FRANCHISE DISCLOSURE DOCUMENT- AREA REPRESENTATIVE

	ATAX LLC d/b/a ATAX, **a Virginia Limited Liability Company** **780 Lynnhaven Parkway** **Suite 240** **Virginia Beach, VA 23452** **(888) 268-0321** **www.ATAX.com**

We offer a franchise opportunity to you as an Area Representative to service and support unit franchises on our behalf~~, for~~ in a specified area representative territory (the "Franchise Business").

The total investment necessary to begin operation of an Area Representative ATAX Franchise Business is between $101,450-$524,000. This includes $100,000 to $500,000 that must be paid to the Franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Alberto J. Ortiz 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, N. W. Washington D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: April ~~24, 2025; Amended June 3, 2025~~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
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
Will my business be the only ATAX business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an ATAX franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

3. **Turnover Rate.** In the last year a high percentage of franchised outlets were terminated, transferred, re-acquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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

Table of Contents

~~ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES ..... 1~~
~~ITEM 2 BUSINESS EXPERIENCE ..... 6~~
~~ITEM 3 LITIGATION ..... 7~~
~~ITEM 4 BANKRUPTCY ..... 7~~
~~ITEM 5 INITIAL FEES ..... 13~~
~~ITEM 6. OTHER FEES ..... 14~~
~~ITEM 7. ESTIMATED INITIAL INVESTMENT ..... 16~~
~~ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 18~~
~~ITEM 9. FRANCHISEE'S OBLIGATIONS ..... 20~~
~~ITEM 10. FINANCING ..... 22~~
~~ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING ..... 24~~
~~ITEM 12. TERRITORY ..... 27~~
~~ITEM 13. TRADEMARKS ..... 30~~
~~ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION ..... 31~~
~~ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS ..... 31~~
~~ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 33~~
~~ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION ..... 34~~
~~ITEM 18. PUBLIC FIGURES ..... 36~~
~~ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS ..... 36~~
~~ITEM 20. OUTLETS AND FRANCHISEE INFORMATION ..... 37~~
~~ITEM 21 FINANCIAL STATEMENTS ..... 41~~
~~ITEM 22 AGREEMENTS ..... 41~~
~~ITEM 23 RECEIPTS ..... 41~~
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES 1
ITEM 2 BUSINESS EXPERIENCE 6
ITEM 3 LITIGATION 8
ITEM 4 BANKRUPTCY 8
ITEM 5 INITIAL FEES 15
ITEM 6. OTHER FEES 16
ITEM 7. ESTIMATED INITIAL INVESTMENT 19
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES 21
ITEM 9. FRANCHISEE'S OBLIGATIONS 23
ITEM 10. FINANCING 25
ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING 27
ITEM 12. TERRITORY 31
ITEM 13. TRADEMARKS 33
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION 35
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS 36
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL 37
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION 38
ITEM 18. PUBLIC FIGURES 41
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS 41
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION 42

ITEM 21 FINANCIAL STATEMENTS **47**
ITEM 22 AGREEMENTS **47**
ITEM 23 RECEIPTS **47**

Exhibits

Exhibit A- State Addenda to the Disclosure Document
Exhibit B- Area Representative Agreement
Schedule 1-Territory
Schedule 2-Minimum Requirements
Schedule 3-Automatic Bank Draft Authorization
Schedule 4-Promissory Note
Schedule 5-Release
Schedule 6-State Addenda to the Area Representative Agreement
Exhibit C-List of State Administrators and Registered Agents
Exhibit D-Table of Contents of Area Representative Operations Manual
Exhibit E-1 List of Area Representatives
Exhibit E-2 List of Former Area Representatives
Exhibit F- Financial Statements
Exhibit G-State Effective Dates
Exhibit H-Receipts

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 ATAX LLC d/b/a ATAX ("ATAX"). From our inception until February 18, 2020, we were named Saber Tax LLC. On February 18, 2020, we changed our name to ATAX LLC.

The terms "you" and "your" refer to the person or entity that buys this franchise, including any guarantors. We are a Virginia Limited Liability Corporation formed on February 20, 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 ATAX.

We have not operated an ATAX Area Representative business of the type you are being offered, but we do support unit franchisees, similar to what you will do under this franchise, and have done so since August 2019.

Exhibit C contains our agents for service of process.

Predecessors

On July 15, 2019, we acquired the assets of ATAX Franchise, Inc., ATAX Software Solutions, Inc., and ATAX Cloud Bookkeeping, Inc. Included with this acquisition, we acquired the rights, title and interest of any copyright, trademark, trade name, service mark, patent, domain name or other intellectual property right to the trademark ATAX. Additionally, we acquired the assets of the franchisees under a franchise agreement with ATAX Franchise, Inc. and ATAX Cloud Bookkeeping, Inc.

Our predecessor, ATAX Franchise, Inc., a New York corporation, was formed on May 7, 2007 and had a principal place of business at 142 NW 57th Street, New York, NY 10019. ATAX Franchise, Inc. offered income tax preparation franchises from 2007 to July 14, 2019. When it ceased franchising in July 2019, ATAX Franchise, Inc. had 39 franchised outlets.

Our predecessor, ATAX Software Solutions, Inc., a New York corporation was formed on November 28, 2005 and had a principal place of business at 5536 Broadway, Bronx, NY 10463. ATAX Software Solutions, Inc. engaged in the resale of tax preparation software from 2005 to 2019 but did not offer franchises in any line of business.

Our predecessor, ATAX Cloud Bookkeeping, Inc., a New York corporation, was formed on August 4, 2016 and had a principal place of business at 73 Market Street, Suite 376, Yonkers, New York 10710. ATAX Cloud Bookkeeping, Inc. offered cloud based bookkeeping franchises from 2016 – 2019. When it ceased franchising in 2019, it had 3 franchisees.

Parents

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.

Affiliates

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, ~~2024~~2025, Cooper's Scoopers ~~did not have any~~had a total of 4 unit ~~or Area Representative~~and 0 area representative franchised outlets. They do not provide any products or services to you.

We have an affiliate, ~~Loyalty Brokers~~Happie Doggie LLC d/b/a ~~Loyalty Business Brokers~~Hike Doggie, formed ~~December 30, 2020~~on September 16, 2025, with a principal ~~place of~~ business ~~at~~address of 780 Lynnhaven ~~Pkwy~~Parkway, Suite 240, Virginia Beach, VA 23452. ~~Loyalty Business Brokers~~ Hike Doggie offers franchise opportunities for dog hiking. Hike Doggie also offers franchise opportunities for ~~business brokerage. Loyalty Business Brokers opportunities for~~ Area Representatives to recruit and support unit franchisees. This affiliate ~~has offered~~began offering franchises ~~since 2022.~~in 2025. They do not offer franchises in any other line of business. As of December 31, ~~2024, Loyalty Business Brokers~~2025, Cooper's Scoopers had a total of ~~3~~5 unit and 0 area representative franchised outlets~~ and 2 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, ~~2024~~2025, Ledgers had a total of ~~2~~16 unit franchised outlets and ~~1 Area Representative~~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, ~~2024~~2025, CR3 American Exteriors had a total of ~~17~~13 unit franchised outlets and ~~0 Area Representative~~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~~2024~~, Salty Dawg had 2 unit franchised ~~unit~~ outlets and ~~1 Area Representative~~3 area representative franchised ~~outlet~~outlets. They do not provide any products or services to you.

We have an affiliate, ~~The Inspection Boys Franchise USA~~Whole PM Holdings LLC d/b/a ~~The Inspection Boys~~Whole Property Management, formed ~~on December 19, 2020~~April 29, 2025, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, ~~VA~~Virginia 23452. ~~The Inspection Boys~~Whole PM Holdings LLC offers unit franchise opportunities for ~~commercial and residential inspection~~property management services. ~~The Inspection Boys also offers opportunities for Area Representatives to recruit and support unit franchisees.~~ You will not directly conduct business with this affiliate. This affiliate has offered franchises since ~~2020. They do not offer franchises in any other line of business.~~ 2025. As of December 31, 2025, Whole PM Holdings did~~2024, The Inspection Boys had a total of 16 unit franchised outlets and 1 Area Representative outlet. They do~~ not ~~provide any products or services to you.~~ have any 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~~2024~~, Zoomin Groomin USA, LLC had ~~169~~257 unit franchised outlets and ~~46~~56 Area Representative franchised outlets. They do not provide any products or services to you.

The Business We Offer

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

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

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

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

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

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

Area Representative Agreement and, if applicable, the renewal term of your Area Representative Agreement (the "Royalty Compensation").

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

As an Area Representative you are not ~~be~~ authorized to sign any documents on our behalf or on behalf of the System. You will refer all qualified franchisee candidates to us and we may, in our sole and absolute discretion, determine whether or not we approve or disapprove of each respective franchisee candidate. If we reject a franchisee candidate or elect to not enter into a Unit Franchise Agreement with a franchisee candidate, you will not receive any compensation. As an Area Representative, as to your Area Representative Territory and Unit Franchisees located within your Area Representative Territory, you will have the following on-going responsibilities, all subject to our then current standards, specifications, and requirements: (a) to solicit, screen, and recruit franchisee candidates that meet our qualifications and requirements; (b) to refer qualified franchisee candidates to us; (c) to provide on-going operational support and training support to franchisees in accordance with our System; (d) to provide marketing assistance in accordance with our System; (e) to conduct recurring performance and quality control assessments; and (f) to monitor and maintain franchisee relations.

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

Market and Competition

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

The primary competition comes from other franchisors and franchise brokers.

Industry-Specific Laws and Regulations

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

effective registration or filing in the respective state.

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

Under certain state laws (Illinois, New York, and Washington State), if you will offer and sell franchises there, you may be required to register as a franchise broker before you may offer or sell franchises to residents of those states or as to a territory located in those states.

Under certain state laws, if you will function as a Franchise Seller in those states, you must complete and return a Biographical Information Sheet and annual updates for us.

Prior Experience

We have franchised the ATAX Unit income tax preparation franchise system since August 2019. Before we acquired ATAX, our predecessor ATAX has been offering Unit franchises since May 7, 2007. As of December 31, 2024, we had 116 Unit franchised outlets. We have offered Area Representative franchises since July 2019.

ITEM 2. BUSINESS EXPERIENCE

~~Alberto Ortiz: President and~~ **Timothy Tyler Wynn: Interim Chief Executive Officer**

~~Alberto Ortiz has served as our President since December 2020. He was also appointed as our CEO on June 2023. Mr. Ortiz has also served as the Chief Executive Officer of CO Ortiz Inc. in Denver, Colorado since January 2023. From April 2019 to May 2020, Mr. Ortiz served as Regional Manager with Aaron's in Denver, Colorado. From May 2016 to December 2018, Mr. Ortiz served as Regional Sales and Service Director for H&R Block in Tampa,~~ Timothy Tyler Wynn has served as our Interim Chief Executive Officer since April 2026. Mr. Wynn has also served as the Chief Executive Officer of our affiliate Ledgers in Virginia Beach, Virginia since March 2026. Previously, Mr. Wynn served as Ledgers President from December 2024 through February 2026 in Virginia Beach, Virginia. 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.

