will provide you with access to PADGETT's confidential operations and training manuals (the "Confidential Manuals"). (Paragraph III.C.4 of the Franchise Agreement).

Software. The Padgett Accounting System, which includes a bundle of software unique to Padgett, is only available through Padgett. We will license to you our Padgett Processing Software, which you must install and use to provide Padgett Services. The Padgett Processing Software includes third party software. PADGETT has the master license and charges an annual sub-license fee (the "PAS License Fee") to its franchisees in a non-discriminatory manner. We will provide ongoing support, maintenance, upgrades and updates to this software consistent with the operating practices of the franchise. (Paragraph III.C.5 of the Franchise Agreement).

Other. We will assist you in establishing and arranging payment to third-party vendors on your behalf, as necessary, for your initial software licenses and the computer that you will use during the initial training and then at the franchised business. (Paragraph III of the Franchise Agreement).

Time to Open

PADGETT does not generally select or approve sites for franchisees, however if an agreement cannot be reached regarding the site prior to the execution of documents the potential franchisee has the option of not joining as a PADGETT franchise. We do not require you to conform to any other required standards with regard to the physical design or location of its office. (Paragraphs 1.A and 1.B of the Franchise Agreement). The typical length of time between the signing of a Franchise Agreement and the beginning of a franchisee's business varies from approximately one to three months, depending on factors such as your ability to obtain a lease and to arrange any necessary build-out and permitting for the premises of your business.

Obligations After Opening Startup Franchise

During the operation of your franchise, PADGETT will provide you with the following assistance:

General Operations Training. We will provide up to six days of additional training by experienced personnel if PADGETT determines it is necessary. Even though this has not occurred in the past two (2) years, this may be required when typical support is not adequate for a franchisee to work on client matters. This is measured in the number of hours required to support franchisees' tax and accounting matters. We may provide part of the training to you at a location that we designate. We will not charge you for our personnel costs. (Paragraph III.B of the Franchise Agreement). In addition, periodically, Padgett offers a six-month review course. Currently, it is not being offered. However, if it is offered within the first year of operation of your business, you will be obligated to attend.

Materials, Supplies, and Support Services. Padgett does not provide assistance by providing equipment, signs, fixtures, opening inventory and supplies. We will provide you with training, counseling, access to manuals and software, if necessary. (Paragraph III.C of the Franchise Agreement). PADGETT does not assist you with establishing prices at which you must sell your services.

Confidential Operations and Training Manuals. We will provide you with access to our Confidential Manuals in electronic form for you to use during the term of the Franchise Agreement. So that you may benefit from new knowledge we have gained about sales, marketing, and operational techniques, we may sometimes revise the contents of the Confidential Manuals. (Paragraph IV.B of Franchise Agreement).

Tax Advisory Service. We will maintain a tax advisory service to assist you in researching income tax issues which may arise in the course of your business. (Paragraph IV.C of the Franchise Agreement).

Continuing Training. Our trainers will provide continuing training, consultation and guidance to you. PADGETT periodically conducts training seminars for professional development, and you will be entitled to attend all these seminars. (Paragraph IV.D of the Franchise Agreement). PADGETT may require that you attend certain training. We do not charge you for this training (except for books, materials and other nominal fees) although you must pay any expenses that you incur. We also require you to attend each year our annual tax seminar or equivalent other education for which equivalent CE credits are given and for which you acquire PADGETT's prior written approval, and you also must attend each year either our annual conference or one of our practice management seminars. (Paragraph IV.D of the Franchise Agreement). We may charge you a registration fee to defray PADGETT's costs. We do not otherwise charge you for this training (but you must pay all travel, lodging, meal and other expenses that you incur). (See chart below under the heading "TRAINING PROGRAM").

Advertising

PADGETT does not maintain a separate advertising fund to which you must contribute, although the Franchise Agreement permits us to create a fund in the future, and we may do so. PADGETT has no obligation under the Franchise Agreement to run an advertising program and it has been our policy not to buy media advertising, although we do undertake a variety of promotional activities. PADGETT is not required to spend any amount on advertising in the franchisee's area or territory. PADGETT has no obligation to ensure that you will benefit from those activities. There is no advertising council comprised of franchisees that advises PADGETT on advertising policies. PADGETT does not require its franchisees to participate in local or regional advertising cooperatives. Pursuant to the terms of the current franchise agreement attached as Exhibit A, PADGETT does not have the right to require advertising cooperatives to be formed, changed, dissolved, or merged. You may purchase advertising and promotional materials for local advertising, in your area or territory, from any source. However, you shall provide us with copies of such materials, and we must first approve in writing the advertising form, content and media before you may use such items. We are not obligated to approve this advertising within a specific period, although we routinely respond to approval requests within 90 days and our approval shall not unreasonably be withheld. PADGETT retains the sole right to market on the Internet, including all use of websites, domain names, URLs, linking, advertising, public/social media and/or networking pages and groups (i.e. Facebook, LinkedIn) and their associated URLs, and co-branding arrangements. You may not independently market on Internet, or use any domain name, address, locator, link metatag, or search technique with words or symbols similar to the Proprietary Marks.

Computer Equipment and the Padgett Accounting Software

We require you to obtain, install, and use certain computer hardware, printers, Internet connections and service, dedicated telephone and power lines, and various software designed to be used in operating your franchise, including but not limited to third party software such as MS Office, Adobe Acrobat, etc. If you do not already have business versions of these items, the estimated cost of these items is \$3,500.

We also require that you install the Padgett Accounting System. The Padgett Accounting System includes a bundle price for software from Thomson Reuters and is only available at Padgett rates through Padgett. Under the Franchise Agreement, we license to you our Padgett Processing Software, which you must install and use to provide Padgett Services. (Paragraph IV.A of the Franchise Agreement). PADGETT has the master license and charges an annual fee sub-license fee (the "PAS License Fee") to its franchisees in a non-discriminatory manner. The PAS License Fee currently ranges from \$6,750 to \$7,100 per year (depending on the payment terms chosen). We will coordinate with the software vendors to facilitate upgrades and updates to this software consistent with the operating practices of the franchise. Franchisor has access to some statistical information such as average revenue per client but does not have independent access to client information or data in the Padgett Accounting System.

There are many sources for compatible hardware and software. All are approved within the definitions provided above. We use broadband Internet connection to your business to provide you [with](#) data and computer programs. We also use the broadband Internet connection to perform "trouble-shooting" for you from our headquarters. It is not our practice to use our broadband Internet connection to you to have independent access to the information and data your business generates, however, nothing in the Franchise Agreement prohibits our access to any information available by broadband Internet.

PADGETT is not obligated to assist you in obtaining these items. You must update and replace your equipment and software as significant new or improved functionality becomes available and we make it a part of the Padgett System. If you fail to do so in a timely manner, then PADGETT may require you to pay a Support Fee to reasonably compensate PADGETT for the time required to assist you in remedying the situation. Upgrades may require you to make significant expenditures. We do not reimburse you for these expenditures. We estimate the cost of maintaining, updating or upgrading your computer equipment to be \$500-\$2,500, depending on your repair history, local costs of computer maintenance services in your area and technological advances. You are not required to enter into any ongoing maintenance and support contract but may find it advantageous to do so.

Confidential Operations and Training Manuals

We will provide you with the opportunity to review our Confidential Operations and Training Manuals, consisting of approximately 635 pages, in electronic format only, either via online access or at our offices before you sign the Franchise Agreement.

Training

Our training program provides extensive training before the opening of your franchise business, as well as, up to six days of additional training after opening if deemed necessary by PADGETT, and various courses, seminars, annual conferences and training session thereafter, as follows. This training program is provided to protect our brand and the Marks and not to control the day-to-day operation of your Business.

TRAINING PROGRAM

Subject	Hours of Virtual and/or Classroom Training	Hours of On the Job Training	Location
Initial Training – For Start-ups - Operations, Computer, Client Acquisition & Product/Service offerings (Notes 1, 3, 4, 5)	Up to 80		Athens, GA or Virtual
Local Training – Operations/ Marketing (Notes 2, 4, 5, 9)		Notes 3, 7	Various

Tax Training (Note 6)	26		Various (Note 8)
Continuing Training (Notes 3, 7)	Notes 3 and 7	Notes 3 and 7	Regional (Note 8)
TOTAL HOURS	Up to 106		

NOTES

- Note 1: There are different training tracts for start-up and conversion franchises. There may be virtual and/or classroom training. The initial virtual and/or classroom training for a start-up will take place in the next regularly scheduled training course, which will be no more than 60 days after the signing of the Franchise Agreement. This training is usually offered each month. As a start-up, you may not open for business until you have successfully completed the PADGETT virtual and/or classroom training. As a conversion franchise, a training program will be designed specifically to facilitate the conversion of your business to Padgett. Virtual and/or Classroom training is available to you or a mutually agreed to representative. Your employees, associates and family members may attend on a space available basis. You may re-attend the course. For any training conducted off-site, you must pay all travel, food and living expenses.
- Note 2: There will be office and field training, if PADGETT determines it necessary, at a location we designate. The field training may take place over multiple visits. Office and field training is only available to you and/or a mutually agreed representative. This training is available to you at PADGETT's discretion.
- Note 3: There may be follow-up virtual and/or classroom training at a location we designate. This may be at a PADGETT training center in Athens, Georgia or in a regional location. Follow-up virtual and/or classroom training is only available to you or a mutually agreed representative. You may re-attend the course.
- Note 4: PADGETT employs a variety of teaching techniques for Padgett. Within the classroom environment there will be case studies, lectures, demonstrations, sample processing studies, role playing and self-teaching exercises. Materials will include workbooks, Confidential Manuals, sample reports and training data. Part of this training will also include time reviewing client information, providing client training and reviews of general office procedures. We estimate that all initial training will be completed within nine months of operation. The schedule will depend on your progress and start date.
- Note 5: Instructors from the following group of individuals will conduct the classroom training for PADGETT:
- Jeff Phillips * Chief Executive Officer
Amanda Aguillard* Chief Operating Officer
~~Anna Khayet* Chief~~ Katarina Thomas* Marketing ~~Officer~~ Director
Roger Harris * President
John Holjevac* Vice President
Sue Bosevich* Vice President of Franchise Operations
Annie Schwab* Franchise Operations Manager
Cindy Cole* Franchise Operations Manager
Andy Ford* Franchise Operations Manager

* Mr. Phillips has ~~14~~15 years of experience teaching each of the listed subjects and ~~4~~5 years of experience with the franchisor.

- * Ms. Aguiard has ~~9~~10 years of experience teaching each of the listed subjects and ~~4~~5 years of experience with the franchisor.
- * Mrs. ~~Khayet~~Thomas has ~~17~~11 years of experience teaching each of the listed subjects and ~~4~~5 years of experience with the franchisor.
- * Mr. Harris has ~~37~~38 years of experience teaching each of the listed subjects and ~~53~~54 years of experience with the franchisor.
- * Mr. Holjevac has ~~36~~37 years of experience teaching each of the listed subjects and ~~34~~35 years of experience with the franchisor.
- * Mrs. Bosevich has ~~26~~27 years of experience teaching each of the listed subjects and ~~27~~28 years of experience with the franchisor.
- * Ms. Schwab has ~~23~~24 years of experience teaching each of the listed subjects and ~~15~~16 years of experience with the franchisor.
- * Mrs. Cole has ~~27~~28 years of experience teaching each of the listed subjects and ~~27~~28 years of experience with the franchisor.
- * Mr. Ford has ~~24~~25 years of experience teaching each of the listed subjects and ~~14~~15 years of experience with the franchisor.

- Note 6: Nominal fees may apply. We may require you to attend, once each year, our annual tax seminar (or equivalent other education for equivalent CE credits), and, also, one of our other meetings and/or seminars. You must pay all travel, lodging, meal and any other expenses you incur for this attendance.
- Note 7: This training will occur as deemed necessary by PADGETT.
- Note 8: This training typically takes place at the corporate office in Athens,GA and virtually.
- Note 9: This training may take place at the franchisee's office location, however we reserve the right to change the location of this training.

Item 12: 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. Due to the nature of our business, other franchisees may have clients in your territory. This could also be true with respect to outlets that we may own or from other channels of distribution or competitive brands that we may control. Other franchisees can use trade names or service marks like those that you use within your Franchise Territory. We do not require you to pay any compensation to other franchisees for sales made outside of your Franchise Territory; nor must they compensate you for sales made to customers in your Franchise Territory.

You have the nonexclusive right and license to develop and operate the franchised business. PADGETT and you agree upon the specific location of your Franchise Territory before you sign the Franchise Agreement. A typical territory is determined by zip code. In the event that the U.S. Postal Service eliminates or sub-divides a zip code in your Franchise Territory or changes the geographical area covered by a zip code in your Franchise Territory, we will adjust your Franchise Territory. You may offer Padgett Services from any location that you consider advisable and you may at any time relocate your business site with prior approval by Padgett.

PADGETT agrees to offer you first right to service, within your Franchise Territory, any client that executed a national account contract with PADGETT and operates in more than one franchise territory, in accordance with the applicable national account contract or such procedures we outline in writing. The Franchise Agreement permits us to service any clients within your Franchise Territory if you decline to service such client, provided that you have had a reasonable opportunity to consider servicing the client and you do not accept the client's business.

We do not currently offer multiple units to franchisees during their first year of operation. After the first year of operation, upon your request, we may consider granting you the option to develop an additional PADGETT franchises if you are in compliance with the Franchise Agreement and Confidential Manuals and you propose to open the franchised business in areas and at sites which we approve, but we have no obligation to do so.

Nothing in the Franchise Agreement prohibits you, the Franchisee, from performing services covered by the Franchise Agreement at your business location within your Franchise Territory for any person or firm residing outside your Franchise Territory or from advertising or promoting your location in media, including the Internet, that may extend beyond your Franchise Territory. We encourage you to solicit and serve clients located in your Franchise Territory.

Though we do not currently operate businesses of the type being franchised, we are not prohibited under the Franchise Agreement from establishing company-owned businesses within your Franchise Territory that use the Proprietary Marks or any other marks. Also, PADGETT reserves the right to sell and license the right to sell products or services under any brand through other channels of distribution (including the Internet) to any person at any location. Neither PADGETT nor our affiliate has any presently formulated plan or policy to operate or franchise the operation of any business selling or leasing under different trade names or service marks, goods or services like or competitive with those that you offer for sale.

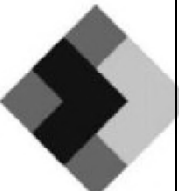
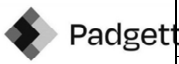
Item 13: Trademarks

The principal trademarks for PADGETT, which we will license to you, include the following: “**Padgett The Small Biz Pros®**” (design mark plus words, appearing on the cover of this disclosure document); “**Padgett Business Services®**” (on cover); PADGETT®, “**Where Your Success Takes RootSM**” (on cover); and “**Padgett Business Services A SmallBizPros CompanySM**.” The term “principal trademarks” means primary trademarks, service marks, names, logos, and commercial symbols used to identify the franchised business. You will operate your franchise and provide Padgett Services under these names and any other name that we designate. You also may use our other current or future trademarks and service marks to identify your facility, as we designate (except as specified below).

PADGETT has registered the following trademarks with the United States Patent and Trademark Office (“USPTO”) and all affidavits required to preserve and renew these registrations have been timely filed:

U.S. TRADEMARK REGISTRATIONS

Principal Trademark	Registration Number	Registration Date	Principal or Supplemental Register of the USPTO	Class	Comments
~~PADGETT-PAYROLL-SERVICES®~~	2,952,414	2005-05-17	Principal— ~~2(F)—In Part~~	035	~~The registration has been renewed.~~
 PADGETT THE SMALL BIZ PROS ®	3,197,914	2007-01-16	Principal	035	The registration has been renewed.

Principal Trademark	Registration Number	Registration Date	Principal or Supplemental Register of the USPTO	Class	Comments
PADGETT BUSINESS SERVICES®	4,160,049	2012-06-19	Principal -2(F)	035	
(Del)  PADGETT PAYROLL	4,674,878	2015-01-20	Principal	035	
(Del)  PADGETT PAYROLL	4,738,438	2015-05-19	Principal	036	
PADGETT BUSINESS SERVICES (Color-Design) (Del)  PADGETT	4,626,049	2014-10-21	Principal	035	
AMERICA'S FIRM FOR SMALL BUSINESS TAX NEEDS	4,886,332	2016-01-12	Principal	35	
	5,186,297	2017-04-18	Principal	36	
SMALLBIZPROS	5,244,276	2017-07-18	Principal	35	Renewed
SMALLBIZPROS	5,244,277	2017-07-18	Principal	36	Renewed
PADGETT	6,904,885	11/22/22	Principal	35	
	6,993,042	02/28/23	Principal	35, 36	
 Padgett	6,993,043	02/28/23	Principal	35, 36	
 Padgett	6,993,044	02/28/23	Principal	35, 36	

PADGETT claims common law rights in the trademarks, service marks, trade names, logo types, and commercial symbols listed above from its Predecessor's or our exclusive use, protection, and

enforcement of these marks from the date of their first use. Our Predecessor's first use of the "**Padgett Business Services®**," "**Padgett Business Services A SmallBizPros CompanySM**" and PADGETT" marks was at least as early as May 24, 1966. PADGETT's Predecessor assigned these marks to PADGETT effective June 16, 1988. Our first use of the "**Padgett Business Services®**" mark was at least as early as June 30, 1995.

PADGETT does not know of any presently effective determinations of the USPTO, the trademark administrator of any state or any court, any pending interference, opposition or cancellation proceeding or any pending material litigation involving these trademarks which is relevant to their use in any state in which your franchise is to be located.

There are no currently effective agreements that significantly limit PADGETT's rights to use or license the use of the principal trademarks listed in this section in a manner material to your franchise.

You must follow PADGETT's rules when you use its marks. You cannot use a name or mark as part of a corporate name or with modifying words, designs, or symbols, except for any that we may choose to license to you for that specific purpose. You may not use PADGETT's trademarks in connection with the sale of any unauthorized product or service, or in a manner that PADGETT has not authorized in writing.

You must police the use of our trademarks, service marks, trade names, logo types and commercial symbols. You must notify PADGETT promptly of any claim we may have based on any unauthorized attempt by any person to use any of our trademarks. At our request and expense, you must assist us in taking appropriate action to stop these activities. You cannot, however, take any action or incur any expenses on our behalf without our prior written approval. We are not required by the Franchise Agreement to defend or prosecute any claims under our trademarks, but if we decide to do so, we may control the prosecution or defense of any administrative proceedings or litigation and you must sign any documents and take any actions that our legal counsel considers necessary. We are entitled to any damages, settlement proceeds or benefit from a third party's infringement, challenge or claim.

You must operate and advertise your franchise only under the trademarks that we designate. You must use these trademarks only in the manner we require and you must refrain from using these marks to perform any activity or to incur any obligation that may subject us to liability. You cannot represent that you have acquired any ownership rights in any of our trademarks, infringe upon our trademarks, contest or help others to contest the validity of our right to use our trademarks or take any other actions that may hurt our use of these marks. You must observe all laws for the registration of trade names and assumed names and include in any application for a trade name or assumed name a statement that your use of PADGETT's marks is limited. You also must observe the requirements for our trademark registration, including affixing "SM", "TM" or "®" adjacent to all our trademarks and using other appropriate notice of ownership and registration.

PADGETT may designate one or more modified or replacement marks for use by our franchisees and may require you to use these different marks. If this happens, you must pay all costs and expenses associated with the use of the modified or replacement marks.

You are not entitled to any compensation if you lose your right to continue to use our trademarks.

PADGETT does not know of any other infringing uses of our trademarks which could materially affect your use of our trademarks.

Item 14: Patents, Copyrights and Proprietary Information

We do not own any rights in, or to any patents which are material to the franchise business. We do not have any pending patent applications that are material to the franchise. While you do not receive the right to use any item covered by a patent or copyright, you can use the proprietary information in our

Confidential Manuals and the proprietary equipment and computer software materials that we loan you (see Item 11). Although PADGETT has not filed an application for a copyright registration for its Confidential Manuals or computer software, we claim copyrights on these items and the information is proprietary. In the future, we may claim a copyright in other related materials.

You must keep our proprietary information confidential and disclose it only to your employees who have a need to know the information and who have signed employee nondisclosure agreements (see Item 15). You may not disclose our proprietary and confidential information, including our Confidential Manuals, trade secrets, methods, customer lists and equipment and computer software, to any unauthorized person without our prior written consent. Your non-disclosure obligations are effective during the term of the Franchise Agreement and for two years after it expires or terminates. Except for your non-disclosure obligations, you do not have a specific obligation under the Franchise Agreement to police our confidential information.

Item 15: Obligation to Participate in the Actual Operation of the Franchise Business

You must devote your time and best efforts to the franchised business. You may not be an “absentee owner” of the business or buy a franchise from us merely as an investment. You may not be employed outside of your PADGETT franchised business, nor may you operate or own a business other than your PADGETT franchised business. PADGETT encourages you to hire appropriate staff members. You will be solely responsible for selecting and hiring personnel and will have full control over operations other than to the extent that you delegate to others. You are also required to successfully complete PADGETT’s training program.

You, your guarantors (if any), and if you are a business entity, all shareholders and owners, plus the spouses of all of those individuals, during the term of the Franchise Agreement and for two years after it expires or terminates, must not solicit any clients of the franchised business. Also, you may not disclose or use our proprietary information for two years after the Franchise Agreement expires or terminates (or, for “trade secrets,” for as long as that information remains a “trade secret.”

We do not always require a guarantee of the franchisee’s obligations under the Franchise Agreement, but we may require a third party to guarantee your obligations personally, based on your financial situation or if you are newly-formed or undercapitalized business entity.

Item 16: Restrictions on What the Franchisee May Sell

Unless specifically authorized by PADGETT, you must offer and sell only those goods and services that we have approved and designated that you sell. You must offer all goods and services that we designate as required. We may introduce new products or services and may require you to spend additional amounts on different equipment or fixtures necessary to offer these new products and services. We may also require you to test new products or services at your location.

PADGETT may change or modify the system presently identified by the Proprietary Marks including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, and new products and services, and you must use any of these changes in the system as directed as if they were part of the Franchise Agreement at the time of execution. PADGETT may also change or modify the contents of the Confidential Manuals, in its sole discretion and at any time, and you must comply with those changes or modifications as directed.

You must operate your franchise according to our standards. In all advertising displays and materials you must notify the public that you are operating your business as a franchisee of PADGETT and that you are a licensed user of PADGETT’s Proprietary Marks and you must identify your business location. You may not operate any other business without PADGETT’s approval. If your state requires you, as a CPA, to operate under your legal name, you may market your Franchise as an Affiliate of PADGETT.

PADGETT will not restrict you from soliciting any customers, no matter whom they are or where they are located. However, you must use your best efforts to service customers in your area and to promote the Proprietary Marks, and you may not transfer or sell the customers of your franchised business to any third party for value.

Item 17: Renewal, Termination, Transfer and Dispute Resolution

THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other agreement	Summary
a. Length of the franchise term	Para. I	Term is 10 years.
b. Renewal or extension of the term	Para. I	10-year extensions based on certain requirements.
c. Requirements for franchisee to renew or extend	Para. I	Written notice; full compliance with the Franchise Agreement and all other agreements with us and our affiliates; compliance with Padgett's qualifications and training requirements; signing of the current Franchise Agreement; no notice of any federal, state or local law, regulation or rule that may have an adverse effect on our franchising activities; your ability to secure continue approved facilities; sign general release. You may be asked to sign a contract with materially different terms and conditions than your original contract which may include a different percentage Royalty Fee and Advertising Fund Contributions. In addition, Franchisor reserves the right to charge a renewal fee in some amount less than the current initial Franchise Fee or its equivalent.
d. Termination by franchisee	Para. XII	You can terminate the Franchise Agreement only by mutual agreement with PADGETT. The provisions regarding termination by the franchisee are subject to state law.
e. Termination by franchisor without cause	None	Not applicable.
f. Termination by franchisor with cause	Para. XII	PADGETT can terminate only for cause upon the occurrence of an event of default.

Provision	Section in franchise or other agreement	Summary
g. "Cause" defined--curable defaults	Para. XII.A.3, 4, 6, 13	You have 15 days, after notice from PADGETT, to cure nonpayment of financial obligations (other than failure to pay described in h. below), 15 days to cure noncompliance with any law or regulation, 30 days to cure breach of Franchise Agreement or Confidential Manuals or improper and/or unauthorized use of Proprietary Marks, and the time set forth in other agreements to cure defaults under those agreements.
h. "Cause" defined--non-curable defaults	Para. XII.A.1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 14, 15	Non-curable defaults: insolvency (but see note below), failure to immediately pay financial obligations 60 days overdue, underreporting receipts, failure to begin operations, materially false statement, lapse of required insurance, transfer or sale for value of a Padgett Services client, violation of transfer and assignment provisions, receipt of 3 or more notices of default in a year even if cured, violation of confidentiality provisions, indictment or conviction of a felony or crime or offense adversely affecting PADGETT, abandonment, failure to attend tax seminar or equivalent education in any calendar year without consent, failure to attend annual conference or one practice management seminar in at least 2 of every 3 years without consent. * Note: The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
i. Franchisee's obligations on termination / non-renewal	Para. X.B, Para. XII.D & Para. XIII	Obligations include complete de-identification with PADGETT and cessation of use of system and Proprietary Marks, payment of all amounts due (including damages), return of Confidential Manuals and other property of PADGETT, transfer of all telephone numbers and advertisements, removal of all signs bearing PADGETT's trademarks, cooperating with the transfer of clients as directed by PADGETT (this includes, but is not limited to, providing lists of employees and customers to PADGETT, communicating with clients in a manner conducive to a successful transfer and following the procedures developed by PADGETT for transferring clients to us or another franchisee for service), and assigning domain names and other registrations that contain any Proprietary Marks to us. You may not disclose or use our confidential information for two years after termination or expiration.

Provision	Section in franchise or other agreement	Summary
j. Assignment of contract by franchisor	Para. X.A	No restrictions on PADGETT's right to assign.
k. "Transfer" by franchisee-- defined	Para. X.B, .C,.E	Includes transfer of Franchise Agreement, material assets or ownership in the business entity.
l. Franchisor approval of transfer by franchisee	Para. X.B	PADGETT must give its prior written approval of all transfers. Franchisees may not offer or transfer, with or without compensation, PADGETT clients to any third party that would result in the client(s) not being serviced by PADGETT or another PADGETT franchisee during the in-term and post-term periods of the franchise agreement without the prior written approval of PADGETT.
m. Conditions for franchisor approval of transfer	Para. X.C	Your obligations to PADGETT fully satisfied, proposed transfer reasonable, current disclosure document provided to new franchisee and then-current franchise agreement signed by new franchisee, transfer fees paid to PADGETT, general release signed by you and new franchisee, new franchisee qualifies, new franchisee completes training, training fee paid to PADGETT (also see l below).
n. Franchisor's right of first refusal to acquire franchisee's business	None	Not applicable
o. Franchisor's option to purchase franchisee's business	None	Not applicable
p. Death or disability of franchisee	Para. XI	Within one year after death or physical or mental incompetency of any person who has an interest in you and who has managerial responsibility for the operation of your franchise, that interest must be transferred to an approved third party.
q. Non-competition covenants during the term of the franchise	Para. XIII.A	No involvement in competing business.
r. Non-competition covenants after the franchise is terminated or expires	Para. XIII.B	No solicitation of PADGETT customers for 2 years; no transfer of part or all of your franchised business or its assets to a competitor for 2 years.
s. Modification of the agreement	Para. XVI.I	No amendments or modifications to Franchise Agreement except to reduce scope of covenants or provisions. Franchise system, Confidential Manuals, Proprietary Marks subject to change (see Para. VIII.B).

Provision	Section in franchise or other agreement	Summary
t. Integration/merger clause	Para. XVI.B	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Para. XV.H	All disputes arising out of or relating to the Franchise Agreement must be mediated in Athens, Georgia no later than ninety (90) days after the commencement of any litigation or arbitration by either party to the Franchise Agreement. State law may apply.
v. Choice of forum	Para. XV	Litigation must be in Georgia. However, see any requirements of local law in Exhibit K of this disclosure document. (Subject to applicable state law.)
w. Choice of law	Para. XV.A	Georgia law applies, except that the law of the State in which your franchise is operated governs the interest rate that you must pay on overdue amounts and the restrictive covenants with which you, guarantors, principals if you are a business entity, and spouses of those individuals must comply. See q and r, above and also Items 6, 9 and 15. Also, see any requirements of local law in Exhibit K of this disclosure document. (Subject to applicable state law.)

Item 18: Public Figures

PADGETT does not use any public figure to promote our franchise.

Item 19: Financial Performance Representations

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential 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) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The information below is an historic financial performance representation about the franchise system's existing outlets.

As of December 31, ~~2024~~2025, PADGETT had ~~167~~165 franchised locations operated by ~~156~~146 franchisees in the U.S. subject to revenue reporting requirements. As of the filing date of this document, ~~124~~130 of PADGETT's franchisees had submitted complete financial information to PADGETT, which was used to determine the franchisee profit information within this section, while financial information from ~~32~~16 of PADGETT's franchisees was not included due to tax extensions or because the reporting deadline was during tax season, the franchisees busiest time of year. The Financial Performance

Representations do not include any profit information for franchisees who operated for only a part of FYE ~~2023~~2025 if he/she closed during that year. ~~1014~~ of these ~~124146~~ franchisees reporting operated multiple locations. ~~63~~ franchisees closed during this period. The revenues submitted with the financial information are the revenues upon which franchisees' monthly royalty fees were calculated.

