

## FRANCHISE DISCLOSURE DOCUMENT- UNIT



We offer a franchise opportunity to you as a franchisee to operate a Ledgers franchised business within a designated territory offering business advisory, bookkeeping, payroll, and income tax preparation services (the “Franchise Business”).

The total investment necessary to begin operation of a Ledgers Franchise Business ranges from \$48,200 to \$89,700. This includes \$35,000 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact 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 your entire 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 Exhibits E-1 and E-2.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C 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 Exhibits E-1 and E-2 list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-State mediation, arbitration, or litigation may force you to accept a less favorable settlement to disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **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.

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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### Exhibits

<b>Exhibit</b>	<b>Description</b>
A	State Addenda
B	Franchise Agreement
C	Financial Statements
D	State Administrators/Agents for Service of Process
E-1	List of Franchisees
E-2	List of Former Franchisees
F	Table of Contents-Operations Manual
G	State Effective Dates
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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. The terms “you” and “your” refer to the person or entity that buys this franchise including any guarantors. We are a Virginia Limited Liability Company formed on October 30, 2019. We maintain our principal place of business 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 have not operated a business of the type being franchised or engaged in any other line of business, however, we do also offer Area Representative franchises to solicit and support unit franchisees. We began offering franchises in June 2020.

Exhibit D 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 offices. 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, Loyalty Business Services LLC d/b/a Ledgers, formed on October 30, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Ledgers offers franchise opportunities for compliance, advisory and tax services. Ledgers 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, Ledgers had a total of 16 unit franchised outlets and 3 area representative franchised outlets. 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 154 unit franchised outlets and 56 Area Representative franchised outlets. They do not provide any products or services to you.

### **Description of the Franchise**

We offer the opportunity to operate a business (“Franchise Business”) using the Ledgers model (“System”) which involves delivering business advisory, bookkeeping, payroll, and income tax preparation services (collectively “Services”) in accordance with prescribed processes which are defined in our Operations Manual. Business advisory includes recommending solutions to solve challenges faced by business owners. Persons with some experience delivering these Services may be more suitable to operate a Ledgers franchise. You must use the System we have authorized, and offer only the services that we designate or approve. You must agree to promote the sale of Ledgers' Services actively and from a single location in a geographic territory within the prescribed period identified in the Franchise Agreement through the use of promotional materials or methods we have furnished or approved.

### **Area Representatives**

Since June 2020, we have also offered an Area Representative franchise program pursuant to a separate franchise disclosure document. Under this program, Area Representatives solicit qualified candidates to purchase a unit franchise and support unit franchisees in exchange for a portion of the initial franchise fees and ongoing royalties paid by unit franchisees. Area Representatives do not have management responsibility for or control over the sale or operation of unit franchisees and therefore are not listed in Item 2 of this disclosure document. A complete list of Area Representatives is contained in the separate Area Representative Franchise Disclosure Document and will be provided to prospective franchisees upon request. As of December 31, 2025, we had 3 Area Representative franchised outlets.

### **Market and Competition**

The target market consists mainly of small to medium sized businesses seeking business advisory, bookkeeping, payroll, and income tax preparation services. The tax preparation business is seasonal, as the tax season typically begins in late January and ends in mid-April each year. The tax and financial services industry is highly competitive. Building a stable and recurring client base is a long-term process that typically requires significant time and sustained effort. Clients in this industry often develop loyalty to existing service providers, and attracting and retaining clients may be difficult, particularly in the early years of operation. You will compete with local, regional, and national businesses that operate under independent and well-known brands, including other franchised brands. You will also compete with advisors, bookkeepers, independent accountants,

and national, regional, and local tax preparers, all of which may operate from traditional brick-and-mortar locations, maintain a hybrid office, or serve clients remotely.

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

At all times during the operation of your Franchised Business, you must comply with all laws, rules, ordinances, and regulations (“Laws”) imposed at the federal, state, or local level, which apply specifically to the tax and financial services industry and to businesses generally.

Your principal executive must obtain and maintain authorization to communicate with the Internal Revenue Service (“IRS”) and state taxing authorities to provide tax return preparation and resolution services on behalf of clients.

The industry is governed by the Internal Revenue Code (“IRC”) found in Title 26 of the United States Code (26 USC), which outlines the rules and regulations governing the assessment and collection of federal taxes as well as similar state tax laws. Treasury regulations—commonly referred to as federal tax regulations—provide the official interpretation of the IRC by the U.S. Department of the Treasury and the Internal Revenue Service and give directions to taxpayers on how to comply with the IRC’s requirements.

Among other Laws, the IRS has implemented standards for tax return preparers and registration requirements with the IRS to obtain a Preparer Tax Identification Number (“PTIN”) as well as eligibility for obtaining and maintaining an Electronic Filing Identification Number (an “EFIN”) and similar qualifications. You must secure and maintain an EFIN for your Franchised Business to offer our Products and Services. You cannot file taxes electronically if you do not pass the IRS’s “suitability” screening required to obtain an EFIN.

The industry is also subject to civil fiduciary duties owed to clients and state and federal regulations regarding confidentiality of client financial information, including electronic financial information and data security, and data breach notification laws. You may also be subject to a state Board of Accountancy that oversees the licensing and regulation of accountants. Additionally, some states require training and licensure in order to offer tax preparation services and/or regulate the offering and presentation of tax courses.

There may also be Laws regarding the ownership structure of accounting and tax firms and limitations on which individuals may have ownership stakes in firms providing accounting and tax services, which may affect the type of legal entity you may be able to create or the name you will be able to use.

Your state may also have specific laws that regulate advertising, which may limit certain terms or phrases, require truthful advertising, and may require you to include information about licensed professionals in your advertisements.

You are also required to comply with laws related to refund anticipation loans and similar financial products, including poster and disclosure requirements, and you may be required to register as a loan broker or in a similar capacity under certain state laws.

You must also ensure that you comply with all Payment Card Industry Data Security Standard (“PCI DSS”) requirements, standards, regulations, and rules. You are not permitted to collect, store, transfer, or otherwise process any customer information that is not necessary for the operation of the Franchised Business and provision of Products and Services. Additional information can be found at <https://www.pcisecuritystandards.org/>.

You should investigate the application of these laws further.

## **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.

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## ITEM 3 LITIGATION

### **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.

### **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.

### **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.

### **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.

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## **ITEM 4 BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

## **ITEM 5 INITIAL FEES**

You must pay us an initial fee (the "Initial Franchise Fee") for the right to open and operate a Ledgers Franchised Business. The Initial Franchise Fee is \$35,000.

You must submit the Initial Franchise Fee to us before attending Initial Training, usually when the Franchise Agreement is signed. We will refund the Initial Franchise Fee paid by you if we do not approve your application. If you do not pass our Initial Training in accordance with our then-current passing standards, we will refund the Initial Franchise Fee provided that you return to us all materials which we distributed to you during training.

### **Discounts**

#### **Affiliate Brand Expansion Discount Program**

We currently offer an incentive program to certain individuals who have previously purchased a franchise opportunity from another franchise brand under the Loyalty Brands umbrella of franchise brands ("Existing Franchisees") and desire to purchase a new franchise from us to be located within the same geographic market area and, where applicable, whose approved territory for the new franchise overlaps with or substantially matches their existing franchise territory with our affiliate (collectively, the "Geographic Requirements"). This program is referred to as our Affiliate Brand Expansion Discount Program (the "Program").

Participation in the Program is subject to the following general eligibility criteria, all of which must be satisfied as of the date of application and continuing through the date of franchise agreement execution:

- (i) The Program is available only to Existing Franchisees who are (a) in good standing with the existing franchisor as of the date of application for this Program and (b) previously paid an initial franchise fee to the existing franchisor at the time of their initial franchise purchase;
- (ii) The Program does not apply to first time franchise buyers;
- (iii) The Program does not apply to the acquisition of additional franchise locations or territories within the same franchise brand that the applicant already operates;
- (iv) The Program applies on a brand-by-brand basis and is limited to the number of franchised outlets owned and operated by the Existing Franchisee at the time of acquisition of a new Loyalty Brands franchise brand; and

(v) The Program may not be combined with any other promotional programs, discounts, fee waivers, incentives, or negotiated fee reductions. A franchisee may participate in only one initial franchise fee incentive program for any given franchise acquisition, and no stacking, substitution, or retroactive application of incentives is permitted. Franchisees who qualify for multiple incentive or promotional programs must elect a single discount at the time of sale, and all other promotional offers are deemed waived with respect to that transaction.

If you are approved for the Program in writing, we will reduce the Initial Franchise Fee outlined in this Item 5 to \$10,000, provided all eligibility criteria are met. This reduced fee is subject to all other terms and conditions applicable to the Initial Franchise Fee as set forth in this disclosure document and the franchise agreement.

This Program is discretionary and may be modified, suspended, or discontinued at any time. Therefore, the Program is not a continuing offer and purchasing a franchise through this disclosure document does not guarantee that it will be offered in future years or for future franchise acquisitions by you. We may also modify the eligibility criteria or grant variances in our sole and absolute discretion and on a case-by-case basis. Additionally, not all Loyalty Brands affiliates participate in the Program and/or offer a uniform discount. For the avoidance of doubt, no other franchise brand is offered through this disclosure document. Franchisees should refer to the specific franchise disclosure document for each brand for their disclosure items, including, current fee information, discount terms, and territory definitions. A current list of Loyalty Brands affiliates can be found in Item 1 of this disclosure document. Finally, the Program is not available in all areas and Program opportunities will decrease over time as territories are sold by each franchise brand and the Geographic Requirements can no longer be met due to lack of available overlapping territories. Prospective franchisees should inquire about current Program availability in their desired territory at the time of application. Written approval is required prior to execution of any franchise agreement.

### **Military**

We offer a 10% discount to all active-duty service members and veterans.

### **Generally**

We also offer occasional promotions and discounts. In the fiscal year ending December 31, 2025, we discounted the Initial Franchise Fee up to 100% based on certain factors, including whether the buyer was an existing franchisee, whether the buyer was purchasing an area representative franchise offered through a separate offering, or whether the buyer was converting an existing retail tax preparation office into a Ledgers location. We may offer special incentive programs from time to time as part of national or regional development efforts and we reserve the right to offer, modify, or withdraw any incentive program without any notice to you. We disclose financing terms in Item 10.

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
Royalty Fee (Notes 1 and 2)	The Royalty Fee is 10% of Gross Revenues	Payable monthly by electronic funds transfer (“EFT”) from your Bank Account.	See Note 1 for a definition of Gross Revenues.
Advertising Fee	3% of the previous month’s Gross Revenues	Monthly	You agree to pay this fee to us to support our advertising program.
Credit Card Processing Fee	The actual amount charged by third party credit card processor	As incurred	If we allow you to pay any fee to us by credit card, you will reimburse us the actual credit card processing cost we incur.
Central Processing Services Fee	Then current rate based on the service requested (up to 40% of our-then current Recommended Fee (Note 3))	As incurred	You agree to pay this fee to us for any central processing services we provide to clients on your behalf.
Customer Service Call Fee	\$5/per call	Monthly	Payable to us for customer service calls made by us or our designee to your customers. If we approve (in our sole discretion) your written request to make the follow-up calls yourself, you will not be charged this fee. We may revoke such approval at any time, with or without cause, and resume making the calls, in which case you must pay this fee.
Insufficient Funds Fee	\$50 per transaction	As incurred	You agree to pay this fee to us if an electronic transfer or other payment from you to us is declined.
Audit Fee	Cost of Audit plus \$50 per month Late Fee on any late payment	Immediately upon conclusion of audit	Payable if an audit discloses an under reporting of Gross Revenues or underpayment to us by 2% or more.
Transfer Fee	\$5,000 for a transfer of the franchise or a majority interest in it.	Due before transferring	We must approve the transfer.

