

**FRANCHISE DISCLOSURE DOCUMENT**  
**(Area Representative)**



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

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

The disclosure document summarizes certain provisions of your Area Representative Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Timothy Tyler Wynn at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452 or by phone at (888) 268-0321.

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

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

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

**Issuance date: April 29, 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
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit G includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
<b>Will my business be the only Ledgers business in the area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Ledgers franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.

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

3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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

## MICHIGAN

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logo type, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
  - (iii) The unwillingness of the proposed transferee to agree in

writing to comply with all lawful obligations; (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

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

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

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

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

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Exhibit B- Area Representative Agreement

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

### **The Franchisor**

To simplify the language in this Disclosure Document, the terms “we,” “us,” and “our” refer to Loyalty Business Services LLC d/b/a Ledgers (“Ledgers”). The terms “you” and “your” refer to the person or entity that buys this franchise including any guarantors. If you are a corporation, limited liability company, or other entity, then “you” will also include your owners.

We are a Virginia Limited Liability Company formed on October 30, 2019. Our principal place of business is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452.

We do business under our corporate name and under the name Ledgers. We changed our original corporate name, Fide Holding LLC, to Loyalty Business Services LLC on June 4, 2020.

We do not engage in any other business activity. We have not operated a franchise business of the type you are being offered, but we do solicit and support unit franchisees. We have been offering franchises since June 2020.

Exhibit C contains our agents for service of process.

### **Parents and Predecessors**

We have a parent, Loyalty, LLC, a Virginia Limited Liability Company formed on November 6, 2017, with a principal address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452.

Loyalty, LLC offers franchise sales assistance to us and to the affiliate companies listed below. Loyalty, LLC does not offer franchises in any line of business.

We do not have any predecessors.

### **Affiliates**

We have an affiliate, ATAX LLC d/b/a ATAX, formed on February 20, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. ATAX offers franchise opportunities for retail tax, bookkeeping and payroll office. ATAX LLC also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2019. They do not offer franchises in any other line of business. As of December 31, 2025, ATAX had a total of 110 unit franchised outlets and 32 Area Representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Cooper’s Scoopers LLC d/b/a Cooper’s Scoopers, formed on December 26, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Cooper’s Scoopers offers franchise opportunities for a professional pet waste

management business. Cooper's Scoopers also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2025. They do not offer franchises in any other line of business. As of December 31, 2025, Cooper's Scoopers had a total of 4 unit and 0 area representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Happie Doggie LLC d/b/a Hike Doggie, formed on September 16, 2025, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Hike Doggie offers franchise opportunities for dog hiking. Hike Doggie also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate began offering franchises in 2025. They do not offer franchises in any other line of business. As of December 31, 2025, Cooper's Scoopers had a total of 5 unit and 0 area representative franchised outlets. They do not provide any products or services to you. They do not provide any products or services to you.

We have an affiliate, Tectum Franchising LLC d/b/a CR3 American Exteriors, formed on July 12, 2022, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. CR3 American Exteriors offers franchise opportunities for offering, selling, and performing roofing and remodeling services for commercial and residential customers. CR3 American Exteriors also offers opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2022. As of December 31, 2025, CR3 American Exteriors had a total of 13 unit franchised outlets and 2 area representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Purely Pet LLC d/b/a Salty Dawg formed on May 20, 2024, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Salty Dawg offers franchise opportunities for the operation of high-end pet salons providing (A) at present, high-end pet grooming services, retail sales of pet food and pet treats, retail sales of various pet merchandise, and other services related to pet care to pet owners and (B) in the future, may include providing training to groomers and offering groomer certifications. Salty Dawg also offers franchise opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since August 2024. They do not offer franchises in any other line of business. As of December 31, 2025, Salty Dawg had 2 unit franchised outlets and 3 area representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, Whole PM Holdings LLC d/b/a Whole Property Management, formed April 29, 2025, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Whole PM Holdings LLC offers unit franchise opportunities for property management services. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2025. As of December 31, 2025, Whole PM Holdings did not have any unit franchises.

We have an affiliate, Zoomin Groomin USA, LLC d/b/a Zoomin Groomin, formed December 30, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Zoomin Groomin offers franchise opportunities for pet grooming services. Zoomin Groomin also offers opportunities for Area Representatives to recruit and support unit franchisees. This affiliate has offered franchises since 2020. They do not offer franchises in any

other line of business. As of December 31, 2025, Zoomin Groomin USA, LLC had 257 unit franchised outlets and 56 Area Representative franchised outlets. They do not provide any products or services to you.

### **The Business We Offer**

You may enter into an Area Representative Agreement in the form attached to this Disclosure Document as Exhibit B (the “Area Representative Agreement” or “Franchise Agreement”) to develop and operate a Ledgers area representative business (an “Area Representative Business” or “Franchised Business”) within a designated territory (your “Territory” or “Area Representative Territory”).

You (as the “Area Representative”) will find, solicit, and recruit prospective franchisees on our behalf to operate a unit franchise outlet (each a “Unit Franchise”) within a designated territory (each a “Unit Territory”) using the Ledgers model (“System”) within your Area Representative Territory. Our unit franchise opportunity is offered through a separate disclosure document and involves delivering business advisory, bookkeeping, payroll, and income tax preparation services (collectively “Tax Services”) in an exclusive territory. The Area Representative Agreement conveys no right to deliver the Tax Services or otherwise operate a unit franchised business, which is exclusively reserved to Unit Franchisees.

As Area Representative, you will find, solicit, and recruit Unit Franchisees within the Area Representative Territory and then support each Unit Franchisee by providing marketing and operating assistance. The Unit Franchisees will serve all customers within their territory, and you will not have management control over their sales or operations. As an Area Representative, subject to the terms of your Area Representative Agreement, you will receive the following compensation from us:

Franchise Fee Compensation – For each Unit Franchise that we authorize and approve for development and operation within your designated Area Representative Territory during the Term of your Area Representative Agreement we will pay to you a one-time payment / amount equal to fifty percent (50%) of the “Net Initial Franchise Fee” that is unconditionally paid to us and received by us (the “Franchise Fee Compensation”).

The Net Initial Franchise Fee is calculated by taking the initial franchise fee paid by a prospect purchasing a Unit Territory within your Area Representative Territory (each a “Unit Franchisee”) and then deducting any brokerage and certain other fees that are imposed, paid, or owed by us. For example, if a \$35,000 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$17,500 referral fee, the Net Initial Franchise Fee would be \$17,500, and you would receive \$8,750 (50% of the \$17,500 Net Initial Franchise Fee). Certain other fees are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used our internal sales team on the same deal, you would only receive \$3,750, because the Internal Sales Fee of \$5,000 is solely incurred by you (calculated as \$8,750 minus the \$5,000 Internal Sales Fee) (see Item 6 for further details on fees imposed). The Franchise Fee Compensation will vary by transaction or may be inapplicable if an Initial Franchise Fee is waived or discounted to a level where there is no Net Initial Franchise Fee to distribute.

Further, you will not receive any Franchise Fee Compensation until after the Unit Franchise fee is unconditionally paid to us and received by us.

Royalty Compensation – For each Unit Franchise that is developed and first opened within your Area Representative Territory during the initial term of your Area Representative Agreement, we will pay to you fifty percent (50%) of the net royalty fees paid to us by each Unit Franchisee for unit outlets located within your Area Representative Territory, during the initial term of your Area Representative Agreement and, if applicable, the renewal term of your Area Representative Agreement (the “Royalty Compensation”).

The Royalty Compensation is calculated based on net royalty fees paid to us by authorized franchisees of Unit Franchises with Ledgers approved Unit Franchise designated territories located within your Area Representative Territory. The Royalty Compensation does not include and is not calculated based on any other fees paid to us from Unit Franchisees including, without limitation, brand development fund fees, renewal fees, transfer fees, training fees, interest fees, audit fees, attorney fees, or any other fees paid to us or our affiliates by Unit Franchisees.

As an Area Representative, you are not authorized to sign any documents on our behalf or on behalf of the System, and you have no authority to bind us to any obligation or make any representations on our behalf except as expressly authorized in writing by us. You will refer all qualified franchisee candidates to us and we may, in our sole and absolute discretion, determine whether or not we approve or disapprove of each respective franchisee candidate. If we reject a franchisee candidate or elect to not enter into a Unit Franchise Agreement with a franchisee candidate for any reason or no reason in our sole and absolute discretion, you will not receive any compensation. As an Area Representative, as to your Area Representative Territory and Unit Franchisees located within your Area Representative Territory, you will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements: (a) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements; (b) to refer qualified franchisee candidates to us; (c) to provide on-going operational support and training support to franchisees in accordance with our System; (d) to provide marketing assistance in accordance with our System; (e) to conduct recurring performance and quality control assessments; and (f) to monitor and maintain franchisee relations.

As an Area Representative you will be responsible for complying with all applicable laws, rules, and regulations related to the offer and sale of franchises including the proper disclosure of our Unit Franchise Disclosure Document, the disclosure and registration of your activities as a franchise seller, and adherence to all laws, rules, and regulations related to the offer and sale of franchises.

We have and maintain a separate franchise disclosure document for the Unit Franchise opportunity (the "Unit FDD"). Unit Franchises are only offered and sold through the Unit FDD, which you will use as an Area Representative to disclose to prospective franchisees in your territory. You may not solicit franchisees in a franchise registration state until such time as we are effectively registered in that state.

## **Market and Competition**

The general market for the recruitment and support of franchisees in general is well developed. You will focus most of your activity on locating individuals to own their own small businesses in the field of business advisory, bookkeeping, payroll, and income tax preparation and offering support to them. Typically, these individuals either have a small business background or are looking to become small business owners. This is a year-round business.

The primary competition comes from other franchisors, franchise brokers, and Area Representatives who also recruit individuals looking to purchase franchise opportunities.

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

Your conduct in the offer of franchises is primarily governed by Federal Trade Commission regulation and corresponding state laws. These laws generally require that you deliver to a prospective franchisee a Franchise Disclosure Document at least 14 calendar days before the prospective franchisee signs a binding agreement or makes any payment to us or our affiliates. Franchisor is responsible for the preparation and related costs of the Franchise Disclosure Document that a Franchise Seller or Area Representative must give to a prospective franchisee. As an Area Representative, you may not solicit, and Franchisor will not offer, a franchise opportunity in any franchise registration or filing state until we have an effective registration or filing in the respective state.

In addition, certain states have laws governing the sale of franchises and the relationship between franchisors and franchisees. In general, as to state franchise sales laws, you are required to engage in truthful advertising and not make false claims or financial performance representations except as expressly stated in Item 19 of the Franchise Disclosure Document. Typically, state relationship laws mandate fair dealing between a franchisor and franchisee, require that a franchisee not be terminated or otherwise lose rights as a franchisee absent good cause, and require that reasonable standards be applied in determining whether to approve the sale or transfer of an existing franchise to a new franchise owner. You should investigate the application of these laws further.

Under certain state laws (including but not limited to Illinois, New York, and Washington State) you may be required to register as a franchise broker or franchise seller before you may offer or sell franchises to residents of those states or as to territory located in those states. You are solely responsible for determining your registration obligations and complying with all applicable franchise broker and seller registration requirements.

In order to close your purchase of the Area Representative Agreement, you must provide to us a completed Biographical Information Sheet. See Schedule 6A to the Area Representative Agreement. Additionally, we may require you to provide to us updated biographical information each year.

## ITEM 2 BUSINESS EXPERIENCE

### **Timothy Tyler Wynn: Chief Executive Officer**

Timothy Tyler Wynn has served as our Chief Executive Officer since March 2026. Mr. Wynn has also served as the interim Chief Executive Officer of our affiliate ATAX in Virginia Beach, VA since April 2026. Previously, Mr. Wynn served as our President from December 2024 through February 2026. Mr. Wynn has also served as the owner of Taxus Street Coffee in Chesapeake, Virginia since January 2023. He previously served as a Nuclear Pipefitter from July 2015 through May 2023 and as a Cost Estimating Analyst from May 2023 through December 2024 at Newport News Shipbuilding in Newport News, Virginia. He also previously served as a real estate agent with A Better Way Realty in Chesapeake, Virginia from July 2022 through December 2024. He also previously served as real estate agent with Rose and Womble Realty in Chesapeake, Virginia from July 2019 through July 2022.

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

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

## ITEM 3 LITIGATION

### ***1. Pending Actions:***

Ira Lubert and John Martinson v. John T. Hewitt, ATAX, LLC, and Loyalty, LLC, Court of Common Pleas of Philadelphia County, Pennsylvania, Case No. 250503829, filed May 30, 2025, amended August 19, 2025. Plaintiffs are minority investors in ATAX, LLC, who allege they were solicited to invest in ATAX as a qualified opportunity zone business and that ATAX failed to qualify. Plaintiffs further allege that Defendants failed to perform certain remedial commitments, including an amendment to ATAX's Operating Agreement and certain financial controls, and that Hewitt caused unauthorized cash transfers from ATAX's accounts to himself and affiliated entities without Board approval. Plaintiffs assert the following claims: (1) Fraud (against Hewitt); (2) Aiding and Abetting Fraud (against Loyalty); (3) Breach of Fiduciary Duty (against Hewitt and Loyalty); (4) Conversion (against Hewitt and Loyalty); (5) Breach of Contract (against Hewitt, Loyalty, and ATAX); (6) Unjust Enrichment (against Hewitt and Loyalty); (7) Breach of the Virginia Stock Corporation Act (against Hewitt and Loyalty); and (8) Violation of the Pennsylvania Voidable Transfers Act (against Hewitt and Loyalty). Plaintiffs seek rescission of their investments, redemption of their ownership interests at fair value, monetary damages, attorneys' fees, and interest. Defendants deny all allegations and intend to vigorously contest all claims. Trial is scheduled for May 30, 2027.