PADGETT offered substantially the same services to all the businesses included in the Report and substantially all the businesses offered the same business services.

Overall Franchisee revenues and profits:

Franchisee revenues are primarily derived from monthly fees (for write-up of management reports and consultation services), tax preparation fees and year-end fees (to prepare W-2, 1099, etc. documents for clients). In addition, franchisees also have additional revenue from payroll processing and certain one-time fees (such as set-up fees and backwork fees) and other additional fees (such as representation fees).

~~For the fiscal year ending December 31, 2024, of the 124 USA Franchisees that reported, revenues increased from \$58.3 million to \$59.2 million for an increase of \$900,000 million over the prior year.~~

As of December 31, ~~2023~~2025, the average monthly fee paid by Padgett clients was ~~\$441~~382. This is compared to ~~\$325441~~ as of December 31, ~~2023~~2024. Of the ~~124130~~ franchisees submitting complete financial data, sales data as of December 31, ~~2024~~2025, shows that ~~3148~~ franchisees were at or above the average amount.

In addition to the aforementioned ~~\$441~~382 average monthly fee (or ~~\$5,2924,584~~ annually), for the fiscal year ending December 31, ~~2024~~2025, the average tax preparation fees were equivalent to ~~\$4,7504,444~~ per monthly client, or ~~47.349.2~~% of ongoing client fees. This is not necessarily the fee per tax return, but rather an amount calculated by dividing total tax fees generated by the number of monthly client relationships. Many clients refer multiple tax returns to Padgett (i.e., children's- returns, parents' returns, other relatives and friends' returns). This figure is calculated by taking the total tax revenues and dividing it by the total number of monthly clients. Therefore, using this calculation, the average on-going annual revenue as it relates to monthly client relationships is ~~\$10,0429,028~~. ~~8872~~ of the ~~124130~~ franchisees included in this report, or ~~7155~~%, attained or surpassed the average on-going annual revenue from a client. The high, median, mean, and low averages for these amounts are found in the following chart:

<u>Average Annualized Ongoing Revenues/Client</u>			High	Median	Mean	Low
Average monthly fee	~~\$441-~~		~~\$9,104~~ 3,206	~~\$441~~ 382	~~\$316~~ 346	~~\$59~~ 51
Monthly fee annualized (X 12)	~~\$5,292-~~		~~\$109,248~~ 38,472	~~\$5,292~~ 4,584	~~\$3,792~~ 4,152	~~\$708~~ 612
Tax Prep \$/% of total ongoing rev.	~~\$5,081-~~	~~49.049.2~~ %	~~\$323,397~~ 114,243	~~\$5,081~~ 4,444	~~\$11,225~~ 12,329	~~\$2,096~~ 1,817
Annual average fee with tax prep	~~\$10,373-~~		~~\$214,149~~ 75,771	~~\$10,373~~ 9,028	~~\$7,433~~ 8,177	~~\$1,388~~ 1,205

Franchisee profitability was also analyzed for franchisees' fiscal years that ended during PADGETT's fiscal year ending December 31, ~~2024~~2025, and is depicted in the two charts below. As stated above, the profit information contained in the charts is based on the complete financial reports submitted by ~~124130~~ franchisees. We adjusted the profit figures by eliminating depreciation, interest and

franchisees' own expenses that vary considerably among franchisees, including owners' salaries and discretionary owners' expenses. These adjustments have the effect of increasing the profits reported in the charts below, as compared to the profits on franchisees' internal Profit and Loss Reports. The data received from reporting businesses was accumulated using a uniform method that included direct reports to PADGETT by the franchisees. With regard to the profit information compiled, PADGETT reports that adjusted profits for franchisees open for business for more than one year and who have at least \$100,000 in annual revenue, attained 37.4~~37.4~~25.8% median revenue.

The two charts that follow detail the profit information shown by revenue grouping and the number of franchisees that have achieved each stated profit level. In the table below, "high" is the result of the one office that has the highest result, "median" is the result of the franchisee who is in the middle of the population (i.e. there are the same number of franchisees with higher and lower results), and "low" is the result for the one franchisee that has the lowest result. Additionally, following the two aforementioned charts are four adjusted Profit & Loss Statements (P&Ls) based on the same information presented in these charts. The P&Ls show the cumulative data of the franchisees comprising each of the revenue groupings and the averaged data of the franchisees comprising each of the revenue groupings. To calculate the average P&L data, the cumulative data was divided by the number franchisees in each revenue grouping.

(Mod)		Adjusted Profit Percent				Adjusted Profit Percent		
Franchisee Revenues	Units Exceeding or Surpassing	Average	High %	Average	High	Mean	Low	
\$500,000 +		734.6	20.4	18	42388	20744	44.8	27.4
\$300,000 - \$499,999		648.3	42.3	24	43617	42839	43.1	78.9
\$100,000 - \$299,999		939.7	(11.6)	21	42863	(11030)	40.6	(10.0)
Total \$100,000 +		37.4			26.0			
< \$100,000		538.5	13.6	26	58.0	1300	56.2	0.0
Total		37.4			25.8			

CUMULATIVE TOTALS					
FRANCHISEES' ADJUSTED PROFITS REPORTED BY FDD REGISTRATION DATE					
FISCAL YEAR ENDING 12/31/2024					
FRANCHISEE REVENUES	(Franchisees)		SUMMARY FINANCIAL INFO		
	Locations Operated				
	NUMBER	% OF TOT	REVENUE	\$ PROFIT	% PROFIT
\$500,000 +	(38)	(30.2)	39,809,862	12,879,686	32.6
\$300,000 - \$499,999	(23)	(17.2)	19,266,602	3,663,906	36.7
\$100,000 - \$299,999	(42)	(33.8)	8,634,385	2,401,500	28.8
< \$100,000	(16)	(12.3)	1,058,102	485,002	38.0
TOTAL	(120)	(100.0)	59,662,804	28,720,438	35.8

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

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Note 1: For fiscal year ~~2023~~2025, ~~16~~20 Padgett franchises exceeded \$1 million in revenues.

Note 2: For fiscal year ~~2023~~2025 as reported by all franchisees in Padgett Report + Pay, the franchise's system for reporting revenue and royalties, franchises grew overall by an average of ~~15~~19%, the top 50 franchises grew by an average of ~~18.5~~18%, the top 100 franchises grew by an average of ~~16~~26% and the bottom 50 franchises grew by an average of ~~6~~21%. Total revenue increased from \$63 million in 2024 to \$76 million in 2025 for a total increase of \$13 million over the prior year.

~~Note 3: For fiscal year 2021, franchisees grew overall by an average of 14%, the percentage of growth was 15% for the top 50 franchisees, 14% for the top 100 franchisees, and 5.5% for the bottom 50 franchisees and there were 14 million dollar franchise members. For fiscal year 2022 franchises grew overall by an average of only 15%, the top 50 franchises grew by an average of 18.5% and the bottom 50 franchises grew by an average of 6%. There were 17 million dollar franchise members. 159 franchisees in 2021 and 143 for 2022 were not million dollar members.~~

(Modified) Adjusted Operating Income													
\$500,000+													
Revenue		Cumulative Total		Average		HIGH		MEDIAN		LOW			
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Financial Reporting		22,362,610.904	41.64%	476,213.80	63%	1,905,022.37	5.00%	348,946.74	1.6%	225,305.00	0.1%		
Tax Preparation		26,420,387.49	49.14%	562,136.49	74%	2,557,477.16	3.00%	423,850.83	1.6%	86,517.00	0.3%		
Payroll Processing		3,973,364.669	7.39%	84,574.56	39%	547,048.20	1.00%	46,841.00	1.2%	0.00	0.0%		
Other		1,033,082.2	1.83%	20,944.23	2.56%	147,769.00	0.24%	2,745.15	0.3%	0.00	0.0%		
Total Revenue		53,764,865.15	100.00%	143,869.47	100.00%								
Operating Expense													
Salaries		17,252,781.57	32.09%	367,080.46	32.09%	1,527,409.40	8.9%	220,735.00	1.3%	39,876.00	0.2%		
Payroll Taxes & Benefits		2,469,375.59	4.59%	52,539.91	4.59%	214,760.46	8.7%	32,107.00	1.3%	3,774.00	0.2%		
Insurance		508,055.27	0.95%	10,809.89	0.95%	71,444.84	14.1%	7,363.14	1.4%	1,464.00	0.3%		
Supplies		334,107.32	0.64%	8,792.30	0.64%	138,985.00	33.7%	2,641.00	0.7%	0.00	0.0%		
Marketing		366,170.83	0.68%	7,790.80	0.68%	196,763.14	53.7%	2,641.00	0.7%	0.00	0.0%		
Marketing		1,049,357.48	1.95%	22,326.65	1.95%	93,219.00	8.9%	7,315.00	0.7%	0.00	0.0%		
Rent		2,116,685.55	3.94%	45,035.96	3.94%	187,999.59	8.9%	36,578.00	1.7%	0.00	0.0%		
Outside Labor		1,260,473.25	2.36%	33,380.88	2.36%	187,999.59	8.9%	36,578.00	1.7%	0.00	0.0%		
Travel		2,520,287.78	4.69%	53,623.44	4.69%	900,891.43	35.7%	16,854.32	0.7%	0.00	0.0%		
Utilities		494,371.99	0.92%	10,518.55	0.92%	50,420.13	10.2%	6,732.00	1.4%	0.00	0.0%		
Utilities & Taxes		263,142.65	0.49%	5,598.99	0.49%	47,790.00	18.2%	2,758.34	1.0%	0.00	0.0%		
Postage & Travel		280,485.43	0.52%	5,967.78	0.52%	39,296.00	14.0%	1,954.00	0.7%	0.00	0.0%		
Postage & Travel		113,287.37	0.21%	2,425.48	0.21%	15,732.39	13.8%	1,441.00	1.3%	0.00	0.0%		
Meals & Entertainment		268,478.92	0.50%	5,712.30	0.50%	32,718.53	12.2%	3,060.00	1.1%	82.00	0.0%		
Bank Expense		487,252.76	0.91%	10,367.08	0.91%	65,504.28	13.5%	8,878.00	1.8%	4,785.00	0.6%		
Office Expense		4,088,362.05	7.60%	86,986.37	7.60%	120,398.87	2.9%	20,930.00	0.5%	1,481.50	0.0%		
Miscellaneous		5,438,593.97	10.12%	115,714.50	10.12%	290,198.38	5.3%	68,086.88	1.3%	25,707.00	0.6%		
Total Operating Expense		3,270,767,392.0	6.08%	69,591.08	6.08%	208,753.00	6.4%	60,513.00	1.9%	21,709.00	0.7%		
Total Operating Expense		40,988,179.12	76.24%	872,088.92	76.24%								
Adjusted Operating Income/Loss		13,819,432	34.64%	363,669	34.64%								
Adjusted Operating Income/Loss		12,773,686.07	23.76%	271,780.55	23.76%								
above Average Total Revenue		16	42%										
Number of Franchisees		47											

(Modified)	Adjusted Operating Income															
	\$300,000-\$499,999															
	Cumulative Total				Average				HIGH			MEDIAN			LOW	
Revenue																
	\$	\$	%	%	\$	\$	%	%	\$	\$	%	%	\$	\$	%	
Financial Reporting	3,670,162.97	39.69%	38%		159,927.38	839.69%	2.98%		295,300.47	0.00	7.80%		163,083.02	23.26%	43,019.08	
Tax Preparation	4,650,408.44	50.18%	78%		202,192.1	1,160.18%	4.78%		418,288.81	0.00	9.0%		164,132.00	4.0%	73,129.25	
Payroll Processing	843,993.75	9.10%	72%		23,427.99	335.81%	3.72%		142,669.00	0.00	16.9%		19,594.00	1.8%	0.00	
Other	94,741.00	1.02%	52%		4,121.18	1,187.02%	2.52%		32,914.25	0.00	34.7%		4,209.00	1.7%	0.00	
Total Revenue	9,266,842.33	100.00%	100%		402,904.89	100.00%	10.00%								0.0%	
Operating Expense																
Operating Expense																
Salaries	1,847,499.80	19.94%	20%		77,665.60	19.20%			190,400.00	10.0%			80,651.95	4.3%	0.00	
Payroll Taxes & Benefits	216,082.36	2.33%	73%		11,043.31	2.73%			200,625.00	6.2%			5,752.00	3.4%	0.00	
Payroll Taxes & Benefits	223,902.05	2.42%	16%		9,735.06	2.42%			34,915.00	15.8%			5,752.00	4.4%	0.00	
Insurance	123,441.06	1.33%	16%		5,367.00	1.33%			49,368.21	17.9%			3,569.00	2.8%	0.00	
Supplies	60,935.10	0.66%	59%		2,401.40	0.59%			14,318.19	24.3%			8.00	0.0%	0.00	
Marketing	111,691.88	1.21%	11%		1,018.03	1.11%			11,185.19	16.7%			2,074.00	0.0%	0.00	
Marketing	130,748.68	1.41%	5%		5,684.73	1.41%			17,031.00	13.0%			16,969.00	3.3%	0.00	
Rents	457,624.60	4.93%	50%		16,312.96	4.03%			16,366.00	3.6%			16,969.00	3.3%	0.00	
Outside Labor	408,761.06	4.41%	50%		17,772.22	4.41%			49,500.00	22.1%			13,825.00	3.4%	0.00	
Outside Labor	247,205.97	2.67%	52%		10,750.66	2.67%			128,046.00	18.1%			1,142.14	0.0%	0.00	
Travel	66,315.26	0.72%	53%		2,883.27	0.72%			13,743.00	10.7%			2,451.58	2.4%	0.00	
Utilities & Taxes	77,896.69	0.84%	55%		3,365.27	0.84%			13,810.66	10.6%			92,193.00	2.8%	0.00	
Licenses & Taxes	37,639.74	0.41%	29%		1,636.51	0.41%			13,760.00	13.6%			673,588.00	1.6%	0.00	
Postage & Delivery	21,995.83	0.23%	30%		930.42	0.23%			4,789.00	12.4%			2,229,536.36	2.4%	0.00	
Meals & Entertainment	52,589.02	0.57%	48%		2,284.34	0.57%			11,464.57	12.1%			527,704.00	1.4%	-1,382.00	
Bank Expense	52,737.16	0.57%	53%		2,292.93	0.57%			10,896.23	120.7%			12,421,369.00	2.6%	0.00	
Office Expense	820,299.79	8.94%	28%		36,012.66	8.94%			26,849.00	83.2%			34,879,601.00	1.2%	3,063,930.00	
Miscellaneous Expense	1,019,763.62	11.00%	30%		44,336.68	11.00%			74,290.00	5.7%			33,095,455.00	2.9%	22,844,960.00	
Total Operating Expense	7,048,096.59	7.60%	69%		30,626.91	7.60%			40,170.00	5.7%			33,437.12	4.7%	5,445.26	
Total Operating Expense	5,865,516.06	63.30%			255,022.44	63.30%									0.8%	
Adjusted Operating Income/Loss	4,683,944.44	46.31%			187,358.45	46.31%										
Adjusted Operating Income/Loss	3,401,296.33	36.70%			147,882.45	36.70%										
Average Total Revenue	13	52%														
Number of Franchisees	23															

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	\$	\$	%	%	\$	\$	%	%	\$	\$	%	%	\$	\$	%	%	\$	\$	%	%	
Financial Reporting	339,383.56	32.07%	76%		21,211.79	35.76%			48,745.00	00.00	12.28%		22,316.00	00.00	5.46%		0.00	0.00	0.00%		
Tax Preparation	656,604.03	62.21%	38%		41,144.92	57.38%			79,870.00	00.00	19.24%		37,969.00	00.00	9.34%		8,084.00	0.00	1.1%		
Payroll Processing	51,145.96	4.83%	45%		3,197.32	5.45%			12,500.00	00.00	2.44%		0.00	0.00	0.0%		0.00	0.00	0.0%		
Other	9,350.36	0.88%	41%		584.86	1.41%			7,580.00	00.00	5.11%		0.00	0.00	0.0%		0.00	0.00	0.0%		
Total Revenue	1,058,162.10	100.00%			66,136.38	100.00%															
Operating Expense																					
Salaries	80,243.00	7.58%	5,015.19	7.58%	5,015.19	7.58%	5,015.19	7.58%	50,000.00	00.00	3.44%		50,000.00	00.00	62.3%		0.00	0.00	0.0%		
Payroll Taxes & Benefits	18,099.32	1.71%	1,131.20	1.71%	1,131.20	1.71%	1,131.20	1.71%	13,489.25	00.00	1.24%		13,489.25	00.00	17.0%		0.00	0.00	0.0%		
Insurance	29,661.36	2.80%	1,853.64	2.80%	1,853.64	2.80%	1,853.64	2.80%	4,047.04	00.00	2.47%		3,917.00	00.00	3.3%		931.00	0.00	0.0%		
Supplies	7,069.90	0.67%	441.87	0.67%	441.87	0.67%	441.87	0.67%	4,714.90	00.00	0.67%		4,714.90	00.00	5.2%		1,374.50	4.6%	2.68	0.1%	
Marketing	68,611.11	6.50%	4,301.87	6.50%	4,301.87	6.50%	4,301.87	6.50%	4,900.00	00.00	2.98%		4,900.00	00.00	21.1%		1,800.00	2.2%	0.00	0.0%	
Rents	59,254.00	5.60%	3,703.38	5.60%	3,703.38	5.60%	3,703.38	5.60%	12,915.00	00.00	5.33%		12,915.00	00.00	17.9%		3,481.00	3.6%	0.00	0.0%	
Outside Labor	55,848.00	5.28%	3,490.50	5.28%	3,490.50	5.28%	3,490.50	5.28%	34,000.00	00.00	2.87%		34,000.00	00.00	60.9%		0.00	0.00	0.0%		
Travel	7,114.06	0.67%	444.64	0.67%	444.64	0.67%	444.64	0.67%	2,316.06	00.00	0.97%		2,316.06	00.00	7.2%		0.00	0.00	0.0%		
Utilities	10,393.79	0.98%	648.98	0.98%	648.98	0.98%	648.98	0.98%	5,143.00	00.00	1.01%		5,143.00	00.00	7.95%		50.00	0.0%	0.00	0.0%	
Licenses & Taxes	13,707.85	1.30%	860.29	1.30%	860.29	1.30%	860.29	1.30%	9,159.00	00.00	0.42%		9,159.00	00.00	13.55%		50.00	0.0%	0.00	0.0%	
Postage & Delivery	6,862.07	0.65%	428.94	0.65%	428.94	0.65%	428.94	0.65%	1,895.55	00.00	0.72%		1,895.55	00.00	2.1%		0.00	0.00	0.0%		
Meals & Entertainment	14,021.35	1.33%	876.33	1.33%	876.33	1.33%	876.33	1.33%	5,879.35	00.00	0.41%		5,879.35	00.00	21.1%		30.00	0.0%	0.00	0.0%	
Brick Expense	2,705.09	0.26%	172.98	0.26%	172.98	0.26%	172.98	0.26%	507.00	00.00	0.21%		507.00	00.00	1.1%		3,220.74	2.2%	0.00	0.0%	
Office Expense	196,089.59	18.55%	12,268.00	18.55%	12,268.00	18.55%	12,268.00	18.55%	7,122.04	95	13.6%		7,122.04	95	13.6%		7,820.00	1.1%	0.00	0.0%	
Miscellaneous	246,672.21	23.31%	15,417.02	23.31%	15,417.02	23.31%	15,417.02	23.31%	23,606.00	00.00	7.96%		23,606.00	00.00	7.9%		9,012.10	4.9%	7,020.00	2.8%	
Total Operating Expense	973,099.61	91.96%	60,818.73	91.96%	60,818.73	91.96%	60,818.73	91.96%													
Adjusted Operating Income/Loss	445,605	38.47%	23,453	38.47%	23,453	38.47%	23,453	38.47%													
Adjusted Operating Income/Loss	85,082.49	8.04%	5,317.66	8.04%	5,317.66	8.04%	5,317.66	8.04%													
Average Total Revenue	11	58%																			
Number of Franchisees	1619																				

The table below reflects the average total revenue grown of firms that have joined Padgett since 2022.

Converting Franchisee Revenue Growth			
Year Converted	2022	2023	2024
Number of Firms	<u>1</u>	<u>3</u>	<u>5</u>
Average % Gross Revenue Growth of Firms Since Conversion Date	<u>67.6%</u>	<u>53.8%</u>	<u>12.9%</u>

Note 1. Above percentages include gross revenue data from the date of converting through 12/31/25.

Note 2. Above data does not include the 1 converting franchisee from 2023 who exercised an opt out of their franchise as permitted by the terms of their franchise agreement.

Note 3. Above data does not include 1 converting franchisee that sold their franchise to an existing Padgett owner.

[Note 4. Name and contact information of the converting franchisees are available upon request.](#)

Other than the preceding financial performance representation, PADGETT does not make any financial performance representations. 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 Roger Harris, ~~160 Hawthorne Park~~ [1550 Timothy Road, Suite 101](#), Athens, GA, 30606, (706) 548-1040, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20: Outlets and Franchisee Information

The information in the following tables is for our fiscal years ~~2022~~, 2023 ~~and~~, 2024 [and 2025](#). Our fiscal year-end is December 31 of that year.

Table No. 1

Systemwide Outlet Summary For Fiscal Years ~~2022~~[2023](#) to ~~2024~~[2025](#)

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the end of the Year	Column 5 Net Change
Franchised	~~2022~~ 2023	~~173~~ 172	~~173~~ 165	~~0~~ -7
	~~2023~~ 2024	~~173~~ 165	166	~~-7~~ +1
	~~2024~~ 2025	166	~~167~~ 164	~~+1~~ -2
Company-Owned	~~2022~~ 2023	0	0	0
	~~2023~~ 2024	0	0	0
	~~2024~~ 2025	0	0	0
Total Outlets	~~2022~~ 2023	~~173~~ 172	~~173~~ 165	~~0~~ -7
	~~2023~~ 2024	~~173~~ 165	166	~~-7~~ +1
	~~2024~~ 2025	166	~~167~~ 164	~~+1~~ -2

Table No. 2

Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor) For Fiscal Years ~~2022~~[2023](#) to ~~2024~~[2025](#)

State	Year	Number of Transfers
~~Alabama~~	~~2022~~	~~0~~
Alabama	2023	0
	2024	0
~~Arizona~~	~~2022~~	~~1~~
	~~2023~~ 2025	0
	~~2024~~	~~0~~

State	Year	Number of Transfers
California	~~2022~~	~~1~~
California	2023	0
	2024	1
Colorado	~~2022~~ 2025	0
Colorado	2023	1
	2024	0
Connecticut	~~2022~~ 2025	0
Connecticut	2023	0
	2024	0
Florida	~~2022~~ 2025	~~2~~ 1
Florida	2023	1
	2024	1
Georgia	~~2022~~ 2025	~~2~~ 3
Georgia	2023	0
	2024	0
Kansas	~~2022~~	~~0~~
	~~2023~~ 2025	1
	~~2024~~	~~1~~
Massachusetts	~~2022~~	~~0~~
Illinois	2023	0
	2024	0
Michigan	~~2022~~ 2025	~~0~~ 1
	~~2023~~	~~0~~
	~~2024~~	~~0~~
Nebraska	~~2022~~	~~0~~
Kansas	2023	1
	2024	~~0~~ 1
Nevada	~~2022~~ 2025	0
Nebraska	2023	~~0~~ 1
	2024	0
North Carolina	~~2022~~ 2025	0
	~~2023~~	~~0~~
	~~2024~~	~~0~~
North Dakota	~~2022~~	~~0~~
	~~2023~~	~~0~~
	~~2024~~	~~0~~
Ohio	~~2022~~	~~0~~

State	Year	Number of Transfers
	~~2023~~	~~0~~
	~~2024~~	~~0~~
~~Pennsylvania~~	~~2022~~	~~0~~
<u>Pennsylvania</u>	2023	1
	2024	0
~~Rhode Island~~	~~2022~~ <u>2025</u>	0
<u>Rhode Island</u>	2023	0
	2024	1
~~South Carolina~~	~~2022~~ <u>2025</u>	0
<u>South Carolina</u>	2023	2
	2024	0
~~Tennessee~~	~~2022~~ <u>2025</u>	~~1~~ <u>0</u>
<u>Texas</u>	2023	0
	2024	0
~~Washington~~	~~2022~~ <u>2025</u>	~~0~~ <u>1</u>
<u>Washington</u>	2023	1
	2024	1
~~West-Virginia~~	~~2022~~ <u>2025</u>	1
	~~2023~~	~~0~~
	~~2024~~	~~0~~
~~Total~~	~~2022~~	~~8~~
<u>Total</u>	2023	8
	2024	5
	<u>2025</u>	<u>8</u>

Table No. 3
Status of Franchised Outlets For Fiscal Years ~~2022~~2023 to ~~2024~~2025*

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Operations-- Other Reasons	Column 9 Outlets at End of the Year
~~Alabama~~	~~2022~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
<u>Alabama</u>	2023	4	0	1	0	0	0	3
	2024	3	0	0	0	0	0	3
~~Arizona~~	~~2022~~ <u>2025</u>	~~5~~ <u>3</u>	0	~~1~~ <u>0</u>	0	0	0	~~4~~ <u>3</u>
<u>Arizona</u>	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
~~California~~	~~2022~~ <u>2025</u>	~~15~~ <u>4</u>	0	0	0	0	0	~~15~~ <u>4</u>
<u>California</u>	2023	15	0	0	0	0	0	15
	2024	15	1	1	0	0	0	15

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Operations-- Other Reasons	Column 9 Outlets at End of the Year
~~Colorado~~	~~2022~~ 2025	~~11~~ 15	0	~~0~~ 1	0	0	0	~~11~~ 14
Colorado	2023	11	0	2	0	0	0	9
	2024	9	0	0	0	0	1	8
~~Connecticut~~	~~2022~~ 2025	~~4~~ 8	~~0~~ 1	0	0	0	0	~~4~~ 9
Connecticut	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	0	5
~~Florida~~	~~2022~~ 2025	~~13~~ 5	0	0	0	0	0	~~13~~ 5
Florida	2023	13	0	1	0	0	0	12
	2024	12	0	0	0	0	0	12
~~Georgia~~	~~2022~~ 2025	12	0	0	0	0	0	12
Georgia	2023	12	0	1	0	0	0	11
	2024	11	0	1	0	0	0	10
~~Hawaii~~	~~2022~~ 2025	~~1~~ 0	~~0~~ 1	~~1~~ 0	0	0	0	~~0~~ 11
Hawaii	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
~~Idaho~~	~~2022~~ 2025	~~1~~ 0	0	0	0	0	0	~~1~~ 0
Idaho	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~Illinois~~	~~2022~~ 2025	~~9~~ 1	~~1~~ 0	0	0	0	0	~~10~~ 1
Illinois	2023	10	0	1	0	0	0	9
	2024	9	0	0	0	0	0	9
~~Indiana~~	~~2022~~ 2025	~~1~~ 9	0	0	0	0	0	~~1~~ 9
Indiana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~Iowa~~	~~2022~~ 2025	~~0~~ 1	0	0	0	0	0	~~0~~ 1
Iowa	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
~~Kansas~~	~~2022~~ 2025	1	0	0	0	0	0	1
Kansas	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	1	1
~~Kentucky~~	~~2022~~ 2025	~~2~~ 1	~~1~~ 0	0	0	0	0	~~3~~ 1
Kentucky	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
~~Louisiana~~	~~2022~~ 2025	~~0~~ 3	~~1~~ 0	0	0	0	0	~~1~~ 3
Louisiana	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~Maryland~~	~~2022~~ 2025	1	0	0	0	0	0	1
Maryland	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~Massachusetts~~	~~2022~~ 2025	~~3~~ 1	0	0	0	0	0	~~3~~ 1
Massachusetts	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
~~Michigan~~	~~2022~~ 2025	~~6~~ 3	0	0	0	0	0	~~6~~ 3
Michigan	2023	6	0	0	0	0	0	6