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Interest and Penalties	Actual amount incurred	As incurred	If we reimburse interest and penalties that a customer of yours incurs for an error in tax preparation you agree to reimburse us.
Client Refunds	The amount of any fee we refund to a client	As invoiced	If you do not resolve a client service complaint and we determine in our sole discretion that a refund to the client of all or a portion of the client fees is appropriate, we may make the refund and bill you. You agree to pay such charges immediately upon invoice. We will use commercially reasonable efforts to notify you of our refund decision.
Assistance Fee in the event of death or incapacity	Our reasonable expenses plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.	At time of expense	We are entitled to this fee if we must operate your franchise due to your death or incapacity.
On-Site Training	\$500 per half day per person plus travel expenses	As incurred	We are entitled to this fee if we provide on-site training at your request at your Franchised Business.
Sales, Excise, or Gross Receipts tax	Actual amount of tax paid	At time of payment of fees to us which are subject to any tax	If required by the state or locality in which your franchise is located, the initial franchise fee, advertising fee, and possibly other fees will be subject to sales or gross receipts tax.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us for any such charges.
Late Fee	Lesser of 1.5% per month or the highest rate allowable by law of the state where franchised is located	As incurred.	Applies to amounts owed to us that are five (5) or more days past due.
Indemnity	Actual loss sustained	At time of expense	You must indemnify us from any loss caused by your operation of the Franchised Business.

Fee	Amount	Due Date	Remarks
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.

\*Except as stated otherwise in the table above, these fees are payable only to us, imposed and collected by us, and are non-refundable. Fees may vary among franchisees due to differences in state laws, market conditions, territory characteristics, timing of entry into the system, participation in promotional or incentive programs, or changes to our fee structure over time. We may also modify or defer certain fees in limited circumstances such as conversions, multi-unit development commitments, or temporary financial hardship. Any variance applies only to the affected franchisee and does not alter the fees owed by any other franchisee.

Note 1: “**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes.

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

Note 3: Ledgers' Central Processing Services is a centralized support system offered by us to enhance efficiency and service quality across the franchise network. Through this program, we offer to provide certain personal and business tax preparation, bookkeeping, and business planning services directly to clients on your behalf utilizing a joint engagement form. We publish an annual price list for the then-current services offered by us, which may vary from time to time. Each service offered by us includes a recommended fee for you to charge your clients (the "Recommended Fee") and includes the fee we charge for the services (the "Central Processing Services Fee"). We do not currently require you to utilize our Central Processing Services, but we reserve the right to do so.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure*	Low	High	Method of payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Check or EFT	At signing of Franchise Agreement.	Us
Construction & Leasehold Improvements (Note 2)	\$0	\$10,000	Check or Credit Card	Before opening	Contractors & Suppliers
Furniture, Fixtures and Equipment (Note 3)	\$0	\$7,000	Check, Credit Card	Before opening	Suppliers
Interior & Exterior Signage (Note 4)	\$0	\$3,000	Check or Credit Card	Before opening	Contractors & Suppliers
Rent and Security Deposit (Note 5)	\$0	\$6,000	Check	Before opening	Landlord
Software and Software Support Services (Note 6)	\$100	\$500	Credit Card	Before opening	Vendors
Computer Systems & Connectivity (Note 7)	\$2,500	\$4,000	Credit Card	Before opening	Contractors, Suppliers & Franchisor
Training Travel and Living Expenses (Note 8)	\$1,000	\$2,000	Credit Card	Before opening	Third Parties
Opening Inventory & Supplies (Note 9)	\$500	\$1,500	Credit Card	Before opening	Suppliers
Permits and Licenses (Note 10)	\$700	\$700	Check	Before opening	Third Parties
Utilities (Note 11)	\$500	\$1,000	Check or EFT	Before and after opening	Utilities
Insurance (Note 12)	\$400	\$500	Check or EFT	Before opening	Insurance Company
Professional Fees (Note 13)	\$2,500	\$3,500	Check or Credit Card	Before Opening	Attorney, Accountant
Additional Funds – 3 months (Note 14)	\$5,000	\$15,000	As incurred	Before and after opening	Employees, Third Parties
Total (Note 15)	\$48,200	\$89,700			

\*The initial fees listed above which are paid to us are nonrefundable as paid. Whether such fees paid to third parties are refundable would depend upon their policies.

\*\*The low-end estimate is for conversion of an existing business offering similar products and services into a Ledgers Franchised Business or for a new franchisee who wishes to operate their business

remotely without a brick-and-mortar office location. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your business. We base this estimate upon the years of experience our management team has in the industry.

**NOTES:**

1. Initial Franchise Fee. We base the table above on the purchase of a single franchise. The Initial Franchise Fee is \$35,000. Depending on your creditworthiness, we may extend financing to you of up to 100% of the Initial Franchise Fee repayable monthly over 48 months at 12% per annum interest, subject to the terms of a promissory note. For a loan of \$20,000 repayable over 48 months at 12% interest, your monthly payment would be approximately \$527. See Item 10 for additional details.
2. Construction & Leasehold Improvements. You may operate your Franchise Business from your home provided that you maintain a virtual office to meet clients as required. Further, you may already have an appropriate office, or your cost of construction or leasehold improvement for your office may be minimal. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and how many of those costs the landlord will pay (if any).
3. Furniture, Fixtures, and Equipment. These figures represent the purchase or lease of the necessary equipment, furniture, and fixtures for the location. These include a photocopier, desks, chairs, filing cabinets, and telephones.
4. Interior & Exterior Signage. Signage costs vary depending on location, type, and size of sign.
5. Rent and Utility Deposits. We do not require you to operate from a commercial location. If you choose to obtain a commercial space, the amount of rent that you will incur will vary in the different market areas. We estimate rent for the first three months plus a security deposit for one month's rent. You will need approximately 400 square feet of space.
6. Software and Software Support Services. You must subscribe to such software as we specify for bookkeeping, accounting, and other needs.
7. Computer and Point of Sale Systems & Connectivity. You must comply with our computer hardware, software, and POS specifications which we set forth in detail in Item 11.
8. Training Travel and Living Expenses. You must pay for the travel, lodging, meals, and wages of attendees at initial training. Your costs will vary.
9. Opening Inventory & Supplies. You will need basic office supplies to run the franchise.
10. Permits and Licenses. States and localities will set costs for permits and licenses.
11. Utilities. You will incur costs for electricity and other utilities.

12. Insurance. These costs are for required insurance coverage.
13. Professional Fees. You may incur professional legal and accounting fees to assist with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.
14. Additional Funds-3 months. The estimate of additional funds for the initial phase of your business is based on your staff salaries and operating expenses for the first three months of operation. The estimate of additional funds does not include an owner's salary or draw. We base this estimate upon the years of experience our management team has in the industry.
15. Does not include royalties, advertising fees, or interest expenses.

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

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

Advertising and Marketing. You must use advertising material from us, a vendor that we designate, or submit advertising to us for written approval prior to its use. We will use commercially reasonable efforts to approve or disapprove submitted advertising materials within a reasonable time period. Our failure to respond shall not be deemed approval, and you may not use any advertising materials unless and until we provide express written approval.

Bookkeeping, Payroll, and Business Support Services. You must purchase our bookkeeping and payroll services that you will sell to your clients unless you provide such services yourself. You must purchase our business support services that we render on your behalf to your clients.

Computers, Software, and Internet. We require you to use such computer hardware, software, internet, and systems as we specify, which may include vendor designations.

EFIN/PTIN. You must obtain an electronic filing identification number ("EFIN") and your tax preparers must obtain a paid preparer tax identification number ("PTIN") from the IRS.

Insurance. You must obtain and maintain, at your own expense, such insurance coverage as required by your state laws. Moreover, you must obtain and maintain insurance coverage as we require, which may exceed insurance coverage required by your state laws. All insurance policies must name us as an "additional insured" party.

Our current insurance specifications are as follows:

- i *"all risk" property insurance coverage for assets of the Franchised Business;*
- ii *workers' compensation insurance and employer liability coverage with a minimum limit of \$100,000 or higher if your state law requires;*

- iii *comprehensive general liability insurance which includes contractual indemnity with a minimum liability coverage of \$1,000,000 per occurrence, or higher if your state law requires;*
- iv *business interruption insurance;*
- v *commercial automobile liability insurance of at least \$1,000,000 or higher if your state law requires;*
- vi *professional liability insurance for errors and omissions in the amount of \$1,000,000.*

**Leasehold Improvements.** You may purchase leasehold improvements from any contractor or other supplier and you may build out your location as you desire.

**Signs.** You must purchase signage pursuant to our specifications, which may include a vendor designation. It is your responsibility to obtain signage in conformity with the templates provided by us and to the specifications provided in our Manual. If you need to modify our signage templates or specifications to meet your needs or the restrictions of your office location, you must obtain our written approval by submitting your request to our operations department. We will use commercially reasonable efforts to respond to any request submitted to our operations department within five (5) business days, but failure to respond within this timeframe shall not constitute approval or waiver of our approval rights.

**Supplies/Inventory.** You must purchase supplies and inventory pursuant to our specifications, which may include vendor designations.

**Technology.** You must use the tax preparation software(s), technologies, and website services as we may specify or designate.

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

We are an approved supplier of advertising material and bookkeeping and payroll services that you will sell to your clients, but not the only approved supplier of such items. We are an approved supplier, and the only approved supplier, of business support services (central processing and website services) that we render on your behalf to your clients.

Our affiliates are not approved suppliers of any required purchases of products or services.

### **Officer Interests in Suppliers:**

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

### **Alternative Suppliers:**

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. If you wish to purchase products or services from a non-approved vendor; you must submit the vendor for approval. We charge \$100/hour plus our costs

to evaluate an alternative supplier. Our right to approve or disapprove will be done in a reasonable manner within 30 days of our receipt of your request. For example, if you wish to purchase items bearing our Marks, we may request from the vendor seeking approval, a sample to insure they meet our standards. We will make you aware of our decision concerning the vendor via email within a reasonable time. If we choose to deny your request or subsequently revoke our approval, we will inform you via email of our reasons for the action. If we feel it is in the best interests of the network, we may choose to limit the number of approved vendors that you may purchase specific products from. We periodically publish our vendor directory, product specifications and standards as part of our Operations Manual.

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

We issue and modify specifications and standards to franchisees or approved suppliers through our Operations Manual or through informational bulletins we issue from time to time.

### **Revenue from Required Purchases:**

We do not currently, but reserve the right in the future to derive revenue or other material consideration from required purchases or leases by you. Further, we may utilize any such funds received by us in our sole judgment.

In our last fiscal year ended December 31, 2025, neither we nor our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

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

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

### **Supplier Payments to Us:**

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

### **Purchasing or Distribution Cooperatives:**

At this time, we do not have any purchasing or distribution cooperatives.

### **Purchase arrangements:**

We negotiate purchase arrangements with suppliers, including preferred pricing arrangements, for the benefit of our franchisees. 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:**

We do not provide material benefits to you based on your use of a particular supplier. However, when your franchise is up for renewal, to continue your franchise rights, we require you to be in compliance with your Franchise Agreement which includes compliance with any supplier standards that are contained in our Operations Manual.