Jose Leal: Director of~~Florida.~~

~~**Alberto Contreras:**~~ **Growth** ~~**Director**~~

~~Alberto Contreras~~Jose Leal has served as our ~~Growth~~ Director of Growth since ~~May 2023. He has also been an~~December 2025. Prior to joining ATAX~~ Area Representative since June 2023 in San Diego County, CA. From May 2017 through April 2023~~, Mr. ~~Contreras served~~Leal worked with Tiff's Treats Cookie Delivery in Austin, Texas, serving as ~~Chief Revenue Officer for Latino Tax Pro in Salinas,~~ Director of Operations from July 2021 to October 2024 and as District Manager from November 2017 to June 2021.~~California.~~

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

John T. Hewitt has served as the Chief Executive Officer and Chairman of Loyalty, LLC, a Limited Liability Company registered in Virginia Beach, Virginia since September 2017. From January 1997 to September 2017, Mr. Hewitt served as Chief Executive Officer of Liberty Tax, Inc. in Virginia Beach, Virginia.

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ITEM 3. LITIGATION

Pending Action:

Ira Lubert and John Martinson v. John T. Hewitt, ATAX, LLC, and Loyalty, LLC ~~(Case No 250503829) filed May 30, 2025, in the~~, Court of Common Pleas of Philadelphia County, Pennsylvania~~. The~~ , Case No. 250503829, filed May 30, 2025, amended August 19, 2025. Plaintiffs are minority investors in ATAX, LLC, ~~and claim that~~ who allege they were solicited to invest in ATAX as a qualified opportunity zone business ~~(QOZB), yet it did not~~ and that ATAX failed to qualify ~~as a QOZB. Further,~~. Plaintiffs ~~claim~~further allege that~~, as a result of the non-QOZB status, the defendants promised certain changes, some of which defendants have not made, specifically~~ Defendants failed to perform certain remedial commitments, including an amendment to ~~ATAX's~~ATAX's Operating Agreement and certain financial controls~~. The Plaintiffs also allege~~ , and that Hewitt~~, with the assistance of certain Loyalty employees, made~~ caused unauthorized cash ~~withdrawals~~transfers from ~~ATAX and paid those funds~~ATAX's accounts to himself~~, to Loyalty,~~ and ~~to other Loyalty brand companies~~affiliated entities without ~~ATAX~~ Board approval. ~~The~~ Plaintiffs ~~sue for~~assert the following claims: (1) Fraud ~~Against Defendant~~(against Hewitt~~,~~); (2) Aiding and Abetting Fraud (~~Against Defendant~~against Loyalty~~),~~); (3) Breach of Fiduciary Duty (~~Against Defendants~~ against Hewitt and Loyalty~~),~~); (4) Conversion (~~Against Defendants~~ against Hewitt and Loyalty~~),~~); (5) Breach of Contract (~~Against Defendants~~against Hewitt, Loyalty, and ATAX~~),~~); (6) Unjust Enrichment (~~Against Defendants~~against Hewitt and Loyalty~~),~~); (7) Breach of the Virginia Stock Corporation Act (~~Against Defendants~~against Hewitt and Loyalty~~),~~); and (8) Violation of the Pennsylvania Voidable Transfers Act (~~Against Defendants~~against Hewitt and Loyalty). ~~–~~Plaintiffs seek ~~a judgment, an order rescinding~~rescission of their investments, redemption of their ownership interests at ~~a~~ fair value, monetary damages ~~in an amount to be determined at trial,~~, attorneys' fees, and interest. ~~Defendants offered to buy out the Plaintiffs' investments for a profit that would be beneficial to Plaintiffs. Defendants intend to file an Answer generally denying the~~ Defendants deny all allegations and intend to vigorously ~~contesting~~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 recission/restitution. The Respondents deny the ~~claims made. No trial date~~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 ~~set~~scheduled for November 17-20, 2026.

Concluded Actions:

ATAX, LLC v. Annette Mercedes, Toro Taxes Franchise L.L.C., Tony Villalobos, LDTTAX NJ Corporation, LDM Union City Corporation, Yaely Mercedes, and Alba Villalobos, Docket No. L-004320-23, filed December 8, 2023, in the Superior Court of New Jersey Law Division: Hudson County. ATAX filed a Verified Complaint seeking a permanent injunction to (i) enjoin Defendants from disclosing, conveying, transmitting, copying and otherwise making ATAX confidential information available; (ii) enjoining Defendants from soliciting ATAX clients; (iii) enjoining Defendants from using ATAX confidential information to gain an unfair competitive advantage; (iv) enjoining Defendants Toro Taxes, Tony Villalobos and/or Alba Villalobas from operating a tax preparation business from a prior ATAX office; (v) compelling assignment of the lease for the prior ATAX office; (vi) and enjoining Defendant Annette Mercedes from working in the tax ~~filed~~field for a period of one year within ten miles of any ATAX office; and (vii) compelling the return of all ATAX confidential information. ATAX alleged (a) violation of the Defend Trade Secrets Act, 18 U.S.C. §1836, et seq. against all Defendants; (b) Misappropriation of Trade Secrets against all Defendants; (c) Breach of Confidentiality and Non-Competition Contract against Annette Mercedes; (d) Breach of the Implied Covenant of Good Faith and Fair Dealing against Defendant Annette Mercedes; (e) Breach of Personal Guarantee Contract against Defendant Annette Mercedes; (f) Breach of the Implied Covenant of Good Faith and Fair Dealing against Defendant Annette Mercedes; (g) Unfair Competition against all Defendants; (h) Tortious Interference with Prospective Business Relations against all Defendants; (i) Tortious Interference with a Contract against Defendant Annette Mercedes; (j) Tortious Interference with a Contract against Defendants Toro Taxes, Tony Villalobos, Alba Villalobos, Yaely Mercedes, LDMTAX NJ Corporation, LDM Tax North Bergen LLC, LDM Union City Corporation, ABC Corporations 1-5, and John Does 1-5; (k) Tortious Interference with a Contract against Defendants Toro Taxes, Tony Villalobos, Alba Villalobos, Yaely Mercedes, LDMTAX NJ Corporation, LDM Tax North Bergen LLC, LDM Union City Corporation, ABC Corporations 1-5, and John Does 1-5; (l) Conversion against Defendant Annette Mercedes; (m) Conspiracy against Defendants Toro, Tony Villalobos, Alba Villalobos, Annette Mercedes, ABC Corporations 1-5, and John Does 1-5; (n) Aiding and Abetting against Defendants Toro, Tony Villalobos, Alba Villalobos, Annette Mercedes, ABC Corporations 1-5, and John Does 1-5; (o) Conspiracy against Defendants LDMTAX NJ Corporation, LDM Tax North Bergen LLC, LDM Union City Corporation, Yaely Mercedes, Annette Mercedes, ABC Corporations 1-5, and John Does 1-5; and (p) Aiding and

Abetting against Defendants LDMTAX NJ Corporation, LDM Tax North Bergen LLC, LDM Union City Corporation, Yaely Mercedes, Annette Mercedes, ABC Corporations 1-5, and John Does 1-5. Defendant Annette Mercedes was a franchisee of ATAX and the other Defendants are competitors of ATAX. The action arose after ATAX discovered that Annette Mercedes' ATAX office had been converted to a Toro Tax office and obtained information from various sources that ATAX customers were being contacted by the Toro Tax Franchisee. Further, that Annette Mercedes was operating a competing tax business, which ATAX alleged was in violation of restrictive covenants contained in the ATAX franchise agreement.

~~On January 10, 2024, Annette Mercedes filed a Counterclaim and then subsequently filed an unsigned Amended Counterclaim. In her unsigned Amended Counterclaim, Annette Mercedes alleged consumer fraud, breach of contract, tortious interference with a contract, defamation per se, use of likeness and image, and sexual discrimination. The matter is pending as of the Issuance Date.~~

On January 19, 2024, the Court issued a permanent injunction in favor of ATAX ~~enjoying~~enjoining the defendants from (i) disclosing, conveying, transmitting, copying, or otherwise making available in any manner, either directly or indirectly, to any person or entity, any confidential or proprietary information or lists, trade secrets, business information, software, pricing models, or customer information of Plaintiff ATAX (collectively, "Confidential Information"); (ii) from taking any action or participating within any conduct, action, and/or communication, either directly or indirectly, which calls on or solicits any clients or customers of Plaintiff ATAX, in an attempt to take away or cause the loss of clients or customers of Plaintiff ATAX; (iii) from disclosing and/or utilizing in any manner, either directly or indirectly, any Confidential Information and/or using any Confidential Information to obtain an unfair competitive advantage. The Court also compelled the defendants to return all Confidential Information. The matter was ultimately submitted to arbitration and on January 9, 2026, the Court entered an Order Confirming the Arbitration Award and Entering Judgment in favor of ATAX against Defendants Annette Mercedes and Toro Taxes in the amount of $350,000 with the Judgment apportioned $120,000 against Toro Taxes and $230,000 against Annette Mercedes.

~~**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 allege 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 $295,0000 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 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 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.

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.

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

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

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ITEM 5. INITIAL FEES

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

When purchasing area representative rights over an Area Representative Territory with no developed Unit Franchises, the Initial Area Representative Fee is calculated at a rate of $10,000 per undeveloped Unit Territory in the Area Representative Territory you select. Typically, an Area Representative will purchase 10-50 Unit territories, for a total Initial Franchise Fee of $100,000 - $500,000.

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

We offer a 10% discount to all qualified veterans and first responders who purchase a Territory~~.~~, subject to verification of status and our approval. We may offer limited incentive programs as part of our franchise development efforts. We reserve the right to offer, modify, or withdraw any such incentive program at any time without notice to you, and such programs may not be available in all jurisdictions or to all candidates.

You must submit the Initial Area Representative Fee to us before attending Initial Area Representative Training. We will refund to you the Initial Area Representative Fee if we do not approve your application or if you do not pass our Initial Area Representative Training in accordance with our current passing standards for training, provided that you return to us all materials which we distributed to you during training. Otherwise, the Initial Area Representative Fee is fully earned and nonrefundable when both you and we execute the Area Representative Agreement between us.

We disclose financing terms in Item 10.