Fortis Lux Financial, Inc. and Tutum Strategies, LLC v. Loyalty Business Services, LLC a/k/a Ledgers USA, JSM Tax, Inc. d/b/a Ledgers, USA, Loyalty, LLC d/b/a Loyalty Brands and John T. Hewitt, filed May 9, 2025, before the American Arbitration Association for hearing in Virginia (AAA Case No. 01-25-0002-2722). John T. Hewitt was not initially named as a Respondent;

however, he was later personally named in Claimant's Statement of Claim and JMS TAX, Inc. was voluntarily removed in an Amended Statement of Claim. The Claimants are an investment advisory and insurance products sales organization, and they entered a joint venture with Ledgers to develop or acquire accounting offices and then convert them to franchise locations. The Claimants filed an Amended Statement of Claim on January 21, 2026, alleging breach of contract, breach of implied duty of good faith and fair dealing, fraud in the inducement, common-law fraud, negligent misrepresentation or in the alternate rescission/restitution. The Respondents deny the allegations and have asserted counterclaims alleging that the Claimant breached the joint venture agreement by failing to enter into franchise agreements, and failing to operate as a franchise and pay advertising fees, royalties, training fees, and other required fees, along with failure to comply with operational requirements, unauthorized use of registered trademarks, false advertising, and failure to pay for certain support services. The Claimant seeks approximately \$1,945,301.11 in damages, together with interest, attorneys' fees, arbitration costs, and such other relief as permitted by law or agreement. The Respondents seek \$225,000 on the counterclaims. No conclusions of law or fact have been made, and an arbitration hearing has been scheduled for November 17-20, 2026.

## **2. *Concluded Actions:***

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

K&A Publicidad, Inc. v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc. d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4169), filed on September 5, 2017 in the Virginia Beach

Circuit Court. Plaintiff is a company owned and controlled by Kirke Franz Szawronski. Plaintiff alleges that it entered into a contract with Liberty to provide promotional and strategic relationship services to help grow the SiempreTax brand. Plaintiff alleged that defendants breached the contract for failure to pay for services and seeks damages. This matter, along with the Kirke Franz Szawronski matter described below, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

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

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

Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought to enjoin Hewitt from managing LT's business operations and seeks compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with another action into In Re: Liberty Tax, Inc. Stockholder Litigation (*see below*).

On December 27, 2017, the two above referenced shareholder matters were consolidated with the caption In Re: Liberty Tax, Inc. Stockholder Litigation, (Case No. 2017-0883). The Complaint asserted claims for breach of fiduciary duty and breach of fiduciary duty by violation of the nominating committee charter. A mediation took place on November 12, 2018 but did not result in a resolution. On March 15, 2019, the parties entered into a stipulation of settlement of which the material terms of the settlement are as follows: (i) Liberty Tax agreed to implement an anti-harassment policy; (ii) Liberty Tax will conduct yearly code of conduct training; (iii) Liberty Tax will terminate for cause any employee who violates the anti-harassment policy that has been substantiated as such; (iv) Liberty Tax will revise its audit committee charter to reflect that SEC filings must be pre-approved by the Audit Committee; (v) Liberty Tax will take reasonable steps to be listed on NASDAQ or NYSE; (vi) Hewitt agrees not to solicit company employees; and (vii)

No party admits any liability. On June 28, 2019, the Court of Chancery approved a Derivative and Class Action Settlement. All issues have been resolved and the Delaware derivative actions were dismissed with prejudice in 2019 without any finding of liability on the part of the Defendants.

*RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al.*, (Case No. 2:18-cv-00127-HCM-DEM), filed on March 7, 2018, in the United States District Court for the Eastern District of Virginia. This purported shareholder derivative action was filed on behalf of LT Inc. seeking to address the alleged wrongs of LT Inc.'s directors and officers. The Complaint claimed that certain conduct created an inappropriate tone at the top, resulting in the loss of key executives, employees, directors and otherwise harmed LT Inc. The Complaint asserted claims under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Section 10(b) and Rule 10b-5 and Section 20(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Complaint sought the following relief: (a) declaring that the Plaintiff may maintain this action on behalf of LT Inc., and that the Plaintiff is an adequate representative of LT Inc.; (b) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to LT Inc.; (c) determining and awarding to LT Inc. the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon; (d) directing LT Inc. and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect LT Inc. and its shareholders from a repeat of the damaging events (e) awarding LT Inc. restitution from Individual Defendants; and (f) awarding the Plaintiff the costs and disbursements of the action, including reasonable attorneys' and experts' fees, costs, and expenses. The parties to this action have agreed that all claims have been settled and agreed to dismiss the action within five business days of the *In Re: Liberty Tax, Inc. Stockholder Litigation* action in Delaware Chancery Court becoming final. On September 11, 2019, the Court conducted a hearing for approval of the settlement and for attorney's fees. On September 12, 2019, the Court found the shareholder notice to be adequate and in compliance with the requirements of rule 23.1(c). The Court approved the settlement ordered in the *In Re: Liberty Tax, Inc. Stockholder Litigation* which incorporated the Plaintiff's claims in this action and approved the \$295,000 in attorneys' fees, including the case contribution award of \$2,000 to Plaintiff. This matter was dismissed with prejudice.

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

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

United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service, (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern District of Virginia. The Department of Justice (DOJ) filed a complaint asserting that Liberty Tax failed to maintain adequate controls over the tax returns prepared by its franchisees and failed to take steps to prevent the filing of potentially false or fraudulent returns prepared by its franchises despite notice of fraud at some of its franchisee stores. The primary focus of the DOJ's investigation that preceded the complaint related to the alleged operational wrongdoing of 12 franchisees. Also on December 3, 2019, the DOJ and Liberty Tax filed a joint motion asking the court to approve a proposed settlement order setting forth certain enhancements to the Liberty Tax service compliance program and requiring Liberty Tax to retain an independent monitor to oversee the implementation of the required enhancements to the compliance program; and work with Liberty Tax to make further enhancements to improve the compliance program. As part of the proposed order, Liberty Tax agreed not to rehire John T. Hewitt, under whose supervision the alleged conduct at issue occurred. Liberty Tax further agreed not to grant John T. Hewitt any options or other rights to acquire equity in Liberty Tax or to nominate him to the company's board of directors. On December 20, 2019, the court granted the joint motion and the motion to seal, which fully resolved the legal proceedings initiated by the DOJ. Although he is referenced in the court's order, John T. Hewitt was not a named party to this case.

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

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

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

#### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

#### **ITEM 5 INITIAL FEES**

The Initial Fees depend on the size and composition of the Area Representative Territory you select. We calculate this initial fee (the “Initial Area Representative Fee”) based on (i) the number of Unit Territories that can fit within the geographic boundaries of the Area Representative Territory and (ii) a determination of whether any Unit Territories have already been developed by a Unit Franchisee of ours within the geographical boundaries of the Area Representative Territory.

When purchasing area representative rights over an Area Representative Territory with no developed Unit Franchises, the Initial Area Representative Fee will be calculated at a rate of \$10,000 per undeveloped Unit Territory contained within the boundaries of the Area Representative Territory. Typically, an Area Representative will purchase area representative rights over 15-30 undeveloped single unit territories, for a total Initial Franchise Fee of approximately \$150,000 - \$300,000.

When purchasing an Area Representative Territory with existing developed Unit Territories, the precise amount of the Initial Franchise Fee will be negotiated based upon pertinent factors such as: how many existing Ledgers Single Units are already in your Territory and how much royalty revenue they generate, demand for Services and the level of competition in your area, population density, geographic layout, road layouts and traffic patterns, and demographic factors.

You must submit the Initial Area Representative Fee to us before attending initial Area Representative training. We will refund to you the Initial Area Representative Fee if we do not approve your application or if you do not pass our initial Area Representative training in accordance with our current passing standards for training, provided that you return to us all materials which we distributed to you during training.

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

Except as described in this Item 5, the Initial Fees are uniformly imposed and non-refundable.

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## ITEM 6. OTHER FEES

Fee	Amount	Due Date	Remarks
Fee for Franchisee Prospects (Note 1)	Typically \$100 - \$150/ each.	Within 30 days of transaction	From time to time we may generate leads of prospective franchisees and offer them to you but you are under no obligation to purchase them. The cost will vary depending upon cost and difficulty of obtaining the prospects.
Franchise Broker Fee (Note 2)	50% of any broker's commission paid on a unit franchise sale is deducted from your commission on that sale.	At time of sale	A shared expense.
Internal Sales Fee (Note 3)	\$5,000 per Unit Franchise	At time of sale	If our internal franchise sales staff or representative assists in the sale of a Unit franchise for you, you pay this fee to us. If our staff or a franchise broker generates a lead, you are required to use our in-house sales staff or designated representative and pay this fee.
Renewal Fee	\$0	At time of renewal	Currently, there is no renewal fee.
Transfer fee	\$10,000	At time of transfer	Paid at closing.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	Payable if we incur on your behalf.
Interest on late payments	The lesser of 12% per annum or the highest rate permitted by law	Upon receipt of invoice	Owed on amounts that are past due 5 days or more.

Fee	Amount	Due Date	Remarks
Indemnity	Varies	When incurred	You indemnify us for any loss caused by your breach of the Area Representative Agreement or your operation of the franchised business.
Assistance Fee in the event of incapacity or death	Reimbursement for reasonable expenditures incurred plus 10% of Gross Revenues for any period in which we operate or assist in the operation of the Franchised Business due to your death or incapacity.	At time of expense	In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services.
Dispute Resolution Fees and Costs	Actual amount incurred	At time of expense	Each Party will bear their own cost, including reasonable attorney's fees and expert witness fees related to the resolution of any claim, cause of action, or other controversy, dispute, or issue you (or your owners) or we may have arising out of or in any way relating to this Agreement or any other agreement between the parties, except that the initiating party will be responsible for the initiation fees and the cost of the Mediator or Arbitrator will be shared equally among the parties.

\*All fees are uniformly imposed by, collected by, and are payable to us. All fees are non-refundable. We require you to execute an Automatic Bank Draft Authorization in order for us to electronically charge your bank account for fees or other monies owed to us. See Schedule 3.

**Note 1: Fee for Franchisee Prospects: Lead Generation-**We may generate leads and offer them to you but you are under no obligation to purchase them from us, except that you will pay the Internal Sales Fee if a lead generated by us purchases a Unit Franchise within your Territory as described below. The cost will vary depending upon cost and difficulty of obtaining the prospects.

**Note 2: Broker Fees-** We may utilize an independent franchise broker to develop leads. Brokers are typically paid a commission based on a successful referral. Rates vary. If a Unit Franchise located within the geographical boundaries of your Area Representative Territory is sold to an

individual or entity referred by a broker, then the amount of the broker's fee will be shared equally (50/50) between you and us. This amount will be deducted before any Initial Fee Commission is paid to you.

**Note 3: Internal Sales Fees** – Our parent, Loyalty, LLC, currently maintains a sales team (our “Internal Sales Team”) to generate, develop, and close qualified leads. We also actively advertise the brand and our franchise offering to generate interest. A representative from our Internal Sales Team typically ensures a prospect is disclosed with the then-current unit disclosure document, works with the prospect throughout the sales process to select a territory, and coordinates with the operations and legal teams through execution of a franchise agreement. You will incur this fee on the sale of a Unit Franchise in your Territory unless you fully generate, develop, and close the transaction without the assistance of a representative from the Internal Sales Team. We will deduct the Internal Sales Fee from any Initial Fee Commission otherwise due to you. This fee is paid by you and is not a shared expense. This fee is fixed and is paid to the Internal Sales Team without regard for the Initial Franchise Fee charged to the new franchisee.

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**ITEM 7. ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure*	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	\$150,000	\$300,000	Check or Electronic Funds Transfer (“EFT”)	Upon signing of Area Representative Agreement	Us
Travel and Living Expenses to Attend Initial Training (Note 2)	\$200	\$2,000	Check or Credit Card	Before opening	Third-party Vendors
Rent (Note 3)	\$0	\$3,000	Check	Monthly	Landlord
Computer Hardware and Software (Note 4)	\$750	\$1,500	Check or Credit Card	Before opening	Third-party Vendors
Insurance (Note 5)	\$1000	\$3,000	Check or Credit Card	Before opening	Insurance Agent
Professional Fees – Legal & Accounting Note 6)	\$300	\$1,500	Check or Credit Card	Before opening	Attorneys and Accountants
Additional Funds – 3 months (Note 7)	\$3,000	\$3,000	Check or Credit Card	As incurred	Third-party Vendors
<b>TOTAL</b>	<b>\$155,250</b>	<b>\$314,000</b>			

\*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon the policies of the third parties. Neither we nor any affiliate finance part of your initial investment, except as set forth in Note 1 and Item 10.