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

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

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	1.4, 4.3	11
b. Pre-opening purchases/leases	4.3, 4.5,	7, 8
c. Site development and other pre-opening requirements	4.3	11
d. Initial and ongoing training	4.2	11
e. Opening	1.1.A, 1.2	11
f. Fees	2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	4.4	8, 11
h. Trademarks and proprietary information	5, 4.6, 6	13, 14
i. Restrictions on products/services offered	4.1.C,	8, 16
j. Warranty and customer service requirements	4.1.B., 4.4	6
	1.6	12

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure Document</b>
k. Territorial development and sales quotas		
l. Ongoing product/service purchases	4.6	8
m. Maintenance, appearance & remodeling requirements	4.3	Not Applicable
n. Insurance	4.8	8
o. Advertising	1.2	8, 11
p. Indemnification	4.7	6
q. Owner's participation/management/staffing	1.1.C, 4.1	15
r. Records and reports	4.6, 6	11
s. Inspections and Audits	4.6.C	11
t. Transfer	7	17
u. Renewal	1.2.B	17
v. Post-termination obligations	8.5	15, 16, 17
w. Non-competition covenants	8.6	15, 16, 17
x. Dispute resolution	9	17

## **ITEM 10 FINANCING**

We offer the following financing program:

Item Financed (Note 1)	All or a Portion of the Initial Franchise Fee.
Source of Financing (Note 2)	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	A security interest in the Franchised Business including all accounts, equipment, furniture, fixtures, inventory, and other assets of the Franchised Business; Personal guarantee from all owners of the franchisee entity.
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt (Note 3)	If the franchisee is an entity, its owners must personally guarantee the debt
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.
Intent to Sell (Note 4)	There is no intent to sell, assign or factor the debt to a third party.
Consideration for placement of financing (Note 5)	None

**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, limited liability company, partnership, or other entity, each officer, director, manager, member, partner, and shareholder (or other equity owner) of the franchisee must execute a personal guaranty for the note, agreeing to be personally, 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, we are 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. (Franchise Agreement, Section 4.1., 4.2).

**Site Selection.** We do not provide site selection assistance and are not liable for any consequences of your site selection decisions. We do provide criteria to help you select a site in our Manual. No commercial office location is required to operate your Franchise Business. You may operate entirely from your home or a virtual setting, provided that you maintain a professional virtual office or meeting space to meet clients as needed and such arrangement complies with all applicable laws and regulations. Alternatively, you may choose to obtain a traditional commercial office space within your Territory. (Franchise Agreement, Sections 3.2., 4.3).

**Assistance to Hire and Train Employees.** You are solely responsible for hiring, firing, compensating, withholding and remitting applicable payroll taxes, providing all required employee benefits, ensuring compliance with all employment laws, and day-to-day supervision and control over your employees. You are the sole employer of your employees, and we have no joint employer relationship with you or your employees. The Manual may recommend best practices on how to hire and train employees (Franchise Agreement, Section 3.4).

**Assistance to obtain equipment, signs, fixtures, opening inventory, and supplies.** We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items. (Franchise Agreement Section 3.5)

**Operations Manual.** We provide access to our Operations Manual ("Manual") to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 4.4).

**Length of Time Before Opening:** The typical length of time between the signing of the Franchise Agreement and the opening of your outlet is four (4) to twelve (12) weeks. You agree to begin operations and be open for business no later than twelve (12) months from the date both parties execute the Franchise Agreement. If you do not, then we may terminate the Franchise Agreement without any refund of fees paid to you (Franchise Agreement, Section 1.4, 3.2., 4.3).

Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain financing; (2) enter into a lease if you choose to obtain a commercial office; (3) comply with zoning; (4) obtain licenses and permits; (5) perform construction; (6) weather conditions; (7) acquire and install furniture, fixtures, equipment, and signage; and (8) hire and train staff.

**During the Operation of the Franchise:**

**Operational Support.** We offer assistance with operating problems and issues that you may encounter. (Franchise Agreement, Sections 3.1, 3.5).

**Marketing Support.** We offer marketing assistance and support. (Franchise Agreement, Section 1.3).

**Computer Hardware and Software.** We specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 4.5).

**Central Processing.** We may elect to offer central processing to assist in the operation of your Franchised Business.

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

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

**Advertising Program and Fund:**

**Local Advertising.** We do not impose any minimum local advertising requirements.

**Advertising Fund.** You agree to contribute three percent (3%) of your Gross Revenues to our Advertising Fund. Franchisor-owned outlets are not required to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request within thirty (30) days of such request.

In our last fiscal year ending December 31, 2025, the Advertising Fund spent in excess of the amounts collected into the fund. The 2025 Advertising Funds were spent as follows:

<b>Category</b>	<b>Percent</b>
Production	35%
Media Placement	10%
Administrative Expenses	55%

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

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

**Our Obligation to Conduct Advertising.** We use monies in the Advertising Fund to advise you in the conduct of advertising or conduct advertising ourselves using online, radio, television, direct mail, billboards, print or other advertising. We may use local, regional, or national advertising. We may produce advertising material in-house or through outside agencies. We are not required to spend any amount on advertising in the area or Territory where you will be located. (Franchise Agreement, Section 1.9).

Corporate Website. We will develop and maintain a comprehensive website that contains your location's contact information. (Franchise Agreement, Section 1.9.A).

Digital Marketing. We may create, operate and promote websites, social media accounts (including but not limited to Facebook, Twitter, and Instagram), applications, digital advertising (including pay-per-click and display ads) or other means of digital marketing to promote the brand, Franchised Business, Marks and franchise opportunities. We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. (Franchise Agreement, Section 1.9.B).

Digital Campaigns. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor. (Franchise Agreement, Section 1.9.B).

Print Material. We supply you with templates of fliers, coupons, and other print material. (Franchise Agreement, Section 1.9.C)

**Use of Your Own Advertising Material.** You may use your own advertising materials provided that you submit them to us and we approve them, in writing, and they adhere to federal, state and local law. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. (Franchise Agreement, Section 1.9.D).

Private Websites. You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business, without first obtaining our written approval. (Franchise Agreement, Section 1.9.F).

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

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

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

You must comply with our computer hardware, and software specifications. At present, we require you to have an internet connection, email, and the following hardware and software:

#### Hardware

- 2-5 desktop computers and monitors depending on the size of the office
- at least 1 printer, scanner, copier
- dedicated server

These items can be purchased for approximately \$2,500 - \$4,000.

Software

You will also need to subscribe to such software as we specify; presently the following software is specified or recommended at the monthly costs listed:

Software Name	Nature	Approx. Cost per month (currently)
Loyalty Accounting System powered by Intuit	Bookkeeping, and Accounting functionality	\$105/year, \$15 per personal return, \$20 per business return, \$2 per electronic signature
Dext	Receipt Capture and Recognition integrated with Intuit	\$30/month
Financial Cents	CRM Platform	\$65/month per user
Loyalty Tax powered by Crosslink	Allows preparation of income tax returns	Free to use; no fee for personal returns; \$35 per business return (packaged pricing offered).

Software license types and service providers are subject to change at any time. We do not establish the prices set by third-party providers, but we do take commercially reasonable efforts to negotiate pricing for the benefit of our franchisees. 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 \$1,000.

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

copy of any business records, you must send us at your expense these records within five business days of receiving our request.

**Operations Manual:**

Exhibit F contains the Table of Contents to the Operations Manual. The Manual contains approximately 50 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	
<b>Total</b>	<b>18</b>	<b>0</b>	

Note 1- 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 Heather Williams. 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	3	1
Nicole Bellenfant	21	1

We hold Initial Training classes monthly. The instructional material includes the Manual, lectures, demonstrations, discussions, practice and forms. We reserve the right, in our discretion, to supplement the Initial Training program with additional training sessions, instructional materials, or delivery methods as we deem necessary or appropriate from time to time.

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

We require that you or, in the case of an entity, your principals, attend Initial Training. You may enroll your management personnel upon our approval. Your successful completion of Initial Training to our satisfaction is required to operate a 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 incur to attend training.

## **ITEM 12 TERRITORY**

The Territory will be for a specific geographic region that we define by zip codes, natural, or political boundaries as set forth in Schedule 1 to the Franchise Agreement. A territory will normally include a minimum population of approximately 65,000 residents as determined by the U.S. Census Bureau or mapping software that we feel is reliable.

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

We may grant to you approval to open additional outlet within your Territory if circumstances so permit, such as within other businesses with whom we have formed a relation, or if there is a population increase. We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate another territory.

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

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, you will receive a protected territory, meaning a geographical area within which we promise not to establish a company owned or franchised Ledgers location.

You and other franchisees may not solicit (but may accept) orders from consumers outside of your Territory, including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, but you may engage in internet and social media marketing pursuant to our guidelines which such marketing may extend outside your Territory.

Continuation of your territorial rights depends on achieving a certain sales growth. You cannot have declining revenue during two consecutive years (“Minimum Requirements”). A year will include each fiscal year (including any partial year) ending on December 31. If you fail to meet the Minimum Requirements, then we reserve the right to establish a company-owned outlet selling the same or similar goods or services under the same or similar trademarks or service Marks.

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, except that we will normally direct inquiries for services from customers whose primary address is within your Territory to your Franchised Business
- (b) to implement cross-territorial protocols and other guidelines applicable to such situations as group advertising buys by multiple franchisees which may extend into multiple territories, solicitation of orders of individuals who may reside in one Territory, yet work in another, and other cross-territorial situations;
- (c) to establish and operate, and grant rights to others to establish and operate a Franchised 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;
- (g) to engage in any other business activities not expressly prohibited by the Franchise Agreement, anywhere.


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

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

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## ITEM 13 TRADEMARKS

The Franchise Agreement licenses to you the right to use the following principal trademarks (“Marks”) registered 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 Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

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

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

We reserve the right to supplement and modify the marks that you may or may not use in connection with the operations of your Franchised Business. You may only use the Licensed Marks

as authorized by us in writing and under the terms of your Franchise Agreement. You may not use the Licensed Marks in the name of any corporate entity that you establish.

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

At this time, we do not hold any patents. We claim a copyright to 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. We consider all of these items confidential and proprietary. Upon termination of your Franchise Agreement, you must return to us our Operations Manuals and any confidential information.

There are no material determinations of the U.S. Copyright Office or a court regarding our copyrights. There are no agreements that limits the use of our copyrights, except the confidentiality duties in your Franchise Agreement, which requires you to keep our confidential information confidential. We have no duty to protect our copyrights or defend you against claims arising from your use of our copyrighted items. We do not know of any copyright infringement that could materially affect you.

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

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

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

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

## **ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

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

You must designate a Business Manager. If you are an individual, then you must serve as Business Manager. 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 is the only individual with whom we will be required to communicate when we seek to communicate with you. Your Business Manager must complete the Initial Training Program to our satisfaction.

If you desire to designate a successor or replacement Business Manager, then you must notify us in writing; identify your proposed successor Business Manager and the reason that your predecessor Business Manager ceased to serve; furnish us with all information we may reasonably request regarding the proposed successor; and, obtain our advance written approval, which we will not unreasonably delay or deny.

You and any Business Manager must pass a background check. However, your Designated Manager is not required to have an equity interest in the franchisee, if it is an entity.

All owners of this franchise must guarantee the obligations under the Franchise Agreement. However, your spouse is not required to guarantee your performance under the Franchise 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 Franchise Agreement. No change to the owners or ownership percentages are permitted without our prior written consent.

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

You may offer for sale through your Franchised Business only a business advisory, bookkeeping, payroll, and income tax preparation as specified by us and such products and services that we have

approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

You may offer your services to any customers consistent with your territorial rights.