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

ITEM 6. OTHER FEES

Fee	Amount	Due Date	Remarks
Fee for Franchisee Prospects (Note 1)	Currently $100 - $150~~/each~~ per prospect if you elect to purchase (subject to a maximum increase of up to $200~~/each~~ per prospect).	Within 30 days of transaction	From time to time we may generate leads of prospective franchisees and offer them to you but you are under no obligation to purchase them. The cost will vary depending upon cost and difficulty of obtaining the prospects.
Credit Card Fee	Actual amount of third-party credit card processing charge	When incurred	If we allow you to pay any fee to us by credit card, you agree to pay this fee to us on the amount charged.
Franchise Broker Fee (Note 2)	50% of the Broker's Fee	At time of sale	If we use a franchise broker to assist in a Unit franchise sale ~~of yours~~within your Territory, you agree to absorb (or pay) a proportional amount (50%) of the Broker's commission.
Internal Sales Fee (Note 3)	$5,000 per Unit franchise	At time of sale	If our internal franchise sales staff or representative assists in the sale of a Unit franchise for you, you pay this fee to us. If our staff or a franchise broker generates a lead, you are required to use our in-house sales staff or designated representative and pay this fee.
Renewal Fee	$2,000	At time of renewal	You pay this fee to us to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.
Transfer fee	$10,000	At time of transfer	Paid upon transfer of the Area Representative Agreement or a majority interest in it.
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.

Fee	Amount	Due Date	Remarks
Sales, excise, or gross receipts tax	Actual amount incurred	At time incurred	You must reimburse us if we pay any tax on any fee related to your Area Representative Agreement.
Interest on late payments	The lesser of 12% per annum or the highest rate permitted by law	Upon receipt of invoice	Owed on amounts that are past due.
Indemnity	Varies	When incurred	You will indemnify, defend, and hold us ~~for~~harmless from and against any loss ~~caused by~~, liability, damage, cost, or expense (including reasonable attorneys' fees) arising from or related to your breach of the Area Representative Agreement or your operation of the Area Representative business.
Assistance Fee in the event of incapacity or death	Reimbursement for reasonable expenditures incurred	At time of expense	In the event of your death or incapacity, we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services.

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

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

Note 2: Broker Fees- We may utilize an independent franchise broker to develop leads. Brokers are typically paid a commission based on a successful referral. Rates vary. If a Unit Franchise located within the geographical boundaries of your Area Representative Territory is sold to an individual or entity referred by a broker, then the amount of the broker's fee will be shared equally (50/50) between you and us. This amount will be deducted before any Initial Fee Commission is paid to you.

Note 3: Internal Sales Fees – ~~As of the April 24, 2025, our~~Our parent, Loyalty, LLC, currently maintains a sales team (our "Internal Sales Team") to generate, develop, and close qualified leads. We also actively advertise the brand and our franchise offering to generate interest. A representative from our Internal Sales Team typically ensures a prospect is disclosed with the then-

current unit disclosure document, works with the prospect throughout the sales process to select a territory, and coordinates with the operations and legal teams through execution of a franchise agreement. You will incur this fee on the sale of a Unit Franchise in your Territory unless you fully generate, develop, and close the transaction without the assistance of a representative from the Internal Sales Team. We will deduct the Internal Sales Fee from any Initial Fee Commission otherwise due to you. This fee is paid by you and is not a shared expense. This fee is fixed and is paid to the Internal Sales Team without regard for the Initial Franchise Fee charged to the new franchisee.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee (Note 1)	$100,000	$500,000	Check or Electronic Funds Transfer ("EFT")	Upon signing of Area Representative Agreement	Us
Travel and Living Expenses to Attend Initial Training (Note 2)	$1,000	$2,500	Check or Credit Card	Before opening	Third-party Vendors
Equipment & Furniture (Note 3)	$0	$2,000	Check or Credit Card	Before opening	Third-party Vendors
Computer Hardware and Software (Note 4)	$0	$1,500	Check or Credit Card	Before opening	Third-party Vendors
Rent (Note 5)	$0	$3,000	Check	Monthly	Landlord
Payroll (Note 6)	$0	$6,000	EFT	Bi-weekly	Employees
Insurance (Note 7)	$200	$3,000	Check or Credit Card	Before opening	Insurance Agent
Professional Expenses (Note 8)	$250	$3,000	Check or Credit Card	Before opening	Attorneys and Accountants
Additional Funds – 3 months (Note 9)	$0	$3,000	Check or Credit Card	As incurred	Third-party Vendors
TOTAL (Note 10)	$101,450	$524,000			

*None of the fees paid to us in this chart are refundable~~.~~ except as may be required by applicable law. Whether such fees paid to third parties are refundable would depend upon the policies of the third parties. Neither we ~~or~~nor any affiliate will finance any portion of your initial investment, except as provided in Note 1.

NOTES:

1. Initial Franchise Fee**:** The initial franchise fee is $10,000 per Unit territory in your Area Representative Territory. Typically, an Area Representative will purchase 10-50 Unit territories for a total Initial Franchise Fee of $100,000 - $500,000. Depending on your creditworthiness, we may, in our sole discretion, extend financing to you of up to 100% of the Initial Franchise Fee repayable monthly over 48 months at 12% per annum interest. For a loan of $250,000 repayable over 48 months at 12% interest, your monthly payment would be approximately $6,583.00. See Item 10 for additional details.

2. Travel and Living Expenses to Attend Initial Training**:** We offer Initial Training in Virginia Beach, VA, or online, at our choosing. We do not charge for Initial Training, but you are responsible for costs you incur for travel, transportation, meals, and possible lodging. Those costs will vary depending on how far away you live from Virginia Beach, VA, the level of lodging you select, and other factors.

3. Equipment and Furniture: Unless you have these items already, you will need a printer, telephone, desk, chair, and file cabinet along with standard office supplies to operate the franchise. The low estimate assumes that you have these items already.

4. Computer Hardware and Software**:** You will need an e-mail account, computer with internet access, and printer to operate the franchise. If you do not have this equipment, you will be required to purchase such hardware and software. We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future. The low-end estimate assumes you already have a computer with internet access and a printer. The high-end estimate assumes you need to purchase these items.

5. Rent: We recommend that you operate your Area Representative franchise from home and not incur any rent expense. However, if you lease an office and make improvements to the property, you will incur additional expense.

6. Payroll: You are not required to have employees. However, if you hire one or more employees, you will incur payroll expense for those employees.

7. Insurance: You will need to purchase such insurance as we specify in the Operations Manual and as is required by your state law. At present, we do not require you to purchase insurance. Your costs may vary.

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

9. Additional Funds: Additional funds are to pay local license and other government fees, miscellaneous supplies, utility costs, and similar items. We base this estimate upon the experience of our management in franchising.

10. These figures are estimates of your initial expenses covering your initial three months of operation. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill; experience and business acumen, local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level reached during the initial period.

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 we must approve the advertising in writing prior to its use.

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

Equipment and Furniture. You must purchase such equipment and furniture as we may specify. At present, you may purchase these items from any vendor.

Insurance. You are required to ~~have~~maintain insurance as may be required by ~~your~~applicable state and local laws, or as we may specify in the Manual. We do not currently require any specific type, amount, or minimum amount of insurance coverage in our Manual, but we reserve the right to do so in the future~~.~~ upon reasonable notice to you. Additionally, it is advisable to maintain professional errors and omissions insurance that specifically covers franchise sales activities to help mitigate the risk of claims arising from disclosures, representations or guidance provided to prospective franchisees. If you ~~must~~ purchase insurance~~ per state law requirements~~, you may do so from any vendor~~.~~ of your choosing. You must name us and our affiliates as ~~an~~ additional ~~insured~~insureds on any liability policy that you do purchase and ~~send~~provide proof of such coverage to us~~.~~ within ten (10) days of policy inception and upon each renewal.

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

Supplies. You must purchase basic office supplies. You may purchase these supplies from any vendor.

Telephone Number. You agree to maintain a dedicated telephone number for your business which you may purchase from any vendor.

Whether We or Our Affiliates are Approved Suppliers

We are an approved supplier, but not the only approved supplier, of Advertising and Marketing material and Prospects. There are no other persons affiliated with the franchisor that are currently approved suppliers.

Officer Interest in Suppliers

John Hewitt, Chief Executive Officer and Chairman of Loyalty, LLC owns an interest in us.

Alternative Suppliers

We do not maintain written criteria for approving suppliers and therefore these criteria are not available to you or your proposed supplier. You may contract with alternative suppliers if they meet our criteria, except you must use the Franchise Disclosure Document that we provide or make available to you~~ to use~~. There is no fee to propose another supplier. If you wish to propose another supplier, you must do so in writing. We will review the supplier in our sole discretion to determine whether to ~~consider adding~~add the supplier to our list of approved vendors. We will notify you within thirty (30) days ~~if~~whether we approve or disapprove of an alternative supplier. Our failure to respond within thirty (30) days shall not constitute approval. If we revoke approval for a supplier, we will provide reasonable advance written notice to you to allow you to transition to an approved supplier.

Issuance and Modification of Specifications

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

Revenue from Required Purchases or Leases

We may derive revenue or other material consideration from required purchases or leases by you if you choose to purchase Prospects from us.

For the fiscal year ended December 31, 2025~~2024~~, neither we ~~or~~nor any affiliate derived any revenue or other material consideration from required purchases or leases by Area Representatives.

Required Purchases as a Proportion of Costs

We estimate that your required purchases and leases to all purchases and leases by you of goods and services will be approximately 10-25% in establishing the Franchised Business and 10-25% in operating the Franchised Business.

Supplier Payments to Us

We currently do not receive payments, rebates, or other consideration from suppliers as a result of purchases by our Area Representatives; however, we ~~may do so~~reserve the right to receive such payments in the future. If we receive any such payments, we will use them for general

operating purposes unless otherwise required by law.

Purchasing or Distribution Cooperatives

There currently are no purchasing or distribution cooperatives.

Purchase Arrangements

We do not presently ~~but may in the future~~ negotiate purchase arrangements on behalf of Area Representatives with suppliers, including price terms; however, we reserve the right to do so in the future.

Material Benefits

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

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Area Representative's Obligations	Section In Area Representative Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	3	11
b. Pre-opening purchases/leases	7.2	8
c. Site development and other pre-opening requirements	7	8, 11
d. Initial and ongoing training	7.1, 7.11	11
e. Opening	7.4	11
f. Fees	4, 19.1, 21, 25.11	5, 6, and 7
g. Compliance with standards and policies/Manual	7, 8, 9, 10	8, 11

Area Representative's Obligations	Section In Area Representative Agreement	Item in Disclosure Document
h. Trademarks and proprietary information	1, 11, 12	13, 14, 15
i. Restrictions on products/services offered	8	8, 11, 16
j. Warranty and customer service requirements	Not Applicable	15
k. Territorial development and sales quotas	10	12
l. Ongoing product/service purchases	4.2(a), 7.2	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	7.3	8
o. Advertising	11	8, 11
p. Indemnification	19	Not Applicable
q. Owner's participation/management/staffing	7.9	15
r. Records and reports	13	~~Not applicable~~6
s. Inspections and Audits	13.2	11
t. Transfer	20	17
u. Renewal	2.2	17
v. Post-termination obligations	15	15, 16, 17
w. Non-competition covenants	16	15, 16, 17
x. Dispute resolution	25	17

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ITEM 10 FINANCING

We offer the following financing program:

Parameter	Initial Franchise Fee
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	Personal Guarantee
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 Franchised Business.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; waiver of homestead and other exemptions to the extent permitted by applicable law; waiver of presentment, demand, protest, and 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

NOTES

Note 1: **Discretionary-**We may in our sole discretion provide financing to you.