**Note 1-Initial Franchise Fee:** Depending on your creditworthiness, we may extend financing to you for up to 100% of the Initial Franchise Fee. All financed amounts will accrue interest at a rate of 12% interest per annum, subject to law, but the decision of whether to grant financing, the downpayment amount required, and the period of repayment will be determined by us and may vary based on factors such as your creditworthiness and the financed amount. As an example of your potential repayment terms, if you financed \$150,000 with us for a period of 3 years and we

agreed to annual payments then your annual payment amount would be \$63,186.09. See Item 10 for additional details.

**Note 2-Travel and Living Expenses to Attend Initial Training:** You must pay for the travel, lodging, meals, and wages of attendees at initial training, if not offered via videoconference. Your costs will vary.

**Note 3-Rent:** You may operate out of your home or lease an office. Rent varies depending upon office size, location and market conditions in your area. If you make improvements to the property, you will incur additional expense for these items.

**Note 4-Computer Hardware and Software:** You must comply with our computer hardware, software, and network services specifications which we set forth in detail in Item 11.

**Note 5-Insurance:** You may obtain insurance to cover any risk associated with your activity. These insurance costs vary by state and can change over time based on your risk management skill.

**Note 6-Professional Expenses:** You will incur professional legal and accounting fees to assist with your entity set up, local licensing, and other legal and accounting issues.

**Note 7 - Additional Funds:** As with starting any business, it is recommended to have additional funds available for unforeseen expenses. The estimate of additional funds for the initial phase of your Area Representative Territory is based on your staff salaries and operating expenses for the first three months of operation. The estimate of additional funds does not include an owner's salary or draw. We base this estimate upon the years of experience our management team has in the industry.

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

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

**Franchise Disclosure Documents.** You must use the Franchise Disclosure Documents we provide when recruiting franchisees to purchase a unit franchise offering. We will provide an electronic link or copy free of charge. You may also purchase additional paper or disk copies from any copy service.

**Prospects.** You may purchase from us contact information on prospective franchisees which we may gather and offer to sell to you.

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

**Computer Hardware and Software.** We require you to use such computer hardware and software as we specify which may include vendor designations.

**Insurance.** You must obtain and maintain insurance coverage as required by your state laws. You may obtain insurance to cover any risk associated with your activity. These insurance costs vary by state and can change over time based on your risk management skill. Aside from what is required by your state laws, we do not require any insurance coverage. All insurance policies must name us as an “additional insured” party with respect to claims arising out of your operations under the Area Representative Agreement.

### **Whether We or Our Affiliates are Approved Suppliers**

**Advertising and Marketing Material.** We are an approved supplier of Advertising and Marketing material, Franchise Disclosure Documents, and Leads. We are the only approved supplier of Franchise Disclosure Documents.

**Alternative Suppliers.** You may contract with alternative suppliers if they meet our criteria as defined in the Manual, if any. However, you must use the Unit Franchise Disclosure Document that we provide or make available to you to use.

There is no fee to propose another supplier. If you wish to propose another supplier, you must do so in writing. We will review the supplier to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within thirty (30) days if we approve or disapprove of an alternative supplier. If we have not responded to a written request for approval of an Alternate Supplier within thirty (30) days, then the request is approved if they meet the requirements as specified in the Manual, if any. If we revoke approval for a supplier, we will provide written notice to you.

### **Issuance and Modification of Specifications**

We issue and modify specifications and standards to Area Representatives or approved suppliers through the Operations Manual or other written directives.

### **Revenue from Required Purchases or Leases**

We do not currently, but reserve the right, to derive revenue or other material consideration from required purchases or leases by you if you choose to purchase Prospects from us.

For the fiscal year ended December 31, 2025, we did not derive revenue or other material consideration from required purchases or leases by Area Representatives.

### **Supplier Payments to Us**

We currently do not receive payments from suppliers as a result of purchases by our Area Representatives; however, we may do so in the future.

### **Purchasing or Distribution Cooperatives**

There currently are no purchasing or distribution cooperatives.

## **Purchase Arrangements**

We do not presently, but may in the future, negotiate purchase arrangements on behalf of Area Representatives with suppliers including price terms. Further, we do not currently, but reserve the right in the future to, receive payments from approved suppliers with respect to your purchases. Furthermore, we may utilize any such funds received by us in our sole judgment.

## **Material Benefits to you**

We do not provide material benefits to you based on your purchase of particular products or services or use of particular suppliers. However, we can terminate your Area Representative Agreement if you do not comply with our supplier standards. In addition, you must be in compliance with your Area Representative Agreement in order to be eligible to renew it.

## **Officer Interest in Suppliers**

John Hewitt owns an interest in us; however, none of our officers own an interest in any other supplier.

## **Required Purchases as a Proportion of Costs**

We estimate that your required purchases and leases to all purchases and leases by you of goods and services will be approximately 1-5% in establishing the Franchised Business and 5-10% in operating the Franchised Business.

## **ITEM 9. FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Area Representative Agreement 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.**

<b>Area Representative's Obligations</b>	<b>Section In Area Representative Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	1.3	11
b. Pre-opening purchases/leases	3.5C	8
c. Site development and other pre-opening requirements	4	8, 11
d. Initial and ongoing training	3.5A, 3.5B	11
e. Opening	3.5D	11

<b>Area Representative's Obligations</b>	<b>Section In Area Representative Agreement</b>	<b>Item in Disclosure Document</b>
f. Fees	2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	3	8, 11
h. Trademarks and proprietary information	1.8	13, 14
i. Restrictions on products/services offered	3.4D	8, 16
j. Warranty and customer service requirements	3.1	15
k. Territorial development and sales quotas	1.6, 3.2	12
l. Ongoing product/service purchases	2.2	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	3.5F	8
o. Advertising	1.8	8, 11
p. Indemnification	3.7	6
q. Owner's participation/management/staffing	3.1	15
r. Records and reports	3.6	11
s. Inspections and Audits	3.6B	11
t. Transfer	7	17
u. Renewal	2.2	17
v. Post-termination obligations	8.6	15, 16, 17
w. Non-competition covenants	8.8	15, 16, 17
x. Dispute resolution	9	17

**ITEM 10. FINANCING**

We offer the following financing program:

<b>Parameter</b>	<b>Initial Franchise Fee</b>
Item Financed <b>(Note 1)</b>	All or a portion of the Initial Franchise Fee
Source of Financing <b>(Note 2)</b>	Us
Down Payment	Varies
Amount Financed	Up to 100%
Interest Rate/Finance Charge	12% per annum (including finance charges)
Period of Repayment	Varies
Security Required	Personal Guarantee
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt <b>(Note 3)</b>	If the franchisee is an entity, its owners must personally guarantee the debt.
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the Franchised Business.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.
Intent to Sell <b>(Note 4)</b>	There is no intent to sell, assign or factor the debt to a third party.
Consideration for placement of financing <b>(Note 5)</b>	None

## NOTES

- Note 1: **Discretionary**-We may in our sole discretion provide financing to you.
- Note 2: **Form**-Schedule 5 contains the form of Promissory Note that you must sign for us to extend financing to you.
- Note 3: **Corporate Guarantee**- If the franchisee is a corporation, each officer and shareholder of the franchisee must execute a personal guaranty for the note, agreeing to be personally and jointly and severally liable for its repayment. Schedule 5 has the Promissory Note that must be executed. We do not guarantee your notes, leases, or obligations.
- Note 4: **Intent to Sell**-We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so.
- Note 5: **Commissions/Rebates**-We do not receive any direct or indirect payments or other consideration for placing financing.

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

**Except as listed below, the Franchisor is not required to provide you with any assistance.**

### ***Pre-Opening Obligations:***

**Initial Training.** We provide an Initial Training program in Virginia Beach, Virginia, another designated training location, or online, at our choosing. The topics covered in Initial Training are described in the chart below in this Item 11. (Area Representative Agreement, Section 4.1).

**Operations Manual.** We will provide you a Manual to offer guidance in performing your development and support services. (Area Representative Agreement, Section 4.4).

**Length of Time Before Opening:** You must be open for business within 30 days of attending Initial Training. (Area Representative Agreement, Section 3.5D). Factors affecting the time length to open for business include: obtaining any needed licenses or permits, obtaining marketing materials, and obtaining computer hardware, software, equipment, and office supplies. If you fail to open within 30 days, more time will be given, but you will remain subject to any minimum requirements. However, due to the nature of an area representative business, we anticipate you will open as soon as you complete Initial Training.

**Site Selection.** We do not require you to obtain a commercial office space and do not provide any assistance in site selection, price negotiation, conforming the premises to local ordinances and building codes, constructing, remodeling, or decorating the premises. (Area Representative

Agreement, Section 4.3).

Assistance to Hire and Train Employees. You are solely responsible for hiring, firing, compensating, withholding and remitting applicable payroll taxes, providing all employee benefits, maintaining workers' compensation and unemployment insurance, and exercising day-to-day supervision and control over your employees. The Manual may recommend best practices on how to hire and train employees; however, nothing in the Manual will be construed to shift control over your employees to us or create an employment relationship between us and your employees.

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

Operational Support. We provide support to you in the operation of your Area Representative Territory. (Area Representative Agreement, Section 4).

Marketing Support. We offer marketing assistance and support (Area Representative Agreement, Section 4.7).

Advanced Training or Seminars. We may provide and may require your attendance at advanced or other training, which we may offer from time to time at select locations, or we may offer such training on the web or electronically. We do not charge for training; you must pay for any travel and living expenses to attend. (Area Representative Agreement, Section 4.2).

Computer Hardware and Software. You must comply with our computer hardware, software, and POS specifications. At present, you are required to have an e-mail account, desktop or laptop computer with internet access, printer, and telephone to operate the franchise. These items can be purchased for approximately \$750 to \$1,500.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$750.

We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future. We do not presently require you to purchase any software. (Area Representative Agreement, Section 3.5).

Independent Access to Information. We have and you are required to provide independent access to the information that will be generated or stored in your computer system, which includes but is not limited to, prospective leads, financial data, and operational information. You must at all times give us unrestricted and independent electronic access to your computer systems and information, as well as your security camera systems. We have the right to review your business operations, in person, by mail, or electronically, and to inspect your operations and obtain your paper and electronic business records related to the Franchised Business and any other operations taking place through your Franchised Business. If, as part of a review of your business, we request a

copy of any business records, you must send us at your expense these records within five (5) business days of receiving our request, and failure to do so shall constitute a material breach of the Area Representative Agreement.

Corporate Website. We will develop and maintain a comprehensive website that contains Unit Franchise contact information. (Area Representative Agreement, Section 4.8).

### **Advertising Program and Fund:**

Grand Opening Advertising. We do not require you to spend on Grand Opening Advertising.

Local Advertising. We do not currently have local or regional advertising cooperatives, nor do we require you to participate in such a cooperative; however, we reserve the right to require participation in the future. We do not have an advertising council composed of franchisees.

Advertising Fund. We do not require you to contribute to an advertising or marketing fund. We do not maintain an advertising counsel and do not require you to participate in a advertising cooperative.

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

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, Twitter, Instagram, and other platforms), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Area Representative Agreement, Section 4.9).

Digital Campaigns. We may negotiate contracts with vendors such as Google Ads (formerly AdWords), Facebook Ads, or other digital advertising platforms. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor within ten (10) days of invoice. (Area Representative Agreement, Section 4.10).

Print Material. We may supply you with templates of fliers, coupons, and other print material. (Franchise Agreement, Section 4.7).

### **Use of Your Own Advertising Material:**

Area Representative Created Collateral. You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Area Representative Agreement, Section 3.4, 1.8)

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Area Representative Agreement, Section 1.8D)

**Area Representative Operations Manual:**

Exhibit D contains the Table of Contents to the Area Representative Operations Manual (“AR Manual”). The AR Manual contains 33 pages.

**Initial Training Program:**

Within sixty (60) days of your execution of the Franchise Agreement, we will provide an Initial Training Program as follows:

**Training Program**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on-the-job Training</b>	<b>Location</b>
Introductions and Overview	1	0	(Note 1)
Cloud Technology	3	0	
Central Processing Services	2	0	
Operating Your Ledgers Franchise	2	0	
Ledgers Brand; Our Image and Standards	2	0	
Business Development and the Sales Process	2	0	
Marketing 101	3	0	
Creating Fanatical Fans	2	0	
Next Steps	1	0	
Area Representative Training	8	0	
<b>Total</b>	<b>26</b>	<b>0</b>	

Note 1: Subject – This training schedule includes the training program offered to Unit Franchisees of ours. If you have completed this program in the past twenty-four (24) months, then you will not be required to complete the entire program again. Instead, you will complete only our training entitled "Your Role As Area Representative".

Note 2- We hold initial training in Virginia Beach, Virginia, another designated training center, or online, at our choosing.

Instructors:

The following Instructors teach our initial training program: Tyler Wynn and Nicole Bellenfant. Guest Instructors may also assist with Initial Training, with at least one (1) year's experience in the subject taught. We set forth the length of the Instructors' experience in the industry and with the franchisor below:

<u>Instructor</u>	<u>Years of Experience in Subject Taught</u>	<u>Years of Experience with the Franchisor*</u>
Tyler Wynn	2	less than 1 year
Nicole Bellenfant	20	less than 1 year

We hold Initial Training classes monthly. The instructional material includes the Manual, lectures, demonstrations, discussions, practice and forms.