You are required to sell all goods or services that we authorize, unless prohibited by your applicable local law, or approved by us. We may change the types of authorized goods and services sold by franchisees. There are no limits on our right to make changes to the authorized goods and services sold by franchisees; however, we may not fundamentally alter the nature of the franchise offered. We may, at our sole discretion, revoke approval of a previously approved goods or services, at which case you must immediately stop selling the revoked services or products.

For the duration of your Franchise Agreement, you may not offer competitive services in the states and territories of the United States unless you receive our prior written consent.

You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of the Franchise Agreement, including a sale of the franchise or your interest in it, offer income tax preparation and related business services in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other Ledgers outlet of ours or a franchisee of ours in operation at the time.

You must operate the Franchised Business in strict conformity with all applicable federal, state, and local laws, ordinances and regulations. These laws, ordinances and regulations vary from jurisdiction to jurisdiction and are amendable and may be implemented or interpreted in different manners over time. It is solely your responsibility to apprise yourself of the existence and requirements of all laws, ordinances, and regulations applicable to the Franchised Business and to adhere to them and to the then-current implementation or interpretation of them.

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**ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE  
RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

Provision	Section In Franchise Agreement	Summary
a. Length of the franchise term	1.2.A	10 years.
b. Renewal or extension of the term	1.2.B	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirements for you to renew or extend	1.2.B	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. You must sign a general release of claims, notify us in writing at least 90 days before the expiration of the Agreement, and sign our then current Agreement, which may not contain materially different terms and conditions than your original contract.
d. Termination by franchisee	7.2	You may terminate the Agreement if you sell the franchise pursuant to the terms of the Franchise Agreement, do not renew, or under any grounds permitted by applicable state law.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	8.2., 8.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	8.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. “Cause” defined – non-curable defaults	8.2	Do not pass Initial Training, fail to obtain our approval of a site or open on time, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially false Franchise Application, fraud, uncured default of other agreement, fail to pay suppliers an amount exceeding \$3,000 for more than 60 days; fail to permit us to inspect or audit

Provision	Section In Franchise Agreement	Summary
		your franchise; or commit three or more breaches within 12 months.
i. Franchisee's obligations on termination/renewal	8.5	Cease operations and stop using our Marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by franchisor	7.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. "Transfer" by franchisee - defined	7.2	Includes transfer of Franchise Agreement, any interest of the Franchise Agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor's approval of transfer by franchisee	7.2	We have the right to approve all transfers.
m. Conditions for franchisor's approval of transfer	7.8	<p>You must be:</p> <ul style="list-style-type: none"> <li>-current in monetary obligations;</li> <li>-in compliance with the Franchises Agreement;</li> <li>-execute any transfer, amendment, or release forms that we may require;</li> <li>-provide to us a copy of the proposed transfer documents;</li> <li>-transferee must meet our criteria;</li> <li>-transferee must execute our then-current Franchise Agreement;</li> <li>-pay to us the Transfer Fee;</li> <li>-transferee must satisfactorily complete our Initial Training program;</li> <li>-comply with the post-termination provisions;</li> <li>-transferee must obtain necessary licenses and permits;</li> <li>-obtain any lessor approval for transfer;</li> <li>-the transfer must be made in compliance with any laws that apply to the transfer;</li> <li>-the purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation;</li> </ul>

Provision	Section In Franchise Agreement	Summary
		-you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	7.6	We do not maintain the right of first refusal
o. Franchisor's option to purchase franchisee's business	7.6	We do not maintain the right of first refusal.
p. Death or disability by franchisee	7.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	8.6.A.	No competition allowed in the United States and its territories (subject to applicable state law).
r. Non-competition covenants after the franchise is terminated or expires	8.6.B	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years (subject to applicable state law).
s. Modification of the agreement	10.2	No modifications except to Operations Manual or as you and we may mutually agree in writing. 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 Franchise Agreement are binding (subject to federal or state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure Document. Subject to applicable state law.
u. Dispute resolution by arbitration or mediation	9	You must first attempt to resolve claims against us through mediation. You must arbitrate claims against us.
v. Choice of forum	9.6	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	<b>Error! Reference</b>	Virginia law governs the Agreement, subject to the following exceptions: (a) federal law,

Provision	Section In Franchise Agreement	Summary
	source not found.	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 figure to promote our franchises.

### **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.

Ledgers® Franchised Businesses offer bookkeeping, payroll, income tax preparation, and incorporation services, primarily from virtual locations. The following table presents historical gross revenue figures for certain Ledgers franchisees from January 1, 2025, through December 31, 2025 (the "Measurement Period"). At the start of 2025, there were a total of 2 franchised outlets in operation. A total of 16 new franchised outlets opened during 2025 ("New Outlets"). As a result, there were a total of 18 franchised outlets in operation as of December 31, 2025.

These financial performance representations include the historical performance of 2 franchised outlets (11% of all outlets as of December 31, 2025), as reported to us by our franchisees. We excluded each of the 16 New Outlets from these financial performance representations because they were not in operation for the entirety of the Measurement Period. One of the reporting outlets operates a brick-and-mortar location and the other operations a virtual office.

<b>Outlets in Operation 3+ Years January 1, 2025 - December 31, 2025</b>	
<b>Metric</b>	<b>Amount / Count</b>
Max Gross Revenues	\$364,474
Min Gross Revenues	\$223,911
Average Gross Revenues	\$294,192
Median	\$294,192
Number of Offices	2
Number of Offices Above Average	1
Number of Offices Below Average	1
Percentage of Offices Above Average	50%

There are no operational differences between the franchised outlets whose results are reported in the table above and a franchised outlet that you would operate, except that the reporting locations are established and have been in operation for three or more years.

Written substantiation of our studies and other financial information that forms the basis for this financial performance representation will be made available to you upon reasonable request.

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

Other than the preceding financial performance representation, Ledgers® does not make any other financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Tyler Wynn at at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 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	8	4	-4
	2024	4	2	-2
	2025	2	16	+14
Company Owned	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Total Outlets	2023	8	4	-4
	2024	4	2	-2
	2025	2	16	+14

**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>
Total	2023	0
	2024	0
	2025	

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

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Alaska	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Arizona	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Arkansas	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
California	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	2	0	0	0	0	2
Colorado	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Connecticut	2023	1	0	0	0	1	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Florida	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	2	0	0	0	0	3
Maryland	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Michigan	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Missouri	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	2	0	0	0	0	2
New Jersey	2023	0	3	0	0	0	0	3
	2024	3	0	0	0	0	3	0
	2025	0	1	0	0	0	0	1
North Carolina	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1

Texas	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Ohio	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	1	0	0	0	0	1
Virginia	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	1	0	0	0	0	2
Total	2023	8	0	0	0	1	3	4
	2024	4	1	0	0	0	3	2
	2025	2	14	0	0	0	0	16

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Connecticut	2023	0	0	1	1	0	0
	2024	0	0	0	0	0	0
	2025	0	0	0	0	0	0
Total	2023	0	0	1	1	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
Illinois	1	2	0
New York	0	3	0
North Carolina	0	4	0
Pennsylvania	0	2	0
South Carolina	0	2	0
Texas	2	5	0
Virginia	0	4	0
<b>TOTALS</b>	3	22	0

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

Exhibit E-2 contains the name and last known address and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

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

## **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 CONTRACTS**

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

Exhibit B	Franchise Agreement
Schedule 1	Territory
Schedule 2	Automatic Bank Draft Authorization
Schedule 3	Telephone Number Assignment
Schedule 4	Lease Rider
Schedule 5	Release
Schedule 6	State Addenda to the Franchise 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. You must sign, date and deliver one copy of the Receipt Page to us for our records.

**EXHIBIT A**

**STATE ADDENDA TO THE DISCLOSURE DOCUMENT AND  
FRANCHISE 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 provide for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

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

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

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

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

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

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

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

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

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.

Initial Fee Deferral:

Item 5 of the FDD and Section 2.1 of the Franchise Agreement is modified with the addition of the following language:

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

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.**

## 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 or Franchise Agreement 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. Item 5 of the FDD and Section 2.1 of the Franchise Agreement are 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."
- F. 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.

## 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 Disclosure Document (FDD) or Franchise Agreement (FA) 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 2.1 of the FA are modified with the addition of the following language:

“Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. “

- 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 FA and the Franchisee Questionnaire are amended with the addition of the following language:

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

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 Franchise 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 and Item 2.1 of the Franchise Agreement are 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>

1/11/23, 8:52 AM

[https://www.sec.gov/Archives/edgar/data/1528930/000117184317007565/f8k\\_121117.htm](https://www.sec.gov/Archives/edgar/data/1528930/000117184317007565/f8k_121117.htm)

**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. 553.01, et. seq., and Wis. Adm. Code Chapter DFI-Sec. 31.01, et seq., which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. In the event of a conflict of laws, the provisions of the Wisconsin Franchise Investment Law, Wis§ 553.01, et. seq., and Wis. Adm. Code Chapter DFI-Sec. 31.01, et seq., shall prevail.

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

FDD:           Item 17

FA:             Section 9

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

FDD:           Item 17

FA:             Section 8

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

Agreement, Franchisee shall still be entitled to (90) days written notice, as referenced above, however, Franchisee shall only have ten (10) days in which to remedy such default from the date of delivery or post of such notice.

FDD:           Item 17

FA:             Section 8

**ACKNOWLEDGMENT**

It is agreed that the applicable foregoing State-Specific Addendum, if any, supersedes any inconsistent portion of the Franchise Agreement 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-**  
**FRANCHISE AGREEMENT**



**SUMMARY PAGE**

- |                                      |          |
|--------------------------------------|----------|
| <b>1. Franchisee Business Entity</b> | _____    |
| <b>2. Initial Franchise Fee</b>      | \$ _____ |
| <b>3. Territory Name</b>             | _____    |
| <b>4. Opening Deadline</b>           | _____    |
| <b>5. Principal Executive</b>        | _____    |
| <b>6. Franchisee's Address</b>       | _____    |
| <b>7. Outlet #</b>                   | _____    |

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### **Schedules**

Schedule 1	Territory
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Schedule 3	Telephone Number Assignment
Schedule 4	Lease Rider
Schedule 5	Release
Schedule 6	State Addenda to the Franchise Agreement

## Franchise Agreement

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

### Recitals

Ledgers has developed a system (“Franchise System”) to deliver advisory, compliance, recordkeeping and tax services (collectively “Services”). 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”).

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

Franchisee seeks to use the Franchise System to deliver an outstanding Client experience.

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

#### 1. Scope

##### 1.1. *Franchise Relationship*

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

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

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

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

###### C. *Your Employees*

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

**D. No Unauthorized Commitments.**

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

**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 and Subsequent Renewals.**

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

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

**1.3. Territory**

You will receive a geographic area within which we promise not to establish either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service Marks. A geographic area will normally include a population of **65,000** residents and at least 3,500 business as defined by our marketing programs, as determined by the U.S. Census Bureau, or other mapping data that we feel is reliable. Schedule 1 defines your “Territory” by zip codes, political, or geographic boundaries.

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

You may not provide Services to Clients outside of your Territory without our written permission. We may grant or deny permission in our sole judgment. In no event will you be permitted to offer Services to any Client within a territory owned by another unit franchisee. Should we grant permission, it will be freely revocable by us for any reason or no reason at all. Further, you must immediately stop providing Services to any Client located outside of your Territory immediately upon notice that a new franchisee has purchased such territory. Furthermore, if permission is granted, you must immediately stop providing Services to any such Client.