Note 2: **Form-**Schedule 4 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 ~~and~~, jointly, and severally liable for its repayment. Schedule 5 has the Promissory Note that must be executed. We do not guarantee your notes, leases, or obligations.

Note 4: **Intent to Sell-**We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so.

Note 5: **Commissions/Rebates-**We do not receive any direct or indirect payments or other consideration for placing financing.

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

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

Pre-Opening Obligations:

Initial Training. We provide a four (4) day Initial Area Representative Training program in Virginia Beach, ~~VA~~Virginia, or online, at our ~~choosing~~sole discretion, which you and any manager working for you must attend and successfully complete to our reasonable satisfaction.

We do not charge a separate fee for Initial Training for you and one manager, but you are responsible for ~~the cost~~all costs of travel, lodging, meals, and other living expenses to attend. The topics covered in Initial Training are described in the chart ~~further~~ below in this Item 11.~~-~~ (Area Representative Agreement, Section 6.1).

Site Selection. We do not provide site selection assistance as you may operate from your home or any office location. (Area Representative Agreement, Section 6.2).

Operations Manual. We will provide you ~~a~~with access to our confidential Manual to offer guidance in performing your opening and support services. The Manual will be provided in electronic format. (Area Representative Agreement, Section 6.3).

Computer Systems, Equipment and Supplies. We may issue computer, software, equipment, and supply specifications. (Area Representative Agreement, Section 6.6).

Length of Time Before Opening:

You must be open for business within 30 days of completion of Initial Training. ~~-~~(Area Representative Agreement, Section 7.4). ~~-~~If you do not open within 30 days, ~~more~~we may, in our sole discretion, grant you additional time ~~will be given, but~~; however, you will remain accountable for ~~any~~all minimum performance requirements from the original deadline, and we reserve the right to terminate the Area Representative Agreement for failure to timely open.

Factors affecting the time length to open for business include: obtaining any needed licenses or permits, obtaining marketing materials, and obtaining computer hardware, software, equipment, and office supplies.

During the Operation of the Franchise:

Payment of Commissions. We calculate and pay commissions to you on Single Unit franchises sold in your Territory. (Area Representative Agreement, Section 5).

Operational Support. We will provide reasonable support to you in the operation of your Area Representative Territory~~.~~, which may include telephone and email support, periodic updates to the Manual, and other assistance as we deem appropriate in our sole discretion. (Area Representative Agreement, Section 6.4).

Franchise Disclosure Documents. We will provide or make available to you an electronic copy of our latest Franchise Disclosure Document to use as may be required. (Area Representative Agreement, Section 6.5).

Advanced Training. We may provide and may require your attendance at advanced or other training, which we may offer from time to time at select locations, or we may offer such training ~~on the web~~via webinar or ~~electronically.~~ other electronic means. We do not charge ~~for~~a separate training~~,~~ fee for such training for you and one manager, but you must pay for ~~any~~all travel, lodging, meals, and ~~living~~other expenses to attend~~.~~ any in-person training. (Area Representative Agreement, Section 6.8).

Establishing Prices. We establish the price of our Unit Franchise offering, which is offered through a separate disclosure document.

Advertising Program and Fund:

Marketing Fund and Fee. We do not have a Marketing Fund nor require you to pay any Marketing Fee to us. Nonetheless, we may conduct marketing using electronic or print advertising of any kind. The media coverage may be local, regional, or national. We may produce advertising in-house or through a local or regional advertising agency. (Area Representative Agreement, Section 6.7).

We do not have to spend any amount on advertising in the area or territory where your Area Representative operations are located. Likewise, franchisor-owed outlets do not contribute to a Marketing Fund (since we do not have one).

You are permitted to use your own advertising material provided that we first approve it.

Domain Names. You are not allowed to have an independent website for your franchise.

Advertising Council. We do not have an advertising council composed of Area Representatives that advise us on advertising policy.

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

Computer and Cash Register Systems:

Computer Equipment and Software. You will need an e-mail account, computer with internet access, and printer to operate the franchise. We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future. Your costs will vary depending on whether you have these items already and what type of computer you purchase. Depending on what you have already, these items can typically be purchased for $1,000 - $1,500.

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is $500 - $750.

Independent Access to Information. We reserve the right to have independent access to the information that will be generated or stored in your computer system, which includes prospect, financial, and operational information. There are no contractual limitations on our right to access the information.

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

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Franchise Overview	2	0	Virginia Beach
Requirements to open a tax business	1	0	Virginia Beach
Opening your location	1.5	0	Virginia Beach
Human Resources	2	0	Virginia Beach
Creating Fanatical Fans	1.5	0	Virginia Beach
New Client Acquisition	6	0	Virginia Beach / On the Job
Financial Planning	2.5	0	Virginia Beach
Tax School Setup and implementation	2	0	Virginia Beach
Understanding Financial Products	1.5	0	Virginia Beach
Top 10 to be successful in ATAX	2	0	Virginia Beach
Software Overview	1	0	Virginia Beach
Q&A with John T. Hewitt	1	0	Virginia Beach
Your role as Area Representative (AR), the three strategic growth initiatives.	3	0	Virginia Beach
Opening Locations (strategies/tactics/timeline)	2	0	Virginia Beach

Happy Successful Franchisees	2	0	Virginia Beach
Market Maps	.5	0	Virginia Beach
AR Q&A with John Hewitt	1	0	Virginia Beach
Total	32 hours	0 hours	

*We currently offer training in Virginia Beach, Virginia, but may offer training at another location, or online, at our choosing.

~~The~~As of December 31, 2025, the following instructors teach our Initial Training program: Alberto Ortiz, ~~Faith Leek~~Jose Leal and ~~Robin Brown.~~Nicole Bellenfant. Guest Instructors may also make select presentations~~.~~ with at least one year of experience in the subject taught.

We set forth below the length of the instructors' experience in the industry and with the Franchisor below:

Instructor	**Years of Experience in the Field**	**Years of Experience with the Franchisor**
Alberto Ortiz	16	5
~~Alberto Contreras~~Jose Leal	8	~~2~~1
Nicole Bellenfant	20	4

We make the Initial Training program available as often as is needed. We hold training at our corporate headquarters or leased classroom space.

The materials used for the training program may include the Operations Manual, handouts, and PowerPoint presentations.

We do not charge for Initial Training, but you are responsible for the cost of travel, transportation, lodging, and meals to attend training.

You and any manager you intend to use must complete Initial Training to our satisfaction. You must successfully complete training within 60 days of ~~the~~ signing the Area Representative Agreement with us.

We may require additional training or refresher courses~~.~~ at our expense, except that you will be responsible for your own travel, lodging, and meal expenses.

ITEM 12. TERRITORY

The scope and size of your territory ("Territory or "Area Representative Territory") will depend on our determination as to the number of Unit Franchises that we believe may be potentially developed within the boundaries of the Area Representative Territory. Your Area Representative Territory will be mutually agreed upon prior to signing an Area Representative Agreement and will be set forth in Schedule 1 of the Area Representative Agreement. Your Area Representative Territory will be identified by zip code, boundary streets, highways, county lines, designated market area, and/or other recognizable boundaries. A typical Area Representative Territory will be of a sufficient size to contain 10-50 Unit Franchise territories~~.~~, though the actual number may vary based on population density and market conditions. Each Unit Franchise territory will contain a population of approximately 30,000 – 33,000 people. We obtain population data from the U.S. Census Bureau or another service we deem reliable.

You may operate the Franchised Business out of your home or any office location. You are not required to obtain our approval to relocate the office of your Franchised Business; however, relocation of your office will not affect your territorial rights and obligations. Under no circumstance will you be permitted to relocate the Area Representative Territory and/or modify the Area Representative Territory~~,~~ without our prior written consent, which we may withhold in our sole reasonable business judgment.

As an area representative, you will recruit and support Unit Franchisees. You and other franchisees may solicit outside of your territory for franchisees to locate a Unit Franchise in your Territory, including using other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, pursuant to our guidelines. The Area Representative Agreement does not provide you with any right to operate a Unit Franchise.

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.

Continuation of your Territorial rights depends on achieving a certain development goal, specifically, meeting the minimum ~~sales~~development quota set forth in Schedule II of your Area Representative Agreement at the time of signing (the "Minimum Requirements"). If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share of royalties for any existing franchise agreements for the term of the Area Representative Agreement so long as you are in compliance with the remaining terms of the Area Representative Agreement; however, we may then freely sell and develop the terminated territory without sharing any of the initial franchise fees or royalties~~.~~ from new franchises established after such termination. There are no other circumstances that permit us to modify your territorial rights except on expiration or termination of the Area Representative Agreement.

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

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

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

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

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

(d) to own, develop, acquire, be acquired by, merge with, or otherwise engage in any transaction with another ~~businesses~~business (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~~Area Representative Agreement;

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

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

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

Our affiliate Loyalty Business Services LLC d/b/a Ledgers offers franchise opportunities for compliance, advisory and tax services under the Ledgers brand as described in Item 1. ~~As of the April 24, 2025, all~~All outlets are franchisee owned, but our affiliate ~~may~~reserves the right to operate company owned outlets in the future. Although Ledgers and ATAX typically target a different client base, Ledgers 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 ~~franchises~~franchisees and between franchisees of each system regarding territory, customers, and franchisor support. Except as stated in this Item 12, neither we, our parent, or affiliates have any plans to operate or franchise a business under a different trademark that offers or sells similar goods and services.

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ITEM 13. TRADEMARKS

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

Description of Mark	Serial/Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
ATAX **(Wordmark)**	3441651	Principal	June 3, 2008
(Design Mark, color is not claimed as a feature of the mark and you. may use this mark in multiple color configurations as approved by us)	7839399	Principal	June 24, 2025
(Mascot)	8201832	Principal	April 7, 2026

We have filed all required affidavits and renewals.

There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration of a

trademark in order to protect a trademark licensed by the franchisor. There are no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

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

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

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

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

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere except there is an A TAX in Wauwatosa, Wisconsin that has performed tax preparation services. They may have prior or superior rights in their area to certain uses of the mark "A TAX" in connection with tax preparation services.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

We do not have an obligation in the Area Representative Agreement to protect our patent or copyrights, but we intend to do so. We will remain in control of any such litigation. We are not required to participate in the defense of you or indemnify you for expenses or damages in a proceeding involving a patent, patent application, or copyright licensed to you. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense.