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

Tuition: We do not charge for you to attend Initial Training, but you are responsible for travel, lodging, transportation, meal costs, and your employees' wages to attend Initial Training.

Successful Completion of Training: We require that you or, in the case of an entity, your principals, attend Initial Training. You may enroll your management personnel upon our approval. Your successful completion of Initial Training to our satisfaction is required to operate a Franchised Business. We advise you during or immediately after Initial Training if you have successfully completed the course.

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

## **ITEM 12. TERRITORY**

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

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

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

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

You will not receive an exclusive territory. You may face competition from other Area Representatives, from other channels of distribution or competitive brands that we control. However, the Area Representative's rights and responsibilities with respect to any individual or entity that purchases a Unit Franchise within the Territory will remain the same regardless of how the lead is generated. All rights, duties and obligations owed to or by the Area Representative will apply uniformly to every Unit Franchise awarded in the Territory, without regard to the lead source. Your rights to solicit franchisees on our behalf is limited to the Territory and you may only recruit franchisees to locate a Unit Franchise in your Territory.

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

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

Your right to operate a Franchised Business in the Territory is subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:

- (a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you;

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

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

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

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

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

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


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

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

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### ITEM 13. TRADEMARKS

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

Description of Mark	Serial/Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
	6497578	Principal	September 28, 2021

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a trademark in order to protect a trademark licensed by the Franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

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

If you learn of any Claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or Claims.

We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Area Representative Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

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

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

## **ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

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

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

We will protect our patent or copyrights as necessary. We will remain in control of any such litigation. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense. We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials. We claim proprietary rights in our Manual and business methods. You must use these items per the terms of your Franchise Agreement.

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

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

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

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

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

You or a fully trained and qualified manager must personally supervise and participate in the day-to-day operation of your Franchised Business, unless we permit otherwise in writing. You must devote your time, attention and best efforts to performing the obligations under the Franchise Agreement.

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

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

All owners of this franchise must guarantee the obligations under the Area Representative Agreement. However, your spouse is not required to guarantee your performance under the Area Representative Agreement. This means your spouse is not bound by their own personal guaranty, duty of confidentiality or duty not to compete; however, that does not mean you can circumvent your obligations by sharing our know-how with your spouse (or any family member) nor assist them in competing with us. Furthermore, your Business Manager must sign an employment contract with you containing confidentiality requirements and, to the extent permitted by law, a covenant not to solicit customers or compete against you or us.

You agree to accurately and completely furnish to us the names, contact information, and ownership percent on anyone owning an interest in this franchise on the Signature Page to the Area Representative Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

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

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

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

During the term of your Area Representation Agreement, and for two years thereafter, you are bound to a non-compete agreement which limits your ability to offer competitive services within a twenty-five mile radius of your Territory.

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

### THE FRANCHISE RELATIONSHIP

**This table lists certain important provisions of the Area Representative Agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

Provision	Section In Area Representative Agreement	Summary
a. Length of the franchise term	1.2A	10 years.
b. Renewal or extension of the term	1.2B	Can be renewed for additional 10 year terms if you are in compliance with your Area Representative Agreement (“Agreement”).
c. Requirements for you to renew or extend	1.2B	Renewing your Area Representative Agreement means that you are able to continue your operations for an additional term. You must notify us in writing at least 120 days before the expiration, sign a new Area Representative Agreement along with a general release of claims, any pay a renewal fee (if any). Currently, there is no renewal fee. The new Area Representative Agreement may not contain materially different terms and conditions than your original contract.
d. Termination by you	8.1	You may terminate the Agreement if you sell the Franchised Business pursuant to the terms of the Area Representative Agreement or do not renew.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	8.3, 8.4	We can terminate only if you default.

g. "Cause" defined – defaults which can be cured	8.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. "Cause" defined – noncurable defaults	8.4	Do not pass initial training, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, conviction of a felony or serious misdemeanor, fail to pay bills in the ordinary course when they are due; fail to permit us to inspect or audit your franchise, if on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months or commit three or more breaches within 12 months. This provision is subject to state law.
i. Your obligations on termination/renewal	8.6	Cease operations and stop using our marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by us	7.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. "Transfer by you" – definition	7.1	Includes transfer of Area Representative Agreement, any interest of the Area Representative Agreement, or substantially all of the assets of the Franchised Business.
l. Our approval of transfer by you	7.2	We have the right to approve all transfers.
m. Conditions for our approval of transfer	7.2, 7.8	You must be: - current in monetary obligations; - in compliance with the Area Representative Agreement; - execute any transfer, amendment, or release forms that we may require; - provide to us a copy of the proposed transfer documents; - transferee must meet our criteria; - transferee must execute our then-current Area Representative Agreement; - pay to us the Transfer Fee; - transferee must satisfactorily complete our initial training program; - comply with the post-termination provisions;

		-transferee must obtain necessary licenses and permits; -the transfer must be made in compliance with any laws that apply to the transfer; -you must request that we provide the prospective transferee with our current Franchise Disclosure Document.
n. Our right to first refusal to acquire your business	7.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Our option to purchase your business	None	
p. Your death or disability	7.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	8.8A	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	8.8B	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years.
s. Modification of the agreement	10.2	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	10.1	Only the terms in the Area Representative Agreement are binding (subject to federal or state law). Any representations or promises made outside the disclosure document and Area Representative Agreement may not be enforceable. No claim in any Area Representative Agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	9.2, 9.3	Except as otherwise required by applicable state law, you must first attempt to resolve any claims against us through non-binding mediation. If mediation does not resolve the dispute within 60 days, you must submit any claims against us to binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association. This provision is subject to applicable state law, and certain claims may be

		exempt from arbitration as required by law. This provision is subject to applicable state law.
v. Choice of forum	9.10	Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, VA. This provision is subject to applicable state law.
w. Choice of Law	9.9	Virginia law governs the Agreement, subject to the following exceptions: (a) federal law, including without limitation the Lanham Act, 15 U.S.C. § 1051 et seq., as it may be amended, governs all matters relating to trademarks, service marks, trade dress, unfair competition, and any other claims arising under federal intellectual property law; (b) the Virginia Retail Franchising Act, Virginia Code § 13.1-557 et seq., as it may be amended, along with any other Virginia laws regulating the offer or sale of franchises, business opportunities, or governing the franchisor-franchisee relationship, applies only if the Franchised Business is located in Virginia or the jurisdictional prerequisites of that Act are otherwise satisfied; and (c) if a particular provision of this Agreement is unenforceable under Virginia law and the Franchised Business is located outside of Virginia, that provision will be interpreted and construed under the laws of the state in which the Franchised Business is located. This provision is subject to state law.

#### **ITEM 18. PUBLIC FIGURES**

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

#### **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize

our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mary Jane DeJaager at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452, (757) 498-7005, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2023 to 2025**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of Year</b>	<b>Outlets at the End of Year</b>	<b>Net Change</b>
Franchised	2023	2	1	-1
	2024	1	1	0
	2025	1	3	+2
Company Owned	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Total Outlets	2023	2	1	-1
	2024	1	1	0
	2025	1	3	+2

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)  
For Fiscal Years 2023 to 2025**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

**Table No. 3  
Status of Franchise Outlets  
For Years 2023 to 2025**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations-Other Reasons</b>	<b>Outlets at End of Year</b>
New Jersey	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
North Carolina	2023	0	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Texas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Virginia	2023	0	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Total	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	2	0	0	0	0	3

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2023 to 2025**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Re-acquired from Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees</b>	<b>Outlets at End of Year</b>
All States	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Total	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0

**Table No. 5**  
**Projected Openings as of December 31, 2025**

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

Exhibit E-1 contains a list of the names of all current Area Representatives and the addresses and telephone numbers of each Franchised Business.

Exhibit E-2 contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every Area Representative who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Area Representative Agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy a Franchised Business, your contact information may be disclosed to other buyers when you leave the franchise system.

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

We do not know of any trademark-specific franchisee organization associated with the System.

### **ITEM 21 FINANCIAL STATEMENTS**

Exhibit C contains our audited financial statements for our fiscal years ending December 31, 2025, 2024, and 2023.

Our fiscal year end is December 31.

### **ITEM 22 AGREEMENTS**

The following agreements are attached to this Disclosure Document:

**Exhibits**

- Exhibit B- Area Representative Agreement
  - Schedule 1-Territory
  - Schedule 2-Minimum Requirements

Schedule 3-Automatic Bank Draft Authorization  
Schedule 4-Telephone Number Assignment  
Schedule 5-Promissory Notes  
Schedule 5A-Personal Guaranty  
Schedule 6-Release  
Schedule 6A-Biographical Information  
Schedule 7-State Addenda to the Area Representative Agreement

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.

#### **ITEM 23 RECEIPTS**

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

**[Remainder of Page Intentionally Left Blank]**

**EXHIBIT A-**  
**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**  
**AND AREA REPRESENTATIVE AGREEMENT**

**STATE SPECIFIC ADDENDA TO THE FRANCHISE DISCLOSURE DOCUMENT  
AND AREA REPRESENTATIVE AGREEMENT**

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

The provisions of this State Law Addendum to Franchise Disclosure Document and Franchise Agreement (“State Addendum”) apply only to those persons residing or operating a Ledgers Franchised Business in the following states: Michigan, California, Illinois, Indiana, Maryland, Minnesota, New York, Rhode Island, Virginia, or Wisconsin.

## CALIFORNIA

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

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 or Agreement contains provisions that are inconsistent with the law, the law will control.

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

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

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

Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

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

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

You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043). **THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.**

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

Our website is located at [www.ledgerspros.com](http://www.ledgerspros.com).

**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 AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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

Franchisees must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.

Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

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.

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

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

Initial Fee Deferral:

Item 5 of the FDD is modified with the addition of the following language:

“The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.”

## HAWAII

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

THESE FRANCHISES 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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS 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 DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT 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.

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, HI 96813

### Initial Fee Deferral:

Item 5 of the FDD is modified with the addition of the following language: ‘The franchisor defers the collection of all initial fees from Hawaii franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

## ILLINOIS

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

- a. Illinois law governs the Franchise Agreement.
- b. 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.
- c. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
- d. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.
- e. 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.

### Initial Fee Deferral:

Item 5 of the FDD is modified with the addition of the following language: ‘The franchisor defers the collection of all initial fees from Illinois franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.’ The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.

## INDIANA

### **NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF INDIANA:**

The following are revisions to Item 17 of the Disclosure Document:

Indiana Code section 23-27-1(9) prohibits provisions in contract which require a franchisee to agree to a covenant not to compete with the franchisor for a period longer than three (3) years or in an area greater than the exclusive area granted by the Franchise Agreement upon termination or failure to renew the Franchise Agreement. Accordingly, in the State of Indiana, upon termination of the Franchise Agreement, you cannot be involved in a competing business for one (1) year within your exclusive Franchise Territory.

Indiana Code section 23-2.2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contract regarding liquidated damages. Accordingly, the provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.

Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.

Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.

### **ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any Franchisee to institute a civil action or initiate arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.
2. The Indiana Code 23-2-2.7-1 makes it unlawful for a Franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith, as well as providing other protections and rights to the franchisee.
3. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Territory granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).
4. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.
5. Indiana Code section 23-2-2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding

liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.

6. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in the Franchise Agreement to the effect that the Franchisor “is entitled” to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, is hereby deleted, understood to mean and replace the words “may seek.”
7. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.
8. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.

## MARYLAND

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

- A. Item 17.b. of the FDD and Section 1.2.B of the FA is modified to also provide,

“The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- B. Item 17.u. of the FDD and Section 9.2E of the FA is modified to also provide,

“This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”
- C. Item 17.v. of the FDD and Section 9.5A of the FA is modified to also provide,

“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”
- D. Item 5 of the FDD and Section 2.2A of the ARA are modified with the addition of the following language,

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisee shall be deferred until the franchisor completes its obligations under the franchise agreement and the outlet.
- E. The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under the federal bankruptcy law (11 U.S.C. Section 1010 et seq.).
- F. The ARA and the Franchisee Questionnaire are amended with the addition of the following language:

“All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

G. Litigation History. The litigation history of certain members of the management team may increase the risk of your investment. You should do your own research. Be sure to review the litigation disclosure (Item 3) in the FDD and do an Internet search of the franchisor and its officers.

This addenda must be executed simultaneously with the Area Representative Agreement.

## 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 Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J. Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.
- 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.
- Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

## NEW YORK

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

### 1. Cover Page

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

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

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities,

antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

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

**Restrictive Covenants:** To the extent that covenants not to compete apply to periods after the term of the franchise agreement, they are generally unenforceable under North Dakota law.

**Applicable Laws:** North Dakota law will govern the franchise agreement.

**Jurisdiction and Venue:** The provisions concerning choice of law and jurisdiction and venue are hereby deleted and in their place is substituted the following language:

“You agree to bring any claim against us, including our present and former employees, agents, and affiliates, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, solely in arbitration before the American Arbitration Association.”

