

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

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.
- Item 5 of the FDD and Section 2.2 of the Area Representative Agreement are modified with the addition of the following language: "The franchisor defers the collection of all initial fees from Minnesota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business."

EXHIBIT F - 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**

	<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>

See Notes to Financial Statement

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

	<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

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

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

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

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

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)