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Operations-- Other Reasons	Column 9 Outlets at End of the Year
	2024	6	0	0	0	0	0	6
~~Minnesota~~	~~2022~~ 2025	~~3~~ 6	0	0	0	0	0	~~3~~ 6
Minnesota	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
~~Mississippi~~	~~2022~~ 2025	~~1~~ 3	0	0	0	0	0	~~1~~ 3
Mississippi	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~Missouri~~	~~2022~~ 2025	~~2~~ 1	0	0	0	0	0	~~2~~ 1
Missouri	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~Montana~~	~~2022~~ 2025	~~2~~	0	0	0	0	0	2
Montana	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~Nebraska~~	~~2022~~ 2025	~~1~~ 2	0	0	0	0	0	~~1~~ 2
Nebraska	2023	1	0	1	0	0	0	0
	2024	0	1	0	0	0	0	1
~~Nevada~~	~~2022~~ 2025	~~2~~ 1	0	0	0	0	0	~~2~~ 1
Nevada	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
~~New Hampshire~~	~~2022~~ 2025	~~1~~	0	0	0	0	0	1
New Hampshire	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~New Jersey~~	~~2022~~ 2025	~~2~~ 1	0	0	0	0	0	~~2~~ 1
New Jersey	2023	2	0	0	0	0	0	2
	2024	2	0	1	0	0	0	1
~~New York~~	~~2022~~ 2025	~~5~~ 1	0	~~1~~ 0	0	0	0	~~4~~ 1
New York	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
~~North Carolina~~	~~2022~~ 2025	~~3~~ 4	~~1~~ 0	0	0	0	0	4
North Carolina	2023	4	0	0	0	0	0	4
	2024	4	0	1	0	0	0	3
~~North Dakota~~	~~2022~~ 2025	~~2~~ 3	0	0	0	0	0	~~2~~ 3
North Dakota	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~Ohio~~	~~2022~~ 2025	~~5~~ 2	0	~~3~~ 0	0	0	0	~~5~~ 2
Ohio	2023	5	0	0	0	0	0	5
	2024	5	1	0	0	0	0	6
~~Oklahoma~~	~~2022~~ 2025	~~2~~ 6	0	0	0	0	0	~~2~~ 6
Oklahoma	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~Oregon~~	~~2022~~ 2025	~~1~~ 2	0	0	0	0	0	~~1~~ 2
Oregon	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~Pennsylvania~~	~~2022~~ 2025	~~1~~ 02	0	~~1~~ 0	0	0	0	~~9~~ 2

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquired By Franchisor	Column 8 Ceased Operations-- Other Reasons	Column 9 Outlets at End of the Year
Pennsylvania	2023	9	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9
~~Rhode Island~~	~~2022~~ 2025	~~1~~ 9	0	0	0	0	0	~~1~~ 9
Rhode Island	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~South Carolina~~	~~2022~~ 2025	~~7~~ 1	0	0	0	0	0	~~7~~ 1
South Carolina	2023	7	0	2	0	0	0	5
	2024	5	0	0	0	0	0	5
~~South Dakota~~	~~2022~~ 2025	~~0~~ 5	0	0	0	0	0	~~0~~ 5
South Dakota	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
~~Tennessee~~	~~2022~~ 2025	~~7~~ 0	0	~~1~~ 0	0	0	0	~~6~~ 0
Tennessee	2023	6	0	0	0	0	0	6
	2024	6	2	1	0	0	0	7
~~Texas~~	~~2022~~ 2025	~~7~~	0	~~0~~ 1	0	0	0	~~7~~ 6
Texas	2023	7	2	0	0	0	0	9
	2024	9	1	1	0	0	0	9
~~Utah~~	~~2022~~ 2025	~~2~~ 9	0	0	0	0	~~0~~ 1	~~2~~ 8
Utah	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
~~Virginia~~	~~2022~~ 2025	~~6~~ 2	0	0	0	0	0	~~6~~ 2
Virginia	2023	6	0	0	0	0	0	6
	2024	6	3	0	0	0	0	9
~~Washington~~	~~2022~~ 2025	~~8~~ 9	0	~~0~~ 1	0	0	~~8~~ 0	8
Washington	2023	8	0	1	0	0	0	7
	2024	7	0	1	0	0	1	~~6~~ 5
~~West Virginia~~	~~2022~~ 2025	~~3~~ 5	0	0	0	0	0	~~3~~ 5
West Virginia	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
~~Wisconsin~~	~~2022~~ 2025	~~1~~ 3	0	0	0	0	0	~~1~~ 3
Wisconsin	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
~~Total~~	~~2022~~ 2025	~~173~~ 1	~~3~~ 0	~~3~~ 0	0	0	0	~~173~~ 1
Total	2023	~~173~~ 172	4	11	0	0	0	~~166~~ 165
	2024	~~166~~ 165	~~9~~ 11	~~5~~ 7	0	0	3	~~167~~ 166
	2025	166	2	3	0	0	1	164

* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

Table No. 4

Status of Company-Owned Outlets For Fiscal Years ~~2022~~2023 to ~~2024~~2025

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold To Franchisees	Column 8 Outlets at End of the Year
Total	~~2022~~ 2023	0	0	0	0	0	0
	~~2023~~ 2024	0	0	0	0	0	0
	~~2024~~ 2025	0	0	0	0	0	0

Table No. 5

Projected Openings as of December 31, ~~2024~~2025

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In the Next Fiscal Year	Column 4 Projected New Company- Owned Outlets In the Current Fiscal Year
California	0	~~2~~ 1	0
Florida	0	2	0
Kentucky	0	1	0
~~North Carolina~~ New York	0	1	0
~~South Carolina~~ Connecticut	0	2	0
~~Texas~~ Tennessee	0	~~2~~ 1	0
Total	0	~~10~~ 8	0

Exhibit E lists the names of all current franchisees and the addresses and telephone numbers of their outlets as of December 31, ~~2024~~2025.

Exhibit F lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with one current or former franchisee. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with PADGETT. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no known trademark-specific franchisee organizations associated with the franchise system being offered.

Item 21: Financial Statements

Exhibit B to this disclosure document is PADGETT's audited balance sheets and PADGETT's audited statements of operations, shareholders equity and cash flow as of December 31, 2025, December 31, 2024, December 31, 2023,December 31, 2022.

Item 22: Contracts

Exhibit A to this disclosure document is PADGETT's standard form of Franchise Agreement and Exhibit H is our standard form of Application Agreement. PADGETT's form of General Release is Exhibit I to this Disclosure Document. Exhibit J is the Franchisee Disclosure Questionnaire.

Item 23: Receipts

The last pages of this disclosure document are Exhibit L in duplicate, which is a detachable acknowledgment that you have received this disclosure document.

PADGETT BUSINESS SERVICES
FRANCHISE AGREEMENT

~~2024~~2025

SmallBizPros, Inc. d/b/a Padgett Business Services

EXHIBIT A

~~23193208.1~~25475097.1

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement"), made and entered into at Athens, Georgia, this ___ day of ___, 20___, by and between SmallBizPros, Inc. d/b/a Padgett Business Services, a Georgia corporation with principal franchise support center offices at 1550 Timothy Road, Suite 101, Athens, Georgia 30606 (hereinafter referred to as "Padgett"), and _____ (hereinafter referred to as "Franchisee").

WHEREAS, Padgett has acquired experience, skills, technique and knowledge in the development and provision of recordkeeping forms, income tax services, financial statement preparation services, payroll compliance and reporting services, business consulting services, business counseling and related services (collectively, the "Padgett Services") and Padgett has devised systems, more fully described in the Padgett confidential operations and training manuals, for the establishment, operation, marketing and development of sales of Padgett Services in licensed territories (the "Padgett System"); and

WHEREAS, in connection with the Padgett Services, Padgett is the owner of the federally registered service marks Padgett Business Services (and design)®, Padgett The Small Biz Pros (and design)® and other trade names, trademarks, service marks, logos, designs, slogans and marks now or hereafter used by Padgett, either alone or in conjunction with other words or phrases, to identify the Padgett Services (collectively, the "Proprietary Marks"); and

WHEREAS, Franchisee desires to be franchised to offer Padgett Services pursuant to the provisions hereof, and Franchisee has had full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by counsel of Franchisee's own choosing.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

I. FRANCHISE GRANT; AREA; TERM

A. Franchise Grant. Subject to the terms and conditions of this Agreement and the continuing good faith performance thereof by Franchisee, Padgett licenses to Franchisee the non-exclusive right to use the Padgett System to offer, sell and perform Padgett Services. Padgett further licenses to Franchisee the non-exclusive right to use the Proprietary Marks and such other insignia, symbols, service marks and trademarks which may hereafter be designated by Padgett from time to time. Padgett reserves all rights not specifically granted to Franchisee hereunder. If any prospective client should come to Padgett for direction to Franchisee, Padgett will use its best efforts to refer prospective client to the nearest Franchisee. Should there be multiple franchisees within the same proximity, Padgett will refer prospective clients on a rotating basis. In addition, Padgett reserves the right to sell and license the right to sell Padgett Services and other products or services under any brand through other channels of distribution (including the Internet) to any person at any location. Padgett reserves the right to refer inquiries from prospective clients to any other Franchisee, if Padgett determines in its sole discretion that: Franchisee is not able to provide the services requested; Franchisee fails to respond to any such inquiry within a reasonable amount of time after the referral; or Franchisee is not in full compliance with the provisions of this Agreement at the time of the inquiry. In such instances, Padgett reserves the right to refer such inquiries to itself or another party.

B. Franchise Territory. Padgett grants to Franchisee the non-exclusive right to offer Padgett Services both within and outside of the following zip codes _____. (the "Franchise Territory"); but nothing herein shall prohibit Franchisee from performing services covered by this Agreement at that location for any person or firm residing outside the Franchise Territory, or from advertising or promoting Franchisee's location in media which may extend beyond the Franchise Territory. In the event that the U.S. Postal Service eliminates or sub-divides

a zip code in the Franchise Territory or changes the geographic area covered by a zip code in the Franchise Territory, Padgett and Franchisee agree to adjust the Franchise Territory to maintain substantially the same population density that existed in the Franchise Territory immediately prior to the elimination or sub-division of the listed zip code or geographic change.

C. Term. The term of this Agreement shall begin on the date hereof and, unless sooner terminated as hereinafter provided in Paragraph XII, shall end ten (10) years after such date. Franchisee shall have the right to enter into a new franchise agreement in the form then being offered to prospective franchisees at the expiration of the initial term of this Agreement for one additional term of ten (10) years, provided that all of the following conditions have been fulfilled: (a) Franchisee has, during the entire initial term (and renewal term if applicable) of this Agreement, substantially complied with all its provisions; (b) Franchisee is not in default on the date it applies for renewal nor on the actual date of renewal; (c) Franchisee complies with Padgett's then-current qualifications and ongoing training requirements; (d) Franchisee has executed Padgett's then-current form of the Franchise Agreement or has executed renewal documents at Padgett's election (with appropriate modifications to reflect the fact that the franchise agreement relates to the grant of a renewal franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a different percentage Royalty Fee and Advertising Fund Contribution; provided however, Franchisee shall not be required to pay the then-current initial Franchise Fee or its equivalent; however, Franchisor reserves the right to charge some lesser amount as a condition of renewal; (e) Franchisee shall sign such renewal agreement not later than sixty (60) days prior to the expiration of Franchisee's then-current franchise agreement; (f) Franchisee's written application for renewal shall be received by Padgett at least ninety (90) days prior to the expiration date of the then current agreement; and (g) Franchisee shall execute a general release, in a form substantially similar to the one attached to the Franchise Disclosure Document as Exhibit I, of any and all claims against Franchisor and its officers, directors, shareholders, and employees.

II. INITIAL FRANCHISE FEE FOR STARTUP & CONVERSION FRANCHISES

A. Startup Franchises - In consideration for the grant of rights set forth in Paragraph I of this Agreement, if Franchisee is starting a PADGETT business with no current clients, Franchisee agrees to pay to Padgett at the time of execution of this Agreement, initial fees in the amount of Fifty-six Thousand Dollars (\$56,000) (the "Initial Franchise Fee"), consisting of a \$1,000 application fee, \$37,000 for an initial license fee; and \$18,000 for initial training and support as set forth in Paragraphs III.A, B and C hereof. PADGETT may reduce the initial franchise fee for new franchisees that have been operating in the same or similar business as PADGETT and will be starting the PADGETT franchised business with revenues above certain levels (Conversion Franchisee). In addition, Franchisee must pay to Padgett a ~~\$6,750~~\$7,020 Initial Software/Workstation PC Fee at the commencement of the initial training course. Franchisee acknowledges that the grant of the franchise constitutes the sole consideration for the payment of the Initial Franchise Fee and that the Initial Franchise Fee shall be fully earned and non-refundable by Padgett upon execution and delivery hereof; provided, however, that under the Application Agreement, Applicant may receive a refund of the application fee designated above in the event that Applicant's application is disapproved by Padgett or if Applicant withdraws its application within 60 days of its application date and prior to executing a Franchise Agreement with Padgett. PADGETT participates in the VetFran program and offers a \$4,000 reduction of the initial franchise fee for startup franchises to qualifying veterans. Therefore, for qualified veterans, the initial franchise fee is \$52,000 and the initial license fee is \$33,000.

B. Conversion Franchises - PADGETT may reduce the initial fees for new franchisees that have been operating in the same or similar business as PADGETT and will be starting the PADGETT franchised business with revenues above certain levels (conversion franchisee). New franchises who bring an existing book of business into Padgett of at least \$100,000 in revenue may qualify as a conversion franchise. You must pay PADGETT \$3,500 to

\$36,500 in initial fees for a conversion franchise. These fees consist of an initial application fee of \$1,000, initial license fee of \$2,500-\$12,500, a training fee of \$0-\$18,000, and an Initial Software Fee of ~~\$6,750~~\$3,500.

III. INITIAL TRAINING AND SUPPORT

A. Start Up & Conversion Franchise Training Programs. Padgett shall make available to Franchisee and Franchisee shall attend and successfully complete the Padgett forty (40) hour initial operations training program prior to commencement of business hereunder. If Padgett determines it necessary, Franchisee shall also attend up to an additional forty (40) hours of initial training, and an additional post-opening operations review training program for up to two and one half (2 ½) days in approximately six (6) months after commencement of business hereunder. This training program is provided to protect our brand and the Marks and not to control the day-to-day operation of your Business.

B. General Operations Training. If Padgett determines it is necessary, Padgett shall provide up to six (6) days of additional training for Franchisee at no additional expense to Franchisee at a location as Padgett may designate.

C. Initial Services. Prior to the opening of the franchise for business, Padgett shall provide to Franchisee the following prepaid services.

1. At one of its training locations, basic training in the form of directed study, counseling, and instruction in office organization, self-organization, systems, methods, operating techniques, and sales and installation of the Padgett Services.
2. Systems training by experienced personnel who will work with Franchisee in such effort;
3. Counseling and advice in matters of space needs, equipment and furniture needs, storage needs, communication needs, insurance needs, and these and other continuing needs following the opening of your franchise for business;
4. Access to Padgett Manuals (as defined below);
5. Software that Padgett deems necessary.

D. Marketing. . You must submit all print and web-based advertising materials and programs to us for approval. Franchisee shall participate in marketing programs that Padgett designates during the first twelve months of operation of the Padgett business. These programs include inbound digital initiatives such as SEO, educational webinars, and social media engagement tactics. Outbound efforts will include networking and partnership initiatives, paid digital advertising, client referral programs, and lead nurturing campaigns. If Padgett requires Franchisee to participate in these inbound and outbound marketing initiatives, Franchisee shall pay all expenses incurred for any third-party services in connection with such. Padgett estimates these expenses (if incurred) to be approximately \$41,200, which constitutes part of Franchisee's estimated initial marketing investment.

IV. CONTINUING SUPPORT SERVICES

A. Materials, Supplies, Software and Support Services. Padgett shall develop and/or make available to Franchisee specifications for those supplies, software, equipment, signs, and support services deemed necessary by Padgett from time to time. The availability and price of each will be furnished to Franchisee. Padgett does not require purchase from any particular supplier, but does require that reasonable standards of quality and uniformity be adhered to.

Franchisee is required to pay an annual sub-license fee to Padgett for use of the Padgett Processing Software.

B. Confidential Operations and Training Manuals.

1. Padgett shall provide Franchisee with access to confidential operations and training manuals in electronic or such other form as designated by Padgett (the "Confidential Manuals"), which remain the sole property of Padgett and will be on loan to Franchisee only during the term of this Agreement. Upon expiration or termination of this Agreement for any reason, Franchisee shall return the Confidential Manuals and all copies thereof to Padgett, whether in electronic, printed or other form.
2. In order to protect the reputation and goodwill of Padgett and to maintain standards of operation under the Proprietary Marks, Franchisee shall conduct its Padgett System franchised business in accordance with the policies and procedures set forth in the Confidential Manuals, as revised from time to time during the term hereof, which shall not, at any time, conflict with or be inconsistent with this Agreement.
3. In order that Franchisee may benefit from new knowledge gained by Padgett as to sales, marketing, and operational techniques, Padgett may, from time to time, revise, delete, add to or replace the contents of the Confidential Manuals in Padgett's sole discretion. Franchisee shall at all times ensure that Franchisee is using the most current version of the Confidential Manuals and shall not reproduce, in whole or in part, the contents thereof or otherwise make them available to any unauthorized person.
4. Franchisee shall at all times use its best efforts to keep the Confidential Manuals and any other manuals, trade secrets, customer lists, know-how, materials, software, object code, goods and information, in whatever form, created or used by Padgett and designated for confidential use within the Padgett System and the information contained therein as confidential, and shall limit access to employees and independent contractors of Franchisee on a need-to-know basis. Franchisee acknowledges that the unauthorized use or disclosure of any such confidential information will cause irreparable injury to Padgett and that damages are not an adequate remedy. Franchisee accordingly covenants that it shall not at any time, without Padgett's prior written consent, disclose, use, permit the use thereof (except as may be required by applicable law or authorized by this Agreement), copy, duplicate, record, transfer, transmit or otherwise reproduce such confidential information, in any form or by any means, in whole or in part, or otherwise make the same available to any unauthorized person or source. Any and all information, knowledge and know-how not generally known about the Padgett System and any of Padgett's products, services, standards, procedures, customers, software, object code, techniques and such other information or material as Padgett may designate as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate that it knew or possessed prior to disclosure by Padgett, or which is or has become a part of the public domain by publication or communication by others.

C. "Tax Support. Padgett shall define and maintain a tax advisory service (hereinafter referred to as "Tax Support") to assist Padgett's franchisees in researching income tax

issues. Padgett may charge a reasonable, cost-based fee for any services it performs for you according to Padgett's then standard pricing formula for said services. The Parties agree to defend, indemnify and hold harmless each other, as well as their officers, directors, shareholders and employees, against any and all claims arising out of or related to the Tax Support, including, without limitation, third party claims, which are caused in whole or in part by the negligence or willful conduct of the other party, their agents or employees. Franchisee's agreement includes the duty to defend, indemnify and hold Padgett harmless against any and all claims by third parties in connection with the Tax Support where Franchisee provided inaccurate and/or incomplete information to Padgett; and/or Franchisee improperly used information given to the Franchisee by "Padgett." Franchisee acknowledges and agrees that it shall be solely responsible for researching and resolving such issues and for providing accurate and complete information to Padgett's Tax Support, provided that Franchisee is entitled to rely on any tax research or guidance given to Franchisee by Padgett and Padgett is responsible if such information is incorrect.

D. Training. Padgett shall provide continuing training, consultation and guidance to Franchisee. Training seminars for professional development shall be conducted periodically and Franchisee will be entitled to attend all such seminars. In addition, each year Padgett requires Franchisee to attend either its annual tax seminar or other education for which equivalent CE credits are given. Franchisee shall also be required to attend additional Padgett sponsored events as needed to provide proper services to Padgett clients. Franchisee shall pay all travel, lodging and meal expenses in connection with attending said seminars and conferences. Padgett may charge a registration fee or other nominal fees to recover its costs for user books and supplies, administrative costs and similar items.

E. Remote Processing Service. If it deems it necessary, Padgett will facilitate remote processing of Franchisee's client work to assist its Franchisees whereby Padgett provides bookkeeping/write-up processing, payroll and/or tax preparation services while utilizing the services of a designated Padgett franchisee and/or Padgett's corporate employees or agents (hereinafter referred to as "Remote Processing Service"). Padgett may require Franchisee to utilize the remote processing service anytime Padgett, in its sole determination, finds that Franchisee is not able to perform these services whether due to regulatory knowledge-based circumstances, or any other circumstances Padgett deems as warranted. Franchisee understands and acknowledges that Padgett reserves the right, in its sole discretion, to alter, amend and/or add services to its Remote Processing Service at any time in the future. Franchisee understands and acknowledges that Padgett and/or its designated Franchisee(s) providing the Remote Processing Services may and have the right to make a reasonable profit while providing the Remote Processing Services to Franchisee. The terms, conditions and fees for the Remote Processing Service are set forth in Padgett's Confidential Manual(s) and may be changed from time to time at the sole discretion of Padgett. Franchisee understands that the Remote Processing Service is not intended to be a permanent operations model. Franchisee shall continue to utilize the Remote Processing Service until Padgett, in its sole discretion, determines Franchisee has the ability, knowledge and skills necessary to maintain Padgett's operational standards in performing the services performed by the Remote Processing Service prior to transferring all or part of the production of said services to Franchisee. Franchisee understands and acknowledges Padgett's decision may or may not occur on the same schedule as other Franchisees. Franchisee acknowledges that Padgett may require Franchisee to provide some or all of the Remote Processing Services locally. The Parties agree and acknowledge the need to use their best efforts to professionally service the clients that are part of the Remote Processing Service. All parties involved with client work must use their best efforts when performing Padgett System Services to ensure accuracy and compliance. Franchisee will indemnify, defend and hold harmless Padgett against any and all claims which are caused in whole or in part by the Franchisee's negligence or willful conduct; and Padgett will indemnify, defend and hold harmless Franchisee against any and all claims which are caused in whole or in part by Padgett's (and/or Padgett's designated franchisee) negligence or willful conduct in providing Remote Processing Services. Franchisee's agreement includes the duty to defend, indemnify and hold Padgett and/or the designated franchisee assigned to perform the Remote Processing Services harmless against

any and all claims by third parties in connection with the Remote Processing Service where Franchisee provided inaccurate and/or incomplete information to Padgett or the designated franchisee; and/or Franchisee improperly used information given to the Franchisee by Padgett or its designated franchisee.

V. ROYALTIES, COMMISSIONS AND ACCOUNTING

A. Royalties. Franchisee agrees to pay Padgett nine percent (9%) of Franchisee's Gross Receipts for the immediately preceding calendar month from the operation of this franchise (the "Royalties").

1. Start-Up Franchisee. For the first six months following the month that the two- week initial training is completed (the "First Six-Month Period"), Franchisee agrees to pay Padgett nine percent (9%) of Franchisee's Gross Receipts for the immediately preceding calendar month from the operation of this franchise (the "Royalties"). Following the aforementioned six-month period, Franchisee agrees to pay Padgett, so long as this Agreement is in effect, a monthly fee equal to the greater of \$1,500.00* or nine percent (9%) of Franchisee's Gross Receipts for the immediately preceding calendar month from the operation of this franchise (in either case, the "Royalties").
2. Conversion Franchisee. Franchisee agrees to pay Padgett nine percent (9%) of Gross Receipts for the immediately preceding calendar month from the operation of the franchise (the "Royalties"), except that ~~for Gross Receipts from Clients Franchisee serviced prior to the date of this Agreement, Franchisee~~ may pay Padgett a reduced Royalty as follows: during the first twelve-month period, the Royalty Rate will be five percent (5%) for each month Royalties are paid in a timely manner and during the second twelve-month period, the Royalty Rate will be 6.5% for each month Royalties are paid in a timely manner. After the initial two-year period, Franchisee agrees to pay Padgett, so long as this Agreement is in effect, a monthly fee equal to the ~~grater~~greater of \$1,500.00 or nine percent (9%) of Franchisee's Gross Receipts for the immediately preceding calendar month from the operation of this franchise (in either case, the "Royalties").
3. Franchisor has the option and right to increase such Royalty rate on no more than two (2) occasions during the term of the Agreement, at Franchisor's election. Such Royalty rate shall not at any time exceed twelve percent (12%) and Franchisor retains the right to reduce such

* Padgett agrees to monthly minimum Royalties of \$100.00 for the first three (3) month period after the First Six-Month Period, \$200.00 a month minimum Royalties for the second three (3) month period after the First Six-Month Period, \$400.00 a month minimum Royalties for the third three (3) month period after the First Six-Month Period, \$600.00 a month minimum Royalties for the fourth three (3) month period after the First Six-Month Period, \$800.00 a month minimum Royalties for the fifth three (3) month period after the First Six-Month Period, \$1,000.00 a month for the next consecutive nine (9) months after the First Six-Month Period, \$1,200 a month for the next consecutive twelve (12) months after the First Six-Month Period and \$1,500.00 a month thereafter for the remainder of the term of this Agreement. Notwithstanding the aforesaid minimums, Franchisee shall pay Padgett nine percent (9%) of Gross Receipts for the immediately preceding calendar month if greater than the minimum specified for any particular month.

Royalty rate at any time. Royalties shall be delinquent if not paid within ten (10) days after the calendar month in which accrued on the proper Padgett System forms. Franchisee shall begin paying Royalties in the month following the commencement of Franchisee's Padgett Services operations or within two (2) calendar months after Franchisee's completion of the initial training program under Paragraph III.A.1 hereof, whichever is earlier. Provided that Franchisee has submitted all records and payments to Padgett in the proper form no later than ten (10) days after the calendar month in which accrued, for any January 1 – December 31 year ("Fiscal Year"), Padgett shall provide the following rebates in connection with Franchisee's revenues for Padgett provided services. For franchisees who converted to Padgett and who are paying Royalties based on a lower rate, Gross Receipts for Padgett Services are not included in the Royalty Rebate Program during the period that the Royalty Rate is discounted.

Rebate	
Gross Receipts	(% of Gross Receipts)
\$0- ~~\$201,019~~ <u>231,172</u>	~~0~~ <u>0.00%</u>
~~\$201,020~~ <u>231,173</u> - ~~\$288,472~~ <u>331,742</u>	~~.25~~ <u>0.25%</u>
~~\$288,473~~ <u>331,743</u> - ~~\$375,925~~ etc. <u>432,312</u>	~~.50~~ <u>0.50%</u> etc.
("Income Boundary")	

For each ~~\$87,453~~100,569 increase in Gross Receipts, the rebate increases .25% of total Gross Receipts. The maximum rebate is 4.5%.

The amount of the rebate will be reduced by one-third (1/3) for each occurrence during the Fiscal Year that Franchisee fails to meet its payment deadline or reporting guideline. The Income Boundary will be increased fifteen percent (15%) in each five-year period commencing on January 1, ~~2026~~2031. If the earned rebates have not been taken in advance during the year earned, then a royalty credit will be ~~issues~~issued which may be deducted from future royalties due.

"Gross Receipts" shall mean the total dollar aggregate of monies received for all services sold or performed by Franchisee in the operation of a Padgett System franchised business. An annual reconciliation of monthly Gross Receipts and Royalties will be provided to Padgett by Franchisee upon request. Franchisee's liability for payment of Royalties shall commence as of the date Franchisee begins operations hereunder. Gross receipts shall not include any monies received on account of sales taxes or similar taxes paid to a governmental entity.

B. Accounting Procedures and Right of Audit.

1. Accounting. Franchisee agrees to keep complete records of its business. If Padgett deems necessary, Franchisee shall furnish to Padgett monthly profit and loss statements for the preceding month and a profit and loss statement from the beginning of Franchisee's fiscal year to the end of the preceding month. If Padgett deems necessary, Franchisee shall also submit to Padgett quarterly balance sheets, the first of which shall be for the period ending three (3) months after the beginning of Franchisee's first fiscal year. All profit and loss statements and balance sheets shall be in accordance with the system of accounting as contained in Padgett's confidential operations and training manual, shall be presented on Padgett System forms, and shall be submitted to Padgett not later than the fifteenth (15th) day of the month following the period for which the written statement shall be submitted. Additionally, Franchisee shall

annually furnish to Padgett the fiscal year profit and loss statement (Schedule C or equivalent) with Franchisee's federal income tax return.

2. Audits. Franchisee agrees that Padgett or its agents shall, at reasonable times, have the right to examine or audit the books and accounts of Franchisee to verify the Gross Receipts as reported by Franchisee. If such examination or audit discloses that the Gross Receipts during any month actually exceeded the amount reported by Franchisee as its Gross Receipts by an amount equal to ten percent (10%) or more of the Gross Receipts originally reported to Padgett, Franchisee shall bear the cost of such examination or audit and shall pay any such deficiency with interest from the date due at the lesser of eighteen percent (18%) of such overdue amount or the highest rate permitted by applicable law, immediately upon the request of Padgett.

C. Late Charges. If any payment is overdue for any reason, Franchisee must pay Franchisor, in addition to the overdue amount, an administrative late fee and interest on such amount from the date it was due until paid equal to the lesser of: (i) eighteen percent (18%) per annum; or (ii) the maximum rate of interest permitted by law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. Franchisee shall cooperate with Franchisor in all respects to implement such payment system, which Franchisor deems necessary to process the transfer of funds from Franchisee for payments hereunder. Franchisor reserves the right to change or eliminate the amount of the administrative late fee in our sole discretion.

D. Application of Payments; No Right of Offset. In the event that Franchisee is delinquent in paying Royalties or other amounts due to Padgett, then Padgett shall apply payments from Franchisee first to the delinquent Royalties or other amounts due to Padgett, as the case may be. Franchisee agrees that it may not designate an order for application of any fees different than as provided in this paragraph, and expressly acknowledges and agrees that Padgett may accept fees paid pursuant to different instructions without any obligations to follow such instructions, even if such payment is made by its terms conditional on such instructions being followed. This provision may be waived only by written agreement signed by Padgett, which written agreement must be separate from the check or other document constituting or showing payment. Franchisee shall not be entitled to offset any amounts paid to Padgett or any of its affiliates or designees pursuant to this Agreement against any amounts due or payable pursuant to any other agreement with Padgett or any of its affiliates or designees.