#### **1.4. Facility**

##### **A. Initial Location**

You must begin operations and be open for business no later than twelve (12) months from the Effective Date. No commercial office location is required to operate your Franchise Business. You may operate entirely from your home or a virtual setting, provided that you maintain a professional virtual office or meeting space to meet clients as needed and such arrangement complies with all applicable laws and regulations. Alternatively, you may choose to obtain a traditional commercial office space within your Territory. If you fail to open within twelve (12) months of the Effective Date, then we can terminate without any refund to you.

##### **B. Reserved**

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

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.

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

Continuation of your territorial rights depends on achieving a certain growth. You cannot have declining revenue during two consecutive years (“Minimum Requirements”). A year will include each fiscal year (including any partial year) ending on December 31. If you fail to meet Minimum Requirements, then we reserve the right to establish a company-owned outlet selling the same or similar goods or services under the same or similar trademarks or service Marks.

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

##### **A. Client Choice**

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

##### **B. Protected Territory**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, you will receive a protected territory, meaning a geographical area within which we promise not to establish a company owned or franchised Ledgers location.

##### **C. Limits on Exclusivity**

You may face competition from other franchisees, outlets that we own, other channels of distribution or competitive brands that we control for a Client that resides in your Territory. Another Ledgers franchisee or an affiliate may make sales to a Client within your Territory using our Marks, including through the use other channels of distribution, such as the Internet, catalog sales, or telemarketing.

##### **A. Profit Passover**

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

### **B. *Client Coordination***

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

### **C. *Other Brands***

We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under this Agreement. Currently, our affiliate ATAX LLC d/b/a ATAX offers franchise opportunities for franchisees to offer goods and services similar to those you will offer.

## **1.2. *Advertising***

### **A. *Local Advertising and Promotions.***

Your advertising and promotions will conform to the following requirements:

1. You will advertise and promote only in a manner that will reflect favorably on us.
2. You will participate in all promotional programs and that we create, offer or advertise.
3. Your advertising must comply with federal, state, and local laws.

### **B. *Advertising Fee***

You will contribute 3% of the previous month's Gross Revenues into the Advertising Fund monthly.

### **C. *Fund.***

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

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

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

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

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

**B. *Digital Marketing.***

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

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

**C. *Print Material.***

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

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

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

1. you submit them to us;
2. they conform to the Manual;
3. they adhere to federal, state and local law; and
4. we approve them, in writing. If our written approval is not received within fourteen (14) days that we receive the request, then the material is deemed disapproved.

**E. *Business cards.***

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

**F. *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.

**G. *Social Media.***

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

**H. *Publicity.***

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

**1.4. *Trademarks***

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

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

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

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

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

You may not use the words "LEDGERS" or "LOYALTY BUSINESS SERVICES" or any confusingly similar words as any part of the name of a corporation, LLC or other entity. However, Ledgers, Loyalty Business Services or LBS followed by your entity number, or such other designation as we will specify, will be your "doing business as" name for an entity which owns this franchise, sometimes also called your "assumed name," "trading as" name, or "fictitious name." You are solely responsible for registering your assigned "doing business as" name with your state or local regulatory bodies in accordance with applicable law.

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

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

**E. *Infringement Claims.***

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

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

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

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

You grant us a non-exclusive, royalty-free license to use your name and likeness in all forms and media for advertising, trade, and any other lawful purposes related to the promotion of the franchise system and the Marks, during the term of this Agreement and for a reasonable period thereafter.

**2. Fees**

**2.1. *Initial Franchise Fee***

Upon execution of this Agreement, you will pay us an initial fee of **\$35,000** (the "Initial Franchise Fee"). The Initial Franchise Fee is fully earned and nonrefundable upon execution of this Agreement, except as may be required by applicable law or as otherwise specifically provided in this Agreement.

**2.2. *Reserved***

Reserved to preserve numbering.

**2.3. *Royalty Fee***

You will pay us a continuing royalty fee in an amount equal to ten percent (10%) of Gross Revenue (the "Royalty Fee") for each month during the term of this Agreement, which will be paid to Franchisor by the fifth (5th) day of each month based on the Gross Revenue from the preceding month.

The term “**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes collected from customers and remitted to taxing authorities, and bona fide refunds actually paid to customers.

**2.4. Central Processing**

If we provide central processing to you, then you will pay us the then-current rate charged by us for central processing.

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

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

**2.6. Third Party Software Fees**

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

**2.7. On-Site Training Fee**

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

**2.8. Annual Convention**

Either you or your Business Manager must attend the Annual Convention. While there will be no admission fee, you are responsible for any travel related expenditures such as lodging, meals and transportation. Additionally, we may require that you obtain materials for use in your business. You will be responsible for any materials charge.

**2.9. Strategic Sourcing**

Reserved.

**2.10. Third Party Charges**

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

**2.11. Transfer Fee**

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

**2.12. Administration**

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

**2.13. Client Refunds**

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

**2.14. Audit Fee**

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

**2.15. Credit Card Fee**

If we allow you to pay any fee to us by credit card, you also will pay the then-current credit card processing fee charged by third-party credit card processors.

**2.16. Insufficient Funds Fee**

You will pay to us a minimum of \$50 per transaction if an electronic transfer or other payment from you to us is declined.

**2.17. Late Fees**

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

**2.18. Customer Service Call Fee**

We or our designee may make customer service calls to customers of your Franchised Business to ensure satisfaction and protect brand standards. You must pay us \$5 for each customer service call we or our designee make. For purposes of this Section, a "call" includes a live call in which we or our designee speak with the customer, and any attempted call, whether or not we reach the customer (including no answer or voicemail). We may charge this fee for up to four (4) calls per customer per calendar year. Upon your written request, we may, in our sole discretion, grant you approval to make the customer service calls instead of us making them. If we grant such approval, you must follow our prescribed procedures and timelines for making such calls as set forth in the Manual. We may revoke such approval at any time, with or without cause, and resume making the calls ourselves, in which case you will again be required to pay this fee. You will not owe this fee for any calls that you make with our prior approval.

**2.19. Payment Terms**

**A. Recurring fees.** You must submit a monthly Royalty Report to us by 11:59 PM Eastern Time on the 5th day of the month following the reporting period (the "Report Due Date"). For example, the Royalty Report for January is due by February 5th. The Royalty Report calculates your Royalty Payments owed to us. Your Royalty Payments are due on the Report Due Date. You will execute an Automatic Bank Draft Authorization on a form substantially similar to that in Schedule 2. We will initiate the ACH draft of your Royalty Payment on the Report Due Date. The ACH draft may process on the Report Due Date or within 1-3 business days thereafter depending on normal ACH processing times. You are responsible for ensuring sufficient funds are available in your account on the Report Due Date until the draft is processed.

**B. Other fees.** We will provide an invoice to you for any other fees incurred. Payment for any such amounts are due immediately upon issuance of the invoice ("Invoice Due Date"). We will initiate the ACH draft of your account on the Invoice Due Date or within five (5) business days after the Invoice Due Date. You are responsible for ensuring sufficient funds are available in your account from the Invoice Due Date until the draft is processed. We reserve the right to deduct monies that you owe to us from any monies that we pay to you.

### **3. Duties of Franchisor**

#### **3.1. *Manual***

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

#### **3.2. *Site Selection***

We do not provide site selection assistance. We do provide criteria to help you select a site in our Manual.

#### **3.3. *Training***

##### **A. *Initial Training.***

We will provide you a minimum of three (3) days of Initial Training. The Initial Training course will provide you with training on operations and client acquisition. We presently offer this training live in Newmarket, Ontario, Canada, 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 prior to opening your Franchised Business.

##### **B. *Advanced Training.***

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

#### **3.4. *People Management***

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

#### **3.5. *Signage, Supplies and Sourcing***

We provide specifications for signage in our Manual. We provide guidance to obtain equipment, signs, fixtures, opening inventory, and supplies. We provide the names of approved vendors or specifications for these items. We do not deliver or install these items.

## **4. Duties of Franchisee**

### **4.1. Commitment**

#### **A. Involvement.**

You must operate the Franchise Business personally, unless you submit to us a Business Manager who attends and successfully completes our Initial Franchisee Training course, and who is not later disapproved by us. However, you will be responsible to ensure that the Business Manager fulfills all your responsibilities under this Agreement. Delegation of tasks to a Business Manager does not reduce any liability that you may have under this Agreement. 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.

#### **B. Client Service**

Your Franchised Business must solicit Clients and utilize our engagement letter to offer Ledgers Products and Services. Your Franchised Business must serve every Client in a professional and respectful businesslike manner diligently fulfilling your obligations to them when they desire to purchase your goods or services. In providing services, you must prepare tax returns and conduct business in accordance with all federal, state, and local laws. You must follow all rules of the Internal Revenue Service and any state or local taxing authority. You must develop internal policies to ensure compliance. You must use commercially reasonable efforts to participate fully in all marketing programs offered by us.

#### **C. Products and Services**

You must offer the Products and Services that we require as specified in the manual. You may not offer any other Products and Services through the Franchise Business without our prior written consent. You must use commercially reasonable efforts to deliver all recommended Services including advisory, compliance, recordkeeping and tax services to Clients.

### **4.2. Training**

#### **A. Initial Training.**

You and any Business Manager working for you must attend and successfully complete our Initial Franchisee Training before you may operate the Franchise Business. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

#### **B. Advanced Training.**

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

#### **C. Employee Training.**

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

### **4.3. Facility**

- A. **Lease.** If you choose to obtain a commercial space for operation of your Ledgers office, you are not required to obtain our approval before entering into a lease or purchase agreement for your office location, but the location must be within your Territory.
- B. **Plan and Layout.** It is your responsibility to develop and implement the plans and layout for your office location.
- C. **Buildout.** It is your responsibility to engage contractors or suppliers and buildout your office location.
- D. **Permitting.** It is your responsibility to conform the premises to all applicable federal, state, and local ordinances, building codes, licensing requirements, and obtain any and all required permits before commencing operations.
- E. **Signage.** It is your responsibility to obtain signage in conformity with the templates provided by us and to the specifications provided in our Manual. If you need to modify our signage templates or specifications to meet your needs or the restrictions of your office location, you must obtain our written approval by submitting your request to our operations department. We will use commercially reasonable efforts to respond to any request submitted to our operations department within five (5) business days, but failure to respond within this timeframe shall not constitute approval.
- F. **Brand Image.** You must maintain the facility housing your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our Franchise System.

#### **4.4. Operations**

##### **A. Manual.**

You must operate the Franchise Business according to the then-current Manual. This includes using commercially reasonable efforts to obtain engagement agreements, in writing, prior to performing Services.

##### **B. Modification**

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

#### **4.5. Operational Technology**

##### **A. Telephone Number and Electronic Communications.**

You will obtain and maintain an operational telephone number for your Franchised Business. We may provide you with an e-mail address and require you to use that e-mail address as the sole source of e-mail for your Franchised Business.

### **B. Requirement**

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

### **C. Technology Refresh**

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

## **4.6. REPORTS AND REVIEW**

### **A. Reports.**

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

<b>Name of Report</b>	<b>When Due</b>
<b>Monthly Royalty Report</b>	By the 10 <sup>th</sup> day following the end of each month
<b>Annual Budget</b>	January 15 of each year.
<b>Annual Profit &amp; Loss Statement and Balance Sheet</b>	By May 31 of each year as to income and expenses incurred in the prior year

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

You will allow us to have independent access to the information that will be generated or stored in your computer system or remotely by online cloud storage, arising out of or related to the Franchise Business, which includes prospect, financial, and operational information. We will provide an engagement letter and consent form for use in your Franchised Business. It is your sole responsibility to comply with all applicable laws, including IRC Section 7216 and applicable state data privacy laws, in determining the desire and scope of a Client's consent to share Client data and to refrain from sharing any data without proper written consent. You will indemnify us for any violations of data privacy laws arising from your failure to obtain proper consent.