**Waiver of Trial by Jury:** Any waiver of a trial by jury will not apply to North Dakota Franchises.

**Waiver of Exemplary & Punitive Damages:** Any waiver of punitive damages will not apply to North Dakota Franchisees.

**General Release:** Any requirement that the franchisee sign a general release upon renewal of the franchise agreement does not apply to franchise agreements covered under North Dakota law.

**Enforcement of Agreement:** Any requirement in the Franchise Agreement that requires the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement is void. Instead, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

Item 17(u) of the Disclosure Document is modified to provide that the site of mediation and arbitration shall be agreeable to all parties and may not be remote from the franchisee's place of business.

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

Initial Fee Deferral:

Item 5 of the FDD is modified with the addition of the following language: 'The franchisor defers the collection of all initial fees from North Dakota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.'

## **RHODE ISLAND**

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

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

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

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

Rhode Island law applies.

## **SOUTH DAKOTA**

### **Initial Fee Deferral:**

Item 5 of the FDD is modified with the addition of the following language: “The franchisor defers the collection of all initial fees from South Dakota franchisees until the franchisee is open for business.”

## VIRGINIA

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

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

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Item 5 of the Disclosure Document and Section 4 of the Franchise Agreement is modified to also provide:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

3. The Disclosure Document and Franchise Agreement are modified to add:

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.

Under subsection D of § 13.1-559 of the Virginia Retail Franchising Act, for all franchises located in Virginia, the franchise contract or agreement offered or entered into pursuant to terms of this chapter shall be governed by the laws of the Commonwealth of Virginia.

Under subdivision A 4 of § 13.1-563 of the Virginia Retail Franchising Act (“Act”), it is unlawful to offer or enter into a franchise agreement that restricts the right of a franchisee to engage in the business of offering, selling, or distributing goods or services at retail after termination or expiration of the franchise agreement. However, subsection B of § 13.1-563 of the Act provides that if a franchisee sells a franchise at a mutually agreed upon price to a third party or back to the franchisor, such sale may include a term restricting the right of such franchisee to engage in the business of offering, selling, or distributing goods or services at retail for a period of no more than two years after such sale.

## **Washington Addendum to the Franchise Disclosure Document, Franchise Agreement, and Related Agreements**

The provisions of this Addendum form 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 upon at 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 Limitations 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 Acknowledgments.** 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.

17. **Prohibitions on 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.

19. **Initial Franchise Fee Deferral.** In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

20. Franchisor has been required to supplement Item 3 in Washington in furtherance of the objectives of the Washington Franchise Investment Protection Act. Accordingly, Franchisor makes the following additional disclosures related to its litigation history:

Asbestos Workers’ Philadelphia Pension Fund, derivatively on behalf of Liberty Tax, Inc., v. John Hewitt. Defendant, and Liberty Tax, Inc., Nominal Defendant, (Case No. 2017-0883), Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt. Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, and RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al, (Case No. 2:18-cv-00127-HCM-DEM).

**Description of the allegations of misconduct:** It was alleged that John Hewitt (“Hewitt”) maintained romantic relationships with company employees and franchisees and gave them preferential treatment.

**John Hewitt’s post termination involvement:** Hewitt was Chairman of the Board and CEO at liberty tax. Although he was terminated as CEO, Hewitt remained Chairman of the Board because he was the sole holder of the Class B common stock of Liberty. During a period of in-fighting, Hewitt replaced two of the directors of the board and another member

resigned. The Chief Financial Officer also resigned. Ultimately, Hewitt reached an agreement to sell his ownership interest in Liberty and relinquish control of the Board. It was alleged that Hewitt continued to interact with franchisees and area representatives for Liberty during the transition. The Audit Committee of the Board of Directors of Liberty oversaw the investigation of the allegations and the report prepared by the Audit Committee was not provided to Hewitt.

Description of KPMG's reasons for resigning as independent auditor: Liberty filed a Form 8-K on December 11, 2017 with the SEC to publicly disclose that KPMG's resignation was accepted and approved by the Audit Committee of the Board of Directors of Liberty. The 8-K contains a description of the reasons provided by KPMG for his resignation. A copy of the 8-k is attached and incorporated into this Addendum by reference.

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event Reported): December 11, 2017 (December 8, 2017)

**LIBERTY TAX, INC.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation)

**001-35588**  
(Commission File Number)

**27-3561876**  
(I.R.S. Employer Identification Number)

**1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454**  
(Address of Principal Executive Offices) (Zip Code)

**(757) 493-8855**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 4.01. Changes in Registrants Certifying Accountant.**

On December 8, 2017, KPMG LLP ("KPMG") resigned as the independent registered public accounting firm of Liberty Tax, Inc. (the "Company"), effective immediately, and KPMG's resignation was accepted and approved by the Audit Committee of the Board of Directors of the Company (the "Board"). The Company is currently in the process of finding a successor independent registered public accounting firm in the hope that the Company's financial statements for the second quarter ended October 31, 2017 can be completed with as little delay as possible.

KPMG's reports on the Company's financial statements for the fiscal years ended April 30, 2017 and April 30, 2016 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In addition, there were no disagreements between the Company and KPMG on accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG, would have caused them to make reference to the disagreement in their reports for such periods, or any subsequent interim period preceding KPMG's resignation. The Company will authorize KPMG to respond fully to the inquiries of the successor independent registered public accounting firm, which has yet to be selected.

KPMG expressed to the Audit Committee and Company management its concern that the actions of former Chief Executive Officer John T. Hewitt, who remains the Chairman of the Board and controlling stockholder as the sole holder of the Company's outstanding Class B common stock, have created an inappropriate tone at the top which leads to ineffective entity level controls over the organization. Prior to the termination of Mr. Hewitt's employment as Chief Executive Officer of the Company on September 5, 2017, the Audit Committee oversaw an investigation of allegations of misconduct by Mr. Hewitt. In particular, KPMG noted that Mr. Hewitt took actions to replace two independent members of the Board around the time information relating to this investigation appeared in media reports. KPMG also noted that following the replacement by Mr. Hewitt of two Class B directors, the chair of the Audit Committee retired from the Board, the Company's Chief Financial Officer announced her intention to resign from the Company, and another independent member of the Board announced that he would not stand for reelection at the Company's next annual meeting. Further, KPMG was made aware that following his termination as Chief Executive Officer, Mr. Hewitt may have continued to interact with franchisees and area developers of the Company. Although Mr. Hewitt stated to KPMG during a meeting on November 9, 2017 that he would not reinsert himself into the management of the Company, in light of Mr. Hewitt's actions and his ability to control the Board as the sole holder of the Class B common stock, KPMG informed the Audit Committee and management that it has concerns regarding the Company's internal control over financial reporting as related to integrity and tone at the top and such matters should be evaluated as potential material weaknesses.

Specifically, KPMG informed the Audit Committee and management that Mr. Hewitt's past and continued involvement in the Company's business and operations, including his continued interactions with franchisees and area developers of the Company, has led it to no longer be able to rely on management's representations, and therefore has caused KPMG to be unwilling to be associated with the Company's consolidated financial statements. In notifying the Company of its resignation, KPMG advised the Audit Committee and management that it is not aware of any information that cause it to question the integrity of current management, but rather that the structural arrangement by which Mr. Hewitt controls the Company is the cause of KPMG's concerns. KPMG also noted that because certain information known to the Board regarding the reasons that the Board terminated Mr. Hewitt as Chief Executive Officer had not been disclosed to the current Chief Executive Officer and Chief Financial Officer, KPMG was uncertain as to whether it could continue to rely on management's representations.

The Company has provided KPMG with a copy of the disclosures required by Item 304(a) of Regulation S-K contained in this Current Report on Form 8-K, and has requested that KPMG furnish the Company with a letter addressed to the Securities and Exchange Commission (the "SEC") stating whether it agrees with the statements made by the Company in this Current Report on Form 8-K and, if not, stating the respects in which it does not agree. A copy of KPMG's letter, dated December 11, 2017, confirming KPMG's agreement with these statements is filed as Exhibit 16.1 to this Current Report on Form 8-K.

**Item 8.01. Other Events.**

On December 11, 2017, the Company issued a press release announcing the resignation of KPMG as the Company's independent registered public accounting firm and that the Company will delay the filing of its Quarterly Report on Form 10-Q for the quarter ended October 31, 2017. A copy of the press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Forward Looking Statements**

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, which provides a "safe harbor" for such statements in certain circumstances. The forward-looking statements include statements or expectations regarding potential impacts of KPMG's resignation, ability and timing to complete the accounting review and audits, comprehensiveness of the Company's accounting review and ability to engage an independent accounting firm and related matters. These statements are based upon current expectations, estimates, projections, beliefs and assumptions of Company management, and there can be no assurance that such expectations will prove to be correct. Because forward-looking statements involve risks and uncertainties and speak only as of the date on which they are made, actual events or results could differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to loss of key personnel or inability to engage accounting personnel as needed; inability to address the previously disclosed accounting matters; identification of additional material weaknesses or significant deficiencies; disagreements or additional reportable events that KPMG may identify in a letter addressed to the SEC pursuant to Item 304 of Regulation S-K; failure to engage an independent accounting firm, complete the audits and re-audits and file any required restatements and periodic reports; adverse effects resulting from the Company's common stock being delisted from the Nasdaq Stock Market LLC; risks relating to the substantial costs and diversion of personnel's attention and resources due to these matters and related litigation and other factors discussed in greater detail in the Company's filings with the SEC. You are cautioned not to place undue reliance on such statements and to consult the Company's most recent Annual Report on Form 10-K and other SEC filings for additional risks and uncertainties that may apply to the Company's business and the ownership of the Company's securities. The Company's forward-looking statements are presented as of the date made, and the Company does not undertake any duty to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
<a href="#">16.1</a>	<a href="#">Letter from KPMG LLP dated December 11, 2017.</a>
<a href="#">99.1</a>	<a href="#">Press Release dated December 11, 2017.</a>

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LIBERTY TAX, INC.**

Date: December 11, 2017

By: /s/ Vanessa Szajnoga  
Vanessa Szajnoga  
Vice President and General Counsel

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
Signature of Franchisor Representative

\_\_\_\_\_  
Signature of Franchisee Representative

\_\_\_\_\_  
Title of Franchisor Representative

\_\_\_\_\_  
Title of Franchisee Representative



## WISCONSIN

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

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

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

FDD:           Item 17

FA:             Section 9

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

FDD:           Item 17

FA:             Section 8

3. Item 17 of the Franchise Disclosure Document and Section 8 of the Area Representative Agreement permit the Franchisor to terminate the Area Representative Agreement without providing the Franchisee ninety (90) days prior notice of the proposed termination or sixty (60) days to cure the deficiency. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 7 of the Area Representative Agreement are hereby amended to require that prior to the termination of the Area Representative Agreement Franchisor must provide Franchisee ninety (90) days written notice of a proposed termination, which states all the reasons for the termination, cancellation, non-renewal or substantive change in circumstances, and the Franchisee shall be given sixty (60) days from the date of delivery or posting of such notice to rectify any claimed deficiency. If the deficiency is rectified within the sixty (60) days the notice shall be void. The notice provisions shall not apply if the reason for termination, cancellation or non-renewal is insolvency, the

occurrence of an assignment for the benefit of creditors or bankruptcy. If the reason for termination, cancellation or non-renewal or substantial change in competitive circumstances is nonpayment of sums due under the Area Representative Agreement, Franchisee shall still be entitled to (90) days written notice, as referenced above, however, Franchisee shall only have ten (10) days in which to remedy such default from the date of delivery or post of such notice.

FDD:           Item 17

FA:             Section 8

**ACKNOWLEDGMENT**

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

This Acknowledgment is inapplicable to Washington franchisees and the Washington Addendum applies for Washington franchisees.

Further, 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.

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

**EXHIBIT B AREA REPRESENTATIVE AGREEMENT**



**SUMMARY PAGE**

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

## **AREA REPRESENTATIVE AGREEMENT**

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

### **RECITALS**

Ledgers has developed a system (“Franchise System”) to deliver business advisory, bookkeeping, payroll and income tax preparation services using the Ledgers system. The Franchise System utilizes prescribed marketing techniques and operating procedures, including proprietary methods, trademarks, service marks, trade names, logos, and other commercial symbols (collectively, the “Marks”), to deliver outstanding service to businesses (“Clients”).

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

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

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

### **1. Scope**

#### ***1.1. Grant of Franchise***

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

#### ***1.2. Term and Renewal***

##### **A. Term.**

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

##### **B. Renewal.**

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

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

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

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

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

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

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

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

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

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

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

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

Area Representative will provide Ledgers with a minimum number of Candidates each year that execute a franchise agreement (“Unit Franchise Agreement”) and then open and operate a Ledgers unit franchised business within its Area Representative Territory, on the development schedule set forth in Schedule 2 attached to this Agreement (the “Minimum Requirements”). For this purpose, a year will include each calendar year ending on December 30.

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

If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Agreement for the opening of additional units. You will still maintain your rights, obligations and share in the Initial Franchise Fees and Royalties for any existing franchise agreements for the term of the Area Representative Agreement; however, we may then freely sell and develop the terminated portions of the Territory without sharing any of the Initial Franchise Fees or Royalties from new Unit Franchises established after such

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

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

You will not receive an exclusive Territory. You may face competition from other franchisees, outlets that we own, other channels of distribution or competitive brands that we control. We or an affiliate may make sales within your Territory using our principal trademarks, including through the use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales. However, all rights, duties and obligations owed to or by you will apply uniformly to every Unit Franchise awarded in the Territory, without regard to the lead source.