E. Remote Processing Services. If, pursuant to Paragraph IV.E, Padgett exercises its right to perform any Remote Processing Services, then Padgett shall be entitled to charge a reasonable fee for any such services, payable by Franchisee as incurred.

F. Tax Return and Financial Report Preparation. Padgett shall have the right to perform tax preparation services and financial reporting preparation services on behalf of Franchisee, if in Padgett's sole discretion, Padgett determines that Franchisee does not have the knowledge and/or qualifications to perform such services, and Padgett shall be entitled to charge a reasonable, cost-based fee for such services, payable by Franchisee as incurred. Padgett's sole discretion as to the standards for knowledge and qualifications of Franchisee entitling Franchisee to perform tax preparation and financial reporting services under this subsection shall be reasonably related to the quality of such tax and financial reporting preparation services to be offered by Franchisee, and Franchisor shall use its best efforts to use similar methodology when applying its decision making process through the Padgett System during similar periods of time.

VI. PROPRIETARY MARKS

A. Ownership. Franchisee acknowledges Padgett's ownership of, or right to license, the Proprietary Marks and expressly covenants that, during the term of this Agreement and after expiration or termination hereof, Franchisee shall not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or Padgett's ownership thereof or rights thereto, or take any action whatsoever in derogation of Padgett's claimed rights therein.

B. Use. Franchisee further agrees and covenants to operate and advertise only under the name or names from time to time designated by Padgett for use by similar Padgett System franchisees; to adopt and use the Proprietary Marks solely in the manner prescribed by Padgett; to refrain from using the Proprietary Marks to perform any activity or to incur any obligation or indebtedness in such a manner as may, in any way, subject Padgett to liability therefor; to observe all laws with respect to the registration of trade names and assumed or fictitious names, to include in any application therefor a statement that Franchisee's use of the Proprietary Marks is limited by the terms of this Agreement, and to provide Padgett with a copy of any such application and other registration document(s); to observe such requirements with respect to trademark and service mark registrations and copyright notices as Padgett may, from time to time, require, including, without limitation, affixing "SM," "TM," or ® adjacent to all such Proprietary Marks in any and all uses thereof; and, to utilize such other appropriate notice of ownership, registration and copyright as Padgett may require. Franchisee shall not include any of the Proprietary Marks, or any substantially similar style or spelling thereof, in any corporate, limited liability company or partnership name.

C. Restrictions. Franchisee acknowledges and agrees that any use of the Proprietary Marks other than as expressly authorized by this Agreement, without Padgett's prior written consent, is an infringement of Padgett's rights therein and that the right to use the Proprietary Marks granted herein does not extend beyond the termination or expiration of this Agreement. Franchisee expressly covenants that, during the term of this Agreement and thereafter, Franchisee shall not, directly or indirectly, commit any act of infringement or contest or aid others in contesting the validity of Padgett's right to use the Proprietary Marks or take any other action in derogation thereof.

D. Claims. Franchisee shall promptly notify Padgett of any claim, demand, or suit based upon or arising from any attempt by any person, firm, or corporation to use the Proprietary Marks or any colorable variation thereof, in which Padgett claims a proprietary interest. Franchisee also agrees to promptly notify Padgett of any litigation instituted by any person, firm, corporation or governmental agency against Padgett or Franchisee involving the Proprietary Marks. In the event Padgett undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and do such acts and things as may, in the opinion of counsel for Padgett, be necessary to carry out such defense or prosecution. Franchisor shall be responsible for paying the legal fees and costs of its counsel in any such actions.

E. Other Grants. Franchisee acknowledges and agrees that Franchisee's right to use the Proprietary Marks is nonexclusive and that Padgett, in its sole discretion, may grant other licenses to use such Proprietary Marks and develop and license other marks in conjunction with systems other than the Padgett Services on such terms and conditions as Padgett, in its sole discretion deems advisable.

F. Value. It is expressly recognized that any and all goodwill associated with and identified by the Proprietary Marks shall inure directly and exclusively to the benefit of Padgett and is the property of Padgett and that, upon the transfer, expiration or termination of this Agreement, no monetary amount shall be assigned or attributable to any goodwill associated with Franchisee's use of the Proprietary Marks.

VII. INDEPENDENT CONTRACTOR.

A. Relationship Between Padgett and Franchisee. Nothing in this Agreement is intended by the parties hereto to create a fiduciary or other special relationship between them nor to constitute Franchisee an agent, legal representative, joint venturer, partner, employee or servant of Padgett for any purpose whatsoever. Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of Padgett, or to create any obligation expressed or implied on behalf of Padgett. Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

B. Notice to Public. In all public records and in its relationship with other persons, on letterheads and business forms, Franchisee shall indicate its independent ownership of the franchised business, and that it is an independently owned and operated franchisee of Padgett. Franchisee agrees to exhibit at its business location, in a place designated by Padgett, a notification that it is a franchisee of Padgett.

VIII. STANDARDS OF QUALITY AND PERFORMANCE

A. Maintaining. Franchisee recognizes it is essential to the proper marketing of the Padgett Services and to the preservation and promotion of its reputation and acceptance by the public at large that adequate standards of quality be maintained. Franchisee agrees, as part of the consideration for this Agreement, that Franchisee shall sell, promote and offer for sale to the public under the Proprietary Marks only those products and services designated by Padgett from time to time. Franchisee shall offer all products and services that Padgett designates as required.

B. Modification of Padgett System; Testing New Products and Services. Franchisee recognizes and agrees that from time to time hereafter Padgett may change or modify the Padgett System and the Proprietary Marks, including the adoption and use of new, modified or replacement trade names, trademarks, service marks or copyrighted materials, and offering new, replacement or different products and services, and that Franchisee will use any such changes in the Padgett System, including new, modified or replacement trade names, trademarks, service marks, or copyrighted materials when directed or authorized to do so by Padgett as if they were part of this Agreement at the time of execution. Franchisee understands and acknowledges that Padgett may, from time to time, revise the content of the Confidential Manuals to implement new or different requirements for the operation of Franchisee's business, and Franchisee expressly agrees to comply with all such changed requirements which are by their terms mandatory; provided that such requirements shall also be applied in a reasonably nondiscriminatory manner to other comparable franchisees of Padgett. Notwithstanding the foregoing, Padgett may allow or direct that new or developmental products or services be tested at some but not all franchised locations, even if the locations at issue are similarly situated; if Padgett selects Franchisee's location for such testing, Franchisee shall test the new products and/or services as directed by Padgett.

C. Advertising.

1. Franchisee shall actively promote the sale of Padgett Services. Franchisee may, in the preparation, printing or production of advertising and promotional materials for local print advertising, purchase from any source, provided the copy of any such printed or web-based advertising shall first be approved in writing by Padgett, which approval shall not unreasonably be withheld. No advertising by Franchisee or other use of the Proprietary Marks shall contain any statement or material which may, in the judgment of Padgett, adversely reflect on Padgett's name and goodwill, or on the Proprietary Marks. Franchisee shall not establish an

Internet site using a domain name or uniform resource locator containing the word "PADGETT" or any variation thereof without prior written consent from Padgett. Padgett retains the sole right to advertise on the Internet, including all use of websites, domain names, URLs, linking, advertising, public/social media and/or networking arrangements. Franchisee acknowledges that Padgett is the owner of all right, title and interest in and to such websites, domain names, URLs, linking, advertising, public/social media and/or networking pages and groups (i.e. Facebook, LinkedIn) and their associated URLs, and co-branding arrangements as Padgett shall designate in the Confidential Manuals. Franchisee may not independently market on the Internet, or use any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Proprietary Marks.

2. Recognizing the value of standardized advertising and marketing to the furtherance of the goodwill and public image of the Padgett System, the parties agree that Padgett shall have the right to establish a national advertising fund (the "Fund") and to require Franchisee to contribute up to two percent (2%) of Franchisee's Gross Receipts to the Fund. Padgett shall not be required to segregate the Fund from general revenues, but shall account separately for all contributions to the Fund. Padgett may, in its sole discretion, accumulate monies in the Fund for such periods as Padgett deems necessary or appropriate, with no obligation to expand all monies received in any fiscal year in such fiscal year. Padgett shall not be required to provide Franchisee with a direct advertising benefit from the Fund nor to allocate the Fund on a pro rata basis to advertising in Franchisee's local area or region.

D. Operational Standards. Franchisee shall devote its time and best efforts to the business of the franchise granted hereunder and to offering and selling Padgett Services to clients. Franchisee understands and acknowledges that each and every detail of the Padgett System is important to Padgett, to Franchisee, and to other of Padgett's franchisees, in order to develop and maintain adequate standards for facilities and services and hence to enhance the reputation, trade demand and goodwill of the Padgett System. Franchisee accordingly covenants:

1. To operate under, advertise and promote the Proprietary Marks and the Padgett Services as directed by Padgett.
2. To conduct business only under the Proprietary Marks and from an office location in accordance with operational standards established by Padgett, as set forth in the Confidential Manuals; and to utilize the partners approved by Padgett to deliver the Padgett Services and Payroll Services, as directed by Padgett; and to ensure that the Padgett Services provided by Franchisee meet Padgett's quality standards; and to request advance approval of Padgett in writing of any proposed deviation; provided.
3. To represent to the public only that Franchisee is a tax, payroll, compliance and reporting firm, and at no time to represent that Franchisee is a public accountant, tax expert, or computer specialist, unless Franchisee maintains licensing that allows such a claim.
4. To register its trade name with appropriate governmental authorities as "Padgett Business Services," or such other trade name as Padgett designates, in the Franchise Territory or as otherwise directed. Such name registrations, including Padgett or Padgett Affiliate telephone

numbers, will automatically become the property of and revert to Padgett upon expiration or termination of the Agreement and Franchisee shall cause any such transfer to be made not later than date of expiration or termination of this Agreement.

5. To register with Padgett the names, addresses and telephone numbers of all persons, firms or organizations purchasing any Padgett Services from Franchisee and to report same to Padgett, as required. Such registration and reporting is to be made in accordance with procedures established by Padgett but not later than ten (10) days after the date of sale or an agreement to provide service to any such client.
6. To the extent Franchisee prepares any tax return, to prepare each tax return accurately in accordance with federal, state and local laws; to thoroughly check each return before filing; and to fully comply with all applicable rules and regulations of the IRS and state revenue departments. All copies of such returns shall automatically become the property of Padgett upon expiration or termination of this Agreement subject to the right of Franchisee to copy and retain any copies of each such return as may be required by federal, state or local regulations.
7. To help ensure the compatibility of all features and components of the Padgett System, Franchisee may be required to purchase, update or replace equipment, software and related supplies specified from time to time by Padgett. Franchisee acknowledges that maintaining its compatibility with all features and components of the Padgett System will entail Franchisee's having from time to time to update or upgrade products, services and equipment used by Franchisee in operation of the franchised business and Franchisee agrees to do the same in accordance with the written instructions of Padgett. Padgett will not reimburse Franchisee for expenditures associated with compliance with this subparagraph.

E. Clients. Franchisee hereby expressly acknowledges and agrees that the clients of Franchisee's Padgett System business are Padgett clients and represent an economic interest to Franchisee only so long as this Agreement or any renewed Agreement is in effect. Franchisee agrees to comply with the standards of operation set forth herein in order to protect and preserve Padgett's clients, in addition to the other purposes for compliance set forth herein and in the Confidential Manuals. Franchisee shall not at any time sell, transfer or assign for value any Padgett System client, client business, client list or right to receive revenues from a client, or any portion thereof (collectively or individually, a "Client Business"), to any third party, directly or indirectly, except with Padgett's written consent. Padgett will consent to such transfer only to a qualified transferee who is or will become a Padgett franchisee. If Franchisee sells, transfers or assigns a Client Business with Padgett's written consent, the proceeds of such transaction are not considered Gross Receipts, provided Franchisee is not in default of the terms and conditions of the Franchise Agreement.

IX. INDEMNIFICATION; INSURANCE; TAXES, PERMITS AND INDEBTEDNESS

A. Indemnification. Franchisee agrees to protect, defend, indemnify, and hold Padgett and its directors, officers and shareholders, jointly and severally, harmless from and against all claims, actions, proceedings, damages, costs, expenses and other losses and liabilities, including liability arising from labor or employment violations, consequently, directly or indirectly incurred (including without limitation attorneys' and accountants' fees) as a result of, arising out of (exempting claims caused by the gross negligence or willful misconduct of Franchisor) or connected with the operation of Franchisee's business by the franchisee and its

employees, or any portion thereof, or the improper and/or unauthorized use by Franchisee of the Proprietary Marks.

B. Insurance. Franchisee shall, at its expense and no later than upon commencement of the business contemplated by this Agreement, procure and maintain in full force and effect for the entire term of this Agreement the types of insurance enumerated in the Confidential Manuals which shall be in such amounts as may from time to time be required by Padgett and which shall designate Padgett as an additional named insured, including the following:

- (i) Employer's liability and workers' compensation insurance as prescribed by law;
- (ii) General liability insurance covering the operation of the Padgett System franchised business (in no event less than \$1,000,000 per occurrence and annual aggregate); and
- (iii) Errors and omissions insurance in an amount adequate and customary for Franchisee's size of practice, but in no event less than \$1,000,000 per occurrence and annual aggregate.
- (iv) Cyber Insurance in an amount adequate and customary for your size of practice (this amount cannot be less than \$250,000 but may be higher as we specify).

Franchisee shall on an annual basis deliver to Padgett certificates of all required insurance from an insurance company with ratings at Best & Company of A- or better and an asset rating of class 6 or more to Padgett, each of which shall contain a statement by the insurer that the policy will not be canceled or materially altered without at least thirty (30) days prior written notice to Padgett. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Padgett under any indemnity requirement of this Agreement.

C. Taxes, Permits and Indebtedness. Franchisee shall promptly pay when due any and all federal, state and local taxes including without limitation unemployment and sales taxes, levied or assessed with respect to any services or products furnished, used or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of its Padgett System franchised business. Franchisee shall comply with all federal, state and local laws, rules and regulations and timely obtain any and all permits, certificates and licenses for the full and proper conduct of its Padgett System franchised business. Franchisee shall be responsible for, and shall promptly pay when due, all debts and expenses of Franchisee's business, including, but not limited to, taxes, levies, or disbursements incurred in connection with the establishment and maintenance of Franchisee's business.

X. ASSIGNMENT

A. Assignment by Padgett. This Agreement and all rights and duties hereunder may be freely assigned or transferred by Padgett at the sole discretion of Padgett to any person or legal entity which agrees to assume Padgett's obligations hereunder, and shall be binding upon and inure to the benefit of Padgett's successors and assigns including, without limitation, any entity which acquires all or a portion of the capital stock of Padgett or any entity resulting from or participating in a merger, consolidation or reorganization in which Padgett is involved, and to which Padgett's rights and duties hereunder are assigned or transferred.

B. Prohibited Transfers.

1. Franchisee shall not directly or indirectly sell, assign, transfer or encumber all, substantially all or any portion of this Agreement or any interest herein, of Franchisee's Padgett System business or of the assets of the business, nor shall Franchisee suffer or permit any such sale, assignment, transfer or encumbrance to occur by operation of law, without the prior written consent of Padgett. Further, if Franchisee is a corporation or partnership, no person possessing an interest or holding shares of stock of any kind or nature in Franchisee shall sell, assign, transfer nor encumber any such interest or shares of stock if such a sale, assignment, transfer or encumbrance shall result in a transfer of effective control over Franchisee, without the prior written consent of Padgett.
2. Franchisee may not offer or transfer, with or without compensation, Padgett clients to any third party that would result in the client(s) not being serviced by Padgett or another Padgett franchisee during the in-term and post-term periods of the Franchise Agreement without the prior written approval of Padgett.
3. Any of the transactions previously described in this paragraph X.B shall be referred to hereinafter as an "Assignment." An attempted Assignment, other than as provided in this Agreement, shall be null and void and shall constitute a breach of this Agreement, and this Agreement shall be thereafter subject to immediate termination by Padgett.

C. Conditions on Assignment. Franchisee recognizes and agrees that Padgett may impose reasonable conditions on any Assignment permitted hereunder which may include, without limitation, the following:

1. Franchisee must satisfy fully all obligations to Padgett and others arising out of the operation of this franchise, and the assignee must agree to assume and discharge all obligations to Padgett and others arising out of this franchise; provided, however, that any such agreement by the assignee shall not relieve Franchisee of its obligations hereunder.
2. The assignee must satisfactorily demonstrate to Padgett that it meets all of Padgett's then current standards and requirements for becoming a franchisee of Padgett (which standards and requirements need not be in writing) and be approved by Padgett to become a franchisee of Padgett.
3. The assignee must agree to meet with Padgett's staff personnel and agree to take such personnel tests as may be required by Padgett in order to evaluate the assignee's aptitude and ability to own and operate a Padgett System franchised business.
4. The assignee must agree to undergo the training required of new franchisees and to pay Padgett's reasonable tuition charges therefore.
5. If permitted by applicable law, Franchisee shall execute a general release, under seal, in a form satisfactory to Padgett, of any and all claims against Padgett, its directors, officers, employees and agents.

D. Execution of Agreement and Transfer Fee. The assignee (or in the case of a transfer of shares or an interest in Franchisee which results in a transfer of effective control over Franchisee, the Franchisee with an unconditional guaranty by the transferee of such shares or interest in form reasonably satisfactory to Padgett) of a permitted Assignment shall execute the then current form of Franchise Agreement generally issued by Padgett with respect to comparable Padgett System franchises and pay a training and transfer fee as follows:

1. If the transferee is a lineal descendant of Franchisee, the then-current application fee, plus a fee of ten percent (10%) of Padgett's then-current initial license fee for comparable franchises, plus an initial training fee equal to Padgett's then-current initial training fee;
2. For all other transfers, the then-current application fee, plus a fee of twenty-five percent (25%) of Padgett's then-current initial license fee for comparable franchises, plus an initial training fee equal to Padgett's then-current initial training fee, plus an amount equal to Padgett's then-current listing fee if Franchisee sells the Padgett business through Padgett; and
3. Such agreement shall generally provide for a full term and may include, without limitation, different fee structures, increased fees or both.

E. Assignment to Closely-Held Corporation. Notwithstanding the foregoing provisions of this Paragraph X, Franchisee (if an individual) may on one occasion assign this Agreement to a corporation in which Franchisee owns a majority of the voting control and equity, provided that:

1. Franchisee actively manages the corporation and continues to devote its time and best efforts to the business of this franchise;
2. The corporation is newly organized and its activities are confined exclusively to acting as a franchisee of Padgett under this Agreement;
3. The corporation executes a document in such form as shall be approved by Padgett in which it agrees to become a party to and be bound by all the provisions of this Agreement to the same extent as if it were named as the Franchisee herein; and
4. Franchisee remains personally liable in all respects under this Agreement, and Franchisee and all officers, directors and shareholders of the corporation execute a personal guaranty in form approved by Padgett.

F. Notification of Ownership Interests. Franchisee shall submit to Padgett prior to any proposed transfer of any equity or voting interest in Franchisee, and at any other time upon request, a list of all holders of direct or indirect equity and voting interests of record reflecting their respective present and/or proposed direct or indirect interests in Franchisee, in such form as Padgett may require.

XI. DEATH OR DISABILITY

A. Death of Franchisee. In the event of Franchisee's death, the legal representative of Franchisee shall, within sixty (60) days of death, advise Padgett of the name of the person who will continue to operate the franchise, to whom the right to operate Franchisee's business shall be temporarily granted without any transfer fee or initial franchise fee, provided the person named to continue operation on a temporary basis is currently a franchisee of Padgett, in good standing, who acknowledges in writing to Padgett acceptance of such responsibility. In the event a person other than a current franchisee of Padgett is designated to continue operations on a temporary basis, the legal representative will seek and obtain written approval by Padgett, and promptly pay to Padgett amounts charged for necessary legal fees and any other Padgett expenses attributable thereto, including without limitation, expenses relating to training the designated person. The franchisee's legal representative shall serve in such capacity until an Assignment pursuant to Paragraph X occurs or until the expiration or termination of this Agreement, whichever first occurs.

B. Incapacity of Franchisee. In the event of Franchisee's incapacity, Franchisee or its legal representative shall immediately advise Padgett of the name of the person who will continue to operate the franchise, to whom the right to operate Franchisee's business shall be temporarily granted without any transfer fee or initial franchise fee, provided the person named to continue operation on a temporary basis is currently a franchisee of Padgett, in good standing, who acknowledges in writing to Padgett acceptance of such responsibility. If Franchisee fails, because of its incapacity or otherwise, or if its legal representative fails to name such a person, Padgett shall have the right to appoint an acting franchisee, of its own choosing, to operate the franchise and to service Franchisee's clients and customers in such manner, to such extent and under such terms and conditions as Padgett, in its sole discretion, may deem reasonable and necessary. The acting Franchisee appointed by Franchisee, its legal representative or by Padgett shall serve in such capacity until such time as Franchisee's capacity to operate the franchise and service clients and customers is restored, or until the expiration or termination of this Agreement, whichever first occurs. In the event a dispute should arise as to the capability or incapability of Franchisee to operate the franchise, Franchisee agrees to submit to examination by a qualified physician or psychiatrist selected by Padgett, and Franchisee agrees to accept the opinion of such examining physician or psychiatrist.

C. Grounds for Termination on Death or Incapacity. Such death or incapacity shall not of itself be grounds for termination of this Agreement unless either: (1) Franchisee or its legal representative fails for a period of 180 days after such death or incapacity to commence action to assign this Agreement as permitted by Paragraph X hereof; or (2) such Assignment is not completed within one year after such death or incapacity; provided, however, that any period of time during which an Assignment is subject to Padgett's approval and during which any issue relative to a disapproval of any Assignment is being litigated by the parties shall not be a part of such one year time limit provided herein. If such Assignment is not timely taken or made as aforesaid, Padgett shall have the right to terminate this Agreement.

XII. DEFAULT AND TERMINATION

A. Events of Default. Padgett may not terminate this Agreement prior to the expiration of its term except for "good cause," which shall mean the occurrence of any event of default described below. Upon the occurrence of any event of default, Padgett may, at its option, and without waiving its rights hereunder or any other rights available at law or in equity, including its rights to damages, terminate this Agreement and all of Franchisee's rights hereunder effective immediately upon the date Padgett gives written notice of termination, upon such other date as may be set forth in such notice of termination, or automatically upon the occurrence of, or the lapse of the specified period following, an event of default, as set forth below. The occurrence of any one or more of the following events shall constitute an event of default and grounds for termination of this Agreement by Padgett:

- (i) Automatically, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Franchisee, or such a petition is filed against and consented to by Franchisee, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed.
- (ii) If Franchisee fails to begin operations of Padgett System business contemplated hereunder.
- (iii) If Franchisee fails to pay any financial obligation pursuant to this Agreement within fifteen (15) days of the date on which Padgett gives

notice of such delinquency, or immediately upon written notice or email if such payment has not been made within sixty (60) days after the date on which it is required to be paid, or immediately upon written notice if Franchisee is determined to have underreported its Gross Receipts during any month by the higher of the percent stated in the then current Franchise Disclosure Document on the date of the occurrence or more than three percent (3%) of the actual Gross Receipts during such month on two or more occasions during the term of this Agreement, whether or not Franchisee subsequently rectifies such deficiency.

- (iv) If Franchisee fails to perform or breaches any covenant, obligation, term, condition, warranty, certification or standard of operation set forth herein and fails to cure such noncompliance within thirty (30) days after Padgett gives a written notice to cure default. In the event of any non-monetary default that may not reasonably be completely cured by Franchisee during the thirty (30) day cure period, the time to cure shall be extended such additional reasonable time period provided Franchisee has commenced to cure within the original thirty (30) day period and in Franchisor's sole discretion it determines that Franchisee works diligently and uses its best efforts to complete its cure of such default.
- (v) If Franchisee makes, or has made, any materially false statement or report to Padgett in connection with this Agreement or application therefore.
- (vi) If Franchisee operates its Padgett System franchised business in a manner contrary to or inconsistent with the Proprietary Marks or as specified by Padgett in the Confidential Manuals, and Franchisee fails to cure such deficiency within thirty (30) days after Padgett gives a written notice to cure default. In the event of any non-monetary default that may not reasonably be completely cured by Franchisee during the thirty (30) day cure period, the time to cure shall be extended such additional reasonable time period provided Franchisee has commenced to cure within the original thirty (30) day period and in Padgett's sole discretion it determines that Franchisee works diligently and uses its best efforts to complete its cure of such default.
- (vii) If there is any violation of any transfer and assignment provision contained in Paragraph X of this Agreement.
- (viii) If Franchisee receives from Padgett three (3) or more notices to cure defaults or violations of this Agreement in the same calendar year. However, said notices for non-monetary default or violations of the Franchise Agreement may not be for the identical default or violation unless said default or violation is not cured within the required cure period.
- (ix) If Franchisee abandons or ceases to operate all or any part of the Padgett System franchised business operated pursuant to this Agreement for thirty (30) days or defaults under any mortgage, deed of trust or lease with any third party covering such franchised business location, and such party treats such act or omission as a default, and Franchisee fails to cure such default to the satisfaction of such third party within any applicable cure period granted Franchisee by such party. An alleged default of Franchisee's lease, which is disputed by Franchisee as wrongful, shall not be deemed to be a default under this provision so long

as Franchisee is represented by legal counsel and in Padgett's sole discretion it determines Franchisee is using its best efforts to aggressively contest the alleged default in litigation or some other form of alternative dispute resolutions. In such event, Franchisee and/or its legal counsel shall be required to keep Padgett informed of its efforts to contest the alleged default.

- (x) If Franchisee or any person owning an interest in Franchisee is indicted on, charged of or convicted of any felony; any crime of moral turpitude; or any other crime or offense relating to the operation of the Padgett System franchised business operated pursuant to this Agreement, or which Padgett reasonably believes may materially adversely affect Padgett, the Proprietary Marks or the Padgett System.
- (xi) If Franchisee shall fail to carry or allow to lapse any insurance coverage required pursuant to Paragraph IX.B hereof or as may be required from time to time in the Confidential Manuals, for any period of time.
- (xii) If Franchisee or any guarantor(s) hereof default in any other agreement with Padgett or an affiliate of Padgett, and such default is not cured in accordance with the terms of such other agreement.
- (xiii) If Franchisee fails, for a period of fifteen (15) days after notification of noncompliance, to comply with any law or regulation applicable to the operation of the Padgett System franchised business operated pursuant to this Agreement.
- (xiv) If Franchisee violates Paragraph VIII.E hereof.
- (xv) If Franchisee fails to attend Padgett's tax seminar or equivalent education in any calendar year or fails to attend Padgett's annual conference or one of its practice management seminars in at least two (2) of every three years, without first having obtained Padgett's written consent for any absence, which may be given or withheld in Padgett's sole discretion.

B. Mutual Agreement. Except as hereinabove set out, this Agreement may be terminated prior to the expiration date only by mutual agreement of Franchisee and Padgett, which mutual termination agreement must be reduced to writing and signed by both Padgett and Franchisee.

C. Termination by Franchisee. Franchisee may not terminate this Agreement prior to the expiration of its term except through legal process resulting from Padgett's material breach of this Agreement or otherwise with Padgett's consent. In the event that Franchisee shall claim that Padgett has failed to meet any obligation under this Agreement, Franchisee shall provide Padgett with written notice of such claim, within ninety (90) days of its occurrence, specifically enumerating all alleged deficiencies and providing Padgett with an opportunity to cure, which shall in no event be less than thirty (30) days from the date of receipt of such notice by Padgett from Franchisee. Failure to give such notice shall constitute a waiver of any such alleged default.

D. Post-Termination Obligations. Upon expiration or termination of this Agreement, Franchisee shall immediately cease to be a franchisee of Padgett and a licensee of the Proprietary Marks and the Padgett System, and shall cease to operate the franchised business and to offer or sell the Padgett Services, and:

1. Shall promptly pay all sums owed to Padgett. In event of termination by Padgett due to a default by Franchisee, such sums shall include, without limitation, all damages, costs and expenses, including reasonable attorney's fees incurred by Padgett in connection with such expiration or termination or in connection with recovering sums owed to Padgett.
2. Shall pay to Padgett, all damages, costs and expenses, including reasonable attorney's fees, incurred by Padgett subsequent to the end of the Agreement as herein provided in obtaining injunctive relief which may be reasonably required by Padgett to protect its interests in its Proprietary Marks.
3. Unless otherwise directed by Padgett, shall immediately cease to use, by advertising or in any manner whatsoever any methods, procedures or techniques associated with the Padgett System in which Padgett has a proprietary right, title or interest, the Proprietary Marks, and any other similar names confusing to the public, and any forms, manuals, slogans, signs, marks, symbols, or devices used in connection with the operation of a Padgett System franchised business. Franchisee further agrees, upon any such termination, to cease and refrain from holding Franchisee out to the public in any way as affiliated or in any way connected with Padgett, and to distinguish Franchisee's business, if any, thereafter so clearly from that of Padgett as to avoid all possibility of any confusion by the public.
4. Shall immediately turn over to Padgett all Confidential Manuals, client and customer lists, other trade secrets and confidential information, software and any related code and manuals, forms and files, instruction and similar material and shall retain no copy or record of any of the foregoing, excepting only Franchisee's copy of this Agreement, and any documents which Franchisee reasonably needs for compliance with any provision of law.
5. Shall transfer Padgett clients and customers to Padgett for continued servicing, or to another franchisee of Padgett designated by Padgett, and shall relinquish any and all rights and interests Franchisee may have in such clients and customers, to Padgett or its designee.
6. Shall cooperate with the transfer of clients as directed by Padgett, including but not limited to, providing Padgett with a complete list of Franchisee's employees, clients, customers, their respective addresses and any outstanding obligations Franchisee may have to any third parties, communicating with clients in a manner conducive to a successful transfer and following the procedures developed by Padgett for transferring clients to Padgett or another franchisee.
7. Take such action as may be required by Padgett to transfer and assign to Padgett or its designee all telephone numbers, advertisements, internet and/or social media accounts/references and all trade and similar name registrations and business licenses, that are related to the franchised business operated pursuant to this Agreement, and to cancel any interest which Franchisee may have in the same.
8. Cancel or assign to Padgett all right, title and interest in any internet and web site home pages, domain name listings, and registrations that contain any of the Proprietary Marks, in whole or in part, and shall notify the applicable domain name registrars and all listing agencies, upon the

termination or expiration hereof, of the termination of Franchisee's right to use any domain name, web page and other internet device associated with Padgett or any Padgett System franchised business, and authorize and instruct their cancellation or transfer to Padgett, as directed by Padgett. Franchisee is not entitled to any compensation from Padgett if Padgett exercises its rights or options pursuant to this Paragraph XII.D.8.