### **C. Reviews.**

We reserve the right to review your business operations in person, by mail, or electronically to ensure operational compliance in accordance with our Manual.

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

We will access records stored on online cloud storage at our election to ensure operational compliance. Should we request access to information stored by you on site, you will provide copies within five (5) business days of receiving our request of your paper and electronic records related to the Franchised Business and any other operations taking place through your Franchised Business. This also includes the right to inspect and copy financial records, bank statements, and revenue reports that show revenues from the Franchised Business. Alternatively, we may require review-only access to all bank accounts used by you receiving deposits arising from or related to the Franchise Business.

**E. *Secret Shoppers***

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

**F. *Corrective Action Plan***

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

**G. *Central Processing***

We reserve the right to require the use of our central processing center to produce certain deliverables for Clients.

**4.7. *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:

1. service to any client;
2. breach or alleged breach of this Agreement;
3. negligence, or
4. willful misconduct.

The obligations in this Section are effective during the Term and survive for a period of three (3) years following termination or expiration of this Agreement, except for claims arising during the Term which shall survive indefinitely.

**4.8. *Insurance***

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

**4.9. *Notice and Compliance***

You will comply with all rules and regulations of the Internal Revenue Service and any state or local taxing authority in the operation of your Franchised Business and remain current on your financial responsibilities. You must notify us immediately upon receipt of any tax assessment made against your Franchised Business.

**5. *Intellectual Property***

**5.1. *Ownership***

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

## **5.2. Client Data**

Client Data is Confidential Information. We retain all right, title, and interest in and to the Client Data during and after the Term of this agreement. You maintain an economic interest in providing Services to Clients during the Term of your Franchised Business. You may use Client Data during the Term as permitted by this Agreement and our Manual as long as the use is consistent with applicable law; however, your economic interest in Client Data and use of Client Data ends upon termination of the Franchise Agreement. "Client Data" means any and all information about Clients that may be collected in connection with their use of your Services including, but not limited to, name, telephone number, address and email address.

## **5.3. Suggestions**

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

## **5.4. Performance Data**

Performance data is Confidential Information. We reserve the right to share performance data of your Franchise Business with individuals and agents who need it to provide us with assistance or to comply regulatory requirements.

# **6. Confidentiality**

## **6.1. Definition**

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

## **6.2. Confidentiality**

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

## **6.3. Use**

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

#### **6.4. Storage**

You will store Confidential Information in a secure location whether physically or electronically. You must follow all regulatory and legal requirements for the protection of consumer data and tax preparer data. 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 destroy any Confidential Information stored in printed or digital form within ten (10) days and provide us with a written certification of destruction. However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

### **7. Transfer**

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

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

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

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

1. you are in full compliance with the Agreement,
2. current in all monies owed to us,
3. we approve of the individual or entity to which you are transferring ("Transferee"), which our consent will not be unreasonably withheld;
4. Transferee meets the requirements of Section 7.8.
5. 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 non-competition and non-solicitation obligations in Section 8.6, and
6. You pay to use the transfer fee (if any). See Section 2.11.

#### **7.3. Joint Tenancy**

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

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

A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a "Controlled Entity" will not trigger the Right of First Refusal. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such

person of the Controlled Entity must sign the then-current amendment and release forms or Franchisee Agreement as required by us. We do not charge a transfer fee for this change.

**7.5. *Transfer within an Entity***

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

**7.6. *Right of First Refusal***

We do not reserve a right to first refusal.

**7.7. *Death or Incapacity***

**A. *Definition***

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

**B. *Transfer***

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

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

**C. *New Franchisee***

The Transferee(s) must:

1. meet the requirements of Section 7.8 entitled Transferee Requirements.
2. complete Initial Training, and
3. enter into a new Franchise Agreement on the then-current form.

**D. *Interim Services***

An interim operator must meet the Transferee Requirements as defined in Section 7.8 except such interim operator may not enter into a new Franchise Agreement. We are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.

**7.8. *Transferee Requirements***

The proposed Transferee(s) must:

1. meet all legal and regulatory requirements to operate the Franchised Business;
2. complete our then-current Franchisee application;
3. pass our application screening using our then-current qualifications;
4. attend and successfully complete Initial Training; and
5. sign either, at our option:
  - i. an assignment of the rights remaining in your Franchisee Agreement, or
  - ii. our current Franchisee Agreement with the term adjusted to such length as remains on the term of your Franchisee Agreement.

## **8. Termination**

### **8.1. *Effect of Termination***

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

### **8.2. *Termination by Us***

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

1. If you do not successfully complete our Initial Training to our reasonable satisfaction in accordance with our current passing standards;
2. If you are charged with, indicted for, or convicted of a felony or serious misdemeanor involving moral turpitude, fraud or dishonesty;
3. If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law;
4. If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices;
5. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form including the request for consideration or application,
6. If you refuse to completely fill out a requested form or tender supporting documentation upon reasonable request;
7. If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
8. If a final judgment of record against you or your Franchise Business remains unsatisfied for thirty (30) days or longer;
9. If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after six (6) months; or
10. If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three (3) or more consecutive business days without our prior written consent, except when active operation is not reasonably possible due to circumstances beyond your reasonable control, such as a natural disaster, government order, or other force majeure event.

**8.3. 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 default and providing you an opportunity to cure:

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

**8.4. No Refund of Initial Fee**

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

**8.5. Post Termination Obligations**

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

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

**8.6. Non-Compete and No Solicitation**

**A. In-Term**

During the Term of this Agreement, you will not, except as required by this Agreement, directly or indirectly operate, manage, engage in, be employed by, provide services to, or have any financial

interest in any business that provides advisory, compliance, recordkeeping, payroll, or tax preparation services to individuals or businesses ("Restricted Activities") in the United States. Notwithstanding the foregoing, you may own up to five percent (5%) of the outstanding equity securities of any publicly traded company engaged in Restricted Activities.

**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 Territory or your interest in it, in the Territory or within twenty-five (25) miles of the boundaries of the Territory, directly or indirectly, engage in the Restricted Activities.

**C. *Disparagement***

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

**8.7. *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.

**8.8. *Interim Remedies***

If we send you a written notice that you are in default of this Agreement, the Operations Manual, or any other agreement with us, we may elect to immediately impose an interim remedy (the "Interim Remedies"), regardless of whether the default is curable, including the suspension of our obligations under this Agreement. You understand, acknowledge, and agree that our exercise of our right to impose Interim Remedies will not result in actual or constructive termination or abandonment of this Agreement, and that our right to Interim Remedies is in addition to, and apart from, any other right or remedy we may have in this Agreement. If we exercise the right to Interim Remedies, the exercise will not be a waiver of any breach by you of any term, covenant or condition of this Agreement. You will not be entitled to any compensation, including repayment, reimbursement, refund or offsets, for any fees, charges, expenses or losses you may directly or indirectly incur by reason of our exercise and/or withdrawal of any Interim Remedy. Interim Remedies include:

- (a) we may suspend the provision of all technology and software services provided to you pursuant to this Agreement, including any tax, accounting or bookkeeping software and/or website services; and
- (b) we may suspend our ongoing support, and the performance of all other obligations set forth in Section 3 of this Agreement.

**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. Choice of 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 to this Agreement. You are not a third-party beneficiary to any agreement between us and any other franchisee.

**10.4. Survival**

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

**10.5. Severability Clause**

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

**10.6. Notices**

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

780 Lynnhaven Parkway, Suite 240  
Virginia Beach, VA 23452  
Phone 888-268-0321

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

**10.7. Acknowledgements**

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

**10.8. Release of Prior Claims**

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

**10.9. Counterparts**

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

[Signature Page Follows]

**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.

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

	<b>Ledgers</b>	<b>Franchisee Entity</b>
Signature		
Name		
Title		
Address		

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

**Schedule 1-Territory**

Your Territory will be defined here.

**Schedule 2- 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 franchise 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 3- 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”).

#### **1. BACKGROUND**

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

#### **2. 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.

#### **3. 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.

**4. 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:

### Schedule 4- Lease Rider

<b>LANDLORD</b>	<b>FRANCHISOR</b>
Name:	Name:
Address:	Address:
City, State Zip:	City, State Zip:
Telephone:	Telephone:

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_ Lease Date: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of an Ledgers office (or any name authorized by Franchisor).
2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.
3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease, subject to Landlord’s approval in its reasonable discretion. To exercise this option, Franchisor must notify Landlord within 10 days after Franchisor receives notice of the termination of the Lease.
4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor, provided that any such proposed assignment shall be subject to Landlord’s approval in its reasonable discretion and must be exercised within 10 days after termination of the Franchise Agreement.
5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the Franchisor’s brand, subject to Landlord’s approval in its reasonable discretion.
6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.
7. Right to Enter. Upon the expiration or termination the Franchise Agreement or the Lease, or the termination of Tenant’s right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises within 10 days of such expiration or termination, to remove signs and other material bearing Franchisor’s brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.
8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

<b>LANDLORD</b>	<b>FRANCHISOR</b>
Signature:	Signature:
Name:	Name:
Title:	Title:
Date:	Date:

<b>Tenant</b>
Signature:
Name:
Title:
Date:

## Schedule 5A

### PROMISSORY NOTE

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 annum.

This Promissory Note ("Note") evidences funds owed by Maker for the Initial Franchise Fee due and payable under that certain Franchise 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 franchise agreements and related agreements, as amended, between Holder and Maker pertaining to Maker's operation of a franchise business; and (2) All "Accounts" and all "General Intangibles" used by Maker in connection with the franchise business, including (without limitation) all ledgers, files, books, records, and accounts receivables; and (3) Any commissions, fees, concessions or payments of any money due Maker as a sales representative, financial advisor, independent contractor, licensee, business owner, franchisee, stockholder, partner, officer, director or employee with any financial services business; and (4) All "Equipment", "Supplies" and "Furniture and Fixtures" used by Maker in the franchise business, including all computers, printers, computer networks, telephone systems, fax machines, file cabinets, all office furniture, desks, chairs, tables, signs, panels and calculators.

Maker will enroll in the automatic 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 of 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 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.