We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials.

We claim proprietary rights in our Operations Manual and business methods. You must

use these items per the terms of your Area Representative Agreement.

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

You must provide Area Representative services under your direct supervision and control or under the direct supervision and control of a general manager who has attended and passed our Initial Training. If the franchisee is a business entity, the general manager does not have to have any equity interest in the franchisee's business.

You are subject to a covenant not to compete. Furthermore, your general manager must sign an employment contract containing confidentiality requirements and, to the extent permitted by law, a covenant not to compete.

All owners of this franchise must sign the signature page of the Franchisee Agreement and thereby guarantee the obligations under the Franchise Agreement. However, your spouse is not required to guarantee your performance under the franchise agreement or franchisor's practice. 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 general 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.

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.

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ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

During the term of your Area Representative Agreement, and for two years thereafter, you are bound to a non-compete agreement which limits your ability to offer competitive services.

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ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section In Area Representative Agreement	Summary
a. Length of the franchise term	2.1	10 years.
b. Renewal or extension of the term	2.2	Can be renewed for additional 10-year terms if you are in compliance with your Area Representative Agreement ("Agreement").
c. Requirements for you to renew or extend	2.2	Give us 90 days' notice before the expiration of the Agreement. Sign a Release, and sign our then-current Agreement which may contain materially different terms and conditions than your original contract. But we cannot reduce your percent of receipt of Initial Franchise Fees or Royalties upon renewal.
d. Termination by you	14.1	You may terminate the Agreement if you do not renew, by selling the Franchised Business, or at any time by written notice to us.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	14.2, 14.3	We can terminate only if you default.
g. "Cause" defined – defaults which can be cured	14.3	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. "Cause" defined – noncurable defaults	14.2	Do not pass Initial Training, become insolvent, have a judgment against you, commit a material violation of law, fail to properly disclose a franchise candidate, make an unauthorized sales representation or commitment, fail to fully and truthfully submit Biographical Information, death or incapacity without a timely transfer.

Provision	Section In Area Representative Agreement	Summary
i. Your obligations on termination/renewal	15	Stop using our Marks, pay monies owed to us, transfer telephone number to us, return to us our Manual and any Confidential Information, cancel any fictitious name filing, and adhere to the post-term covenants not to compete and not to solicit.
j. Assignment of contract by us	20.1	We may assign to a successor in interest who remains bound by the terms of the Agreement.
k. "Transfer by you" – definition	20.2, 20.3, 20.4	Includes transfer of Agreement or change of identity of owners.
l. Our approval of transfer by you	20.6	We must approve any transfer based upon our then current qualifications~~.~~ and you must execute a transfer agreement containing a general release of all claims and a noncompetition provision.
m. Conditions for our approval of transfer	20.2, 20.6	You must be in compliance with the Agreement, sign a release, pay the transfer fee, we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
n. Our right to first refusal to acquire your business	20.5	We have a right of first refusal to match any purchase offer for your franchise.
o. Our option to purchase your business	None	Not applicable
p. Your death or disability	21	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 either, at our option, an assignment of the rights remaining in your Area Representative Agreement or our current Area Representative Agreement with the term adjusted to such length as remains on the term of your Area Representative Agreement.
q. Non-competition covenants during the term of the franchise	16	No competition allowed in the United States.
r. Non-competition covenants after the franchise is terminated or expires	16	No competition for 2 years within the Territory or 25 miles from the boundaries of the Territory.

Provision	Section In Area Representative Agreement	Summary
s. Modification of the agreement	22	No modifications except as the Parties agree to, or to specifications or the Manual. Revisions to specifications and the Manual will not unreasonably affect the Area Representative's obligations, including economic requirements, under the Area Representative Agreement.
t. Integration/merger clause	24	Only the terms in the Area Representative Agreement and other related written agreements 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.
u. Dispute resolution by arbitration or mediation	25.2, 25.9	You agree to mediate and arbitrate claims against us.
v. Choice of forum	25.2	All Claims must be brought in the city or county where our headquarters are located, in Virginia Beach, Virginia (subject to applicable state law).
w. Choice of Law	25.1	~~Virginia law governs (subject to applicable state law).~~Virginia law governs the Agreement, subject to the following exceptions: (a) federal law, including without limitation the Lanham Act, 15 U.S.C. § 1051 et seq., as it may be amended, governs all matters relating to trademarks, service marks, trade dress, unfair competition, and any other claims arising under federal intellectual property law; (b) the Virginia Retail Franchising Act, Virginia Code § 13.1-557 et seq., as it may be amended, along with any other Virginia laws regulating the offer or sale of franchises, business opportunities, or governing the franchisor-franchisee relationship, applies only if the Franchised Business is located in Virginia or the jurisdictional prerequisites of that Act are otherwise satisfied; and (c) if a particular provision of this Agreement is unenforceable under Virginia law and the Franchised Business is located outside of Virginia, that provision will be interpreted and construed under the laws of the state in which the Franchised Business is located. This provision is subject to state law.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Alberto J. Ortiz 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 ~~2022~~2023 to 2025~~2024~~

Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of Year	Net Change
Franchised	~~2022~~2023	~~23~~30	~~30~~38	+~~7~~8
	2024~~2023~~	~~30~~38	~~38~~36	~~+8~~-2
	~~2024~~2025	~~38~~36	~~36~~32	-~~2~~4
Company Owned	2023~~2022~~	0	0	0
	2024~~2023~~	0	0	0
	~~2024~~2025	0	0	0
Total Outlets	2023~~2022~~	~~23~~30	~~30~~38	+~~7~~8
	~~2023~~2024	~~30~~38	~~38~~36	~~+8~~-2
	~~2024~~2025	~~38~~36	~~36~~32	-~~2~~4

Table No. 2

Transfers of Outlets from Franchisees to New Owners (Other than Franchisor)
For Years ~~2022~~2023 to 2025~~2024~~

State	Year	Number of Transfers
Florida	2023~~2022~~	0
	2024~~2023~~	~~0~~1
	~~2024~~2025	~~1~~0
Total	2023~~2022~~	0
	2024~~2023~~	~~0~~1
	~~2024~~2025	~~1~~0

Table No. 3

Status of Franchise Outlets
For Years ~~2022~~2023 to ~~2024~~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
California	2023 ~~2022~~	~~1~~0	~~0~~1	0	0	0	~~1~~0	~~0~~1
	~~2023~~ 2024	~~0~~1	~~1~~0	0	0	0	0	1
	~~2024~~ 2025	1	0	0	0	0	~~0~~1	~~1~~0
Colorado	2023 ~~2022~~	1	0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	1	0	0	0	0	2
	2025	2	0	0	0	0	0	2
Connecticut	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
~~Florida~~	~~2022~~ 2025	~~6~~0	1	0	0	0	0	~~7~~1
Florida	2023	7	1	0	0	0	0	8
	2024	8	2	0	0	1	1	8
	2025	8	1	0	0	0	0	9
Georgia	2023 ~~2022~~	1	0	0	0	0	0	1
	2024 ~~2023~~	1	0	0	0	0	0	1
	~~2024~~ 2025	1	0	~~0~~1	0	0	0	~~1~~0
Illinois	2023 ~~2022~~	~~2~~1	0	0	0	0	~~1~~0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Indiana	2023 ~~2022~~	0	~~0~~1	0	0	0	0	~~0~~1
	~~2023~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Massachusetts	2023 ~~2022~~	~~0~~1	1	0	0	0	0	~~1~~2
	~~2023~~	~~1~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2024	2	0	0	0	0	0	2
	2025	2	0	1	0	0	0	1
Michigan	2023 ~~2022~~	0	~~0~~1	0	0	0	0	~~0~~1
	~~2023~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Nevada	2023 ~~2022~~	~~0~~1	~~1~~0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
New Jersey	2023 ~~2022~~	2	0	0	0	0	0	2
	2024 ~~2023~~	2	~~0~~1	0	0	~~0~~1	0	2
	~~2024~~ 2025	2	~~1~~0	0	0	~~1~~0	0	2
New Hampshire	2023 ~~2022~~	~~0~~1	~~1~~0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	1	0	0	0	0
New York	2023 ~~2022~~	~~7~~9	~~2~~1	~~0~~1	0	0	0	9
	~~2023~~	~~9~~	~~1~~	~~1~~	~~0~~	~~0~~	~~0~~	~~9~~
	2024	9	2	2	0	0	1	8
	2025	8	0	1	0	0	1	6
Oregon	2023 ~~2022~~	0	~~0~~1	0	0	0	0	~~0~~1
	~~2023~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Pennsylvania	2023 ~~2022~~	1	0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Puerto Rico	2023 ~~2022~~	~~0~~1	~~1~~0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
	2025	1	0	0	0	0	0	1
Rhode Island	2023 ~~2022~~	1	0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
South Carolina	2023 ~~2022~~	~~0~~1	~~1~~0	0	0	0	0	1
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
~~Texas~~	~~2022~~ 2025	1	0	0	0	0	0	1
Texas	2023	1	2	0	0	0	0	3
	2024	3	0	1	0	0	0	2
	2025	2	0	0	0	0	0	2
Virginia	2023 ~~2022~~	~~0~~1	~~1~~0	0	0	0	~~0~~1	~~1~~0
	~~2023~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~	~~0~~
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Washington	2023 ~~2022~~	0	~~0~~1	0	0	0	0	~~0~~1
	~~2023~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
	2024	1	0	0	0	0	0	1
~~Total~~	~~2022~~ 2025	~~23~~1	~~9~~0	0	0	0	~~2~~0	~~30~~1
Total	2023	30	10	1	0	0	1	38
	2024	38	6	3	0	2	3	36
	2025	36	2	4	0	0	2	32

Table No. 4

Status of Company-Owned Outlets
For Years ~~2022~~2023 to ~~2024~~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
All States	~~2022~~2023	0	0	0	0	0	0
	2024~~2023~~	0	0	0	0	0	0

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
	~~2024~~2025	0	0	0	0	0	0
Total	~~2022~~2023	0	0	0	0	0	0
	2024~~2023~~	0	0	0	0	0	0
	~~2024~~2025	0	0	0	0	0	0

Table No. 5
Projected Openings as of December 31, ~~2024~~2025

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
~~Arizona~~	~~0~~	~~1~~	~~0~~
California	0	1	0
~~Colorado~~	~~0~~	~~0~~	~~0~~
Florida	0	~~-~~1	0
~~Illinois~~	~~0~~	~~1~~	~~0~~
~~Indiana~~Kentucky	0	~~0~~1	0
Pennsylvania~~Massachusetts~~	0	~~0~~1	~~0~~
Texas~~Michigan~~	0	~~0~~1	0
~~New York~~	~~0~~	~~1~~	~~0~~
~~Oregon~~	~~0~~	~~0~~	~~0~~
~~Texas~~	~~0~~	~~1~~	~~0~~
~~Wisconsin~~	~~0~~	~~1~~	~~0~~
TOTALS	0	~~7~~5	0

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

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

One or more franchisees have signed non-disparagement clauses during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with ATAX. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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

ITEM 21. FINANCIAL STATEMENTS

Exhibit F contains our audited financial statements as of December 31, 2025, 2024~~, 2023~~ and ~~2022~~2023.