XIII. FRANCHISEE'S RESTRICTIVE COVENANTS

A. In-Term Restrictions. During the term of this Agreement, Franchisee and any guarantor(s) hereof, and Franchisee's principals and controlling shareholders or interest holders (if Franchisee is a business entity), and the spouses of each such individual, covenant, individually:

1. Not to engage in any business, directly or indirectly, except as contemplated by this Agreement, which offers or sells services that are substantially similar to the Padgett Services or which is the same or substantially similar to the franchised businesses of any of Padgett's franchisees, including, without limitation, a business or organization offering preparation of financial statements, accounting, income tax or payroll preparation or processing or substantially similar services. For purposes of this Agreement, "engage in any business" shall include, without limitation, owning ten percent (10%) or more of the equity interests of such a business entity or organization;
2. Not to offer or sell, directly or indirectly, any products or services which have not been approved by Padgett for use or sale by Franchisee;
3. Not to engage in any act or practice which is dishonest or misleading to prospective or current customers or clients of businesses operated under the Padgett System or which may impair the goodwill associated with the Proprietary Marks or the Padgett System; and

The purpose of this provision is to encourage Franchisee and any guarantor(s) hereof to use their best efforts to promote the Padgett Services.

B. Post-Term Restrictions. In the event this Agreement expires or is terminated for any reason, Franchisee and any guarantor(s) hereof, and Franchisee's principals and controlling shareholders or interest holders (if Franchisee is a business entity), and the spouses of each such individual, covenant, individually, for a period of two (2) years after such expiration or termination:

1. Not to engage, directly or indirectly, as an owner or in any managerial capacity, in the operation of any business within a radius of 50 miles of the Franchise Territory providing preparation of financial statements, accounting, income tax or payroll preparation or processing services;
2. Not to solicit, directly or indirectly, any person who at the time of this Agreement's expiration or termination is, or within one (1) year prior to such date was, a Padgett client or customer, to sell or offer to sell any product or service offered by Franchisee's business, including, without limitation, preparation of financial statements, accounting, income tax or payroll preparation or processing services, and not to enable any third party to do so, and not to divert or attempt to divert, directly or indirectly, any of such clients or customers to any competitor of Padgett;

3. Not to sell, assign or transfer, directly or indirectly, all or any portion of franchisee's Padgett System business, or the assets of the business to any competitor that offers preparation of financial statements, accounting, income tax or payroll preparation or processing services substantially similar to the Padgett Services without Padgett's prior written consent.

If Franchisee violates the provisions of Paragraph XIII.A or XIII.B hereof, Franchisee shall pay Padgett Royalties in the manner and amount set forth in Paragraph V hereof with respect to the revenue derived by Franchisee from such violation. The parties expressly acknowledge and agree that such payments shall not affect any rights or remedies Padgett may have at law or in equity (including the right to seek injunctive relief) against Franchisee by reason of such violation. Paragraph XIII.A and XIII.B shall not prohibit ownership by Franchisee, for investment purposes only, of less than five percent (5%) of the outstanding securities of any corporation whose securities are publicly held and traded. Franchisee's performance of Padgett Services or similar services for members of its family shall not be a violation of Paragraph XIII.A or XIII.B, nor shall its rendering of any of such services in the course of its employment for its employer, provided that it is so employed by only one employer at any given time and such services are not also provided for the employer's clients.

C. Non-Disclosure. Franchisee covenants that for a period of two (2) years following the termination or expiration of this Agreement, Franchisee will not use or copy, or divulge to or use for the benefit of any third person, association or corporation, the contents of the Confidential Manuals or the Padgett System, or any information or knowledge concerning customers, any information or materials deemed confidential in Paragraph IV.B.4 hereof, the methods, promotion, advertising or any other systems or methods of operation of Franchisee's franchised business which Franchisee may have acquired by virtue of its operations under this Agreement, in any form whatsoever, nor will Franchisee do any deliberate act prejudicial or injurious to the good will or name of Padgett. Information furnished to Franchisee's employees shall be reasonably limited to that which directly relates to such employee's duties and assists in the proper performance of such duties as same relate to the operation of a Padgett System franchised business.

D. Acknowledgement. This Agreement is entered into between the parties hereto with full knowledge of its nature and extent, Franchisee hereby acknowledging that the qualifications to be a Padgett System franchisee are special, unique and extraordinary, and that this Agreement would not be entered into by Padgett except upon condition that the restrictive covenants contained in this paragraph be embodied herein and that, as such, they be enforceable by injunctive relief and/or any other available remedy.

E. Construction. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. Should any part of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, Franchisee and Padgett agree that the same shall be enforced to the fullest extent permissible under the law. The running of any period of time specified in this Paragraph XIII shall be tolled and suspended for any period of time in which the Franchisee is found by a court of competent jurisdiction to have been in violation of this restrictive covenant. Padgett may, unilaterally, at any time, in its sole discretion, revise any of the covenants in this Paragraph XIII so as to reduce the obligations of Franchisee hereunder. Franchisee further expressly agrees that the existence of any claim it may have against Padgett whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Padgett of the covenants in this Paragraph XIII.

XIV. ENFORCEMENT

A. Compliance. To ensure compliance with this Agreement and to provide consultation with Franchisee, Franchisee agrees that Padgett and its designated agent(s) shall, upon reasonable prior notice to Franchisee, be permitted full and complete access during business hours to inspect Franchisee's business location and all records thereof including, but not limited to, records relating to Franchisee's customers, clients, employees and agents. Franchisee shall cooperate fully with Padgett and its designated agents requesting such access.

B. Injunctive Relief. Padgett or its designee shall be entitled to apply for, without bond, declarations, temporary and permanent injunctions, and orders of specific performance, in order to enforce the provisions of this Agreement relating to: (1) Franchisee's use of the Proprietary Marks; (2) the obligations of Franchisee upon termination or expiration of this Agreement and assignment of the Franchise and ownership interests in Franchisee; or (3) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of any applicable law or regulation, is dishonest or misleading to prospective or current customers or clients of businesses operated under the Padgett System, constitutes a danger to other franchisees, employees, customers, clients or the public, or may impair the goodwill associated with the Proprietary Marks.

C. Costs of Enforcement. In the event of any dispute between Padgett and Franchisee, arising out of or related to this Agreement, directly or indirectly, the prevailing party shall be entitled to recover its reasonable attorney's fees and costs (including paralegal fees) from the non-prevailing party.

D. Conflicting Laws. If a conflicting state law prevents the performance of any of Franchisee's obligations under this Agreement, Franchisee shall immediately notify Padgett and work with Padgett to reach a mutually agreeable alternative. If Franchisee is a lawyer or certified public accountant, Franchisee represents that there are no state or local laws or regulations in Franchisee's state of residence or the state in which Franchisee's Padgett business will be located that conflict with or would prevent Franchisee's full performance of each of its obligations under this Agreement.

XV. DISPUTE RESOLUTION

The parties hereto agree that in the event of litigation, it is in their best interest to resolve disputes between them in an orderly fashion and in a consistent manner. Therefore, the parties hereby agree as follows:

A. Governing Law.

1. This Agreement shall become valid when executed and accepted by Padgett in Athens, Georgia. Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Georgia (without reference to its conflict of laws principles), excluding any franchise law regulating the registration, disclosure or relationship between a franchisor and franchisee, which currently exists or may be adopted by the State of Georgia, shall not apply, unless the jurisdictional requirements of such laws are met independently without reference to this section. References to any law or regulation refer also to any successor laws or regulations or any published regulations for any statute, as in effect at the relevant time.

References to a governmental agency also refer to any successor regulatory body that succeeds the function of such agency.

2. Anything herein to the contrary notwithstanding, Franchisee shall conduct its business in a lawful manner; and Franchisee shall promptly comply with all federal, state and local laws and regulations, and shall obtain, as required, any and all permits, certificates, or licenses necessary for the full and proper conduct of the Padgett System franchised business contemplated hereunder.

B. Consent to Jurisdiction. Franchisee consents and agrees that the following courts shall have personal jurisdiction over him in all lawsuits relating to or arising out of this Agreement and hereby waives any defense Franchisee may have of lack of personal jurisdiction in any such lawsuits filed in these courts: (1) all courts included within the state court system of the State of Georgia; and (2) all courts of the United States of America sitting within the State of Georgia including, but not limited to, all the United States District Courts sitting within the State of Georgia.

C. Venue. Franchisee consents and agrees that venue shall be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and hereby waives any defense it may have of improper venue in any such lawsuits filed in these courts: (A) the state court located in Clarke County, Georgia; and (B) the United States District Court for the Middle District of Georgia, Athens Division. In the event any of these courts are abolished, Franchisee agrees that venue shall be proper in the state or federal court in Georgia which most closely approximates the subject-matter jurisdiction of the abolished court as well as any of these courts which are not so abolished. All lawsuits filed by Franchisee against Padgett relating to or arising out of this Agreement shall be required to be filed in one of these courts; provided, however, that if none of these courts has subject-matter jurisdiction over such a lawsuit, such lawsuit may be filed in any court having such subject-matter jurisdiction if in- personam jurisdiction and venue in such court are otherwise proper. Lawsuits filed by Padgett against Franchisee may be filed in any of the courts named in this subparagraph or in any court in which jurisdiction and venue are proper.

D. Service of Process. In all lawsuits relating to or arising out of the Agreement, Franchisee consents and agrees that it may be served with process outside the State of Georgia in the same manner as service may be made within the State of Georgia by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction, and Franchisee hereby waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

E. Waiver of Jury Trial. Franchisee and franchisor each irrevocably waive trial by jury in any action, whether at law or equity, brought by either of them.

F. Limitations of Claims. Any claim concerning the franchised business or this agreement or any related agreement brought by Franchisee will be barred unless an action for a claim is commenced within one (1) year from the date on which franchisee knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

G. No Punitive or Exemplary Damages. Franchisee and franchisor each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agrees that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and/or legal fees.

H. Mediation. The parties agree to attempt to resolve any dispute, claim or controversy arising out of or relating to this agreement by non-binding mediation in Athens,

Georgia, conducted by a single mediator, no later than ninety (90) days after the commencement of any litigation or arbitration by either party to this agreement. Either party may commence the mediation process by providing to the other party written notice, pursuant to Section XVI.E herein, setting forth the subject of the dispute, claim or controversy and the relief requested. Within ten (10) days after the receipt of the foregoing notice, the other party shall deliver a written response to the initiating party's notice. The initial mediation session shall be held within ninety (90) days after the initial notice. The parties agree to share equally the costs and expenses of the mediation (which shall not include the expenses incurred by each party for its own legal representation in connection with the mediation). The mediator shall be agreed upon by the parties within thirty (30) days after the initial notice. If the parties do not or are not able to agree upon a mediator within thirty (30) days after the initial notice, then the franchisor shall have the right to unilaterally select the mediator.

The parties further acknowledge and agree that mediation proceedings are settlement negotiations, and that, to the extent allowed by applicable law, all offers, promises, conduct and statements, whether oral or written, made in the course of the mediation by any of the parties or their agents shall be confidential and inadmissible in any arbitration, litigation or other legal proceeding involving the parties; provided, however, that evidence which is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

The provisions of this section may be enforced by any court of competent jurisdiction, and the party seeking enforcement shall be entitled to an award of all costs, fees and expenses, including reasonable attorneys' fees, to be paid by the party against whom enforcement is ordered.

XVI. MISCELLANEOUS

A. Interpretation. The preamble recitals are incorporated in and made a part of this agreement. Titles of paragraphs are used for convenience only and are not a part of the text. All terms used in any one number or gender shall be construed to include any other number or gender as the context may require.

B. Entire Agreement. This Agreement and all addenda, exhibits, schedules and attachments hereto constitute the entire, full and complete agreements, understandings, representations, conditions and covenants by and between the parties hereto. The parties expressly intend for all addenda, exhibits, schedules and attachments hereto, and any amendments properly entered into pursuant to Paragraph XVI.I hereof, to be part of this Agreement as though fully set forth herein. This Agreement supersedes any prior agreement between the parties concerning the same subject matter. Neither party shall be liable for any representation made unless expressly set forth herein. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document.

C. Non-Waiver. The failure of Padgett to exercise any right, power or option given to it hereunder, or to insist upon strict compliance with the terms hereof by Franchisee shall not constitute a waiver of the terms and conditions of this Agreement with respect to any other or subsequent breach hereof, nor a waiver by Padgett of its rights at any time thereafter to require exact and strict compliance with all the terms hereof. The rights or remedies hereunder are cumulative to any other rights or remedies which may be granted by law.

D. Severability. Should any provision of this Agreement be for any reason held invalid, illegal or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid; and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of

such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to effectuate fully the provisions hereof. Franchisee understands and acknowledges that Padgett shall have the right, in its sole discretion, to reduce the scope of any covenant of this Agreement binding upon Franchisee or any portion hereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.

E. Notices.

Any and all notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day of the transmission by email, facsimile, or other reasonably reliable electronic communication system; (c) two (2) business days after being placed in the hands of a commercial courier service for guaranteed overnight delivery; or (d) five (5) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified in writing. All notices, payments, and reports required by this Agreement shall be sent to Franchisor at the address below.

Franchisor:

SMALLBIZPROS INC. d/b/a Padgett
Business Services
Attention: President
1550 Timothy Road, Suite 101
Athens, GA 30606
Email: cthomason@padgettadvisors.com

Franchisee:

F. Employees. Padgett shall have no control over employees of Franchisee, including the terms and conditions of their employment.

G. Signatory Liability. All signatories to this Agreement are to be deemed parties hereto and hereby agree to be jointly and severally bound by the terms and conditions contained herein.

H. Modification. Except as specifically provided herein, no amendment, change or variance from this Agreement shall be binding upon either Padgett or Franchisee except by mutual written agreement.

I. Remedies. No right or remedy herein conferred upon or reserved to Padgett is exclusive of any other right or remedy herein or by law or equity provided or permitted but each shall be cumulative of every other right or remedy.

J. Disclaimer. FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE PADGETT PROGRAM, ~~—~~ AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT

INVOLVES BUSINESS RISKS AND WILL BE DEPENDENT UPON THE ABILITY AND EFFORT OF FRANCHISEE AS AN INDEPENDENT BUSINESSMAN. PADGETT EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS NOT RECEIVED ANY WARRANTY, GUARANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT. IF FRANCHISEE IS RELYING UPON ANY FINANCIAL OR EARNINGS CLAIMS OF EXISTING FRANCHISEES OF PADGETT, IT ACKNOWLEDGES THAT ALL OF SUCH INFORMATION WAS RECEIVED DIRECTLY FROM SUCH FRANCHISEES AND NOT FROM PADGETT OR ANY AGENT OF PADGETT. FRANCHISEE UNDERSTANDS THAT PADGETT DOES NOT IN ANY WAY WARRANT OR CONFIRM THE ACCURACY OF SUCH INFORMATION.

K. Disclosure Acknowledged. Franchisee acknowledges receipt of Padgett Services franchise disclosure document, delivered to Franchisee by Padgett at the initial contact between such parties, at least fourteen (14) days prior to the execution hereof, which disclosure has been fully examined by Franchisee who is satisfied same was made by Padgett in a good faith effort to comply with all applicable Federal, State, and local franchise disclosure laws and regulations. Franchisee also acknowledges that Padgett has provided Franchisee with a copy of this Agreement and all related documents, fully completed, at least seven (7) days prior to Franchisee's execution hereof.

L. Binding Effect. Except as otherwise set forth herein, this Agreement shall be binding upon, and inure to the benefit of, the parties, their heirs, executors, personal representatives, successors and lawful assigns. Provided, however, this Agreement shall not be binding on either Padgett or Franchisee unless and until this Agreement has been executed by Franchisee and an executive officer of Padgett (that is, the President, Executive Vice-President or any Vice-President or Assistant Vice-President of Padgett) ~~and~~ and attested to by its Secretary or an Assistant Secretary.

M. Headings. The headings herein are for reference purposes only and shall not constitute a part hereof or be deemed to limit or expand the scope of any provision of this Agreement.

N. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have duly executed,
sealed and delivered this Agreement the day and year first above written.

FRANCHISEE

SMALLBIZPROS, INC. d/b/a Padgett Business Services

_____(SEAL) BY: _____(SEAL)

_____(SEAL) ATTEST: _____(SEAL)

ADDRESS:

Principal Franchise Support Center Address:
1550 Timothy Road, Suite 101
Athens, Georgia 30606

Registered office-State

of _____

FINAL ACKNOWLEDGMENT AS TO EARNINGS DISCLAIMER

I acknowledge that no claims whatsoever have been made by Padgett (including any officer, agent, attorney, employee, director, or other representative of such firm) as to my potential or projected earnings (net or gross) as a franchisee of Padgett. Padgett furnished me with a list of names, addresses and telephone numbers of all then existing franchisees of Padgett. I understand that Padgett does not warrant or confirm the accuracy of any financial or earnings information that I may have received from any of Padgett's franchisees. I will not, in any way, hold Padgett responsible for the accuracy of such information.

This ____ day of _____, 20 ____.

In presence of:

SMALLBIZPROS, INC. d/b/a PADGETT BUSINESS SERVICES
(formerly known as PADGETT BUSINESS SERVICES USA, INC.)

AUDITED FINANCIAL STATEMENTS

AS OF December 31, ~~2024~~2025, December 31, ~~2023~~2024 & December 31, ~~2022~~2023

SMALLBIZPROS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 & 2024
AND INDEPENDENT AUDITORS' REPORT

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TURNER & PATAT

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

SmallBizPros, Inc.
1550 Timothy Road, Suite 101
Athens, Georgia 30606

Opinion

We have audited the accompanying consolidated financial statements of SmallBizPros, Inc. (A Georgia Corporation) and subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income, expenses and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of SmallBizPros, Inc., and subsidiary as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. We are required to be independent of SmallBizPros, Inc. and subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SmallBizPros, Inc. and subsidiary'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.

1020 Lampkin Branch Drive
Watkinsville, GA 30677

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 SmallBizPros, Inc. and subsidiary'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 SmallBizPros, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Turner and Patat PC

Turner and Patat, P.C.
Certified Public Accountants
Watkinsville, Georgia
March 23, 2026

SMALLBIZPROS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$ 3,588,494	\$ 3,479,563
Royalties Receivable, Net (Note 3)	595,088	677,005
Prepaid Expenses	101,140	87,195
Inventory	1,799	3,054
Notes Receivable - Current (Note 4)	53,868	111,000
Advances To Affiliated Companies, Net (Note 5)	1,465,652	1,457,918
Prepaid Income Taxes	-	24,071
Right-of-use Asset	91,677	91,550
Other Current Assets, Net	331,331	68,395
Total Current Assets	<u>6,229,049</u>	<u>5,999,751</u>
Property & Equipment		
Property & Equipment at Cost	282,750	275,601
Less: Accumulated Depreciation	<u>(95,375)</u>	<u>(65,111)</u>
Property & Equipment, Net	<u>187,375</u>	<u>210,490</u>
Other Assets		
Other Assets, Net	49,100	71,379
Right-of-use Asset	282,356	374,033
Notes Receivable (Note 4)	<u>4,333</u>	<u>91,992</u>
Total Other Assets	<u>335,789</u>	<u>537,404</u>
TOTAL ASSETS	<u><u>\$ 6,752,213</u></u>	<u><u>\$ 6,747,645</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable & Accrued Expenses	\$ 1,138,714	\$ 683,973
Lease Liability	91,677	91,550
Deferred Revenue	884,872	864,136
Income Taxes Payable	<u>188,443</u>	<u>1,046</u>
Total Current Liabilities	<u>2,303,706</u>	<u>1,640,705</u>
Long-Term Liabilities		
Lease Liability	282,356	374,033
Deferred Tax Liability	<u>26,457</u>	<u>25,872</u>
Total Long-Term Liabilities	<u>308,813</u>	<u>399,905</u>
Total Liabilities	<u>2,612,519</u>	<u>2,040,610</u>
Stockholders' Equity		
Preferred Stock		
<i>(\$1 par value; \$2,306,872 aggregate liquidation preference - 100,000 shares authorized; 24,141 shares issued and outstanding at December 31, 2025)</i>	24,141	24,141
Common Stock		
<i>(\$1 par value; 1,000,000 shares authorized; 296,538 shares issued and outstanding at December 31, 2025)</i>	296,538	292,975
Additional Paid-in Capital	6,552,275	6,555,838
Retained Earnings (Deficit)	(1,154,791)	(1,861,892)
Treasury Stock (Note 9)	<u>(1,578,469)</u>	<u>(304,027)</u>
Total Stockholders' Equity	<u>4,139,694</u>	<u>4,707,035</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 6,752,213</u></u>	<u><u>\$ 6,747,645</u></u>

See Accompanying Notes and Independent Auditors' Report.

SMALLBIZPROS, INC.
CONSOLIDATED STATEMENTS OF INCOME, EXPENSES AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Revenue		
Franchise Fees-Initial Sale & Transfer	\$ 10,000	\$ 31,000
Gross Franchisee Revenues	77,278,243	67,546,806
Other Operating Revenue	765,021	278,098
Total Revenue	<u>78,053,264</u>	<u>67,855,904</u>
Revenues Retained by Franchisees	<u>72,463,959</u>	<u>62,916,037</u>
Gross Profit	5,589,305	4,939,867
Operating Expenses		
Salaries, Commissions & Benefits	3,058,909	2,717,846
Professional & Consulting Fees	242,138	190,559
Travel Expense	114,536	114,861
Printing & Supplies	12,936	19,867
Seminars, Training & Support Services	205,978	202,537
Provision for Doubtful Accounts (Notes 3 & 4)	12,237	9,443
Bank Charges	87,785	75,850
Occupancy Costs	176,428	160,779
Telephone & Utilities	9,459	21,417
Information Technology	61,175	77,341
Dues & Subscriptions	84,679	83,231
Advertising & Marketing	220,162	198,912
Postage & Courier	14,240	6,280
Software Fees	-	361,795
Depreciation & Amortization	62,676	51,045
Interest Expense	316	2,952
Insurance	44,204	44,026
Business Taxes & Licenses	9,510	6,169
Repairs & Maintenance	1,400	4,753
Public Policy Research & Advocacy	61,756	62,275
Other Operating Expenses	31,131	28,019
Total Operating Expenses	<u>4,511,655</u>	<u>4,439,957</u>
Operating Income	<u>1,077,650</u>	<u>499,910</u>
Other Income (Loss)		
Interest Income	125,292	122,095
Loss on Disposal of Property and Equipment	(1,512)	(30,068)
Total Other Income (Loss)	<u>123,780</u>	<u>92,027</u>
Net Income from Operations		
Before Income Taxes	1,201,430	591,937
Provision for Income Taxes	(335,771)	(172,574)
Net Income (Loss)	<u>865,659</u>	<u>419,363</u>
Dividends - Preferred Stock	(12,070)	(36,211)
Net Income Available for Common Stock	<u>853,589</u>	<u>383,152</u>
Retained Earnings/(Deficit), January 1	(1,861,892)	(1,805,581)
Dividends - Common Stock	(146,488)	(439,463)
Retained Earnings/(Deficit), December 31	<u>\$ (1,154,791)</u>	<u>\$ (1,861,892)</u>

See Accompanying Notes and Independent Auditors' Report.

SMALLBIZPROS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Net Income	\$ 865,659	\$ 419,363
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation & Amortization	62,676	51,045
Loss on Disposal of Property and Equipment	1,512	30,068
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	454,741	(129,680)
Deferred Revenue	20,736	375,496
Income Taxes Payable	187,397	(17,872)
Deferred Tax Liability	585	20,291
Decrease (Increase) in:		
Inventories	1,255	(722)
Royalties Receivable	81,917	(136,030)
Prepaid Expenses	(13,945)	(36,739)
Prepaid Income Taxes	24,071	(24,071)
Other Assets	(192,040)	6,306
Total Cash Flows From Operating Activities	<u>1,494,564</u>	<u>557,455</u>
Cash Flows From Investing Activities		
Payments Received on Notes Receivable	73,896	62,116
Proceeds from Sale of Property and Equipment	-	400
Purchase of Property & Equipment	(18,795)	(218,613)
Total Cash Flows From Investing Activities	<u>55,101</u>	<u>(156,097)</u>
Cash Flows From Financing Activities		
Advances (to)/from Unconsolidated Affiliates	(7,734)	(154,402)
Cash payments for dividends - Preferred Stock	(12,070)	(36,211)
Cash payments for dividends - Common Stock	(146,488)	(439,463)
Cash payments for Redemption of Treasury Stock	(1,274,442)	-
Total Cash Flows Used By Financing Activities	<u>(1,440,734)</u>	<u>(630,076)</u>
Net Increase (Decrease) in Cash	108,931	(228,718)
Cash on Hand, January 1	3,479,563	3,708,281
Cash on Hand, December 31	<u>\$ 3,588,494</u>	<u>\$ 3,479,563</u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ 316	\$ 2,952
Interest Received	\$ 125,292	\$ 122,095
Income Tax Paid (Refund Received)	<u>\$ 228,092</u>	<u>\$ 212,902</u>

See Accompanying Notes and Independent Auditors' Report.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. DESCRIPTION OF THE COMPANY

SmallBizPros, Inc. (the “Company”) is a franchisor of tax, accounting, payroll, and business advisory services through its Padgett Business Services® division. These activities involve the licensing and support of franchisees, which provide their clients with various tax, accounting, payroll, and business advisory services through use of the Company’s specially designed systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation: The consolidated financial statements include the accounts of PayTrak Payroll Services, Inc., a wholly owned subsidiary of SmallBizPros, Inc. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates in Preparation of the Financial Statements: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Company considers demand deposits and investments with an original maturity of three months or less to be cash equivalents.

At times throughout the year, the Company’s cash balances exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes it mitigates its risks by investing in or through major financial institutions. As of December 31, 2024, the uninsured balance totaled \$3,229,563. As of December 31, 2025, the uninsured balance totaled \$3,338,494.

Receivables and Allowance for Doubtful Accounts: Accounts and notes receivable arise in the normal course of business and are presented at their realizable value. The Company provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables. When an account is deemed uncollectible it is charged off against the allowance account.

Inventory: Inventory consists of supplies that are used internally, as well as, materials that are distributed to franchisees. Inventory is stated at the lower of cost or market determined on the first-in, first-out method.

Property and Equipment: Property and equipment consist primarily of office equipment and furnishings and are carried at cost except for instances of impairment losses. To the point an impairment loss is noted, the asset will be written down to market value and any resulting loss will be included in operations. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired or otherwise disposed of and the related allowance for depreciation is eliminated from the accounts, and any resulting gain or loss is included in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally 3-7 years). Depreciation expense is included on the income statement as operating expenses in the amounts of \$40,397 and \$28,766 for the years ended December 31, 2025 and 2024, respectively.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Intangible Assets: Intangible assets consist of Franchise Rights, Software Licenses, and Website Development. They have been recorded at their allocated purchase prices, based upon estimated present value of the future revenues, and are being amortized using the straight-line method over 3-15 years. There are currently no intangible assets with indefinite useful lives held by the Company. All intangible assets are tested for impairment at least annually. Amortization expense is included on the income statement as operating expenses in the amount of \$22,279 for the years ended December 31, 2025 and 2024.

Advances to Affiliate: Advances to affiliate represent advances made and expenses paid by affiliate, Padgett Business Services of Canada Ltd., on behalf of SmallBizPros, Inc. or by SmallBizPros, Inc. on behalf of the affiliate. (Note 5)

Revenue Recognition: In accordance with FAS-45, Revenue Recognition of Franchisors (FASB ASC 952-605-25, ASC 606), revenue on initial sale of a franchise is recognized when substantially all initial services have been performed and when initial training of the franchisee has begun. The Company used the Full Retrospective Approach. For the year ended December 31, 2024 the Company had six (6) new franchise sales, and five (5) resales. No fees were collected in year ended December 31, 2024 for the five (5) resales. For the year ended December 31, 2025 the Company had three (3) new franchise sales, and seven (7) resales. No fees were collected in year ended December 31, 2025 for the seven (7) resales.