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

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 5B**  
**Personal Guaranty**

This binding contract (“Guaranty”) is between:

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

In exchange for awarding certain franchise rights to the Beneficiary, pursuant to a Franchise Agreement, along with other valuable consideration, Guarantor(s) jointly and severally personally guarantee the payment of any money and the performance of any obligation of the Beneficiary to Franchisor. Therefore, each Guarantor will pay the Franchisor, on demand and without offset, any sum due to the Franchisor by the Beneficiary arising out of or related to the 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 arising from the Franchise Agreement or 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 Franchise Agreements.
- 2. The following consideration is given:

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

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

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

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

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

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

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

Approved and agreed to by:

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

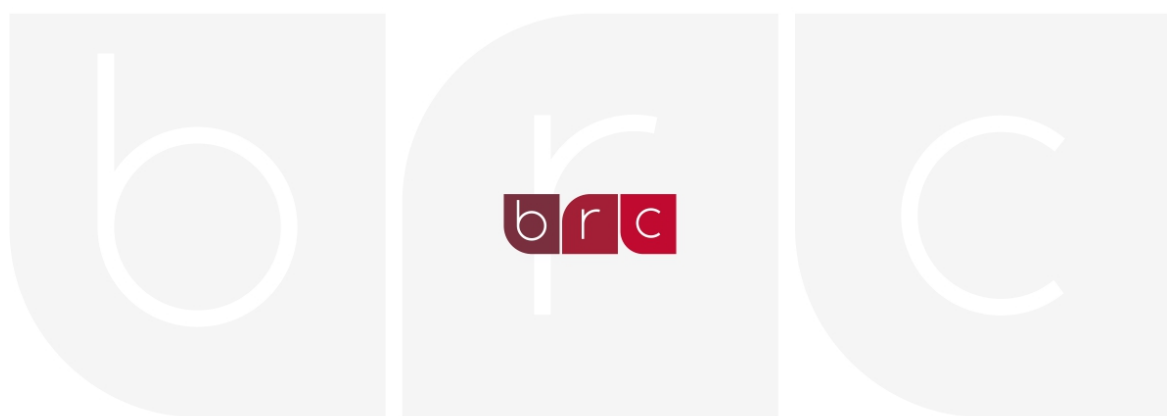
**EXHIBIT C**

**FINANCIAL STATEMENTS**

LOYALTY BUSINESS SERVICES, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025, 2024, AND 2023



**LOYALTY BUSINESS SERVICES, LLC**  
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## Independent Auditor's Report

To Members of  
Loyalty Business Services, LLC  
Virginia Beach, Virginia

### **Opinion**

We have audited the accompanying financial statements of Loyalty Business Services, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2025, 2024, and 2023, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loyalty Business Services, LLC as of December 31, 2025, 2024, and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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



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

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

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

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

*Bernard Robinson & Company, L.L.P.*

Raleigh, North Carolina  
April 29, 2026

**LOYALTY BUSINESS SERVICES, LLC**  
**Balance Sheets**  
**December 31, 2025, 2024 and 2023**

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	<u>Assets</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current Assets:			
Cash and cash equivalents	\$ 66,077	\$ 424,085	\$ 181,077
Royalty receivables	23,514	3,190	3,302
Notes receivable, current	49,999	-	40,760
Total Current Assets	<u>139,590</u>	<u>427,275</u>	<u>225,139</u>
Noncurrent Assets:			
Notes receivable, less current portion	66,574	-	-
Due from related parties	611,609	630,180	1,229,516
Deferred tax asset	832,000	715,000	611,000
Total Noncurrent Assets	<u>1,510,183</u>	<u>1,345,180</u>	<u>1,840,516</u>
Total Assets	<u>\$ 1,649,773</u>	<u>\$ 1,772,455</u>	<u>\$ 2,065,655</u>

**Liabilities and Members' Equity**

Current Liabilities:			
Accounts payable	\$ 23,366	\$ 10	\$ 10
Accrued expenses	6,196	4,755	9,975
Due to related parties	874,220	867,180	752,180
Deferred revenue, current	56,050	24,000	94,000
Total Current Liabilities	<u>959,832</u>	<u>895,945</u>	<u>856,165</u>
Noncurrent Liabilities:			
Deferred revenue, net of current	406,043	83,000	53,989
Total Noncurrent Liabilities	<u>406,043</u>	<u>83,000</u>	<u>53,989</u>
Total Liabilities	<u>1,365,875</u>	<u>978,945</u>	<u>910,154</u>
Members' Equity:			
Members' equity	283,898	793,510	1,155,501
Total Members' Equity	<u>283,898</u>	<u>793,510</u>	<u>1,155,501</u>
Total Liabilities and Members' Equity	<u>\$ 1,649,773</u>	<u>\$ 1,772,455</u>	<u>\$ 2,065,655</u>

**LOYALTY BUSINESS SERVICES, LLC**  
**Statements of Operations**  
**For the Years Ended December 31, 2025, 2024, and 2023**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Revenue:			
Initial franchise fees	\$ 35,406	\$ 30,336	\$ 113,362
Royalty fees	62,368	36,056	37,528
Other	49,891	26,479	41,740
Total revenue	<u>147,665</u>	<u>92,871</u>	<u>192,630</u>
Operating expenses:			
Salaries, wages, taxes and benefits	167,184	174,839	449,440
Advertising and promotions	5,705	2,750	9,910
Corporate overhead expense	247,610	175,805	109,334
Franchise recruitment	110,269	95,587	50,925
Technology expense	35,020	9,756	40,525
Management fees	-	-	15,000
Professional fees	195,333	84,627	13,327
Bad debt expense	-	35,657	294,324
Other general and administrative expenses	19,808	4,131	8,561
Total operating expenses	<u>780,929</u>	<u>583,152</u>	<u>991,346</u>
Other (income) expense:			
Interest income	(9,446)	(24,775)	(82,735)
Other income	-	-	(115,395)
Other expense	2,794	485	4,014
Total other (income) expense	<u>(6,652)</u>	<u>(24,290)</u>	<u>(194,116)</u>
Loss before income taxes	(626,612)	(465,991)	(604,600)
Income tax benefit	(117,000)	(104,000)	(98,000)
Net loss	<u>\$ (509,612)</u>	<u>\$ (361,991)</u>	<u>\$ (506,600)</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC**  
**Statements of Changes in Members' Equity**  
**For the Years Ended December 31, 2025, 2024, and 2023**

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	<u>Capital Contributions</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balances, January 1, 2023	\$ 3,200,000	\$ (1,495,613)	\$ 1,704,387
Adoption of Topic 326	-	(42,286)	(42,286)
Net loss (Restated)	-	(506,600)	(506,600)
Balances, December 31, 2023 (Restated)	3,200,000	(2,044,499)	1,155,501
Net loss	-	(361,991)	(361,991)
Balances, December 31, 2024	3,200,000	(2,406,490)	793,510
Net loss	-	(509,612)	(509,612)
Balances, December 31, 2025	<u>\$ 3,200,000</u>	<u>\$ (2,916,102)</u>	<u>\$ 283,898</u>

**LOYALTY BUSINESS SERVICES, LLC**  
**Statements of Cash Flow**  
**For the Years Ended December 31, 2025, 2024, and 2023**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:			
Net loss	\$ (509,612)	\$ (361,991)	\$ (506,600)
Adjustments to reconcile net loss to net cash used in operating activities:			
Change in allowance for credit losses	-	-	67,468
Write off of notes receivable, net of deferred revenue	-	46,310	226,854
Accrued interest income	(2,573)	(5,550)	(72,480)
Benefit from income taxes	(117,000)	(104,000)	(98,000)
(Increase) decrease in:			
Royalty receivables	(20,324)	112	(3,302)
Notes receivable	-	-	11,929
Increase (decrease) in:			
Accounts payable	23,356	-	(110,964)
Accrued expenses	1,441	(5,220)	4,823
Deferred revenue	241,093	(40,989)	(113,362)
Net cash used in operating activities	<u>(383,619)</u>	<u>(471,328)</u>	<u>(593,634)</u>
Cash flows from investing activities:			
Borrowings from related parties	25,611	714,336	510,300
Net cash provided by investing activities	<u>25,611</u>	<u>714,336</u>	<u>510,300</u>
Net increase (decrease) in cash	(358,008)	243,008	(83,334)
Cash, beginning of year	424,085	181,077	264,411
Cash, end of year	<u>\$ 66,077</u>	<u>\$ 424,085</u>	<u>\$ 181,077</u>
Supplemental disclosure of noncash investing and financing activities:			
Issuance of notes receivable for franchise purchase deferred over term of underlying agreement	<u>\$ 114,000</u>	<u>\$ -</u>	<u>\$ -</u>

**LOYALTY BUSINESS SERVICES, LLC**  
**Notes to Financial Statement**

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NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

Loyalty Business Services, LLC, dba Loyalty Business Services (the "Company") is a limited liability company, organized by the Commonwealth of Virginia in 2019. The Company intends to sell franchises to franchisees that will provide tax preparation and accounting services to the general public.

A summary of the Company's significant accounting policies follows:

**Basis of Preparation**

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Adoption of New Accounting Standard**

During the year ended December 31, 2025, the Company adopted Accounting Standards Update (ASU) 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. This ASU introduces a practical expedient that allows entities to estimate expected credit losses on current accounts receivables and notes receivable using historical loss information, adjusted for current conditions, without requiring forecasts of future economic conditions. The Company elected to apply this practical expedient to all accounts receivables and notes receivable arising from revenue transactions within the scope of ASC 606, Revenue from Contracts with Customers, that are due within one year or less. This election is consistent with the Company's historical experience and the short-term nature of these assets.

Additionally, as a non-public business entity, the Company elected the related accounting policy permitted under ASU 2025-05 to incorporate subsequent cash collections received after the balance sheet date when estimating expected credit losses. The Company considers cash collections through 45 days subsequent to period end in its evaluation. The adoption of this practical expedient did not have a material impact on the Company's financial statements.

**Cash and Cash Equivalents**

The Company includes all financial instruments which are not subject to withdrawal restrictions or penalties with a maturity of three months or less as cash and cash equivalents.

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

**Royalty Receivables**

Royalty receivables are stated at the amount management expects to collect from balances outstanding at year-end. The Company estimates its allowance for credit losses by considering a number of factors, including the length of time accounts receivable are due, historical losses, the customer's current ability to pay its obligation, collections subsequent to year end through February 15, 2026 and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited against credit loss expense. Management has determined there is no allowance for credit losses related to royalty receivables as of December 31, 2025, 2024, and 2023.

**LOYALTY BUSINESS SERVICES, LLC**  
**Notes to Financial Statement**

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NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue Recognition**

The Company generates revenue from three primary sources: (1) franchise fees and area representative sales, (2) royalty fees generated from franchisees and (3) referral fees earned from vendors.

The Company offers Franchise Agreements and Area Representative Sales Agreements ("ARA") for the right to operate an Loyalty Business Services (LBS) outlet or to develop LBS locations in a designated area. To license the use of the Company's brand, each franchisee enters into a franchise agreement or ARA that includes an initial license fee and monthly royalty and advertising fees based on a percentage of each franchisee's gross revenue. The Company recognizes revenue from the sale of the initial franchise and ARA licenses over time upon satisfaction of applicable performance obligations over the life of the agreement which is typically 10 years.

Monthly franchise royalties (the greater of 10% of gross receipts or the annual minimum as outlined in the executed franchise agreement) and monthly advertising fees (3% of gross revenues) pursuant to the franchise agreements, are recognized monthly at a point in time consistent with the period in which the franchisee sales are generated.

The Company also generates revenue for referring certain vendors to its franchisees. Referral fee revenue arrangements vary by vendor and the underlying revenues are generally earned at a point in time commensurate with when the franchisee enrolls with the vendor.

The Company has elected to apply the practical expedient to expense direct costs, such as sales commissions and associated personnel costs, as incurred when the expected amortization period is one year or less. Due to the nature of the Company's business, there is typically no significant variable consideration, such as discounts, allowances, and returns.

Initial franchise fees for the sale of the franchise license and ARAs received prior to the recognition of revenue are recorded as deferred revenue. Deferred revenue at December 31 are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Deferred initial franchise fee	\$ 56,050	\$ 24,000	\$ 33,989
Deferred area representative fees	<u>406,043</u>	<u>83,000</u>	<u>114,000</u>
	<u>\$ 462,093</u>	<u>\$ 107,000</u>	<u>\$ 147,989</u>
Prior year deferred fees recognized as income	<u>\$ 35,406</u>	<u>\$ 30,336</u>	<u>\$ 113,362</u>

**Income Tax Status**

For income tax purposes, the Company has elected to be taxed as a C Corporation by filing an Entity Classification Election (Form 8832). The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when management estimates that it is more likely than not that deferred tax assets will not be realized. Realization of deferred tax assets is dependent upon future pretax earnings, the reversal of temporary differences between book and tax income, and the expected tax rates in future periods. The temporary difference relates to net operating losses. The deferred tax asset represents the future tax benefit of those differences.