Our fiscal year end is December 31.

ITEM 22. AGREEMENTS

The following agreements are attached to this disclosure document:

Exhibit B Area Representative Agreement
_____Schedule 1~~-~~-Territory
_____Schedule 2~~-~~-Minimum Requirements
_____Schedule 3~~-~~-Automatic Bank Draft Authorization
_____Schedule 4~~- Area Representative Biographical Information Form~~
~~Schedule 4 -~~Promissory Note
_____Schedule 5~~-~~-Release
_____Schedule 6~~-~~-State Addenda to the Area Representative Agreement

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

ITEM 23. RECEIPTS

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

[remainder of page intentionally left blank]

EXHIBIT A

STATE ADDENDA TO THE DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM
TO THE DISCLOSURE DOCUMENT

As to Area Representatives 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.

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 FRANCHISE DISCLOSURE DOCUMENT.

Item 3 of the Disclosure Document is amended by adding the following paragraph:

Neither we nor any person or franchise broker in Item 2 of this 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. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 17 of the Disclosure Document is amended by adding the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Area Representative concerning termination, transfer, or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Item 17.g. of the Disclosure Document is modified to state that, in addition to the grounds for immediate termination specified in Item 17.h., the franchisor can terminate upon written notice and a 60 day opportunity to cure for a breach of the Franchise Agreement.

Item 17.h. of the Disclosure Document is modified to state that the franchisor can terminate immediately for insolvency, abandonment, mutual agreement to terminate, material misrepresentation, legal violation persisting 10 days after notice, repeated breaches, judgment, criminal conviction, monies owed to the franchisor more than 5 days past due, and imminent danger to public health or safety.

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

The Area Representative Agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER

OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA 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).

Our website is located at www.atax.com.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~BUSINESS~~ FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA ~~DEPARMENT~~DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

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

Item 5 of the FDD is modified with the addition of the following language: "The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business."

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.

ILLINOIS ADDENDUM
TO THE DISCLOSURE DOCUMENT

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

1. Illinois law governs the Area Representative Agreement.

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

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

4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Area Representative 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.

5. Item 5 of the Disclosure Document is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Area Representative Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

MARYLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT

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

1. Item 5 of the FDD is modified to also provide, "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required 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."

2. Item 17.b. 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~~.~~."

3. Item 17.u. is modified to also provide, "This Area Representative 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."

4. Item 17.v. 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."

MICHIGAN ADDENDUM
TO THE DISCLOSURE DOCUMENT

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.

MINNESOTA ADDENDUM
TO THE DISCLOSURE DOCUMENT

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

~~Minn. Stat. §80C.21 and Minn. Rule~~**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 ~~Area Representative~~franchisee to consent to liquidated damages, termination penalties or judgment notes. ~~-~~In addition, nothing in the Franchise Disclosure Document or ~~agreements~~agreement(s) can abrogate or reduce (1) any of the ~~Area Representative's~~franchisee's rights as provided for in Minnesota Statutes, Chapter 80C~~,~~ or (2) ~~Area Representative's~~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 ~~Minn. Stat. Sec.~~Minnesota Statutes, Section 80C.14~~ Subds~~, Subd. 3~~, 4, and ~~-5, which require (except in certain specified cases~~),~~) (1) that ~~an Area Representative~~a franchisee be given 90 ~~days'~~days notice of termination (with 60 days to cure) and 180 ~~days'~~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 ~~Area Representative's~~franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the ~~Area Representative~~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 Statues, Section 80C.12, Subd. 1(g).

~~Minnesota considers it unfair to not protect the Area Representative's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).~~

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring ~~an Area Representative~~a franchisee to assent to a general release.

- The ~~Area Representative~~franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See ~~Minn.~~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 ADDENDUM TO THE DISCLOSURE DOCUMENT

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.

RHODE ISLAND ADDENDUM
TO THE DISCLOSURE DOCUMENT

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 an Area Representative 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 Area Representatives governed under the laws of Rhode Island.

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

> Rhode Island law applies.

VIRGINIA ADDENDUM
TO THE DISCLOSURE DOCUMENT

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

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. Franchisor will defer collection of the initial franchise fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee 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.

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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	**001-35588**	**27-3561876**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(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 [X]

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

Exhibit Number	Description
16.1	Letter from KPMG LLP dated December 11, 2017.
99.1	Press Release dated December 11, 2017.

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 ADDENDUM
TO THE DISCLOSURE DOCUMENT

As to franchises governed by the Wisconsin Fair Dealership Law, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. Item 17 is modified to also provide,

   If the Area Representative Agreement contains any provisions that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

   With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, franchise agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

EXHIBIT B
AREA REPRESENTATIVE AGREEMENT

SUMMARY PAGE		
1.	**Franchisee Business Entity**	_____
2.	**Initial Franchise Fee**	$ _____
3.	**Territory Name**	_____
4.	**Opening Deadline**	_____
5.	**Principal Executive**	_____
6.	**Franchisee's Address**	_____
7.	**Outlet #**	_____

TABLE OF CONTENTS

~~1. GRANT OF FRANCHISE ..... 1~~
~~2. TERM AND RENEWAL ..... 1~~
~~3. TERRITORY ..... 2~~
~~4. FEES PAID BY AREA REPRESENTATIVE ..... 3~~
~~5. COMMISSIONS TO AREA REPRESENTATIVE ..... 5~~
~~6. FRANCHISOR DUTIES ..... 6~~
~~7. AREA REPRESENTATIVE DUTIES ..... 6~~
~~8. LIMITATION OF AUTHORITY ..... 8~~
~~9. JOINT DUTIES ..... 9~~
~~10. MINIMUM AREA REPRESENTATIVE PERFORMANCE ..... 9~~
~~11. ADVERTISING AND TRADEMARKS ..... 9~~
~~12. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS. ..... 10~~
~~13. REPORTS AND REVIEW ..... 11~~
~~14. TERMINATION ..... 11~~
~~15. POST TERMINATION OBLIGATIONS ..... 12~~
~~16. NON-COMPETE AND NO SOLICITATION ..... 13~~
~~17. STATUS OF PARTIES ..... 13~~
~~18. GOODWILL ..... 13~~
~~19. INDEMNITY ..... 13~~
~~20. TRANSFER ..... 14~~
~~21. DEATH OR INCAPACITY ..... 15~~
~~22. MODIFICATION ..... 15~~
~~23. NON-WAIVER OF BREACH ..... 15~~
~~24. FULL UNDERSTANDING ..... 15~~
~~25. GOVERNING LAW ..... 16~~
~~26. RELEASE OF PRIOR CLAIMS ..... 17~~
~~27. NOTICES ..... 18~~
~~28. ACKNOWLEDGMENTS ..... 18~~
~~29. GUARANTY ..... 18~~
1. GRANT OF FRANCHISE 1
2. TERM AND RENEWAL 1

3. TERRITORY 2
4. FEES PAID BY AREA REPRESENTATIVE 3
5. COMMISSIONS TO AREA REPRESENTATIVE 5
6. FRANCHISOR DUTIES 6
7. AREA REPRESENTATIVE DUTIES 7
8. LIMITATION OF AUTHORITY 8
9. JOINT DUTIES 9
10. MINIMUM AREA REPRESENTATIVE PERFORMANCE 9
11. ADVERTISING AND TRADEMARKS 9
12. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS. 10
13. REPORTS AND REVIEW 11
14. TERMINATION 12
15. POST TERMINATION OBLIGATIONS 13
16. NON-COMPETE AND NO SOLICITATION 13
17. STATUS OF PARTIES 13
18. GOODWILL 14
19. INDEMNITY 14
20. TRANSFER 14
21. DEATH OR INCAPACITY 15
22. MODIFICATION 16
23. NON-WAIVER OF BREACH 16
24. FULL UNDERSTANDING 16
25. GOVERNING LAW 16
26. RELEASE OF PRIOR CLAIMS 18
27. NOTICES 18
28. ACKNOWLEDGMENTS 19
29. GUARANTY 19

Schedule 1- Territory
Schedule 2- Minimum Requirements
Schedule 3- Automatic Bank Draft Authorization
Schedule 4- Promissory Note
Schedule 5- Release
Schedule 6- State Addenda to the Area Representative Agreement

AREA REPRESENTATIVE AGREEMENT

This contract ("Agreement") is between ATAX LLC d/b/a ATAX ("ATAX", "we", "us", or "our") and the entity and all ~~Signators~~Signatories identified on the signature page, in ~~your~~their personal capacity, (collectively "Area Representative", "you", or "your").

Recitals

~~ATX~~ATAX has developed a system ("Franchise System") for the operation of an income tax preparation office ("Franchise 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 customers ("Clients").

Area Representative desires to identify and recruit qualified individuals ("Candidates") willing to own and operate one or more unit locations (each a "Unit Franchise" as a "Unit Franchisee") to serve Clients within the Area Representative's designated territory.

ATAX will compensate Area Representative for identifying and recruiting Candidates while also provide continuing support (collectively "Services") on our behalf to Candidates.

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

1. GRANT OF FRANCHISE

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

2. TERM AND RENEWAL

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

2.2 Renewal. Upon the completion of the Term of this Agreement, provided you are in compliance with the terms and conditions in this Agreement, we will provide you with the right to enter into a new Agreement with us for the provision of services similar to those in this Agreement for additional ten-year terms. If you wish to renew this Agreement, you must notify us in writing at least 90 days before the expiration of this Agreement and execute a general release of all ~~Claims~~claims you may have against us, to the extent permitted by applicable law. You may renew future Area

Representative Agreements if you are in compliance with its Terms and qualify for renewal. We agree ~~to~~ not to change your Territory or the Area Representative Commissions in your renewals.

3. TERRITORY

3.1. Description. Schedule 1 defines your Area Representative Territory by zip codes, political, or geographic boundaries. You will provide services and support for Unit franchisees in your Territory. You may identify Candidates for the purpose of signing them up as a Unit Franchise owner only in your Territory. This Agreement conveys no right to operate a Unit Franchise within the Territory.

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

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

3.4. Dual Distribution. The Territory you receive is non-exclusive. You may face competition from other franchisees, outlets that we own, other channels of distribution or competitive brands that we control. We or an affiliate may make sales within your Territory using our principal trademarks, including through the use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales. We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under this Agreement. If we establish another Unit ~~Franchisee~~Franchise in your Territory, then you will receive 50% of the net Initial Franchise Fees paid by the Unit Franchisee, less any broker or sales commission including any Internal Sales Fee, along with 50% of the Royalties paid by the Unit Franchisee, just as if you sold the Unit ~~Franchisee~~Franchise the Territory yourself.