As stated in the franchise contracts, the Company is entitled to receive royalties equal to 9% of each franchisee's gross income for the term of the franchise contract. Of this, up to 4.5% of royalties may be rebated to a franchisee depending primarily on the gross income of the franchisee. Franchisees that the Company considers Conversion Franchisees have a reduced royalty rate of 5% during the first twelve months of the franchise contract if royalties are paid in a timely manner and 6.5% for the second twelve months. The franchise contracts also stipulate a minimum monthly royalty amount owed to the Company. Franchisees are required to remit royalties monthly to the Company. Continuing royalty fees are recognized when earned.

During year ended December 31, 2023, the Company implemented a franchisee pilot program. This program allows franchisees to terminate the franchise agreement at the end of the first twelve months under certain conditions. Should a franchise choose to terminate, the Company does not refund any franchise fees or royalties paid during that period.

Fair Value of Financial Instruments: The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities. None of the financial instruments are held for trading purposes.

Compensated Absences: The Company allows full-time employees to receive compensation for vacation and sick leave. The Company allows part-time employees to receive compensation for sick leave. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated and are not deemed material but are expensed as incurred.

Safe-Harbor 401(k) Profit Sharing Plan: As of January 1, 2022 the Company provides for a safe-harbor 401(k) profit sharing plan (the Plan). The Plan covers all eligible employees who are at least 21 years of age by the Plan entry date. The employees may elect to participate in the Plan under the 401(k) salary reduction guidelines. Employee salary reduction contributions are not to exceed the annual contribution limitation established under Internal Revenue Service regulations. The Company shall make safe-harbor matching contributions on behalf of each participant for each plan year equal to 100% of the amount of the participant's salary reduction Contributions for that plan year that does not exceed 4% of the compensation that the employee receives during the portion of the plan year in which the employee has completed six months of service with the Company. For the calendar years ended December 31, 2025 and 2024, the Company made matching contributions of up to 4% of eligible employees' compensation in the amount of \$86,936 and \$89,080, respectively.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Income Taxes: The Company accounts for income taxes using the asset and liability approach. Accordingly, deferred taxes are recognized for the tax consequences of differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The value of deferred tax assets is reduced by the value of any benefits that, based on available evidence, are not certain to be realized.

In accordance with FIN 48, Accounting for Uncertainty in Income taxes (FASB ASC 740-10), the Company has evaluated its uncertain tax positions and related income tax contingencies and feels it is not material to the financial statements. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred.

The income tax laws of jurisdictions in which the Company operates are complex and subject to different interpretations by the taxpayer and applicable government taxing authorities. Income tax returns filed by the Company are based on management's interpretation of these rules. The Company's estimate for the potential outcome for any uncertain tax issue is highly subjective and based on management's best judgements.

3. ROYALTIES RECEIVABLE

The Company's royalties receivable at December 31, 2025 and 2024 consists of amounts due from franchisees less an amount estimated for doubtful accounts. The receivable and related allowance follow:

	<u>12/31/2025</u>	<u>12/31/2024</u>
Royalties Receivable	\$ 628,656	\$ 707,005
Less: Allowance for doubtful accounts	<u>(33,568)</u>	<u>(30,000)</u>
Total	<u><u>\$ 595,088</u></u>	<u><u>\$ 677,005</u></u>

The allowance for doubtful accounts increased by \$3,700 for the year ended December 31, 2024. The allowance for doubtful accounts increased by \$3,568 for the year ended December 31, 2025.

4. NOTES RECEIVABLE

Notes receivable are due from the following individuals or organizations as of December 31, 2025 and 2024:

	<u>Interest Rate</u>	<u>Date Due</u>	<u>12/31/2025</u>	<u>12/31/2024</u>
Former Franchisees	None	Various	\$ 58,201	\$ 202,992
Less: Allowance for doubtful accounts			<u>-</u>	<u>-</u>
			<u>58,201</u>	<u>202,992</u>
Less: Current Portion			<u>(53,868)</u>	<u>(111,000)</u>
Long-term Notes Receivable			<u><u>\$ 4,333</u></u>	<u><u>\$ 91,992</u></u>

Management believes that these notes receivable are presented at their realizable value.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

5. RELATED PARTIES TRANSACTIONS

The individual stockholders of the Company hold identical ownership interests in SmallBizPros Ltd., the entity that operates Padgett Business Services in Canada. A certain officer and director holds the same position in both companies. The companies advance funds to the others and pay certain expenses on behalf of the others. These advances, repayments, and transactions are reflected in the financial statements.

The Company sponsors a separate segregated fund (SSF). A separate segregated fund is a political action committee (PAC) established and administered by corporations or trade associations for the purpose of collecting contributions from a limited class of individuals in order to make contributions and expenditures to federal candidates. The separate segregated fund formed under the name SmallBizPros, Inc-Padgett Business Services PAC. The PAC receives contributions from the Company's shareholders, employees, and franchisees. As the sponsor of the SSF, the Company may absorb all the costs of establishing and operating the SSF and soliciting contributions to it. [11 CRF 114.1(a)(2)(iii)] During the year ending December 31, 2025, the Company absorbed minimal costs.

6. OPERATING LEASE

On December 1, 2023, the Company entered into a five-year operating lease arrangement for office space in Athens, GA. The commencement date of the lease was August 23, 2024.

On September 1, 2023, the Company entered into a sublease arrangement for office space in Pensacola, FL. The lease expired on March 31, 2024. On February 28, 2024, the Company exercised its option to renew the lease until March 31, 2026.

The Company's obligation for the remainder of these lease terms is as follows:

For the Year Ending	Athens Lease Obligation	Pensacola Lease Obligation
12/31/2026	\$116,123	\$3,745
12/31/2027	\$119,606	-
12/31/2028	\$123,194	-
12/31/2029	\$73,105	

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

7. INCOME TAXES

The Company files a consolidated federal tax return on a calendar year basis and state tax returns on a consolidated or combined basis, as permitted by authorities. The Company reports interest and penalties separately from income tax expense. At report date, the federal and state tax returns for year ending December 31, 2025 have not yet been filed. Previously filed federal and state tax returns of the Company for years ending December 31, 2022, December 31, 2023 and December 31, 2024 are subject to examination by the Internal Revenue Service and the various State Revenue Agencies, generally for three years after they were filed.

Income Taxes Payable consists of the following:

	<u>12/31/2025</u>	<u>12/31/2024</u>
Federal Income Tax Liability (Overpayment)	\$ 142,134	\$ (24,071)
State Income Tax Liability	\$ 46,309	\$ 1,046
	<u>\$ 188,443</u>	<u>\$ (23,025)</u>

The provision for income taxes consists of the following components:

	<u>12/31/2025</u>	<u>12/31/2024</u>
Current	\$ 335,186	\$ 152,283
Deferred Liability	\$ 585	\$ 20,291

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	<u>12/31/2025</u>	<u>12/31/2024</u>
Deferred Tax Liabilities:		
Depreciation	\$ 26,457	\$ 25,872

8. PREFERRED STOCK AGREEMENT

As of May 31, 2017, the Company had the option, but not the obligation, to purchase the 37,467 preferred shares outstanding for a pre-determined amount less any dividends paid. During the year ended May 31, 2018, the Company purchased 6,084 preferred shares. During the year ended May 31, 2019, the Company purchased 2,414 preferred shares. During the year ended May 31, 2020, the Company purchased 4,828 preferred shares. During the time the preferred stock is outstanding, the Company has the option to purchase life insurance on the preferred stockholder, with the Company being the primary beneficiary, at amounts up to the repurchase amount. In the event of death of the preferred stockholder, the Company will use any life insurance proceeds from the aforementioned life insurance policy to repurchase shares of the preferred stockholder. The Company has decided not to purchase the life insurance policy.

9. TREASURY STOCK

During year ended May 31, 2018, 3,562.897 shares of the Company's common stock were purchased at \$85.33 per share (total cost \$304,027) and held as treasury stock. During year ended December 31, 2025, 87,892.5 shares of the Company's common stock were purchased at \$14.50 per share (total cost \$1,274,442) and held as treasury stock. Treasury stock is being carried in the financial statements at cost.

10. DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through March 23, 2026, the date which the financial statements were available to be issued.

SMALLBIZPROS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 & 2023
AND INDEPENDENT AUDITORS' REPORT

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TURNER & PATAT

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

SmallBizPros, Inc.
1550 Timothy Road, Suite 101
Athens, Georgia 30606

Opinion

We have audited the accompanying consolidated financial statements of SmallBizPros, Inc. (A Georgia Corporation) and subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, expenses and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of SmallBizPros, Inc., and subsidiary as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. We are required to be independent of SmallBizPros, Inc. and subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SmallBizPros, Inc. and subsidiary'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.

1165 CEDAR SHOALS DR, ATHENS, GA 30605

1800 HOG MOUNTAIN ROAD, BLDG 700-101, WATKINSVILLE, GA 30677

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 SmallBizPros, Inc. and subsidiary'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 SmallBizPros, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Turner and Patat PC

Turner and Patat, P.C.
Certified Public Accountants
Athens, Georgia
March 24, 2025

SMALLBIZPROS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$ 3,479,563	\$ 3,708,281
Royalties Receivable, Net (Note 3)	677,005	540,975
Prepaid Expenses	87,195	50,456
Inventory	3,054	2,332
Notes Receivable - Current (Note 4)	111,000	105,000
Advances To Affiliated Companies, Net (Note 5)	1,457,918	1,303,515
Prepaid Income Taxes	24,071	-
Right-of-use Asset	91,550	-
Other Current Assets, Net	68,395	74,701
Total Current Assets	<u>5,999,751</u>	<u>5,785,260</u>
Property & Equipment		
Property & Equipment at Cost	275,601	339,406
Less: Accumulated Depreciation	<u>(65,111)</u>	<u>(288,296)</u>
Property & Equipment, Net	<u>210,490</u>	<u>51,110</u>
Other Assets		
Other Assets, Net	71,379	93,658
Right-of-use Asset	374,033	-
Notes Receivable (Note 4)	91,992	160,110
Total Other Assets	<u>537,404</u>	<u>253,768</u>
TOTAL ASSETS	<u><u>\$ 6,747,645</u></u>	<u><u>\$ 6,090,138</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable & Accrued Expenses	\$ 683,973	\$ 813,653
Lease Liability	91,550	-
Deferred Revenue	864,136	488,640
Income Taxes Payable	1,046	18,918
Total Current Liabilities	<u>1,640,705</u>	<u>1,321,211</u>
Long-Term Liabilities		
Lease Liability	374,033	-
Deferred Tax Liability	25,872	5,581
Total Long-Term Liabilities	<u>399,905</u>	<u>5,581</u>
Total Liabilities	<u>2,040,610</u>	<u>1,326,792</u>
Stockholders' Equity		
Preferred Stock		
(\$1 par value; \$2,318,944 aggregate liquidation preference - 100,000 shares authorized; 24,141 shares issued and outstanding at December 31, 2024)	24,141	24,141
Common Stock		
(\$1 par value; 1,000,000 shares authorized; 292,975 shares issued and outstanding at December 31, 2024)	292,975	292,975
Additional Paid-in Capital	6,555,838	6,555,838
Retained Earnings (Deficit)	(1,861,892)	(1,805,581)
Treasury Stock (Note 10)	(304,027)	(304,027)
Total Stockholders' Equity	<u>4,707,035</u>	<u>4,763,346</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>\$ 6,747,645</u></u>	<u><u>\$ 6,090,138</u></u>

See Accompanying Notes and Independent Auditors' Report.

SMALLBIZPROS, INC.
CONSOLIDATED STATEMENTS OF INCOME, EXPENSES AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenue		
Franchise Fees-Initial Sale & Transfer	\$ 31,000	\$ 53,500
Gross Franchisee Revenues	67,546,806	65,792,625
Other Operating Revenue	278,098	278,763
Total Revenue	<u>67,855,904</u>	<u>66,124,888</u>
Revenues Retained by Franchisees	<u>62,916,037</u>	<u>61,156,646</u>
Gross Profit	4,939,867	4,968,242
Operating Expenses		
Salaries, Commissions & Benefits	2,717,846	2,646,313
Professional & Consulting Fees	190,559	206,709
Travel Expense	114,861	108,559
Printing & Supplies	19,867	16,413
Seminars, Training & Support Services	202,537	251,351
Provision for Doubtful Accounts (Notes 3 & 4)	9,443	-
Bank Charges	75,850	72,025
Occupancy Costs	160,779	231,654
Telephone & Utilities	21,417	23,791
Information Technology	77,341	98,573
Dues & Subscriptions	83,231	54,969
Advertising & Marketing	198,912	177,513
Postage & Courier	6,280	3,740
Software Fees	361,795	349,132
Depreciation & Amortization	51,045	43,977
Interest Expense	2,952	3
Insurance	44,026	44,069
Business Taxes & Licenses	6,169	7,582
Repairs & Maintenance	4,753	3,397
Public Policy Research & Advocacy	62,275	60,344
Other Operating Expenses	28,019	23,362
Total Operating Expenses	<u>4,439,957</u>	<u>4,423,476</u>
Operating Income	499,910	544,766
Other Income (Loss)		
Interest Income	122,095	77,703
Loss on Disposal of Software	-	(32,500)
Loss on Disposal of Property and Equipment	(30,068)	-
Total Other Income (Loss)	<u>92,027</u>	<u>45,203</u>
Net Income from Operations		
Before Income Taxes	591,937	589,969
Provision for Income Taxes	(172,574)	(191,981)
Net Income (Loss)	<u>419,363</u>	<u>397,988</u>
Dividends - Preferred Stock	(36,211)	(36,211)
Net Income Available for Common Stock	<u>383,152</u>	<u>361,777</u>
Retained Earnings/(Deficit), January 1	(1,805,581)	(1,727,895)
Dividends - Common Stock	(439,463)	(439,463)
Retained Earnings/(Deficit), December 31	<u><u>\$ (1,861,892)</u></u>	<u><u>\$ (1,805,581)</u></u>

See Accompanying Notes and Independent Auditors' Report.

SMALLBIZPROS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Net Income	\$ 419,363	\$ 397,988
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation & Amortization	51,045	43,977
Loss on Disposal of Property and Equipment	30,068	-
Loss on Disposal of Software	-	32,500
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	(129,680)	(235,550)
Deferred Revenue	375,496	(27,766)
Income Taxes Payable	(17,872)	18,918
Deferred Tax Liability	20,291	(1,718)
Decrease (Increase) in:		
Inventories	(722)	591
Royalties Receivable	(136,030)	(51,320)
Prepaid Expenses	(36,739)	46,459
Prepaid Income Taxes	(24,071)	73,110
Other Assets	6,306	(36,186)
Total Cash Flows From Operating Activities	<u>557,455</u>	<u>261,003</u>
Cash Flows From Investing Activities		
Payments Received on Notes Receivable	62,116	71,554
Proceeds from Sale of Property and Equipment	400	-
Purchase of Software	-	(6,500)
Purchase of Property & Equipment	(218,613)	(3,375)
Total Cash Flows From Investing Activities	<u>(156,097)</u>	<u>61,679</u>
Cash Flows From Financing Activities		
Advances (to)/from Unconsolidated Affiliates	(154,402)	(77,400)
Cash payments for dividends - Preferred Stock	(36,211)	(36,211)
Cash payments for dividends - Common Stock	(439,463)	(439,463)
Total Cash Flows Used By Financing Activities	<u>(630,076)</u>	<u>(553,074)</u>
Net Decrease in Cash	(228,718)	(230,392)
Cash on Hand, January 1	3,708,281	3,938,673
Cash on Hand, December 31	<u>\$ 3,479,563</u>	<u>\$ 3,708,281</u>
Supplemental Disclosure of Cash Flow Information		
Interest Paid	\$ 2,952	\$ 3
Interest Received	\$ 122,095	\$ 77,703
Income Tax Paid (Refund Received)	\$ 212,902	\$ 84,646

See Accompanying Notes and Independent Auditors' Report.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. DESCRIPTION OF THE COMPANY

SmallBizPros, Inc. (the “Company”) is a franchisor of tax, accounting, payroll, and business advisory services through its Padgett Business Services® division. These activities involve the licensing and support of franchisees, which provide their clients with various tax, accounting, payroll, and business advisory services through use of the Company’s specially designed systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation: The consolidated financial statements include the accounts of PayTrak Payroll Services, Inc., a wholly owned subsidiary of SmallBizPros, Inc. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Use of Estimates in Preparation of the Financial Statements: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Company considers demand deposits and investments with an original maturity of three months or less to be cash equivalents.

At times throughout the year, the Company’s cash balances exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes it mitigates its risks by investing in or through major financial institutions. As of December 31, 2023, the uninsured balance totaled \$3,458,281. As of December 31, 2024, the uninsured balance totaled \$3,229,563.

Receivables and Allowance for Doubtful Accounts: Accounts and notes receivable arise in the normal course of business, and are presented at their realizable value. The Company provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. Management estimates the losses based on historical collection experience coupled with a review of the current status of existing receivables. When an account is deemed uncollectible it is charged off against the allowance account.

Inventory: Inventory consists of supplies that are used internally, as well as, materials that are distributed to franchisees. Inventory is stated at the lower of cost or market determined on the first-in, first-out method.

Property and Equipment: Property and equipment consist primarily of office equipment and furnishings and are carried at cost except for instances of impairment losses. To the point an impairment loss is noted, the asset will be written down to market value and any resulting loss will be included in operations. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired or otherwise disposed of and the related allowance for depreciation is eliminated from the accounts, and any resulting gain or loss is included in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (generally 3-7 years). Depreciation expense is included on the income statement as operating expenses in the amounts of \$28,766 and \$25,273 for the years ended December 31, 2024 and 2023, respectively.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Intangible Assets: Intangible assets consist of Franchise Rights, Software Licenses, and Website Development. They have been recorded at their allocated purchase prices, based upon estimated present value of the future revenues, and are being amortized using the straight-line method over 3-15 years. There are currently no intangible assets with indefinite useful lives held by the Company. All intangible assets are tested for impairment at least annually. Amortization expense is included on the income statement as operating expenses in the amount of \$22,279 and \$18,704 for the years ended December 31, 2024 and 2023, respectively.

Advances to Affiliate: Advances to affiliate represent advances made and expenses paid by affiliate, Padgett Business Services of Canada Ltd., on behalf of SmallBizPros, Inc. or by SmallBizPros, Inc. on behalf of the affiliate. (Note 5)

Revenue Recognition: In accordance with FAS-45, Revenue Recognition of Franchisors (FASB ASC 952-605-25, ASC 606), revenue on initial sale of a franchise is recognized when substantially all initial services have been performed and when initial training of the franchisee has begun. The Company used the Full Retrospective Approach. For the year ended December 31, 2023 the Company had five (5) new franchise sales, and five (5) resales. No fees were collected in year ended December 31, 2023 for the five (5) resales. For the year ended December 31, 2024 the Company had six (6) new franchise sales, and five (5) resales. No fees were collected in year ended December 31, 2024 for the five (5) resales.

As stated in the franchise contracts, the Company is entitled to receive royalties equal to 9% of each franchisee's gross income for the term of the franchise contract. Of this, up to 4.5% of royalties may be rebated to a franchisee depending primarily on the gross income of the franchisee. Franchisees that the Company considers Conversion Franchisees have a reduced royalty rate of 5% during the first twelve months of the franchise contract if royalties are paid in a timely manner and 6.5% for the second twelve months. The franchise contracts also stipulate a minimum monthly royalty amount owed to the Company. Franchisees are required to remit royalties monthly to the Company. Continuing royalty fees are recognized when earned.

During year ended December 31, 2023, the Company implemented a franchisee pilot program. This program allows franchisees to terminate the franchise agreement at the end of the first twelve months under certain conditions. Should a franchise choose to terminate, the Company does not refund any franchise fees or royalties paid during that period.

Fair Value of Financial Instruments: The carrying value of cash, accounts receivable and accounts payable approximates fair value due to the short maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities. None of the financial instruments are held for trading purposes.

Compensated Absences: The Company allows full-time employees to receive compensation for vacation and sick leave. The Company allows part-time employees to receive compensation for sick leave. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated and are not deemed material, but are expensed as incurred.

Safe-Harbor 401(k) Profit Sharing Plan: As of January 1, 2022 the Company provides for a safe-harbor 401(k) profit sharing plan (the Plan). The Plan covers all eligible employees who are at least 21 years of age by the Plan entry date. The employees may elect to participate in the Plan under the 401(k) salary reduction guidelines. Employee salary reduction contributions are not to exceed the annual contribution limitation established under Internal Revenue Service regulations. The Company shall make safe-harbor matching contributions on behalf of each participant for each plan year equal to 100% of the amount of the participant's salary reduction Contributions for that plan year that does not exceed 4% of the compensation that the employee receives during the portion of the plan year in which the employee has completed six months of service with the Company. For the calendar years ended December 31, 2024 and 2023, the Company made matching contributions of up to 4% of eligible employees' compensation in the amount of \$89,080 and \$94,424, respectively.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Income Taxes: The Company accounts for income taxes using the asset and liability approach. Accordingly, deferred taxes are recognized for the tax consequences of differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The value of deferred tax assets is reduced by the value of any benefits that, based on available evidence, are not certain to be realized.

In accordance with FIN 48, Accounting for Uncertainty in Income taxes (FASB ASC 740-10), the Company has evaluated its uncertain tax positions and related income tax contingencies and feels it is not material to the financial statements. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred.

The income tax laws of jurisdictions in which the Company operates are complex and subject to different interpretations by the taxpayer and applicable government taxing authorities. Income tax returns filed by the Company are based on management's interpretation of these rules. The Company's estimate for the potential outcome for any uncertain tax issue is highly subjective and based on management's best judgements.

3. ROYALTIES RECEIVABLE

The Company's royalties receivable at December 31, 2024 and 2023 consists of amounts due from franchisees less an amount estimated for doubtful accounts. The receivable and related allowance follow:

	<u>12/31/2024</u>	<u>12/31/2023</u>
Royalties Receivable	\$ 707,005	\$ 567,275
Less: Allowance for doubtful accounts	<u>(30,000)</u>	<u>(26,300)</u>
Total	<u>\$ 677,005</u>	<u>\$ 540,975</u>

The allowance for doubtful accounts decreased by \$3,700 for the year ended December 31, 2023. The allowance for doubtful accounts increased by \$3,700 for the year ended December 31, 2024.

4. NOTES RECEIVABLE

Notes receivable are due from the following individuals or organizations as of December 31, 2024 and 2023:

	<u>Interest Rate</u>	<u>Date Due</u>	<u>12/31/2024</u>	<u>12/31/2023</u>
Former Franchisees	None	Various	\$ 202,992	\$ 265,110
Less: Allowance for doubtful accounts			<u>-</u>	<u>-</u>
			<u>202,992</u>	<u>265,110</u>
Less: Current Portion			<u>(111,000)</u>	<u>(105,000)</u>
Long-term Notes Receivable			<u>\$ 91,992</u>	<u>\$ 160,110</u>

Management believes that these notes receivable are presented at their realizable value.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. RELATED PARTIES TRANSACTIONS

The individual stockholders of the Company hold identical ownership interests in SmallBizPros Ltd., the entity that operates Padgett Business Services in Canada. A certain officer and director holds the same position in both companies. The companies advance funds to the others and pay certain expenses on behalf of the others. These advances, repayments, and transactions are reflected in the financial statements.

The Company sponsors a separate segregated fund (SSF). A separate segregated fund is a political action committee (PAC) established and administered by corporations or trade associations for the purpose of collecting contributions from a limited class of individuals in order to make contributions and expenditures to federal candidates. The separate segregated fund formed under the name SmallBizPros, Inc-Padgett Business Services PAC. The PAC receives contributions from the Company's shareholders, employees, and franchisees. As the sponsor of the SSF, the Company may absorb all the costs of establishing and operating the SSF and soliciting contributions to it. [11 CRF 114.1(a)(2)(iii)] During the year ending December 31, 2024, the Company absorbed minimal costs.

6. OPERATING LEASE

On December 1, 2023, the Company entered into a five-year operating lease arrangement for office space in Athens, GA. The commencement date of the lease was August 23, 2024.

On September 1, 2023, the Company entered into a sublease arrangement for office space in Pensacola, FL. The lease expired on March 31, 2024. On February 28, 2024, the Company exercised its option to renew the lease until March 31, 2026.

The Company's obligation for the remainder of these lease terms is as follows:

For the Year Ending	Athens Lease Obligation	Pensacola Lease Obligation
12/31/2025	\$112,740	\$14,908
12/31/2026	\$116,123	\$3,745
12/31/2027	\$119,606	-
12/31/2028	\$123,194	-
12/31/2029	\$73,105	

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

7. PENDING OR THREATENED LITIGATION

Steven M Rafsky v. SmallBizPros, Inc. et. al.

On May 14, 2020, Mr. Rafsky, SmallBizPros, Inc.'s former CEO, filed the above referenced civil action in State Court in Massachusetts. The essence of the complaint is for unpaid wages pursuant to the Massachusetts Wage Act and for severance pay the Plaintiff claims he is owed. On June 17, 2020, the Defendants removed the action to federal court. On August 24, 2020, the Company and the other defendants filed a Motion to Dismiss or Stay the Plaintiff's Complaint pending the outcome of the Georgia litigation (Angus F. McDuffie, et al. v. Dan Sautner, et al.). The Federal Court in Massachusetts heard oral argument on the Company's Motion on November 10, 2020. At the hearing, the Judge ruled from the bench that he was staying the Massachusetts Case until the Georgia litigation was resolved.

On May 11, 2021, the District Court in Georgia entered an Order granting the Defendants' Motion for Summary Judgment on all counts and denying the Plaintiffs' Motion for Summary Judgment on all counts. On June 9, 2021, the Plaintiffs filed a Notice of Appeal, and the Eleventh Circuit heard oral arguments on July 13, 2022.

On July 20, 2022, the Eleventh Circuit Court of Appeals affirmed the Georgia District Court's Order. The time for appeals expired, and the Georgia litigation is concluded with the Company prevailing on all counts.

The Massachusetts Court was advised of the Eleventh Circuit's favorable ruling. SmallBiz Pros, Inc. and the other Defendants renewed their Motion to Dismiss the Plaintiff's Massachusetts litigation on March 15, 2023. On March 19, 2024, the Massachusetts Court granted the Defendants' Motion to Dismiss on res judicata grounds and dismissed Mr. Rafsky's Complaint in its entirety. Mr. Rafsky did not file an appeal of this decision. Therefore, this litigation is permanently closed in favor of SmallBizPros, Inc.

8. INCOME TAXES

The Company files a consolidated federal tax return on a calendar year basis and state tax returns on a consolidated or combined basis, as permitted by authorities. The Company reports interest and penalties separately from income tax expense. At report date, the federal and state tax returns for year ending December 31, 2024 have not yet been filed. Previously filed federal and state tax returns of the Company for years ending May 31, 2021, December 31, 2021, December 31, 2022 and December 31, 2023 are subject to examination by the Internal Revenue Service and the various State Revenue Agencies, generally for three years after they were filed.

Income Taxes Payable consists of the following:

	<u>12/31/2024</u>	<u>12/31/2023</u>
Federal Income Tax Liability (Overpayment)	\$ (24,071)	\$ 11,750
State Income Tax Liability	\$ 1,046	\$ 7,168
	<u>\$ (23,025)</u>	<u>\$ 18,918</u>

The provision for income taxes consists of the following components:

	<u>12/31/2024</u>	<u>12/31/2023</u>
Current	\$ 152,283	\$ 193,699
Deferred Liability	\$ 20,291	\$ (1,718)

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	<u>12/31/2024</u>	<u>12/31/2023</u>
Deferred Tax Liabilities:		
Depreciation	\$ 25,872	\$ 5,581

See Independent Auditors' Report.

SMALLBIZPROS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

9. PREFERRED STOCK AGREEMENT

As of May 31, 2017, the Company had the option, but not the obligation, to purchase the 37,467 preferred shares outstanding for a pre-determined amount less any dividends paid. During the year ended May 31, 2018, the Company purchased 6,084 preferred shares. During the year ended May 31, 2019, the Company purchased 2,414 preferred shares. During the year ended May 31, 2020, the Company purchased 4,828 preferred shares. During the time the preferred stock is outstanding, the Company has the option to purchase life insurance on the preferred stockholder, with the Company being the primary beneficiary, at amounts up to the repurchase amount. In the event of death of the preferred stockholder, the Company will use any life insurance proceeds from the aforementioned life insurance policy to repurchase shares of the preferred stockholder. The Company has decided not to purchase the life insurance policy.

10. TREASURY STOCK

3,562.897 shares of the Company's common stock were purchased at \$85.33 per share (total cost \$304,027) and held as treasury stock. Treasury stock is being carried in the financial statements at cost.

11. DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through March 24, 2025, the date which the financial statements were available to be issued.