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

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

We allow and require you to use our trademarks and service marks (“Marks”) to hold out your Area Representative Territory to the public. You will use only our Marks as we develop them for this purpose. Use of our Marks must be in accordance with our Manual. Further, you must either use any advertising templates we may make available, or if you wish to use your own material, submit it to us for written approval prior to its use. If we do not approve material within 15 days of submission, it is deemed disapproved.

#### **B. Business cards.**

You may purchase business cards to use in the operation of your Area Representative Territory in accordance with our specifications.

#### **C. Social Media.**

Any social media used to promote the Area Representative Territory must be in accord with our specifications.

#### **D. Private Websites.**

You are not allowed to have an independent website or obtain or use any domain name (Internet address) in connection with the provision of Services under this Agreement or to facilitate any efforts to find, solicit, and recruit Candidates.

#### **E. Marks within a company name.**

You may not use the words “Ledgers” , “Loyalty Business Services” or any confusingly similar words as any part of the name of a corporation, LLC or other entity.

#### **F. No confusingly similar marks.**

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

G. Changes to the Marks

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

H. Infringement Claims.

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

I. Control of Proceedings.

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

J. Publicity.

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

K. Name and Likeness.

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

***1.9.Reservation of Rights***

Your right to operate a Franchised Business in the Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:

- (a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you;
- (b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (c) to establish and operate, and grant rights to others to establish and operate a Franchised Businesses or similar businesses at any locations outside of the Territory and on any terms and conditions we deem appropriate;
- (d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another businesses (competitive or not), which may offer

products and services like your Franchised Business and may have one or more competing outlets within your Territory, however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement;

- (e) to operate or franchise a business under a different trademark which such business sells or will sell goods or services like those you will offer, anywhere;
- (f) to negotiate purchase agreements with vendors and suppliers which we reasonably believe are for the benefit of our franchisees; and,
- (g) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.

## **2. Fees.**

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

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

#### **A. Initial Franchise Fee.**

We will pay you 50% of the net Initial Fee (the “Initial Franchise Fee”) we receive from any individual or entity that buys a Unit Franchise with a designated area (each a “Unit Territory”) within the geographical boundaries of your Area Representative Territory during the Term. The split of the Initial Franchise Fee will be calculated after reduction for any broker fees or referral fees incurred by us in connection with the transaction.

For example, if a \$15,000 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a \$7,500 referral fee, the Net Initial Franchise Fee would be \$7,500, and you would receive \$3,750 (50% of the \$7,500 Net Initial Franchise Fee). Certain other fees as set forth in Section 2.2 of this Agreement are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used the Internal Sales Team provided by us, our parent, or an affiliate on the same deal, you would not receive any commission, because the Internal Sales Fee is solely incurred by you.

We are the sole determine of the price of the Initial Franchise Fee charged to and collected for each Unit Territory. We may discount or even waive the Initial Franchise Fee as part of our development efforts. You are not entitled to any Commissions for any discounted or waived amount.

#### **B. Franchise Royalties.**

We will pay you an amount equal to **50%** of all ongoing royalties received by us, if any, from any Ledgers Franchised Units located in your Territory except for royalties which were already due and owing before the Effective Date of this Agreement.

C. Exclusions.

We may, in our discretion, require Franchisees to pay fees for other services, including, but not limited to, advertising fees, transfer fees, and renewal fees. These fees are not subject to split with you.

D. Pay When Paid

Fees paid to you will be paid only as funds are received. For example, in the case of a financed initial franchise fee, the distribution would only be made after the funds were actually received by us. You will be entitled to your share of initial franchise fees and royalties only with respect to amounts actually collected, and we will be entitled to take credits against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of your share of franchise fees or royalties will be accompanied by information in sufficient detail to allow you to determine the basis on which your share of the franchise fees and royalties was calculated, as well as deductions made for monies owed to us.

E. Payment Terms.

We pay to you the Commissions that we owe you by the 28th of each month as to Commissions earned the prior month, less any monies you owe to us, via electronic transfer or other method that we designate.

***2.2.Paid by You***

A. Initial Area Representative Fee.

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

B. Fee for Franchisee Prospects.

We recommend you spend \$1,000 per month with a source of your choosing on leads for Candidates interested in buying one of the Unit Franchises within the Territory. From time to time, we may provide to you leads for Candidates interested in buying one of our Unit Franchises within the Territory. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. You are under no obligation to purchase these leads. We will offer to you, without cost, any lead in your Territory provided by a Franchise Broker, however a Broker Fee may apply if the Candidate converts to a Unit Franchisee.

C. Internal Sales Fee.

If a staff member or a designated agent of ours, our parent Loyalty, LLC, or any affiliate of ours (our "Internal Sales Team") assists you with the selling process for a Unit Franchisee who buys a unit within your Territory, you will pay us \$5,000 per unit sold (the "Internal Sales Fee"). If that Unit Franchisee purchases multiple

units, then the Internal Sales Fee will be \$5,000 for each unit sold in your Territory. Assistance may come in various degrees, but will typically involve assistance in generating leads, developing leads, or closing qualified leads during the sales process. For example, you will always pay the Internal Sales Fee if we or our Internal Sales Team generate the lead or communicate directly with the lead prior to execution of a franchise agreement. This fee is paid by you and is not a shared expense.

D. Brokers and Agents

We may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees. If a franchise broker generates a Candidate who becomes a Unit Franchisee in your Territory, you will pay a proportionate share (50%) of the Broker's fee. This fee is in addition to the Internal Sales Fee.

E. Renewal Fee.

You are not required to pay a Renewal Fee to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.

F. Transfer Fee.

You must pay us a \$10,000 Transfer Fee if you wish to transfer ownership, or a majority of ownership interest, of your rights as an Area Representative.

G. Third Party Charges.

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

H. Sales, Excise, or Gross Receipts Tax.

You must reimburse us if we pay any tax on any fee related to this Agreement.

I. Payment Terms.

We will bill you by the 15th of the month for amounts incurred in the prior month.

J. Monthly Reconciliation

We reserve the right to deduct monies that you owe to us from Commissions that we pay to you and pay you the net amount owed to you or charge you any net amount you may owe to us. You will execute an Automatic Bank Draft Authorization and that we may withdraw fees and other monies you owe to us pursuant to the Authorization from your bank account, and also electronically deposit monies owed to you in the same bank account.

K. Late Fees.

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

L. Assistance Fee

You must pay us our reasonable expenses plus 10% of Gross Revenues for any period in which we operate or assist in the operation of the Franchised Business due to your death or incapacity.

M. Demand for Payment.

Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us.

**3. Duties of Area Representative**

**3.1. Involvement.**

You must render the Area Representative and Support Services personally, unless you submit to us a General Manager who attends and successfully completes our initial Area Representative training course, and who is not later disapproved by us. If you retain a General Manager, they must sign an employment contract with you containing confidentiality requirements and, to the extent permitted by law, a covenant not to solicit customers or compete against you or us.

**3.2. Sales**

A. Candidate.

You will use best efforts to recruit Candidates interested in operating a Franchise within the Territory. Upon your determination that a Candidate may have the characteristics of a potential franchisee ("Candidate"), you will identify such Candidate in writing to us for our consideration.

B. Minimum Requirements

As described in more detail in Section 1.6 entitled Minimum Requirements, you must achieve a certain sales volume, namely, the Minimum Requirements specified in Schedule 2.

C. Franchise Sales Representations.

i. Disclosure.

You will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees. This includes providing the Unit Franchise Disclosure Document to all Candidates at the time required by law. Most jurisdictions require that it must be provided fourteen (14) calendar days before the Candidate signs a binding agreement with us or makes any payment to us. We will prepare and provide the Unit Franchise

Disclosure Document to you. Should you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. You must provide our most current Unit Franchise Disclosure Document approved for use.

ii. Financial Performance Representations.

Except as may be expressly stated in Item 19 of our most current unit Franchise Disclosure Document in effect in your Territory, you will not make any representation, either orally, in writing, electronically, or otherwise, to any prospective Candidate concerning actual or potential earnings, sales, income or profits of any Franchise. However, you may disclose financial performance of an existing franchise for sale to a Candidate interested in such Unit Franchise as may be permitted by law.

iii. Improper Representations.

You will make no representations to any Candidate that conflicts with our current Area Representative Agreement or Unit Disclosure Document.

iv. Laws and Regulations.

You will comply with all federal, state, and local laws, and regulations. You will secure all necessary permits, certificates, and licenses to operate your business.

v. Biographical Information

You will accurately complete and return in the time frame we specify such Biographical Information forms as we request of you.

***3.3.Support.***

*You will provide Unit Franchisees with support including:*

1. **launching the Franchise,**
2. **training,**
3. **on-going operational support, and**
4. **marketing assistance.**

***3.4.Limitations of Authority***

A. No Authority to Approve Marketing.

You do not have any authority to approve or disapprove Franchisee marketing or advertising.

B. No Authority to Modify Manual.

You do not have authority to modify or grant waivers to the Unit Franchisee Operations Manual.

C. No Legal Claims versus Unit Franchisees.

You will not assert any legal claim against a Franchisee to enforce any right arising out of or related to the Unit Franchise without our written permission.

D. Limitation of Services.

You may only offer those services or products through your Area Representative Territory as authorized by us in this Agreement or the Area Representative Operations Manual, unless you first obtain our prior written approval.

E. Independent Contractors.

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

F. No Unauthorized Commitments.

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

### ***3.5. Operations***

A. Initial Training.

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

B. Advanced Training.

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

C. Computer Systems, Equipment and Supplies.

You will purchase and maintain such computer systems, software, equipment, and supplies as we designate. At present, you are required to have an e-mail account, computer with internet access, printer, and telephone to operate the franchise. We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future.

D. Starting Date.

You will be operational within 30 days of your completion of Initial Training. If you are not, more time will be given, but you will remain subject to Minimum Requirements.

E. Area Representative Manual.

You must operate the Area Representative Territory according to the then current Manual. We may modify the Manual to adjust for competitive changes, technological advancements, legal requirements, and continuous improvement.

F. Insurance.

You must purchase any insurance that we may specify and as is required by your state law, name us as an additional insured, and furnish proof of insurance to us. You may purchase any insurance.

G. Assistance to Hire and Train Employees

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

H. Licensure.

You are solely responsible for obtaining any business registration, permit, or licensure required by your state law.

***3.6. Reports and Reviews***

A. Reports.

You will file with us reports detailing your activities, sales, and other information at such times and in such form as we may specify in the Manual or otherwise.

B. Independent Access to Information.

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

C. Reviews.

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

D. Timely Access to Records

If we request a copy of any business records related to the Area Representative Territory, then you must send us or grant electronic access, at your expense, these records within five (5) business days of receiving our request.

E. Corrective Action Plan

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

**3.7. Indemnity**

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

- i. breach of the law;
- ii. breach or alleged breach of this Agreement;
- iii. negligence, or
- iv. willful misconduct.

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

**3.8. Enforcement**

A. Compliance with the Franchise System

During the Term, you will assist us in monitoring and enforcing all contracts (“Franchise Documents”) related to awarding a franchise to a Candidate to ensure Unit Franchise performance and adherence to our Franchise System.

B. Post Termination.

Upon termination or expiration of a Unit Franchise in the Territory, you will assist us in enforcing any “Post Termination Obligations” as set forth in its franchise agreement with that former franchisee.

C. Exclusions

However, you will have neither a duty nor the right to initiate a legal proceeding against a Unit Franchisee to enforce. See Section 3.2 entitled No Legal Claims versus Unit Franchisees.

**4. Duties of Franchisor**

**4.1. Initial Training.**

We will provide you an initial training course. The initial training course will cover fundamental skills necessary to perform the Services. We presently offer this training live in Virginia Beach, VA, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Successful completion of the Initial training is mandatory. Initial Training must be completed within sixty (6) days of the Effective Date

of this Agreement. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

***4.2. Advanced Training.***

We may provide you advance training on various topics. We presently offer this training live in Virginia Beach, VA, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Attendance at advanced training is required. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

***4.3. Site selection.***

You may operate from your home or any office location. We do not offer site selection assistance.

***4.4. Area Representative Operations Manual.***

We will provide you a Manual to offer guidance in performing your development and support services.

***4.5. Operational Support.***

We provide support to you in the operation of your Area Representative Territory.

***4.6. Franchise Disclosure Document.***

We will provide or make available to you an electronic copy of our latest Single Unit Franchise Disclosure Document to use as part of your Development Services.

***4.7. Advertising and Marketing.***

We may conduct marketing using electronic or print advertising of any kind. The media coverage may be local, regional, or national. We may produce advertising in-house or through a local or regional advertising agency.

***4.8. Corporate Website.***

We will develop and maintain a comprehensive website that contains your Unit Franchise contact information.

***4.9. Digital Marketing.***

We may create, operate and promote websites, social media accounts (including, but not limited to, Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities.

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

***4.10. Digital Campaigns.***

We may negotiate contracts with vendors such as Google AdWords.