3.5. Minimum Requirements. You will provide ATAX with a minimum number of Candidates each year that open and operate a Unit Franchise in the Territory. The Territory must be grown as described in Schedule 2 (the "Minimum Requirements"). A year will include each fiscal year (including any partial year) ending on December 31.

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

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

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

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

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

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

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

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

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

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

4. FEES PAID BY AREA REPRESENTATIVE

4.1 Initial Area Representative Fee. You will pay us $_____ upon execution of this Agreement. The Initial Area Representative ~~Franchise~~ Fee is fully earned and nonrefundable when both you and we execute the Area Representative Agreement between us.

4.2 Other Area Representative Fees

a) **Fee for Franchisee Prospects**. From time to time, we may provide to you leads of Candidates interested in buying one of our Unit franchises within the Territory. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. You are under no obligation to purchase these leads.

b) **Credit Card Fee**. If we allow you to pay any fee to us by credit card, you also agree to pay to us the then-current credit card processing fee charged by third-party credit card processors.

c) **Franchise Broker Fee**. We may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees. If a franchise broker generates a Candidate who becomes a Unit Franchisee in your Territory, you will pay a proportionate share (50%) of the Broker's fee. This fee will be deducted from any amount paid to you.

d) **Internal Sales Fee**. If a staff or a designated agent of ours, our parent Loyalty, LLC, or any affiliate of ours (our "Internal Sales Team") assists you with the selling process for a Unit Franchisee who buys a unit within your Territory, you will pay us $5,000 per unit sold (the "Internal Sales Fee"). If that Unit Franchisee purchases multiple units, then the Internal Sales Fee will be 5,000 for each unit sold in your Territory. Assistance may come in various degrees, but will typically involve assistance in generating leads, developing leads, or closing qualified leads during the sales process. For example, you will always pay the Internal Sales Fee if we or our Internal Sales Team generate the lead or communicate directly with the lead prior to execution of a franchise agreement. This fee is paid by you and is not a shared expense.

e) **Renewal Fee.** You must pay to us a $2,000 Renewal Fee to enter into a further Area Representative Agreement with us at the expiration of the term of this Agreement.

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

g) **Third Party Charges**. If we incur third party changes on your behalf, you agree to reimburse us for any such charges.

h) **Sales, Excise, or Gross Receipts Tax.** You must reimburse us if we pay any tax on any fee related to your Area Representative Agreement.

i) **Late Fees**. Payment for charges we bill to you is due within 30 days of billing and will be subject to a 12% per annum late fee, or the maximum allowed by law, if less.

4.3 Payment Terms. We will bill you by the 15th of the month as to fees incurred to us by you in the prior month. We reserve the right to deduct monies that you owe to us from Commissions that we pay to you and pay you the net amount owed to you, or charge you any net amount you may owe to us. You agree to execute an Automatic Bank Draft Authorization and that we may withdraw

fees and other monies you owe to us pursuant to the Authorization from your bank account, and also electronically deposit monies owed to you in the same bank account.

5. COMMISSIONS TO AREA REPRESENTATIVE

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

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

   For example, if a $40,000 initial fee is paid to us by a Unit Franchisee and the Unit Franchisee was introduced to you or us by a broker with a $20,000 referral fee, the Net Initial Franchise Fee would be $20,000, and you would receive $10,000 (50% of the $20,000 Net Initial Franchise Fee).

   Certain other fees as set forth in Section 4.2 of this Agreement are incurred solely by you and are not accounted for when calculating the Net Initial Franchise Fee. For example, if you used the Internal Sales Team provided by us, our parents, or an affiliate on the same deal described in this Section 5(a), then you would only receive $5,000, because the Internal Sales Fee is solely incurred by you ($10,000 minus the $5,000 Internal Sales Fee).

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

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

c) **Demand for Payment**. Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us. Further, we are the sole determiner of the amount of the fees imposed in each Unit Territory.

d) **Exclusions.** We may, in our discretion, require a Unit Franchise to pay fees for other services, including, but not limited to, advertising fees, technology fees, CRM fees, transfer fees, and renewal fees. These fees are not subject to split with you.

e) **Pay When Paid.** Fees paid to you will be paid only as funds are received. For example, in the case of a financed Initial Franchise Fee, the distribution would only be after the funds were actually received by us. You will be entitled to your share of the Initial Franchise Fees and royalties only with respect to amounts actually collected, and we will be entitled to take credits

against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of your share of Franchise Fees or royalties will be accompanied by information in sufficient detail to allow you to determine the basis on which your share of the Franchise Fees and royalties was calculated as well as deductions made for monies owed to us.

f) **Payment Terms.** -We will pay ~~to~~ you ~~the~~all Commissions that we owe you ~~by~~ within four (4) weeks after the end of the ~~15th of each~~ month ~~as to~~ in which such Commissions were earned ~~the prior month~~, less any ~~monies~~amounts you owe to us~~,~~. All Commission payments will be made via electronic transfer ~~or~~ to a bank account you designate in writing, or by such other method ~~that~~as we may designate. You ~~will be~~are entitled to your share of Initial Franchise Fees and royalties only with respect to amounts we actually ~~collected, and we will be entitled to take credits against previous payments to you to~~collect. To the extent ~~that~~ any ~~payments~~payment from a Franchisee ~~are~~is subject to a subsequent refund, offset, or other credit~~.~~, we may take a corresponding credit against prior or future Commission payments made to you. Each Commission payment~~ of your share of Franchise Fees or royalties~~ will be accompanied by ~~information~~a statement in sufficient detail to allow you to ~~determine~~verify the basis on which your share of ~~the~~ Franchise Fees and royalties was calculated, ~~as well as~~including any deductions ~~made~~ for ~~monies owed~~amounts you owe to us.

6. FRANCHISOR DUTIES

6.1 Initial Training. We provide you a four-day Initial Training course. We presently offer this training live in Virginia Beach, VA, or online, but may offer it in another location of our choosing.

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

6.3 Area Representative Operations Manual. We will provide you a Manual to offer guidance in performing your opening and support services.

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

6.5 Franchise Disclosure Document. We will provide or make available to you an electronic copy of our latest unit Franchise Disclosure Document to use as may be required.

6.6 Computer Systems, Equipment and Supplies. We may issue computer, software, equipment, and supply specifications.

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

6.8 Advanced Training. We may provide and require your attendance at advanced or other training, which we may offer from time to time at select locations, or we may offer such training on

the web or electronically. We do not charge for training, you must pay any travel, transportation, lodging, and meal costs you incur to attend.

7. AREA REPRESENTATIVE DUTIES

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

7.2 Computer Systems, Equipment and Supplies. You agree to purchase and maintain such computer systems, software, equipment, and supplies as we designate. At present, you are required to have an e-mail account, computer with internet access, printer, telephone, desk, chair, and file cabinet along with standard office supplies to operate the franchise. We may also require you to purchase software such as Microsoft Office, sales lead management software, or other software that we may develop in the future.

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

7.4 Starting Date. You agree to be operational within 30 days of your completion of Initial Training. If you are not operational within 30 days, more time will be given, but you will remain subject to Minimum Requirements (Section 10.1).

7.5 Area Representative Manual. You will provide assistance and support in accordance with the Manual and our unit franchisee Operations Manual. We may modify the Manual in order to adjust for competitive changes, technological advancements, legal requirements, and attempts to improve in the marketplace. You agree to operate the Area Representative Territory according to the then current Manual.

7.6 Candidate Development. You must identify candidates interested in operating a Unit Franchise within the Territory. Upon your determination that a candidate may have the characteristics of a potential franchisee ("Candidate"), you will identify such Candidate in writing to us for our consideration.

7.7 Operational Support. You will provide Franchisees with support in launching the franchise, provide on-going operational support and training support to franchisees in accordance with our System, to provide marketing assistance in accordance with our System; conduct recurring performance and quality control assessments; and monitor and maintain franchisee relations.

7.8 Contract Enforcement. Upon termination or expiration of a Franchise Agreement with us of any Franchisee ("Former Franchisee"), you will assist us in enforcing the "Post Termination Obligations" set forth in its Franchise Agreement with that Former Franchisee, but you will have no duty to initiate a court or other legal proceeding.

7.9 Personal Involvement. You must render the Area Representative and Support Services personally, unless you submit to us a Business Manager who attends and successfully completes our Initial Area Representative Training course, and who is not later disapproved by us.

7.10 Franchise Sales Representations.

a) **Disclosure**. You will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees, including providing the unit Franchise Disclosure Document, which we prepare and provide to you, to all Candidates at the time required by law, presently fourteen calendar days before signing of a binding agreement between the Candidate and us or making any payment by the Candidate to us, in most jurisdictions. Should you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. You will be responsible for providing our most current unit Franchise Disclosure Document approved for your use.

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

c) **Improper Representations**. You will make no representations to any Candidate that conflicts with our current unit Area Representative Agreement or unit Disclosure Document, or make any promises, guarantees or warrantees to any party not authorized in writing by us.

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

7.12 Laws and Regulations. You will comply with all federal, state, and local laws, and regulations. You will secure all necessary permits, certificates, and licenses to operate your business. You will accurately complete and return in the time frame we specify such Biographical Information forms as we request of you.

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

8. LIMITATION OF AUTHORITY

a) **No Authority to Approve Marketing**. You do not have any authority to approve or disapprove Franchisee marketing or advertising.

b) **No Authority to Modify Manual**. You do not have authority to modify the unit franchisee Operations Manual.

c) **No Legal Claims versus Unit Franchisees**. You will not assert any legal claim by way of a lawsuit or otherwise against a Franchisee without our written permission.

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

e) **No Unauthorized Commitments**. You acknowledge that you have no authority to bind us with respect to any matter, and agree that you will not enter into any agreements or understandings with any Candidates or other third parties other than as authorized in writing by us.

9. JOINT DUTIES

9.1 Enforcement of Unit Agreement. The Parties will be responsible for the enforcement of all agreements ("Franchise Documents") executed in the awarding of a franchise to a Candidate and the monitoring of individual franchise performance and adherence to our Franchise System.

10. MINIMUM AREA REPRESENTATIVE PERFORMANCE

10.1 Minimum Requirements. You will open a minimum number of Unit Franchises in your territory each year as set forth in Schedule 2. For opening purposes, a year will include each fiscal year (including any partial year) ending on December 31.

10.2 Remedy for Failure to Meet Minimum Requirements. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the opening of additional units. You will still maintain your rights, obligations and share in the Initial Franchisee Fees and royalties for any existing franchise agreements for the remaining term of the Area Representative Agreement; however, we may then freely sell and develop the terminated portion of the territory without sharing any of the Initial Franchise Fees and royalties. from new franchises opened after the effective date of such termination..