SMALLBIZPROS, INC. d/b/a PADGETT BUSINESS SERVICES

LIST OF AGENTS FOR SERVICE OF PROCESS

SmallBizPros, Inc. d/b/a Padgett Business Services

List of Agents for Services of Process

California

Department of Financial Protection and
Innovation 320 West 4th Street -Suite 750
Los Angeles, CA 90013
213-576-7500

600 East Boulevard Avenue, ~~State Capitol, Fifth
Floor~~ Dept. 401
Bismarck, ND 58505-0510
~~701-328-4712~~ 701-328-2910

Hawaii

Hawaii Commissioner of Securities Business
Registration Division Securities Compliance Branch
Dept. of Commerce and Consumer Affairs 335
Merchant Street, Room 203
Honolulu, HI 96813
808-586-2722

Oregon

Department of Labor and Finance
Corporate Securities Section Labor and Industries
Building
Salem, OR 96310
503-378-4387

Illinois

Attorney General, State of Illinois
The Franchise Division
500 South Second Street
Springfield IL 62706
217-782-4465

Rhode Island

Securities Examiner
Department of Business Regulation, Securities
Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
401-462-9587

Indiana

Securities Commissioner Indiana Securities Division
Room E-111, 302 West Washington St.
Indianapolis, IN 46204
317-232-6681

South Dakota

Department of Labor and Regulation Division of
Securities
124 South Euclid Suite 104
Pierre, SD 57501
605-773-4823

Maryland

Office of the Attorney General Securities Division
200 Saint Paul Place
Baltimore, MD 21202-2020
410-576-6360

Virginia

Chief Examiner
State Corporation Commission
Division of Securities and Retail Franchising 1300
E. Main Street, 9th Floor
Richmond, VA 23219
804-371-9051

Michigan

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
525 W. Ottawa St., G. Mennen Williams Building
Lansing, MI 48909
517-373-7117

Washington

Acting Administrator
Department of Financial Institutions Securities
Division
P.O. Box 41200
Olympia, WA 98504-1200
360-902-8762

Minnesota

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
651-539-1600

Wisconsin

Wisconsin Dept. of Financial Institutions Division of
Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
608-266-8557

New York

New York Secretary of State
99 Washington Avenue
Albany, NY 12231
(518) 486-9846

North Dakota

North Dakota Insurance & Securities Department

SMALLBIZPROS, INC. d/b/a PADGETT BUSINESS SERVICES

LIST OF STATE ADMINISTRATORS

SmallBizPros, Inc. d/b/a
Padgett Business Services
List of State Administrators

California

Department of Financial Protection and
Innovation
320 West 4th Street
Suite 750
Los Angeles, CA 90013
213-576-7500

Hawaii

Hawaii Commissioner of Securities
Business Registration Division
Securities Compliance Branch
Dept. of Commerce and Consumer Affairs
335 Merchant Street, Room 203
Honolulu, HI 96813
808-586-2722

Illinois

Franchise Division
Office of Attorney General
500 South Second Street
Springfield, IL 62706
217-782-4465

Indiana

Securities Commissioner
Indiana Securities Division
Room E-111, 302 West Washington St.
Indianapolis, IN 46204
317-232-6681

Maryland

Office of the Attorney General
Securities Division
200 Saint Paul Place
Baltimore, MD 21202-2020
410-576-6360

Michigan

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
525 W. Ottawa St., G. Mennen Williams Building
Lansing, MI 48909
517-373-7117

Minnesota

Franchise Examiner
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
651-539-1600

New York

NYS Department of Law
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
212-416-8222 Phone
212-416-6042 Fax

North Dakota

North Dakota [Insurance & Securities](#)
~~Department~~[Dept.](#)
600 East Boulevard Avenue, [Dept. 401](#)
~~State Capitol, Fifth Floor~~
Bismarck, ND 58505-0510
~~701-328-4712~~[701-328-2910](#)

Oregon

Department of Labor and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 96310
503-378-4387

Rhode Island

Securities Examiner
Department of Business Regulation,
Securities Division
John O. Pastore Complex
1511 Pontiac Avenue, Building 69-1
Cranston, RI 02910
401-462-9587

South Dakota

Department of Labor and Regulation
Division of Securities
124 South Euclid Suite 104
Pierre, SD 57501
605-773-4823

Virginia

Chief Examiner
State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
804-371-9051

Washington

Acting Administrator
Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, WA 98504-1200
360-902-8762

Wisconsin

Wisconsin Dept. of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 57303
608-266-8557

LIST OF FRANCHISEES

Putch	Saty & Anna	1521 Dawes Rd	Mobile	AL	36695	(251) 666-6624
Burke	Stacy	951 Island Street	Montevallo	AL	35115	(205) 665-1551
Wooten	Lee	501 Geneva Street	Opelika	AL	36801	(334) 703-4274
Struble #2	Jeffrey	1660 S Alma School Road, #226	Mesa	AZ	85210	(480) 668-1155
Struble	Jeffrey	8611 N Black Canyon Highway, Suite 104	Phoenix	AZ	85021	(480) 668-1155
Haubert	Michale	4566 N 1st Avenue, Suite 140	Tucson	AZ	85718	(520) 318-1040
Bowers	Clint	11132 California Ave., Suite A	Youngtown	AZ	85363	(623) 933-7242
Aguiar/Oxford	Fernanda/David	51 E. Campbell Ave., Suite 107-D	Campbell	CA	95008	(925) 518-2667
Sgrosso	Steve	1902 Wright Place, Suite 200	Carlsbad	CA	92008	(760) 941-1120
Livernois	John & Piper	669 Palmetto AVE., Suite B	Chico	CA	95928	(530) 899-3988
Cunningham	Dan	2280 Diamond Blvd. #300	Concord	CA	94520	(925) 349-6190
Rankin	Bonnie	39180 Liberty St. #110	Fremont	CA	94538	(510) 440-1040
Levine & Susan Ng	Philip	PO Box 933	Los Gatos	CA	95031	(408) 402-3725
Haubert	Michale	1937 Coffee Road	Modesto	CA	95355	(520) 318-1040
Li	Bei (Bonnie)	800 W. El Camino Real, Suite 180	Mountain View	CA	94040	(408) 966-8930
Hoover	Ted	260 Newport Center Drive	Newport Beach	CA	92660	(949) 640-1100
Sgrosso	Steve #2	225 S. Civic Drive #2-12	Palm Springs	CA	92262	(760) 322-8704
Caswell/Maas	Cameron/Barbara	1076 Porto Marion Drive	San Carlos	CA	94070	(650) 369-1040
DeLong	Christopher	865 Laurel Street	San Carlos	CA	94070	(650) 539-9440
Brady	Bob	2303 Camino Ramon #206	San Ramon	CA	94583	(925) 355-1040
Taniguchi	Shinji	2121 North California BLVD, Suite 305	Walnut Creek	CA	94596	(510) 751-3696
Sutton #2	Theresa & Dan	12510 East Iliff Avenue, #205	Aurora	CO	80014	(303) 451-1040
Krysl	Jerry & Mary Beth	6075 S. Quebec St., Suite 103	Centennial	CO	80111	(720) 488-0120
Sutton	Theresa & Dan	50 S. Steele Street, Suite 588	Denver	CO	80209	(303) 451-1040
Scheidecker	Dana & Cheri	1221 8th Avenue, Suite A	Greeley	CO	80631	(970) 353-2380
Schlagel	Charles	118 West Charlotte Street, Unit B	Johnstown	CO	80534	(970) 587-0202
Darley	Jeff	5797 South Rapp St.	Littleton	CO	80120	(303) 730-3311
Darley #2	Jeff	5797 South Rapp St.	Littleton	CO	80120	(303) 730-3311
Long	Dina	908 Main Street, Suite 220	Louisville	CO	80027	(303) 495-3920
Gamel	Debbie	10465 Melody Dr., Ste. 305	Northglenn	CO	80234	(303) 596-8523
Collier	Njeri	2150 Post Road, Suite 402, 4th Floor	Fairfield	CT	06824	(203) 227-7251
Gribben	Dave	Two Forest Park Drive	Farmington	CT	06032	(860) 470-3262
Krauland	Kurt	515 Centerpoint Drive, Suite 406	Middletown	CT	06457	(860) 997-5878
Foley	Ron	PO Box 7225	Prospect	CT	06712	(203) 758-3331
Beal	Wesley	83 Old Ridgefield Road	Wilton	CT	06897	(203) 431-0881
Lappin	J. David	3475 Pine Haven Circle	Boca Raton	FL	33431	(561) 361-0115
Unbehagen	Todd	299 Alhambra Circle, Suite 307	Coral Gables	FL	33134	(305) 740-9200
Avila	Orlando & Marisela	3200 N. University Drive, Suite 213	Coral Springs	FL	33065	(954) 906-8555
Thrower	Ricky	14444 Beach Blvd, Ste 19	Jacksonville	FL	32250	(904) 854-9829
Hughes	Philip	250 International Pkwy., Suite 134	Lake Mary	FL	32746	(407) 417-2096
Cunningham	Craig & Stephanie	625 Schoolhouse Rd., Suite 1	Lakeland	FL	33813	(863) 648-0888
Simmons	Craig & Ronya	17200 Panama City Beach Pkwy.	Panama City Beach	FL	32413	(850) 235-3785
Costa/Goodman	Andres/Emily #6	223 W. Gregory Street	Pensacola	FL	32502	(850) 470-8403
Costa/Goodman	Andres/Emily	PO Box 1921	Pensacola	FL	32591	(850) 470-8403
Unbehagen	Todd	31 West Tarpon Ave.	Tarpon Springs	FL	34689	(727) 934-7759
Davies	Matt	9314 Forest Hill Blvd., Suite 104	Wellington	FL	33411	(561) 596-5250
DeLong #2	Chris	2054 Vista Parkway	West Palm Beach	FL	33411	(650) 539-9440
Kittle	Teresa	160 Hawthorne Professional Park, P.O. Box 6024	Athens	GA	30606	(706) 548-6843
Estile	Bob & Linda	1741 Woodcliff Pl. NE	Atlanta	GA	30329	(770) 987-8055
Rose	David	6175 Hickory Flat Hwy, Suite 110-205	Canton	GA	30115	(770) 475-6575

Kaup	Janet	718 Oak Street	Gainesville	GA	30501	(770) 287-1040
Wright	Alisha	PO Box 1526	Griffin	GA	30224	(770) 233-9090
Bates	Amy	531 Roselane St, Ste 400-222	Marietta	GA	30060	(770) 425-6251
Meyer	Edward	531 Roselane ST NW, Suite 400-120	Marietta	GA	30060	(770) 405-9972
Wright	Alisha	138 Canal Street, Suite 405	Pooler	GA	31322	(912) 200-3469
Canata	Dennis	1160 Grimes Bridge Rd., Suite A	Roswell	GA	30075	(770) 998-2893
Patel	David	4015 Ogeechee RD	Savannah	GA	31405	(912) 349-3552
Morrell	Jim	1431 Capital Avenue #113	Watkinsville	GA	30677	(706) 769-6648
Harvey	Annette	304 North 12th Street	Centerville	IA	52544	(515) 460-4682
Haderlie	Brian	PO Box 855	Rexburg	ID	83440	(208) 359-1266
Kovanic	Bob	1999 W. Downer Place #102	Aurora	IL	60506	(630) 801-7777
Neal	Scott	1128 Prairie Street	Aurora	IL	60506	(630) 800-2490
Gribben	Dave	1000 Hart Road, Suite 300	Barrington	IL	60010	(224) 655-6058
Case	Kendall	19550 S. Harlem Avenue, Unit 1	Frankfort	IL	60423	(708) 960-4076
Rakowski	Sue & Paul	1100 East Washington Street, Suite 200	Grayslake	IL	60030	(847) 548-2013
Roberson	Larry	843 St. Louis Road	Maryville	IL	62062	(618) 345-7997
Voss	Dennis	1409 6th Avenue	Moline	IL	61265	(309) 277-1260
Fairhurst	Bradley	902 S. Randall Rd Ste C236	St. Charles	IL	60174	(847) 836-5800
Ndoumy	Gladys & Richard	6809 Pershing Rd. Ste. C	Stickney	IL	60402	(708) 749-3900
Heskett	Danielle	1101 Cumberland Crossing Dr. #281	Valparaiso	IN	46383	(219) 707-5216
Kittrell	Ryan	10680 W Maple Street, Suite 300	Wichita	KS	67209	(316) 352-7112
Murphy	Mike	PO Box 1117	Florence	KY	41022	(513) 385-5700
Dintaman	John	104 Anchor Avenue	La Grange	KY	40031	(502) 265-7021
Roberts	Kevin	201 Townpark Circle, Suite B-1	Louisville	KY	40243	(502) 426-0000
Aguillard	Amanda	1 Galleria Blvd. Suite 1900	Metairie	LA	70001	(706) 548-1040
Anderson	Robert	144 Central St., Suite 202	Gardner	MA	01440	(978) 632-2324
Darmody	Chris	PO Box 375	Watertown	MA	02471	(617) 209-2970
Barucci	John	555 High Street, Suite 102	Westwood	MA	02090	(781) 326-9966
Thomas	Jim	5 West Nap Lane	Annapolis	MD	21409	(410) 349-0679
Baker	Joel	3909 Leland Avenue, Suite A, P.O. Box 124	Comstock Park	MI	49321	(616) 257-0788
Davey	Mark	2131 Lake Michigan Dr. NW	Grand Rapids	MI	49504	(616) 791-0460
Edwards	Bruce	1520 South Lapeer Rd., Suite 211	Lake Orion	MI	48360	(248) 693-6222
Greenfield	Dennis	126 E Kilgore Rd, Ste. 100	Portage	MI	49002	(269) 345-1729
Rudolph	Rex	954 Business Park Drive, Ste 3	Traverse City	MI	49686	(231) 930-4370
Federspiel	Stephen	1120 E. Long Lake Road, Suite 150	Troy	MI	48085	(586) 323-2360
Olson	Rob & Cali	7700 Crimson Bay Road	Chaska	MN	55318-9623	(952) 470-0300
Pelner	Steve	10555 165th Street West	Lakeville	MN	55044	(952) 890-7255
Hollander	Mark	13826 Kensington Ave. NE	Prior Lake	MN	55372	(952) 465-5954
Burson	Doug	211 SE Grand Ave Ste B	Lees Summit	MO	64063	(816) 353-2242
Baig	Omar	2190 S. Mason Road, Suite 103	St. Louis	MO	63131	(636) 391-5996
Joiner	Pam & Jim	502A Grants Ferry Road	Brandon	MS	39047	(601) 919-3017
Herbert	Greg	2323 Broadwater Avenue, Suite 2	Billings	MT	59102	(406) 655-8803
Knutzen	Dwayne	PO Box 665	Twin Bridges	MT	59754	(866) 824-7001
Costa/Goodman	Andres/Emily #4	16 Biltmore Avenue, Suite 300	Asheville	NC	28801	(615) 890-5551
Jones	Jean	103 East Victoria Ct., Suite D	Greenville	NC	27858	(252) 321-1037
Scarano	Scott	9708 Dayton Court	Raleigh	NC	27617	(919) 544-9060
Vrooman	Joey	210 N 19th Street	Bismarck	ND	58503	(701) 222-1400
Altstadt/Grant	Ashley/Rebecca	3509 Interstate Blvd S, Ste A	Fargo	ND	58103	(701) 364-9650
Snider	Monica	PO Box 512 102 Grant St., Suite B	Aurora	NE	68818	(402) 474-1040
Richardson	Burton	PO Box 177	Portsmouth	NH	03802	(603) 498-9579
Bishop	Dennis J.	300 Chester Ave., Suite 102	Moorestown	NJ	08057	(856) 802-1101

Thull	Fred	9960 West Cheyenne Avenue Suite 250	Las Vegas	NV	89129	(702) 750-1115
Guerrera	Benjamin	3175 State Street	Caledonia	NY	14423	(585) 538-2501
Sangaline	Joseph	1657A Route 9	Halfmoon	NY	12065	(518) 348-1666
Randolla	Joseph & Karen	92 Hudson Point Lane	Ossining	NY	10562	(914) 752-4411
Tyson	James & Rebecca	1127 Route 9 South, Suite 1	Wappingers Falls	NY	12590	(845) 765-0710
Gilleland	John	3131 South Dixie Drive, Suite 210	Dayton	OH	45439	(937) 643-0700
Cistone	Tim	6047 Frantz Road, Suite 205	Dublin	OH	43017	(614) 408-8354
Keil	David	6717 Kropp Rd	Grove City	OH	43123	(614) 539-4960
Friedel	Thomas & Amy	135 Chesterfield Lane, Suite 205	Maumee	OH	43537	(419) 878-7300
Douthwaite	Stephen & Cathy	4074 St Rt 287	West Liberty	OH	43357	(937) 844-2213
Sperli	A.J. & Karen	24896 Center Ridge Rd.	Westlake	OH	44145	(440) 871-2492
Walters	Christopher	PO Box 994	Owasso	OK	74055	(918) 272-1040
Stanley	Steve	4917 S. 72nd East Avenue, Apt. A	Tulsa	OK	74145	(918) 779-4500
Greene/McNair	Pam/Lexi	2455 Patterson Street, Suite 1	Klamath Falls	OR	97603	(541) 884-1755
Strubhar	David	30110 SW Brown Rd	Wilsonville	OR	97032	(503) 582-1040
Dever	Maria	3461 Market Street, Suite 303	Camp Hill	PA	17011	(717) 412-7459
Cree	Ami	929 West George Street	Carmichaels	PA	15320	(724) 627-3800
Haggerty	Joseph	PO Box 225 639 Northern Blvd.	Chinchilla	PA	18410	(570) 587-9049
Wise	Kate & Dan	900 Commerce Drive, Suite 902	Moon Township	PA	15108	(412) 458-0639
Rollins	Joe	1500 E. Lancaster Ave. #105	Paoli	PA	19301	(610) 640-2358
Ma	Mark	317 Dickinson Street	Philadelphia	PA	19147	(215) 792-6116
Kassab	Adam & Elizabeth	151 Roessler Rd, Suite 550	Pittsburgh	PA	15220	(412) 727-8020
Glass	Eric	3419 Penn Ave.	Reading	PA	19608	(610) 678-4558
Smith	Laura	468 William St.	Williamsport	PA	17701	(570) 322-8234
Beal	Wesley #2	140 Point Judith Rd., Suite C-29	Narragansett	RI	2882	(401) 783-4500
Marshall	Noell	1 Harbison Way, Suite 102	Columbia	SC	29212	(803) 731-4408
Arbuckle	Mark	956 Gardenia St	Fort Mill	SC	29708	(704) 996-7439
Costa/Goodman	Andres/Emily #5	128 Millport Circle, Suite 200	Greenville	SC	29607	(864) 269-8660
Jeffcoat	Gina	4597 Savannah Hwy	North	SC	29112	(803) 568-3269
Reynolds/Braswell	Tracie/Karen	3100a S Hwy 11	Walhalla	SC	29691	(864) 638-0212
Costa/Goodman	Andres/Emily	989 Cordova Station Ave., Suite 101	Cordova	TN	38018	(901) 759-1711
Costa/Goodman	Andres/Emily #2	3401 Mallory Avenue, Suite 100	Franklin	TN	37067	(615) 890-5551
Chandler	Jonathan & Beverly	3432 Park Ave.	Memphis	TN	38111	(901) 752-1812
Costa/Goodman	Andres/Emily #3	6000 Poplar Avenue. Suite 250	Memphis	TN	38119	(615) 890-5551
Costa/Goodman	Andres/Emily	1500 Medical Center Parkway, Suite 4A	Murfreesboro	TN	37129	(615) 890-5551
Bragg	Tammy	15065 Lebanon Road Suite 203	Old Hickory	TN	37138	(615) 754-8297
Okagbue	Albert	6575 W Loop S #500	Bellaire	TX	77401	(281) 865-6967
Sodawala	Khatija	8118 Fry Road, Unit 1201	Cypress	TX	77433	(832) 955-1177
Brassell	Bryan	9950 Cypresswood Dr., Suite 217	Houston	TX	77070	(281) 897-9141
Simms	Stan	131 Degan Ave., Suite 201	Lewisville	TX	75057	(972) 317-9763
Clarke	Beresford	3319 Oyster Cove Drive	Missouri City	TX	77459	(832) 532-2126
Perry	Victor	5310 Passion Flower	San Antonio	TX	78253	(210) 732-4100
Schwab	Amy	200 Baker Dr	Tomball	TX	77375	(281) 351-1351
Broeder	Steve	350 N. Texas Ave., Suite B	Webster	TX	77598	(281) 480-8552
Jephson	John	467 E. 1000 S.	Pleasant Grove	UT	84062	(801) 785-2677
Hellyer	Jean	1013 W 2700 S Unit 2	Syracuse	UT	84075	(801) 217-3638
Wagner	Julia	5210-B Lyngate Court, Suite B	Burke	VA	22015	(703) 426-5560
Jacobs #2	Rick	635-B West Market St.	Harrisonburg	VA	22801	(540) 564-0500
Duncan	Eric & Vickey	1917 Boardman Ln	Henrico	VA	23238	(804) 965-5510
Vellanikaran	Benny & Nancy	13502 Copper Bed Road	Herndon	VA	20171	(703) 793-6151
Brown	Charles	10758B Ambassador Drive, Suite 201	Manassas	VA	20109	(703) 369-0926

Haubert	Michale	5310 Markel Road, Suite 208	Richmond	VA	23230	(520) 318-1040
Burgess	Tim	2122 General Booth Blvd, Suite 103	Virginia Beach	VA	23454	(757) 734-1165
Jacobs	Rick	662 N. Loudoun Street	Winchester	VA	22601	(540) 667-4188
Newsom	Mason	19125 Northcreek Pkwy., Suite 120	Bothell	WA	98011	(425) 408-1695
Thomason	Tommy	PO Box 2940	Issaquah	WA	98027	(425) 882-3300
Martinez	Steve	2813 E. Main	Puyallup	WA	98372	(253) 604-4804
Martinez #2	Steve	2813 E. Main	Puyallup	WA	98372	(253) 604-4804
Parker	Vicki	222 W. Mission, Suite 226	Spokane	WA	99201	(509) 327-5513
Greene	Pam	933 West 3rd Ave., Suite 206	Spokane	WA	99201-4500	(509) 838-8575
Gergen	Brenda	PO Box 98	Hawthorn	WI	54842	(218) 428-1977
Oxley #2	Jordan	PO Box 1072	Barboursville	WV	25504	(304) 302-2030
Kassab	Adam & Elizabeth	1137 Van Voorhis Rd., Suite 16	Morgantown	WV	26505	(304) 599-6522
Oxley	Jordan	PO Box 536	Scott Depot	WV	25560	(304) 757-7665

LIST OF FORMER FRANCHISEES

Mutual Terminations

Pan	George	871 Coleman Ave., Suite 201	San Jose	CA	95110	(408) 727-8011
Whitley	Jack	102 Elmore Ave.	Madison	TN	37115	(615) 997-3683
Lasek	Joseph	3213 Duke Street #605	Alexandria	VA	22314	(571) 332-1301

Transfers

Batton	Greg	Two Forest Park Drive	Farmington	CT	06032	(860) 470-3262
Lamberti	Dominic	31 West Tarpon Ave.	Tarpon Springs	FL	34689	(727) 934-7759
Jones	Dale	PO Box 1921	Pensacola	FL	32591	(850) 470-8403
Captain	Alan	581 Brantley Terrace Way, Unit 101	Altamonte Springs	FL	32714	(407) 672-1040
Williams	Sharie	531 Roselane ST NW, Suite 400-120	Marietta	GA	30060	(770) 405-9972
Gast	Jeff	1100 East Washington Street, Suite 200	Grayslake	IL	60030	(847) 548-2013
Hawkins	Cindy	8118 Fry Road, Unit 1201	Cypress	TX	77433	(832) 955-1177
Thunem	Gary	933 West 3rd Ave., Suite 206	Spokane	WA	99201-4500	(509) 838-8575

SMALLBIZPROS, INC. d/b/a PADGETT BUSINESS SERVICES

SUMMARY OF LAWS AND REGULATIONS

EXHIBIT G

SmallBizPros, Inc. d/b/a Padgett Business Services

Summary of Laws and Regulations

The practice of accounting is regulated in some states. Some states' laws specifically regulate use of the terms "certified public accountant" and "CPA," and the way in which credentials related to accounting are stated to prevent non-accountants from holding themselves out to the public as certified public accountants or as "credentialed accountants." Check your state's regulations to ensure that applicable law permits you to operate a Padgett Services business using or advertising any credentials you have.

In the State of California the statutes affecting preparation of financial statements and tax preparation services include:

Tax Preparers Act

Cal. Bus. & Prof. Code 9891.20 (West Supp. 1994)

Cal. Bus. & Prof. Code 9891.20 - 9891.33 (West 1975 & Supp. 1994)

Exemptions from Tax Preparers Act

Cal. Bus. & Prof. Code 9891.2 (West Supp. 1994)

In the State of Oregon the statutes affecting preparation of financial statements and tax preparation services include:

Tax Preparers Act

Ore. Rev. Stat § 673.605 - 673.740

PADGETT is not aware of any laws or regulations regulating preparation of financial statements, tax preparation or payroll services in any other state. However, there are numerous federal, state and local laws and regulations of general application affecting some types of the Padgett Services and the Payroll Services, and you must adhere to those in providing the Padgett Services and operating your franchised business.

SMALLBIZPROS, INC. d/b/a PADGETT BUSINESS SERVICES

APPLICATION AGREEMENT

APPLICATION AGREEMENT

I/We _____ of _____
("Applicant") hereby make application to SmallBizPros, Inc. d/b/a Padgett Business Services ("Franchisor"), a Georgia corporation with its principal corporate address at 1550 Timothy Road, Suite 101, Athens, GA, 30606, for a Padgett Business Services Franchise.

1. Subject to the following terms and conditions Franchisor, in its sole discretion, may grant Applicant a Padgett Business Services Franchise in the Territory described in Paragraph 4 below:

(a) Upon the execution of this Application Agreement, Applicant agrees to pay to Franchisor a Franchise Application Fee in the amount of \$1,000, which shall be credited toward the initial franchise fee which is payable in full at the time of execution of a Franchise Agreement.

(b) Within sixty days after the Effective Date of this Application Agreement, Applicant shall:

(i) Meet with Franchisor's designee, at Franchisor's office to conduct a personal interview in the event Applicant has submitted this Application Agreement prior to participating in an in-person meeting with Franchisor's designee; and

(ii) Sign Franchisor's standard form of Franchise Agreement, pay Franchisor all fees required to be paid thereunder and commit to participate in the training required under the Franchise Agreement on specified date(s).

In the event Franchisor, in its sole judgment, elects not to issue Applicant a Padgett Business Services Franchise, or, if Applicant withdraws its application prior to signing a Franchise Agreement with us, Franchisor will terminate this Application Agreement and refund the Franchise Application Fee to Applicant. Any refund of fees shall be without interest and shall constitute a full and final settlement of any and all claims Applicant may have against Franchisor.

2. Unless terminated earlier, this Application Agreement shall automatically expire upon the earlier of the date a Franchise Agreement is signed or sixty days from the Effective Date.

3. (a) Applicant acknowledges that Franchisor or its agent has provided Applicant with a Franchise disclosure document at least fourteen days before signing a binding agreement with Franchisor or any payment of any consideration. Applicant further acknowledges that Applicant has read such Franchise disclosure document and understands its contents.

(b) Applicant acknowledges that Franchisor has provided it with a copy of the Padgett Business Services Franchise Agreement, this Application Agreement and all related documents, fully completed, for at least seven calendar days prior to Franchisee's execution hereof.

(c) Applicant acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Applicant with respect to this Agreement, the Padgett Business Services Franchise Agreement, or the relationship thereby created.

4. Applicant's Territory shall be the geographic area mutually agreed upon in writing by the parties in the metropolitan area of:

_____, _____ (City/Town)

In witness whereof, the parties hereto have duly signed this Application Agreement on the date first written above.

FRANCHISOR:

SMALLBIZPROS, INC. d/b/a
PADGETT BUSINESS SERVICES

By: _____

Date: _____

APPLICANT:

By: _____

Date: _____

SMALLBIZPROS, INC. d/b/a PADGETT BUSINESS SERVICES

GENERAL RELEASE

EXHIBIT I

~~23193208-1~~[25475097.1](#)

GENERAL RELEASE

(This release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.)

This General Release (the "Agreement") is made and entered into as of this _____ day of _____, 20_____, by and between SmallBizPros, Inc. d/b/a Padgett Business Services, a Georgia corporation ("Franchisor"), and _____ ("Franchisee").

WHEREAS, Franchisor and Franchisee are parties to that certain Franchise Agreement dated _____ (the "Franchise Agreement") that provides for the grant by Franchisor to Franchisee to use the mark "Padgett Business Services" and other related marks for use as trade names, trademarks and/or service marks in connection with the operation of businesses that provide bookkeeping and income tax preparation services, data processing, business counseling and related programs;

WHEREAS, [certain disputes have arisen between Franchisor and Franchisee arising out of and/or related to the franchise relationship by and between the Parties];

WHEREAS, Franchisor and Franchisee desire to terminate/renew/transfer (Select One) the Franchise Agreement;

WHEREAS, in consideration of _____ by the Franchisor, Franchisee has agreed to execute the release as provided in this Agreement;

WHEREAS, capitalized terms used herein but not defined herein shall have the meanings assigned to them in the Franchise Agreement.