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

## **5. Intellectual Property**

### **5.1. Ownership.**

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

### **5.2. Suggestions.**

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

## **6. Confidentiality**

### **6.1. Definition.**

The term “Confidential Information” is defined as non-public sensitive or proprietary material disclosed by us or our agent to you. The disclosure may be oral or written in any form including tangible, intangible and electronic media regardless of whether it is marked. For the avoidance of doubt, Confidential Information includes customer lists and reports from our Franchise System along with any notes, summaries or other derivative works. Confidential Information does not include material that: a) you possessed more than thirty (30) days before the Effective Date of any contract between us, b) independently developed, c) obtained from a third party with no corresponding obligation of confidentiality, or d) in the public domain.

### **6.2. Confidentiality.**

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

### **6.3. Use**

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

### **6.4. Storage**

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

### **6.5. Return**

Upon Termination or Expiration of this Agreement, you must return Confidential Information within ten (10) days or certify that the Confidential Information has otherwise been deleted or destroyed.

However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

## **7. Transfer**

### **7.1. Assignment by Us.**

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

### **7.2. Transfer by You.**

You may transfer your interest in this Agreement or your ownership in the Area Representative Territory if:

- i. you are in full compliance with the Agreement,
- ii. you are current in all monies owed to us,
- iii. we approve of the individual or entity to which you are transferring (“Transferee”), which consent will not be unreasonably withheld;
- iv. you sign the then-current transfer and release form, which shall include a general release of all claims against us and our affiliates, officers, directors, members, employees, and agents arising prior to the date of transfer, and an agreement to be bound by all post-term restrictive covenants set forth in this Agreement, including without limitation the obligations in Section 8.6 and 8.8.B, and
- v. the transferee meets the requirements of Section 7.8;

### **7.3. Joint Tenancy**

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

### **7.4. Transfer to Controlled Entity.**

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

**7.5. Transfer within an Entity.**

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

**7.6. Right of First Refusal.**

A. Third-Party Offer

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

B. Notice

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

C. Option

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

D. Acceptance

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

E. Binding

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

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

- i. satisfy the conditions in Section 7.2 entitled Transfer by You.; and
- ii. complete the sale within one hundred twenty (120) days from the day on which you received the Third-Party Offer.

If you do not conclude the proposed sale transaction within the 120-day period, the Right of First Refusal granted to us will continue in full force and effect.

### **7.7. Death or Incapacity**

#### A. Definition

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

#### B. Transfer

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

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

#### C. New Area Representative

The Transferee(s) must:

- i. meet the requirements of Section 7.8.
- ii. complete initial training, and
- iii. enter into a new Area Representative Agreement on the then current form.

#### D. Interim Services

We are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination.

### **7.8. Transferee Requirements.**

Any proposed Transferee(s) must:

- A. complete our then current Area Representative application and
- B. pass our application screening using our then current qualifications;
- C. attend and successfully complete initial training; and
- D. sign either, at our sole option and discretion,
  - i. an assignment of the rights remaining in your Area Representative Agreement, or
  - ii. our current Area Representative Agreement with the term adjusted to such length as remains on the term of your Area Representative Agreement;

## **8. Termination**

### ***8.1. Termination by You.***

You may terminate this Agreement, for any reason, at any time by giving us written notice of termination. Termination will be effective upon our receipt of your termination notice.

### ***8.2. Effect of Termination***

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

### ***8.3. Termination by Us.***

We may terminate this Agreement for Cause without prior notice and without the opportunity for you to cure. "Cause" means any of the following:

- i. If you do not attend and pass our initial training in accordance with our current passing standards;
- ii. If you violate any part of Section 3.2.C entitled Franchise Sales Representations. or Section 3.4 entitled Limitations of Authority.
- iii. If you are convicted of, plead guilty or no contest to, a felony or any crime involving moral turpitude, fraud, embezzlement, or any crime that could reasonably be expected to adversely affect the System, the Marks, or our reputation;
- iv. If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, securities law, or any other law that could reasonably be expected to materially and adversely affect the System, the Marks, or our reputation;
- v. If you commit or are found to have committed fraud, misappropriation, embezzlement, unfair and deceptive practices, or any other act of dishonesty in connection with the operation of the Area Representative Territory or your dealings with us, our franchisees, or the public;
- vi. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form,
- vii. If you refuse to completely fill out a requested forms or tender supporting documentation upon reasonable request; or
- viii. If you become insolvent (meaning unable to pay your bills in the ordinary course as they become due), make a general assignment for the benefit of creditors, or admit in writing your inability to pay your debts as they become due;
- ix. If a final judgment of record against you or your Area Representative Territory remains unsatisfied for thirty (30) days or longer;
- x. If upon your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after six (6) months;

- xi. If you commit three (3) or more breaches of this Agreement, the Manual, or any other agreement with us within any twelve (12) month period, whether or not such breaches have been cured.

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

We may terminate this Agreement if any of the following conditions remain uncured thirty (30) days after we send you written notice specifying the breach and providing an opportunity to cure:

- i. You violate any other term or condition of this Agreement, the Area Representative Operations Manual, or any other agreement with us; or
- ii. Any amount owing to us from you remains unpaid and is more than thirty (30) days past due.

***8.5. No Refund of Initial Fee.***

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

***8.6. Post Termination Obligations***

Upon termination or expiration of this Agreement, including a sale of the Area Representative Territory, you will:

- i. Discontinue using any of our “Marks;”
- ii. Pay to us all sums due;
- iii. If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Territory and deliver to us written proof of transfer;
- iv. Return to us or certify destruction of any paper and electronic copies of the Manual and any Confidential Information;
- v. Cancel all fictitious name filings which you use of any of our Marks; and
- vi. Adhere to all post-term duties stated in this Section 8.6 entitled Post Termination Obligations, Section 8.7 entitled Maintenance of Goodwill, Section 8.8 entitled Non-Compete and No Solicitation, and any other provisions of this Agreement that by their nature require your performance after you are no longer an Area Representative.

***8.7. Maintenance of Goodwill.***

You will not disparage us or our current and former employees, agents, members, directors, officers, franchisees, or the System.

During the term of this Agreement, you will not do any act harmful, prejudicial, or injurious to us.

### **8.8. Non-Compete and No Solicitation.**

#### **A. In-Term.**

During the Term of this Agreement, you will not, except as required by this Agreement, directly or indirectly except as required by this Agreement:

- i. recruit, search for, or solicit franchisees or prospective franchisees in the United States to engage in business advisory, bookkeeping, payroll or income tax preparation services, or
- ii. aid or facilitate another person or entity (except our franchisees) in the United States to engage in business advisory, bookkeeping, payroll or income tax preparation services.

#### **B. Post-Term.**

You will not, for a period of two (2) years after expiration or termination of this Agreement, including a sale of the Area Representative Territory or your interest in it, in the Territory or within twenty-five (25) miles of the boundaries of the Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in in business advisory, bookkeeping, payroll or income tax preparation services

### **8.9. Severability.**

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

Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either Party to this Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.

## **9. Dispute Resolution**

Any claim, cause of action, or other controversy, dispute, or issue you (or your owners) or we may have arising out of or in any way relating to this Agreement or any other agreement between the parties ("Matter") will be resolved as described in this Section 9.

### **9.1. Internal Resolution**

Subject to Section 9.1 (D), any Matter shall be submitted first for internal resolution, as follows:

#### **(A) Notice**

The aggrieved party must provide written notice to the other party. The notice must contain:

- (i) A description of the specific nature of the Matter,
- (ii) All relevant facts,
- (iii) All supporting evidence, and

- (iv) Either the specific dollar amount of Damages or the action requested to resolve the Matter (“Cure”).

**(B) Response**

The other party must provide a reply (“Response”) in writing within ten (10) business days with either:

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

**(C) Meeting**

If in good faith, the aggrieved party does not believe the Matter is settled after the Response then within twenty-one (21) days of receipt of the Response, the parties will meet at our then-current corporate headquarters (located in Virginia Beach, Virginia as of the Effective Date) to discuss the Matter in person (“Meeting”). Upon mutual agreement, the Parties may choose an alternate location or conduct the Meeting via video call.

**(D) Exclusions**

We shall not be required to first attempt to resolve a Matter against you (or your owners) through internal resolution as set forth in this Section 9.1 if such Matter concerns an allegation by us that you (or your owners) have violated, or threatened to violate, or possess an imminent risk of violating:

- (i) any of our intellectual property rights in the Marks, our System, or our Confidential Information; or
- (ii) any of the Restricted Activities

(“Excluded Matters”).

For Excluded Matters, we may elect, in our sole judgment, to either follow the alternative dispute resolution process set forth in Sections 9.1, 9.2 and 9.3, or bring suit in the state or federal courts closest to our then-current corporate headquarters as provided in Section 9.6.

***9.2. Mediation***

If in good faith, the aggrieved party does not believe the Matter is settled after the Meeting, then within thirty (30) days of the Meeting, such party shall submit the Matter to mediation administered by the American Arbitration Association (“AAA”) under its Commercial Mediation Procedures. The party will request mediation by:

- (i) completing the request for mediation form, currently available at:  
[https://www.adr.org/sites/default/files/Request\\_for\\_Mediation.pdf](https://www.adr.org/sites/default/files/Request_for_Mediation.pdf)
- (ii) paying the applicable fee imposed and collected by the AAA to initiate a

- mediation proceeding, and
- (iii) notifying the other party.

The parties will mutually agree upon a single mediator with experience in handling commercial and/or franchise disputes, or one will be selected for them by the AAA from a panel of local mediators, and the mediation will occur in Virginia Beach, Virginia or at our then-current headquarters.

### ***9.3. Arbitration if Mediation Does Not Resolve Matter.***

If a Matter cannot be resolved within ninety (90) days of submitting the Matter to Mediation, the aggrieved party shall submit the Matter to be settled by arbitration administered by the AAA in accordance with its Commercial Arbitration Rules, in Virginia Beach, Virginia, or in the city and state of our then-current headquarters, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed by the Federal Arbitration Act, as amended, subject to the terms of this Agreement and the following:

#### **(A) Appointment of Arbitrator**

The arbitration shall be conducted before a single neutral arbitrator. The arbitrator shall be an attorney or former judge with no less than five (5) years of experience resolving complex commercial disputes. Preference shall be given to candidates who have demonstrable experience in franchise related matters including disputes involving franchise agreements, area development agreements, system standards, territory rights, royalty structures, and related regulatory or compliance issues. The parties will work together in good faith to select an arbitrator who meets these qualifications. If the parties are unable to mutually agree on an arbitrator within fifteen (15) days after the initiation of arbitration, the arbitrator shall be appointed by the administering arbitration organization from its panel of arbitrators who meet the experience requirements set forth in this Section consistent with the selection procedure established in the Commercial Arbitration Rules.

#### **(B) Proportionality of Fees**

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

#### **(C) Enforceability**

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

#### **(D) Costs**

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

#### ***9.4.Limitations and Waivers***

The limitations, waivers and restrictions contained in this Section 9.4 apply to all Matters, regardless of the legal theory asserted.

##### **(A)Limitations of Actions**

You will bring any Matters against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Matters. Any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

##### **(B) Prior Notice of Matter**

Before commencing an action for a Matter, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

##### **(C) Jury Waiver**

In any trial between any of the parties as to any Claims or Matters, you and we will waive our rights to a jury trial and instead have such action tried by a judge or arbitrator as set forth in this Agreement.

##### **(D) Class Action Waiver**

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

##### **(E) Damages Waiver**

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

##### **(F) Waiver of Bond**

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

##### **(G) Acknowledgment of In Person Hearings**

The parties expressly acknowledge and agree that mediation and arbitration hearings shall be conducted in person unless the parties mutually agree in writing to proceed by remote or virtual means. The parties expressly acknowledge and agree that in person proceedings often provide material benefits that outweigh the convenience of virtual participation, including the ability of the mediator or arbitrator to evaluate credibility, demeanor, and testimony, to manage evidence in a controlled setting, to facilitate meaningful settlement dialogue, and to ensure the integrity of the proceeding. Accordingly, no party shall have a right to demand or require that any mediation or arbitration hearing be conducted by video conference, telephone,

or other remote technology, and either party may refuse to consent to a hearing conducted by video conference, telephone, or other remote technology in their sole and absolute discretion.

### ***9.5. Governing Law***

This Agreement will be interpreted and construed under the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles, subject to the following exceptions: (a) federal law, including without limitation the Lanham Act, 15 U.S.C. § 1051 et seq., as it may be amended, governs all matters relating to trademarks, service marks, trade dress, unfair competition, and any other claims arising under federal intellectual property law; (b) the Virginia Retail Franchising Act, Virginia Code § 13.1-557 et seq., as it may be amended, along with any other Virginia laws regulating the offer or sale of franchises, business opportunities, or governing the franchisor-franchisee relationship, applies only if the Franchised Business is located in Virginia or the jurisdictional prerequisites of that Act are otherwise satisfied; and (c) if a particular provision of this Agreement is unenforceable under Virginia law and the Franchised Business is located outside of Virginia, that provision will be interpreted and construed under the laws of the state in which the Franchised Business is located.

### ***9.6. Jurisdiction and Venue.***

Venue and jurisdiction for any Matters will be proper solely in arbitration before the American Arbitration Association (“AAA”) in the city or county where our corporate headquarters are located, provided that, nothing in this clause shall bar us from seeking injunctive relief for Excluded Matters which may cause irreparable harm to us, in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, Virginia, or another court of competent jurisdiction.