**LOYALTY BUSINESS SERVICES, LLC**  
**Notes to Financial Statement**

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NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Tax Status (Continued)**

The determination of current and deferred income taxes is a critical accounting estimate which is based on complex analyses of many factors including interpretation of federal and state income tax laws; the evaluation of uncertain tax positions; differences between the tax and financial reporting bases of assets and liabilities (temporary differences); estimates of amounts due or owed, such as the timing of reversal of temporary differences; and current financial accounting standards.

Additionally, there can be no assurance that estimates and interpretations used in determining income tax liabilities will not be challenged by federal and state taxing authorities. Actual results could differ significantly from the estimates and tax law interpretations used in determining the current and deferred income tax benefits.

It is the Company's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more-likely-than-not threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs. No material uncertain tax positions were identified for 2025, 2024, and 2023.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2025, 2024, and 2023 were \$5,705, \$2,750, and \$9,910, respectively.

**Use of Estimates**

Preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Reclassification**

Certain amounts have been reclassified to conform to the current year presentation.

**Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through April 29, 2026, which is the date the financial statements were available to be issued.

NOTE 2 - RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances, allocation of shared costs, and cost reimbursements. Total Loyalty, LLC and related affiliates shared expenses allocated to Loyalty Business Services, LLC were \$247,610, \$175,805, and \$109,334 for the years ended December 31, 2025, 2024, and 2023, respectively, which are included in corporate overhead expenses.

**LOYALTY BUSINESS SERVICES, LLC**  
**Notes to Financial Statement**

NOTE 2 - RELATED PARTY TRANSACTIONS (Continued)

The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<u>Accounts receivable</u>			
Loyalty LLC	\$ 591,609	\$ 610,180	\$ 1,209,516
Loyalty Franchising	15,000	15,000	15,000
The Inspection Boys	5,000	5,000	5,000
	<u>\$ 611,609</u>	<u>\$ 630,180</u>	<u>\$ 1,229,516</u>
<u>Accounts payable</u>			
Hewitt Construction	\$ 7,000	\$ 7,000	\$ 7,000
Zoomin Groomin	515,400	519,000	436,000
ATAX, LLC	326,820	326,180	294,180
Area Rep 001	25,000	15,000	15,000
	<u>\$ 874,220</u>	<u>\$ 867,180</u>	<u>\$ 752,180</u>

Additionally, the Company entered into a franchise agreement in 2024 with a member of management with a term of 10 years. The franchise agreement did not require any initial franchise license fees, but does require monthly royalty and marketing fees. Total royalty revenue related to this franchise agreement for the years ended December 31, 2025 and 2024 was \$19,423 and \$8,943, respectively, and total outstanding royalty receivables at December 31, 2025 and 2024 was \$337 and \$560, respectively.

NOTE 3 - FRANCHISE AGREEMENTS

Franchise locations consisted of the following as of December 31, 2025:

	<u>Units</u>	<u>ARA Units</u>
Units/ARA Units beginning of year	2	1
New units opened	16	2
Units closed	-	-
Units/ARA Units at year end	<u>18</u>	<u>3</u>

NOTE 4 - NOTES RECEIVABLE

Notes receivable consists of financed area representative and unit franchise agreements. Promissory notes carried interest up to 12%. Amounts due as of December 31 are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Notes receivable - Principal	\$ 114,000	\$ -	\$ 40,000
Notes receivable - Accrued interest	2,573	-	16,607
	116,573	-	56,607
Allowance for credit losses	-	-	(15,847)
	<u>\$ 116,573</u>	<u>\$ -</u>	<u>\$ 40,760</u>

**LOYALTY BUSINESS SERVICES, LLC**  
**Notes to Financial Statement**

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NOTE 5 - DEFERRED TAXES

Provision for income tax benefit is comprised of the following as of December 31:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current tax expense (benefit):			
Federal	<b>\$ (88,000)</b>	\$ (86,000)	\$ (80,000)
State	<b>(29,000)</b>	(18,000)	(18,000)
	<u><b>(117,000)</b></u>	<u>(104,000)</u>	<u>(98,000)</u>
Expense (benefit) from income taxes	<u><b>\$ (117,000)</b></u>	<u>\$ (104,000)</u>	<u>\$ (98,000)</u>
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Deferred income taxes:			
Gross deferred tax assets - federal	<b>\$ 676,000</b>	\$ 588,000	\$ 502,000
Gross deferred tax assets - state	<b>156,000</b>	127,000	109,000
	<u><b>\$ 832,000</b></u>	<u>\$ 715,000</u>	<u>\$ 611,000</u>

Deferred tax asset relates to net operating loss carryforwards. Net operating losses approximate \$3,400,000 as of December 31, 2025. The deferred tax assets have not been reduced by a valuation allowance as management believes all deferred tax assets will be realized in future periods prior to expiration.

NOTE 6 - COMMITMENT AND CONTINGENCY

The Company is a defendant in a legal proceeding arising in the ordinary course of business. The plaintiff has asserted a claim seeking damages in the amount of \$1,000,000. Management, after consultation with legal counsel, has evaluated the facts and circumstances of the matter and does not believe that an unfavorable outcome is probable at this time. Accordingly, no provision for loss has been recorded in the accompanying financial statements.

While the ultimate resolution of this matter cannot be determined at present, Management will continue to monitor the status of this matter and will record a liability if and when such a loss becomes probable and reasonably estimable.

NOTE 7 - GOING CONCERN CONSIDERATIONS

As of December 31, 2025, the Company had negative working capital, operating losses and negative operating cash flows. Management of the Company has evaluated these conditions and taken strategic measures to remain committed to disciplined cost management while sustaining the strong upward momentum in sales that has carried into 2026. Furthermore, a related affiliate, Loyalty, LLC, has committed to financially support the Company for one year from the date these financial statements were available to be issued.

**LOYALTY BUSINESS SERVICES, LLC**  
**Notes to Financial Statement**

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NOTE 8 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2023, the Company's financial statements included balances for a note receivable and deferred revenue for a franchise agreement that was terminated in 2023 but not properly written off in 2023. During the year ended December 31, 2024, the Company identified this error and restated its financial statements to properly recognize the termination of the franchise agreement recording \$219,118 in bad debt expense for the year ended December 31, 2023 and removing the \$752,118 note receivable, and \$533,000 deferred revenue balances at December 31, 2023.

The effect of the restatement is to decrease members' equity as of January 1 as follows:

<u>2023 Restatement</u>	<u>Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
Members' equity - January 1, 2024	\$1,374,619	\$ (219,118)	\$ 1,155,501
Notes Receivable	792,878	(752,118)	40,760
Deferred Revenue	680,989	(533,000)	147,989
Bad Debt Expense	75,206	219,118	294,324
Net loss	(287,482)	(219,118)	(506,600)

**EXHIBIT D-**  
**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF**  
**PROCESS**

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd Sacramento, CA 95834 1-866-275-2677	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 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 Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th 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	Secretary of State 99 Washington Avenue Albany, New York 12231 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588

South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	
Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Securities Division, Department of Financial Institutions PO Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

**EXHIBIT E-1**  
**List of Franchisees**

The following is a list of the names of all franchisees and the addresses and telephones numbers of their outlets as of the end of our last fiscal year, December 31, 2025.

**Operational Outlets:**

<b>State</b>	<b>Franchisee (Entity and Operator)</b>	<b>Address</b>	<b>Telephone</b>
Alaska	Newton Accounting Services Corp.; Ryan Newton	8161 E Cottrell Campus Dr Palmer, AK 996445	(907) 795-7350
Arizona	ANG Accounting & Tax Services LLC; Ashish Gutpa	1332 E Beth Dr Phoenix AZ 85042	(602) 903-9926
Arkansas	Ethical Accounting Consultants LLC; Thomas Russell and Edith Russell	647 Burke Ave Jonesboro, AR 72401	(870) 272-8437
California	CWS Holdings Inc.; Cheresse Squillante	100 Hillvale Drive Valley Springs, CA 95252	(279) 282-9196
California	Josh Ticho	25122 Village 25 Camarillo, CA 93012	(312) 533-1952
Colorado	Ricardo Herrera	333 Perry Street #206 Castle Rock CO 80104	(720) 665-6651
Florida	GOG CPA LLC; John Le	2395 Jaegaer Dr APT 3b Delray Beach, FL 33444	(517) 525-5068
Florida	KL Central FL Inc.; Lisa Baker and Kevin Baker	36324 Darien Ct Eustis, FL 32736	(407) 906-3890
Missouri	Sumaya Amjad	100 Chesterfield Business Parkway, 2nd Floor St. Louis Mo 63005	(636) 262-9803
Missouri	Joe Dent, Amber Miller, and Eric Thoman	1308 Hillcrest Dr Monett, MO 65708	(816) 914-7964
New Jersey	Finance Doctor LLC; Biswas Lohani	28 Valley Road Montclair NJ 07042	(347) 674-7384
North Carolina	Prospera Business Solutions Inc.; Claude Campbell	7879 Bufflehead Ct Greensboro, NC 27455	(336) 553-6213

Ohio	Palmer Books and Tax; Brandon Palmer	5329 Cuba Rd Wilmington, OH 45177	(513) 610-6666
Virginia	JMS TAX Inc; Jack Seal	2832 S Lynnhaven Rd Ste 202, Virginia Beach, VA 23452	(757) 909-6416

**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 have not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

**NONE**

**EXHIBIT F-**  
**TABLE OF CONTENTS OF OPERATIONS MANUAL**

<b>Chapter</b>	<b>Chapter Title</b>	<b>Page</b>	<b># of Pages</b>
<b>Introduction</b>	Welcome to the Ledgers Team	5	4
<b>Section 1</b>	Setting Up Your Business	9	13
<b>Section 2</b>	Preparing for Federal Electronic Filing	22	8
<b>Section 3</b>	Training	30	2
<b>Section 4</b>	Operating a Successful Ledgers Franchise	32	9
<b>Section 5</b>	Marketing & Client Acquisition	41	10
	Total Pages		50

**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	June 21, 2025
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 offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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

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

The franchisor is Loyalty Business Services LLC located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is 833-920-0735.

Issuance date: April 29, 2026

<p>The name, principal business address, and telephone number of each franchise seller offering the franchise is:</p> <ul style="list-style-type: none"><li><input checked="" type="checkbox"/> Timothy T. Wynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Tayler Romanelli, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Colin Flynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Gwendolyn DiFerdinando, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735 <input checked="" type="checkbox"/></li><li><input checked="" type="checkbox"/> Timothy Fitzgerald, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Falcia Shattuck, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input checked="" type="checkbox"/> Joel Burgos, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input type="checkbox"/> _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735</li><li><input type="checkbox"/> _____ Loyalty Business Services LLC, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (832) 660-6727</li></ul>
---

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

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

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

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

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

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

**FOR YOUR RECORDS**

**RECEIPT**

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

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

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Received	Reference	Name
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<input checked="" type="checkbox"/>	EXHIBIT F	Table of Contents – Operations Manual
<input checked="" type="checkbox"/>	EXHIBIT G	State Effective Dates
<input checked="" type="checkbox"/>	EXHIBIT H	Receipts

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

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

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

**FOR OUR RECORDS**