NOW, THEREFORE, in consideration of the foregoing promises and the mutual covenants set forth herein, the parties hereby agree as follows:

1. Termination/Renewal/Transfer of Franchise Agreement. The Franchise Agreement is hereby terminated/renewed/transferred and of no further force and effect, except as otherwise provided herein.
2. Terms and Conditions of Termination/Renewal/Transfer. [Insert Terms and Conditions]. The Parties agree that the terms of this Agreement are confidential and that neither party shall disclose the material terms and conditions of this Agreement in whole or in part, or permit such disclosure by any other person, including, but not limited to, their employees and paid professionals and their officers and directors and their family members.
3. Post-Termination/Renewal/Transfer Obligations. Notwithstanding the termination/renewal/transfer of the Franchise Agreement, franchisee shall comply with the post-termination obligations contained in Paragraphs XII.D and XIII of the Franchise Agreement, and any other provisions of the Franchise Agreement that are intended, by their express terms, to survive the termination or expiration of the Franchise Agreement.
4. Franchisee Release of Franchisor.
 - 4.1 Except for the obligations provided elsewhere herein, effective as of the date of this Agreement, Franchisee, and for each of his agents, servants, successors, heirs and assigns, fully and finally releases, acquits and forever discharges Franchisor, and each of its officers, directors, employees, agents, servants, successors, assigns, affiliates and parties related thereto, and all other persons, firms, corporations, associations or partnerships ("Released Parties"), of and from any and all claims, actions, causes of action, demands, damages, costs, loss of services, expenses and compensation which Franchisee individually or collectively now has, known or unknown, foreseen and unforeseen, arising under or relating in any way to the Franchise Agreement, the operation of

the Franchise, any goodwill or other value of the Franchise as an ongoing concern, and any and all activities of the Released Parties in the Franchise Territory, and any and all other claims, accounts, debts, demands, damages, losses, causes of action, actions, liabilities or suits, whether at law or in equity, whether known or hereafter discovered, which Franchisee or his agents, servants, successors, heirs or assigns, individually or collectively, have or may have against the Released Parties jointly or severally.

- 4.2 Except for the obligations provided elsewhere herein, effective as of the date of this Agreement, Franchisee, and for each of his agents, servants, successors, heirs and assigns, represents and warrants that Franchisee and none of his agents, servants, successors or assigns, have to date filed or shall in the future file, in any state or federal court or any other court or administrative body, any claim, action, or cause of action against the Released Parties relating in any way to the Franchise Agreement, the operation of the Franchise, any goodwill or other value of the Franchise as an ongoing concern, and any and all activities of the Released Parties in the Franchise Territory, and any and all other claims, accounts, debts, demands, damages, losses, causes of action, actions, liabilities or suits, whether at law or in equity, whether known or hereafter discovered, which Franchisee or his agents, servants, successors, heirs or assigns, individually or collectively, have or may have against the Released Parties jointly or severally.
5. Franchisor Release of Franchisee. Except for the obligations provided elsewhere herein, effective as of the termination date, Franchisor, and for each of its officers, directors, employees, agents, servants, successors, and assigns fully and finally releases, acquits and forever discharges Franchisee and each of his agents, servants, successors, assigns, heirs and affiliates and all other persons, firms, corporations, associations or partnerships of and from any and all claims, actions, causes of action, demands, damages, costs, loss of services, expenses and compensation which Franchisor now has, known or unknown, foreseen and unforeseen, arising under or relating in any way to the Franchise Agreement, the operation of the Franchise, and any and all manner of other claims, accounts, debts, demands, damages, losses, causes of action, actions, liabilities or suits, whether at law or in equity, whether known or hereafter discovered, which Franchisor or its agents, servants, successors or assigns, individually or collectively, have or may have against Franchisee or any of his agents, servants, successors, assigns, heirs or affiliates.
6. Representations and Warranties.
- 6.1 Each of Franchisor and Franchisee represents and warrants to the other that it, he or she has full capacity and authority to execute and deliver this Agreement, to perform hereunder, and to consummate the transactions contemplated hereby, without the necessity of any act or consent of any other person, entity or governmental authority. This Agreement constitutes the valid and legally binding obligations of each of Franchisor and Franchisee, enforceable against it, he or she in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws from time to time in effect affecting the enforcement of creditors' rights generally.
- 6.2 Franchisee represents and warrants to Franchisor that the execution and delivery of this Agreement by Franchisee does not, and the consummation of the transactions contemplated hereby will not, violate or constitute an occurrence of default under any provisions of, or conflict with, or result in acceleration of any obligation under, or give rise to a right by any party to terminate its obligations under, any mortgage, deed of trust, conveyance to secure debt, note, loan, lien, lease, agreement, instrument, or any order, judgment, decree or other arrangement by which the Franchise is affected.
7. Controlling Law; Venue. The Parties agree that Georgia law shall govern the validity and interpretation of this Agreement. The Parties stipulate that jurisdiction and/or venue shall lie exclusively in the State Superior Court located in Clarke County, Georgia or in the United States District Court for the Middle District of Georgia, Athens Division, for any action involving the validity, interpretation, or enforcement of this Agreement, or for any claim for breach of this Agreement, for

damages, or for any other relief brought under this Agreement.

8. Severability. Should any part or provision of this Agreement for any reason be declared invalid, such decision shall not affect the validity of any remaining portion or provision, which remaining portion or provision shall remain in force and effect as if this Agreement had been executed with the invalid portion or provision thereof eliminated.
9. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same Agreement.
10. Modification. No provisions of this Agreement may be changed, altered, modified, or waived except in writing signed by all of the Parties.
11. Entire Agreement. The Parties each further acknowledge that no representation, promise or inducement has been made other than as set forth in this Agreement, and that none of them enters into this Agreement in reliance upon any other representation, promise or inducement not set forth herein. The Parties further acknowledge and represent that they assume the risk for any mistake or facts now known or unknown.
12. Understanding. The Parties acknowledge and represent that they have read this Agreement in full and understand and voluntarily consent and agree to each and every provision contained herein.
13. Attorneys' Fees and Costs. The Parties shall bear their respective costs and attorney fees incurred in preparing and/or executing this Agreement; *provided, however*, that in the event of a breach of this Agreement, the non-breaching party shall be entitled to recover from the breaching party the reasonable costs and attorney fees expended in order to enforce the terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed, sealed and delivered this Agreement the day and year set forth above.

FRANCHISOR:

SMALLBIZPROS, INC. d/b/a
Padgett Business Services

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

Name: _____

Title: _____

FRANCHISEE DISCLOSURE QUESTIONNAIRE

FRANCHISEE DISCLOSURE QUESTIONNAIRE

(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)

As you know, SmallBizPros, Inc. d/b/a Padgett Business Services ("Padgett") and you are preparing to enter into a Franchise Agreement for the operation of a Padgett Business Services Franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that Padgett has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit and schedule attached to it? Yes No

2. Do you understand all the information contained in the Franchise Agreement and each exhibit and schedule attached to it? YesNo

If no, what parts of the Franchise Agreement do you not understand? (Attached additional pages, if necessary)

3. Have you received and personally reviewed the Padgett Uniform Franchise Disclosure Document we provided to you? Yes No

4. Did you sign a receipt for the Uniform Franchise Disclosure Document indicating the date you received it? Yes No

5. Do you understand all of the information contained in the disclosure document?
Yes No

If no, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

6. Have you discussed the benefits and risks of operating a Padgett Business Services Franchise with an attorney, accountant or other professional advisor and do you understand those risks?
Yes No

7. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes No

8. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning the revenues, profits or operating costs of a Padgett Business Services Franchise operated by Padgett or its franchisees?
Yes No

8.A. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning the revenues, profits or operating costs of a Padgett Business Services Franchise operated by Padgett or its franchisees that is contrary to, or different from, the information contained in the disclosure document?
Yes No

9. Has any employee or other person speaking on behalf of Padgett made any statement or promise regarding the amount of money you may earn in operating the Padgett Business Services Franchise?
Yes No

9.A. Has any employee or other person speaking on behalf of Padgett made any statement or promise regarding the amount of money you may earn in operating the Padgett Business Services Franchise that is contrary to, or different from, the information contained in the disclosure document?
Yes No

10. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning the total amount of revenue the Padgett Business Services Franchise will generate?
Yes No

10.A. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning the total amount of revenue the Padgett Business Services Franchise will generate that is contrary to, or different from, the information contained in the disclosure document? Yes No

11. Has any employee or other person speaking on behalf of Padgett made any statement or promise regarding the costs you may incur in operating the Padgett Business Services Franchise? Yes No

11.A. Has any employee or other person speaking on behalf of Padgett made any statement or promise regarding the costs you may incur in operating the Padgett Business Services Franchise that is contrary to, or different from, the information contained in the disclosure document? Yes No

12. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning the likelihood of success that you should or might expect to achieve

from operating a Padgett Business Services Franchise? Yes No

12.A. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Padgett Business Services Franchise that is contrary to, or different from, the information contained in the disclosure document?

Yes No

13. Has any employee or other person speaking on behalf of Padgett made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Padgett will furnish to you that is contrary to, or different from, the information contained in the disclosure document? Yes No

14. Has any employee or other person speaking on behalf of Padgett made any statement or promise concerning a Padgett Business Services Franchise that is contrary to, or different form, the information contained in the Disclosure Document?

Yes No

15. If you have answered "Yes" to any of questions eight (8) through fourteen (14), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of the foregoing questions, please leave the following lines blank.

You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

STATE ADDENDA

EXHIBIT K

TO FRANCHISE DISCLOSURE DOCUMENT OF SMALLBIZPROS, INC. D/B/A PADGETT BUSINESS SERVICES®

STATE-SPECIFIC ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

The following modifications are to the SmallBizPros, Inc. d/b/a Padgett Business Services® Franchise Disclosure Document and may supersede certain portions of the Franchise Agreement dated __, 20_____.

The provisions of this State Law Addenda to the Franchise Disclosure Document and Franchise Agreement ("**State Addenda**") apply only to those persons residing or operating Padgett Businesses in the following states:

CALIFORNIA

The franchise agreement requires you to sign a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000-31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 2000-20043).

California Corporations Code, Section 31125 requires PADGETT to give you a disclosure document, approved by the Department of Financial Protection and Innovation prior to a solicitation of a proposed material modification of an existing franchise.

Neither PADGETT, any person or franchise broker in Item 2 of the FDD 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. 78a et. seq., suspending or expelling these persons from membership in such association or exchange.

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.

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 agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement is amended by the deletion of paragraph J of Section XVI as it is a prohibited disclosure in the State of California.

The page titled "Final Acknowledgement as to Earnings Disclaimer," attached to the Franchise Agreement, is not applicable in the State of California because it serves to disclaim or require the franchisee to waive certain rights under the Franchise Investment Law in violation of California Corporations Code sections 31201 and 31512.

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement provides that the laws of Georgia shall govern the Franchise Agreement. This provision may not be enforceable under California law.

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

No statement, questionnaire, or acknowledgement 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 connect with the franchise.

OUR WEBSITE 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 AN INNOVATION AT www.dfpi.ca.gov.

HAWAII

The following is added to the Risk Factors on the cover page:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The following are the names, addresses and telephone numbers of all owners of franchises in the State of Hawaii:

None

This proposed registration is or will be shortly on file in the states of California, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

No states have refused, by order or otherwise, to register these franchises.

No states have revoked or suspended the right to offer these franchises.

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.

ILLINOIS

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other Law of Illinois is void.

The Franchise Disclosure Document and Franchise Agreement are amended to include the following provisions:

No statement, questionnaire, or acknowledgement 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.

See the last page for your required signature.

INDIANA

Although Paragraphs XV and XVI of the Franchise Agreement provide that Georgia law is the governing law and that jurisdiction and venue lie in Georgia. Indiana Code, Title 23, Article 2, Chapter 2.7, §1(10) provides that it shall be unlawful for any franchise agreement to limit litigation brought for breach of the agreement in any manner whatsoever. To the extent the provisions of the Franchise Agreement are inconsistent with the terms of the Indiana Code, in Indiana the terms of the Indiana Code will control.

Notwithstanding any provisions of the Franchise Agreement that may purport to operate as a waiver by the franchisee, Indiana Code, Title 23, Article 2, Chapter 2.7, §1(5) provides that it shall be unlawful to require a franchisee prospectively to assent to a release, assignment, novation, waiver, or estoppel that purports to relieve any person from liability to be imposed by the foregoing chapter. To the extent any provisions of the Franchise Agreement are inconsistent with the foregoing provision of the Indiana Code, in Indiana the terms of the Indiana Code will control.

Indiana Code, Title 23, Article 2, Chapter 2.7, § 1(9) provides that it shall be unlawful for any franchise agreement to contain a provision requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of such a provision in the Agreement, an area of reasonable size, upon termination of or failure to renew the franchise. To the extent the provisions of the Franchise Agreement are inconsistent with the terms of the Indiana Code, in Indiana the terms of the Indiana Code will control.

As disclosed in Item 1, PADGETT operates a business of the type being offered to you. Nothing in the Franchise Agreement would prohibit a business established by PADGETT from competing with your franchised business; however, Indiana Code, Title 23, Article 2, Chapter 2.7 § 1(2) makes it unlawful for a franchisor to “compete unfairly with the franchisee within a reasonable area.”

MARYLAND

As referenced in Item 17 (v) and (w) of this Disclosure Document:

Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law requires PADGETT to file an irrevocable consent to be sued in Maryland. To the extent of any conflict between Paragraph XV of the Franchise Agreement and Maryland law, Maryland law shall prevail. Maryland law provides that you may bring lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law and Code of Maryland Regulations, Division of Securities, Section 02.02.16L prohibit releases from liability under the provisions of the Maryland Franchise Law as part of a franchise agreement or as a condition to the sale, renewal or assignment of a franchise. Neither Section X.C.5., the Final Acknowledgement as to Earnings Claims Disclosure or any other provisions of the Franchise Agreement are intended to, nor shall they act, as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Section X.C.5 is amended by adding the following:

“A 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.”

Paragraph 1 of the General Release, attached to the Franchise Disclosure Document as Exhibit I, is amended by adding the following:

“Notwithstanding the foregoing, this General Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

The Application Agreement is amended by the addition of the following language:

“A general release required to obtain a refund of the application fee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

The Franchise Disclosure Questionnaire, attached to the Franchise Disclosure Document as Exhibit J, is amended by 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.”

Item 5 of the Franchise Disclosure Document and the Franchise Agreement are amended to specifically state: “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.

Subsections J and K of Section XVI of the Franchise Agreement, titled "Miscellaneous," and the "Final Acknowledgement As to Earnings Disclaimer" are not applicable to the residents of Maryland or to businesses to be operated in Maryland.

The Franchise Disclosure Document and Franchise Agreement are amended to include the following provision:

"No statement, questionnaire, or acknowledgement 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 the 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 Following paragraph of the Franchise Agreement is not applicable to the residents of Maryland or to businesses to be operated in Maryland:

'WHEREAS, Franchisee desires to be franchised to offer Padgett Services pursuant to the provisions hereof, and Franchisee has had full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by counsel of Franchisee's own choosing.'

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 licensor 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 thirty (30) days, to cure such failure.
- (d) A provision that permits a licensor 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 licensor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchised business are not subject to compensation. This subsection applies only if:
 - (i) the term of the franchise is less than five (5) years, and
 - (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of licensor's intent not to renew the franchise.
- (e) A provision that permits the licensor 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 licensor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a licensor 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 licensor's then current reasonable qualifications of standards.

(ii) The fact that the proposed transferee is a competitor of the licensor or sublicensor.

(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 licensor 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 licensor items that are not uniquely identified with the licensor. This subdivision does not prohibit a provision that grants to a licensor 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 licensor 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 the subdivision (c).

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

MINNESOTA

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Minnesota Rules, 1995, Department of Commerce, Chapter 2860, Section 2860.4400D prohibits the franchisor from "requiring a franchisee to assert [sic] to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Sections 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes." (See Item 17 M of the Disclosure Document).

To the extent that Paragraph X(C) of the Franchise Agreement is inconsistent with the provisions of Section 2060.4400D of the Rules, the Rules shall control.

Minnesota Statute Section 80C.21 provides "Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of this state, or, in the case of a partnership or corporation, organized or incorporated under the laws of this state, or purporting to bind a person acquiring any franchise to be operated in this state to

waive compliance or which has the effect of waiving compliance with any provision of sections 80C.01 to 80C.22 or any rule or order thereunder is void." (See Item 17W of the Disclosure Document).

Paragraph XVI(D) of the Franchise Agreement shall be amended by adding the following at the end of Paragraph XVI(D):

Minnesota Statute Section 80C.21 provides "Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of this state, or, in the case of a partnership or corporation, organized or incorporated under the laws of this state, or purporting to bind a person acquiring any franchise to be operated in this state to waive compliance or which has the effect of waiving compliance with any provision of sections 80C.01 to 80C.22 or any rule or order thereunder is void."

Minnesota Rules, 1995, Department of Commerce, Chapter 2860, Section 2860.4400J prohibits the franchisor from "requiring a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause." (See Item 17V of the Disclosure Document).

To the extent that Article XV of the Franchise Agreement is inconsistent with the provisions of Section 2860.4400J of the Rules, the Rules shall control.

For franchises governed by Minnesota law, PADGETT 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 its Franchise Agreement. (See Item 17(f) of the Disclosure Document).

Paragraph XII of the Franchise Agreement shall be amended by adding the following additional Subparagraph XII(E).

"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."

PADGETT will indemnify you for damages for which you are held liable in any proceeding arising out of the use of the "PADGETT BUSINESS SERVICES" and "PADGETT" marks, if you have used the marks properly and have notified PADGETT of any claim against you within ten days of your knowledge of the claim. PADGETT must have sole control of any litigation involving the marks. (See Item 13 of the Disclosure Document).

Paragraph VI of the Franchise Agreement shall be amended by adding the following additional Subparagraph VI(G) following Subparagraph VI(F):

Franchisor will indemnify a Minnesota Franchisee for damages for which such Franchisee is held liable in any proceeding arising out of the use of the "PADGETT BUSINESS SERVICES" and "PADGETT" mark provided that the Franchisee has used the mark properly and has notified Franchisor of any claim against the Franchisee within ten days of Franchisee's knowledge of such claim. Franchisor shall have sole control of any litigation involving the marks.

The Franchise Disclosure Document and Franchise Agreement are amended to include the following provision:

No statement, questionnaire, or acknowledgement 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 with the franchise.

NEW YORK

The following is added to the Risk Factors on the cover page:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES 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 CANNOT 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.

Item 3 of the Franchise Disclosure Document is supplemented with the following:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

No such party has an administrative, criminal or civil action pending against it alleging a fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

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

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 a violation of a franchise, antifraud, or securities law; embezzlement, fraudulent conversion, or misappropriation of property, or unfair or deceptive practices or comparable allegations.

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.

The following is added to the end of the “Summary” sections of Item 17(c) titled “Requirements for a 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; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

Item 17 (d) titled “Termination by franchisee” is amended by deleting the “Summary” section and substituting the following in lieu thereof:

You may terminate the agreement on any ground available by law.

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 the franchisee by Article 33 of the General Business Law of the State of New York.”

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.

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 Rev. April 2, 2024 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 earliest 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.

NORTH DAKOTA

To the extent that Paragraphs XIII (A) or (B) of this Franchise Agreement conflict with the provisions of North Dakota law regarding restrictive covenants (N.D.C.C., Sec. 9-08-06), such restrictive covenants may not be enforceable by Franchisor, in which event Franchisor shall otherwise retain its rights and remedies at common law.

Paragraph XV (A) of the Franchise Agreement provides that Georgia law governs the agreement except for certain provisions. As required by North Dakota law, the North Dakota Franchise Investment Law will prevail over Georgia law to the extent of any conflict.

Paragraph XV (C) of the Franchise Agreement provides that all lawsuits filed by Franchisee relating to the Franchise Agreement shall be filed in Georgia. Because the North Dakota law provides that provisions restricting venue or the forum for resolution of disputes to a site outside North Dakota are void, Paragraph XV (B) of the Franchise Agreement is amended by adding the following to the end of the paragraph:

“venue and forum shall be proper in any jurisdiction with proper subject matter and personal jurisdiction, including North Dakota.”

Paragraph XV (C) of the Franchise Agreement is hereby deleted in its entirety and replaced in lieu thereof with the following new Paragraph XV (C):

“The parties irrevocably constitute and appoint the Securities Commissioner, State of North Dakota, State Capital, Bismarck, North Dakota 58505, to be their true and lawful agent, to receive service of any lawful process in any civil litigation or proceeding arising under this Agreement, and service upon such agent shall have the same force and validity as if personal service had been obtained on the other party; provided that notice of service and a copy of any process served shall be sent by registered or certified mail, addressed to the other party at the address specified under Paragraph XVI (F) hereof.”

Because the North Dakota Franchise Investment Law provides that provisions in a franchise agreement purporting to operate as waivers to compliance with such law are void, Paragraph XVI of the Franchise Agreement is amended by adding a new Paragraph XVI (P) reading as follows:

“Notwithstanding anything to the contrary in this Paragraph XVI, to the extent North Dakota law applies, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Franchise Investment Law of North Dakota or any rule or order thereunder is void.”

Paragraph XIV (c) of the Franchise Agreement is hereby deleted in its entirety and replaced in lieu thereof with the following new Paragraph XIV (c):

“If Padgett prevails in any action to enforce this agreement, secures any declaration, injunction or order of specific performance pursuant to Paragraph XIV.B hereof or if any amounts due from Franchisee to Padgett pursuant to any enforcement action are, at any time, collected by or through an attorney at law or collection agency, Franchisee shall be liable to Padgett for all costs and expenses of enforcement and collection including, but not limited to, court costs and reasonable attorneys’ fees.”

Item 17(u) of the Disclosure Document and Paragraph XV.H of the Franchise Agreement provide for mediation of disputes to be held in Georgia. In accordance with Section 51-19-09 of the North Dakota Franchise Investment Law, Item 17(u) of the Disclosure Document and Paragraph XV.H of the Franchise Agreement are hereby amended to provide the site of mediation be agreeable to all parties and may not be remote from the franchisee's place of business.

Paragraph XV of the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law and is deleted in its entirety.

Paragraph XV of the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law and is deleted in its entirety.

Paragraph XV of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law, and is hereby amended to state that the statute of limitations under North Dakota law will apply.

RHODE ISLAND

§19-28.1-14 OF THE Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

SOUTH DAKOTA

Item 17 of the Disclosure Document and Paragraph XIII (B) of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Covenants not to compete upon termination or expiration of a Franchise Agreement are generally unenforceable in South Dakota, except in certain instances as provided by law.”

Item 17 of the Disclosure Document and Paragraph XVI (D)(1) of the Franchise Agreement are amended by the addition of the following language:

“Notwithstanding the foregoing, the law regarding franchise registration, employment, covenants not to compete, and other matters of local concern will be governed by the laws of the State of South Dakota, which provides that “any provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under [SDCL Ch. 37-5B].” As to contractual and other matters, this Agreement and all provisions of this instrument will be and remain subject to the application, construction, enforcement, and interpretation under the governing law of the State of Georgia.

Paragraph XVI of the Franchise Agreement is hereby amended by inserting the following introductory paragraph:

“Pursuant to SDCL 37-5B, any acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter.”

Any notice period specified in Paragraph XII (A) or Paragraph XII (B) of the Franchise Agreement as fifteen (15) days is amended to provide franchisee thirty (30) days written notice and opportunity to cure an event of default.

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for **SmallBizPros, Inc.** for use in the Commonwealth of Virginia shall be 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.

The Franchise Disclosure Document and Franchise Agreement are amended to include the following:

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with 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.

WASHINGTON ADDENDUM to the Franchise Disclosure Document, Franchise Agreement, Franchise Disclosure Questionnaire, and related agreements.

The provisions of this Addendum for an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the State of Washington, or in a place mutually agreed up on and the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. 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.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitation and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related

agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** 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 provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** 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.

16. **Questionnaires and Acknowledgements.** No statement, questionnaire, or acknowledgement 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.

17. **Prohibitions Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the

offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

RCW 19.100.180 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 our relationship with the franchisor including the areas of termination and renewal of your franchise.

Item 17(m) of this Disclosure Document and Paragraph X.C.5 of the Franchise Agreement are amended to provide that any general release of claims you may have against PADGETT that PADGETT requires you to execute shall not apply to any liabilities of PADGETT under the Washington Franchise Investment Protection Act. Items 17(q) and (r) of this Disclosure Document are amended to include the following language: "These provisions are subject to state law."

If there is any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in 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.

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.

Although PADGETT's form of Franchise Agreement requires that any litigation be in Georgia and that you consent to the personal jurisdiction of courts in Georgia, requiring a forum outside of Washington is void with respect to any cause of action which is otherwise enforceable in Washington. (See Item 17(v) of this Disclosure Document and Paragraph XV.D of the Franchise Agreement.)

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

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

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act or any rule thereunder 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.

Item 3 of the Franchise Disclosure Document is amended to add the following disclosure: 'In response to an investigation, in early 2018, into so-called "no-poach" provisions in franchise agreements, the Washington State Attorney General's Office, Antitrust Division, has negotiated agreements, known as assurances of discontinuance, whereby franchisors agreed to no longer include "no-poach" provisions in future franchise agreements and agreed to endeavor to remove all "no-poach" provisions from existing agreements in order to avoid the initiation of a lawsuit by the Attorney General's Office. In 2019 Franchisor entered into such an assurance of discontinuance with the Washington Attorney General's Office.

No statement, questionnaire, or acknowledgement 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.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes, supersedes any provisions of a franchise contract or agreement if these provisions are in conflict with that law.

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing State-Specific Addenda, if any, supersedes any inconsistent portion of the Franchise Agreement dated the __ day of __, 20__, and of the Franchise Disclosure Document, and the parties further acknowledge and agree that this State-Specific Addenda is applicable only to those persons specifically subject to the protections of the state laws referenced in this State-Specific Addenda.

DATED this _____ day of _____, 20__.

Executed and Delivered
by Franchisor:

SmallBizPros, Inc. d/b/a Padgett Business Services

By: _____
President

Executed and Delivered
by Franchisor:

FRANCHISEE:

By: _____

EXHIBIT “L” TO DISCLOSURE DOCUMENT

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 Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California:	~~July 31, 2025~~
Hawaii:	~~June 5, 2025~~
Illinois:	~~April 2, 2025~~
Indiana:	~~April 30, 2025~~
Maryland:	~~May 12, 2025~~
Michigan:	~~September 7, 2025~~
Minnesota:	~~April 24, 2025~~
New York:	~~July 8, 2025~~
North Dakota:	~~April 10, 2024~~
Rhode Island:	~~September 4, 2025~~
South Dakota:	~~April 4, 2024~~
Virginia:	~~May 2, 2025~~
Washington:	~~June 24, 2025~~
Wisconsin:	~~April 7, 2025~~

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of March ~~31~~23, ~~2025~~2026.

Exhibit M
Receipt
(Retain this Copy)

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 PADGETT offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under New York and Rhode Island law, we must provide this disclosure document to you at the earlier of your first personal meeting to discuss the franchise or at least ten business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship. Under Iowa law, if applicable, we must provide this disclosure document to you at the earlier of the first personal meeting to discuss the franchise, or fourteen days prior to the earlier of the execution of a contract or the payment of any consideration in connection with the offer or sale of the franchise.

If PADGETT does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed on Exhibit D.

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

Seller	Address	City, State Zip	Phone
Jeffrey Phillips	1550 Timothy Road, Suite 101	Athens, GA 30606	(706) 548-1040
Brian Austin	3150 Harvester Road, Suite 202.	Burlington, ON L7N 3W8	(905) 890-5777
Roger Harris	1550 Timothy Road, Suite 101	Athens, GA 30606	(706) 548-1040

Franchises are offered by PADGETT's Corporate Office located in Athens, GA (706) 548-1040. The date of issuance of this disclosure document is March ~~31~~23, ~~2025~~2026.

See **Exhibit C** for our registered agents authorized to receive service of process.

I received a disclosure document dated March ~~31~~23, ~~2025~~2026, that included the following Exhibits:

- A. Franchise Agreement
- B. Financial Statements
- C. List of Agents for Service of Process
- D. List of State Administrators
- E. List of Franchisees
- F. List of Former Franchisees
- G. Summary of Laws and Regulations
- H. Application Agreement
- I. General Release
- J. Franchise Disclosure Questionnaire
- K. State Addendum

Signature

Print Name

Home Address

Date

Control No.

Please sign this copy of the receipt, date your signature, and return it to SmallBizPros, Inc. d/b/a Padgett Business Services, 1550 Timothy Road, Suite 101, Athens, Georgia, 30606 (706) 548-1040.

Exhibit M

Receipt (Our Copy)

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 PADGETT offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under New York and Rhode Island law, we must provide this disclosure document to you at the earlier of your first personal meeting to discuss the franchise or at least ten business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship. Under Iowa law, if applicable, we must provide this disclosure document to you at the earlier of the first personal meeting to discuss the franchise, or fourteen days prior to the earlier of the execution of a contract or the payment of any consideration in connection with the offer or sale of the franchise.

If PADGETT does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agencies listed on Exhibit D.

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- G. Summary of Laws and Regulations
- H. Application Agreement
- I. General Release
- J. Franchise Disclosure Questionnaire
- K. State Addendum

Signature

Print Name

Home Address

Date

Control No.

Please sign this copy of the receipt, date your signature, and return it to SmallBizPros, Inc. d/b/a Padgett Business Services, 1550 Timothy Road, Suite 101, Athens, Georgia, 30606 (706) 548-1040.