## **10. General**

### ***10.1. Entire Agreement***

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

### ***10.2. Modification***

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

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

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries.

### ***10.4. Survival.***

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

**10.5. Severability Clause.**

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

**10.6. Notices**

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

780 Lynnhaven Parkway, Suite 240  
Virginia Beach, VA 23452  
Phone (888) 528-5687

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

**10.7. Acknowledgements**

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

**10.8. Release of Prior Claims**

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

**10.9. Counterparts.**

This Agreement may be executed by the parties in this Agreement in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument. The Agreement may be signed and delivered electronically via email, facsimile or other means, which will each have the same legal effect as if signed in hardcopy with traditional ink. Electronic signatures will be deemed valid having the same legal effect as if they were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and

National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

**10.10. Signature**

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

Area Representative Entity: \_\_\_\_\_

	<b>Loyalty Business Services LLC</b>	<b>Area Representative Entity</b>
Signature		
Name		
Title		
Address		
Date		

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

**SCHEDULE 1-TERRITORY**

Your territory will be defined here.

## SCHEDULE 2-MINIMUM REQUIREMENTS

The following table establishes the minimum performance metrics required.

Year	Single Unit Sales	Cumulative
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

### SCHEDULE 3-AUTOMATIC BANK DRAFT AUTHORIZATION

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

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

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

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

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

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

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

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

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

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

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

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

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

## SCHEDULE 4-TELEPHONE NUMBER ASSIGNMENT

**THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT** is made between Loyalty Business Services LLC doing business as Ledgers (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee,” “you” or “your”).

### **11. BACKGROUND**

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

### **12. TELEPHONE NUMBER ASSIGNMENT**

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

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

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

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

*For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee’s attorney-in-fact, to act in Franchisee’s place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee’s rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke*

*it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.*

**14. Governing Law and Survival.**

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

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

## SCHEDULE 5-PROMISSORY NOTES

FOR VALUE RECEIVED, \_\_\_\_\_ (each a "Maker") promises to pay to the order of Loyalty Business Services LLC d/b/a Ledgers ("Holder") at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452 the principal amount of \_\_\_\_\_ together with interest at the rate of 12% per year.

This Promissory Note ("Note") evidences funds owed by Maker for the Initial Area Representative Fee due and payable under that certain Area Representative Agreement executed in conjunction with this Note and is due and payable in \_\_\_\_\_ (\_\_\_\_\_) consecutive [monthly/annual] installments. Each installment shall consist of (i) a principal payment of \$\_\_\_\_\_, plus (ii) accrued interest calculated on the outstanding principal balance. The first installment shall be due on \_\_\_\_\_, and subsequent installments shall be due on [the last day of each calendar month/ on \_\_\_\_\_ of each calendar year] thereafter until all principal and accrued interest are paid in full.

If any payment date falls on a weekend or legal holiday, payment shall be due on the next business day. The Maker may prepay this Note, in whole or in part, without premium or penalty, at any time. TIME IS OF THE ESSENCE regarding the payment of any amounts due under this Note.

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

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

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

Maker's creditworthiness; or (9) Sale or termination of Maker's ownership rights in the business to which this Note relates.

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

This Note will be construed in all respects and enforced according to the laws of the Commonwealth of Virginia. If any term of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or render unenforceable such term in any other jurisdiction. The failure of Holder to enforce any one or more of the terms or conditions of this Note will not be deemed a waiver of such terms or conditions or of Holder's rights to enforce any term and condition of this Note. The Maker will pay all reasonable attorneys' fees and other expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any Collateral.

MAKER HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED HEREBY. MAKER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR HOLDER TO ACCEPT THIS NOTE, THAT HOLDER WOULD NOT HAVE ACCEPTED THIS NOTE WITHOUT THIS JURY TRIAL WAIVER, AND THAT MAKER HAS BEEN REPRESENTED BY AN ATTORNEY OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED BY AN ATTORNEY IN CONNECTION WITH THIS NOTE AND THIS WAIVER.

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

This Note constitutes the entire understanding of the parties and supersedes all prior negotiations, and undertakings of the parties with respect to the subject matter. This Note and any judgment based upon it may be assigned, transferred or negotiated by the Holder to any person at any time without notice to or the consent of the Maker or any guarantor. This Note will be binding upon the heirs, personal representatives, successors and assigns of Maker and will inure to the benefit of Holder, Holder's successors and assigns. The Maker may neither assign nor transfer this Note or any of its rights without the prior written consent of the Holder. This Note may be executed in counterparts, each of which will constitute an original, but all taken together will constitute a single

instrument. This Note may be executed or transmitted electronically. Electronic signatures will be deemed valid having the same legal effect as if the Note were physically executed. Use of an electronic signature will be consistent with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

Intending to be bound by this Note, the Maker(s) affix their signature(s) below to signify their acceptance.

WITNESS the following signature(s) and seal(s):

<b>Maker</b>	<b>Maker</b>
Signature:	Signature:
Name:	Date:
Title:	Address:
Date	

**SCHEDULE 5A-  
PERSONAL GUARANTY**

This binding contract (“Guaranty”) is between:

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

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

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

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

Guarantor consents to the use of electronic signatures consistent with Electronic Signatures in Global and National Commerce (ESIGN) Act, and the Uniform Electronic Transactions Act (UETA). Each Guarantor signifies the intent to be bound to the terms of this Guaranty by affixing their signatures in the space provided below.

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

## SCHEDULE 6-RELEASE

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

1. Releasor and Loyalty Business Services LLC doing business as Ledgers ("Releasee") are parties to one or more Area Representative Agreements.
2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Area Representative Agreement or other  
\_\_\_\_\_ renewal documents renewing the franchise (the "Franchise"); or  
\_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Area  
\_\_\_\_\_ Representative Agreement; or  
\_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Area  
\_\_\_\_\_ Representative Agreement; or

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

3. Release- Franchisee and all Franchises' guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Area Representatives, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Representative could assert against Released Parties or any of them up through and including the date of this Release.
4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.
5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

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

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

Intending to be bound, the authorized representatives of the parties affix their signatures below:

Franchisee	Franchisor
Signature:	Signature:
Name:	Name:
Date:	Date:

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

**SCHEDULE 6A-BIOGRAPHICAL INFORMATION**

1. Name: \_\_\_\_\_

2. Current Title/Position with Franchisor: **Area Representative**

3. Business Address:  
 \_\_\_\_\_  
 \_\_\_\_\_

4. Business Phone Number: \_\_\_\_\_

5. Beginning with the date you started the job you held six years ago, on the chart below please list your dates of employment, your employer(s), and your position(s) held from then to the present:



**\*Please make sure to include your current position with the franchisor (including Area Representative, etc.) as well as any prior titles or positions you held with the franchisor.**

**\*Please make sure to include all positions held even though not as an employee. For example, include positions held as “self-employed” or as a franchisee, consultant, or independent contractor.**

**\*Please print clearly and do not use abbreviations except where such abbreviation actually shows up in the name of a company (i.e., “Inc.”) and you may abbreviate the name of a state.**

<u>Company</u>	<u>City/State</u>	<u>Position Held</u>	<u>Start Date (Month and Year)</u>	<u>End Date (Month and Year)</u>

6. Have you been convicted of a felony or pleaded *nolo contendere* to a felony charge involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

7. Have you been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge involving a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

8. Have you been party to any civil action, administrative action, complaint or legal proceeding involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

9. Are you a party to any proceeding, which could make you subject to, or are you subject to an injunction or restraining order brought by any public agency or department?

YES  NO

10. Have you been a party in any arbitration proceeding during the past ten years?

YES  NO

11. Have you filed in bankruptcy; been adjudicated a bankrupt; been reorganized due to insolvency; or been a principal, director, executive officer, trustee or general partner or any other entity that has filed in bankruptcy, been adjudicated a bankrupt, or been reorganized due to insolvency in the last ten years?

YES  NO

12. Are you subject to any currently effective order of any national securities association or national securities exchange suspending or expelling you from membership in such association or exchange?

YES  NO

13. If your answer to any of the above items is in the affirmative, please attach a separate sheet of paper and on that attached sheet please state the court, the date of conviction or judgment, if any; the current status of the matter; any penalty imposed or damages assessed; and the date, nature, and issue of any order, as well as any other explanatory information you think pertinent. Please also include a copy of any Complaints, Claims, Indictments or Charges against you and any Consent Decree, Settlement Agreement, or ruling of a Court or other body as to the disposition of such claims.

II. SALESPERSON DISCLOSURE

If anyone other than you will be offering or selling franchises under this Area Representative Agreement, please write their name(s) below and what they will be doing.

<u>Name</u>	<u>What Will They Be Doing</u>
1. _____	_____
2. _____	_____
3. _____	_____

III. LLC AND CORPORATIONS

If your Area Representative Agreement is held by a limited liability company or Corporation, please also advise:

What is the name of the entity? \_\_\_\_\_

In what state is the entity formed? \_\_\_\_\_

What is your role in the entity? (For example, Managing Member, President, etc.):  
\_\_\_\_\_

IV. TERRITORY

In what state(s) is your Area Representative Territory? \_\_\_\_\_

## V. PROMISE TO UPDATE & CERTIFICATION

If at any time I become involved in litigation, convicted of a crime, or file bankruptcy, I will notify franchise counsel of these facts immediately. Further, I hereby certify that all the information I have provided above is true, complete and correct to the best of my information and belief.

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

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

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

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
California	Department of Business Oversight 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd Sacramento, CA 95834 1-866-275-2677	Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street Los Angeles, CA 90013
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General	Department of Attorney General 525 W. Ottawa Street

	Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South	

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

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

<b><u>Chapter/Subject</u></b>	<b>Page Count</b>
Chapter 1- Introduction	3
Chapter 2- Starting a Business as an Area Representative	2
Chapter 3- Area Representative Roles and Responsibilities	2
Chapter 4- Marketing and Lead Generation	3
Chapter 5- Sales Process	3
Chapter 6- Operations and System Support Services	5
Chapter 7- Franchisee Compliance	5
Chapter 8- Activity Reporting	2
Chapter 9 – Appendix	8
<b>Total</b>	<b>33</b>

Please Note: The contents of this Manual are confidential and subject to the Confidentiality Clause in your Area Representative Agreement.

## EXHIBIT E-1 LIST OF FRANCHISEES

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

### **Operational Outlets (as of December 31, 2025):**

<b>State</b>	<b>Franchisee (Entity and Operator)</b>	<b>Address</b>	<b>Telephone</b>
North Carolina	CampbellAndrewPLLC; Claude Cambell	7879 Bufflehead Ct Greensboro, NC 27455	336-553-6213
Texas	4004 Biscayne LLC; Mike Catalone	8401 Westview Dr, Houston, TX 77055	713-302-7612
Virginia	tijokim LLC; Tim Fitzgerald, and Josh Fitzgerald	5820 N Church Street Suite D PMB 263 Greensboro, NC 27455	757-237-0544

### **Franchise Agreement Signed but Outlet Not Opened (as of December 31, 2025):**

None

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

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, 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 Issuance Date of this Disclosure Document.

**NONE.**

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

**EXHIBIT F - FINANCIAL STATEMENTS**

## EXHIBIT G-STATE EFFECTIVE DATES

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

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

<b>State:</b>	<b>Effective Date:</b>
California	Pending
Illinois	Pending
Indiana	April 30, 2026
Maryland	Pending
Michigan	April 11, 2026
Minnesota	Pending
New York	Pending
Rhode Island	Pending
Virginia	Pending
Washington	Pending
Wisconsin	April 30, 2026

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT H – RECEIPT**

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

If Loyalty Business Services LLC doing business as Ledgers offers you a franchise, it must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

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

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

If we do not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit C.

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

Issuance date: April 29, 2026

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
<input checked="" type="checkbox"/> Timothy T. Wynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input checked="" type="checkbox"/> John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input checked="" type="checkbox"/> Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input checked="" type="checkbox"/> Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
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<input checked="" type="checkbox"/> Falcia Shattuck, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input checked="" type="checkbox"/> Joel Burgos, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
<input type="checkbox"/> _____ Loyalty Business Services LLC, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (832) 660-6727

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

I have received a Disclosure Document issued April 29, 2026, that included the following:

**Exhibits**

Exhibit A- State Addenda to the Disclosure Document

Exhibit B- Area Representative Agreement

Schedule 1-Territory

Schedule 2-Minimum Requirements

Schedule 3-Automatic Bank Draft Authorization

Schedule 4-Telephone Number Assignment

Schedule 5-Promissory Notes

Schedule 5A-Personal Guaranty

Schedule 6-Release

Schedule 6A-Biographical Information

Schedule 7-State Addenda to the Area Representative Agreement

Exhibit C-List of State Administrators and Registered Agents

Exhibit D-Table of Contents of Area Representative Operations Manual

Exhibit E-1 List of Area Representatives

Exhibit E-2 List of Former Area Representatives

Exhibit F- Financial Statements

Exhibit G-State Effective Dates

Exhibit H-Receipts

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

**FOR YOUR RECORDS**

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Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

**FOR OUR RECORDS**