11. ADVERTISING AND TRADEMARKS

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

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

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

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

11.5 No use of "ATAX" Within a Company Name. You may not use the word "ATAX" or any confusingly similar words as any part of the name of a corporation, LLC or other entity.

11.6 No Confusingly Similar Marks. You agree not to use any Marks that could be confused with our Marks.

11.7 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 agree to 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.

11.8 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.

11.9 Control of Proceedings. We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. We are not required 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.

11.10 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.

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

12. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS.

12.1 Definition. "Confidential Information" means information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, of or about us that is valuable and not generally known or readily available to third parties obtained by you from us during the Term of this 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 by the parties in the course of the performance of this Agreement.

12.2 Confidentiality. You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information

to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals who have signed Confidentiality Agreements, agreeing to keep the Confidential Information confidential.

12.3 Return of Information. Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, 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.

12.4 Intellectual Property Ownership. We own the Franchise System and all intellectual property associated with it. To the extent you have or later obtain any intellectual property, other property rights, or interests in the Franchise System by operation of law or otherwise, you hereby disclaim such rights or interests and will promptly assign and transfer such entire interest exclusively to us. You will not undertake to obtain, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise System.

12.5 Suggestions. You agree that we may incorporate into our business operations any suggestions, enhancement requests, recommendations, or other feedback provided by you or anyone else and we shall have sole rights and title to such suggestions.

13. REPORTS AND REVIEW

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

13.2 Reviews. We reserve the right to review your business operations, in person, by mail, or electronically, to inspect your operations and obtain your paper and electronic business records related to your Area Representative 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. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

13.3 Time Frame to Furnish Documents. If, as part of a review of your business operations, we request a copy of any business records related to the Area Representative Territory, you must send us at your expense these records within five business days of receiving our request.

13.4 Independent Access to Information. You agree to allow us to have independent access to the information that will be generated or stored in your computer system, which includes prospect, financial, and operational information.

14. TERMINATION

14.1 Termination by You. You may terminate this Agreement at any time by giving us written notice of termination. Termination of this Agreement will be effective upon our receipt of your termination notice. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

14.2 Termination by Us. We may terminate this Agreement effective upon our sending to you written notice of termination, and without the opportunity for you to cure, for any of the following reasons:

a) If you do not pass our Initial Training accordance with our current passing standards;

b) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;

c) If a final judgment of record against you or your Area Representative Territory remains unsatisfied for 30 days or longer;

d) If you commit a material violation of any law, ordinance, rule or regulation of a government or governmental agency or department which constitutes a material violation of any franchise law, antitrust law, securities law, fraud or similar wrong, unfair or deceptive practices, or a comparable violation;

e) If you violate any part of Sections 7.10 (Franchise Sales Representations) or 8(e) (No Unauthorized Commitments) of this Agreement;

f) If you make a misstatement of material fact or fail to disclose a material fact on a Biographical Information Form or requested in any form, or refuse to fill out or completely fill out such forms or tender supporting documentation upon reasonable request; or

g) If you die or become incapacitated and you or your estate does not begin the process of transferring your rights under this Agreement within 60 days or complete the transfer within 6 months of your death or incapacity.

14.3 Termination by Us with the Opportunity to Cure. We may terminate this Agreement, after sending you notice and an opportunity to cure within thirty (30) days, if:

a) You violate any other term or condition of this Agreement, the Operations Manual, or any other agreement with us; or

b) Any amount owing to us from you is more than 30 days past due.

14.4 No Refund of Initial Fee. We have no obligation to return or refund any fee to you upon termination or expiration of this Agreement.

15. POST TERMINATION OBLIGATIONS

Upon termination or expiration of this Agreement, including a sale of the business, you agree to:

a) Discontinue using any of our "Marks;"
b) Pay to us all sums due between the parties;
c) If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Agreement and deliver to us written proof of transfer;
d) Deliver to us any paper and electronic copies of the Manual and any Confidential Information;
e) Cancel all fictitious name filings which you use of any of our Marks; and
f) Adhere to the post-term duties stated in Section 16 below and any other duties that require your performance after you are no longer an Area Representative.

16. NON-COMPETE AND NO SOLICITATION

16.1 Non-Compete and No Solicitation.

a) In-Term. You will not, during the Term of this Agreement, in the United States, directly or indirectly (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in income tax preparation, except as to seeking ATAX franchisees under this Agreement, or (ii) aid or facilitate another person or entity (except our franchisees) in the provision of income tax preparation services.

b) Post-Term. You will not, for a period of two years after expiration or termination of this Agreement, including a sale of the franchise or your interest in it, in the Territory or within twenty-five (25) miles of the boundaries of the Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in income tax preparation services.

16.2 Waiver of Bond. If we are forced to bring suit to enforce Sections 15 or 16.1 above, you will waive any requirement that we post bond to obtain a temporary or permanent injunction to enforce these duties.

16.3 Severability. If any covenant or provision of Section 16.1 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall 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, shall not constitute a defense to the enforcement of these obligations.

17. STATUS OF PARTIES

17.1 Independent Contractor. This Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the Parties, and no Party has a

fiduciary duty, other special duty, or relationship with respect to the other Party. The Parties acknowledge that your relationship with us is that of an independent contractor.

18. GOODWILL

18.1 Maintenance of Goodwill. You will not disparage us or our current and former employees, agents, members, directors, or franchisees. During the term of this Agreement, you will not do any act harmful, prejudicial, or injurious to us.

19. INDEMNITY

19.1 Indemnity. You will indemnify, defend and hold us and our affiliates, officers, directors, members, partners, employees, and agents (the "Indemnified Parties") harmless from and against any ~~damage, cost, or~~and all claims, demands, liabilities, losses, damages, costs, and expenses (including reasonable attorney fees) which ~~relates~~relate to or ~~arises~~arise from your breach ~~or alleged breach~~ of any of your duties under this Agreement, except to the extent caused by our gross negligence or willful misconduct.

20. TRANSFER

20.1 Assignment by Us. We may assign this Agreement to an assignee who agrees to remain bound by its terms. We do not permit a sub-license of the Agreement.

20.2 Transfer by You. You may transfer your interest under this Agreement or your ownership in your Territory only if we approve, and you comply with the provisions in this Section 20. We shall not unreasonably withhold approval. No interest may be transferred unless and until you are in full compliance with this Agreement and current in all monies owed to us. 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. You shall sign our then current transfer and release forms and pay to us the Transfer Fee specified in Section 4 above

20.3 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" shall 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 shall sign the then-current amendment and release forms and/or Area Representative Agreement as required by us. We do not charge a Transfer Fee for this change.

20.4 Transfer within an Entity. A transfer of interest within an Area Representative entity shall not trigger the Right of First Refusal if only the percentage ownership, rather than the identity of the owners, is changing. 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 shall sign

the then-current amendment and release forms or Area Representative Agreement as required by us. We do not charge a Transfer Fee for this change.

20.5 Right of First Refusal. If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Area Representative Agreement or any interest in it, you shall grant us the option (the "Right of First Refusal") to purchase the Area Representative Territory as provided here:

a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Area Representative Territory or interest in the Area Representative Territory at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed (valued at fair market value as of the date of the Notice) and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.

b) If we do not exercise our Rights of First Refusal, you may transfer the Area Representative Territory or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Sections 20.2 and 20.6 below and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

20.6 Transferee Requirements. The proposed transferee(s) must complete our then-current Area Representative application and pass our application screening using our then current qualifications; sign either, at our option, an assignment of the rights remaining in your Area Representative Agreement or our current Area Representative Agreement with the term adjusted to such length as remains on the term of your Area Representative Agreement; and attend and successfully complete Initial Training. In addition, as a condition of our approval of any transfer, you must execute a transfer agreement on a form acceptable to us, which shall include (i) a general release of all claims against us and our affiliates, officers, directors, members, employees, and agents arising prior to the effective date of the transfer, to the extent permitted by applicable law; and (ii) a post-transfer covenant not to compete for a period of two (2) years, consistent with the post-term non-competition obligations set forth in Section 16 of this Agreement.

21. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new Area Representative must pay the Transfer Fee specified above, meet our qualifications, complete Initial Training, and enter into a new Area

Representative Agreement. And 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. The term "incapacity" means a condition that prevents you from reasonably carrying out your duties under this Agreement.

22. 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, as discussed in Paragraph 7.5.

23. NON-WAIVER OF BREACH

The failure of either Party to enforce any one or more of the terms or conditions of this Agreement shall not be deemed a waiver of such terms or conditions or of either party's rights thereafter to enforce each and every term and condition of this Agreement.

24. FULL UNDERSTANDING

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.

25. GOVERNING LAW

25.1 Choice of Law. ~~This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to Claims governed by federal law, Virginia law governs all Claims that in any way relate to or arise out of this Agreement or any of the dealings of the Parties ("Claims"). However, no laws regulating the sale of franchises or governing the relationship between Franchisor and Area Developer shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.~~ 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.

25.2 Jurisdiction and Venue. Venue and jurisdiction for any Claims 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 claims which may cause irreparable harm including, but not limited to, the infringement of our trademarks or dissemination of confidential or customer information, in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, Virginia.

25.3 Jury Waiver. In any trial between any of the Parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

25.4 Class Action Waiver. You will bring any Claims, if at all, individually and you shall not join such Claim with Claims of any other person or entity or bring, join or participate in a class action against us.

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

25.6 Limitation of Actions. You will bring any Claims against us, if at all, within one (1) year of the occurrence of the facts giving rise to such Claims.

25.7 Prior Notice of Claims. As a condition precedent to commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach by providing written notice ("Notice") to our Chief Executive Office ("CEO") using either certified mail or overnight delivery through a common carrier like UPS or FedEx. The Notice must contain: (a) a description of the specific nature of the Claim; (b) all relevant facts; (c) all supporting evidence; and (d) either the specific dollar amount of damages or the action requested to resolve the matter, or both ("Cure"). Failure to timely give such notice shall preclude any Claim for damages. You will continue performance under this Agreement after you provide Notice of your Claim and will continue performance under this Agreement while the Claim is being resolved as described in this Agreement.

25.8 Internal Dispute Resolution. You must first bring any Claim to our CEO, after providing notice as set forth in Section 25.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

25.9 Mediation. Before you may bring any Claim against us, you will try for a period of 60 days to mediate such Claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we will use the mediation services of the American Arbitration Association ("AAA") and split any AAA and mediator fees equally. The mediation will be conducted in accordance with the mediation rules of the American Arbitration Association ("AAA").

25.10 Arbitration. If the Claim cannot be resolved through Mediation, then you must submit the Claim to arbitration with the AAA in accordance with the Commercial Arbitration Rules of the AAA then in effect. The proceedings will be held by a single arbitrator. You must include in your demand for arbitration an estimate for legal fees ("Budget") necessary to establish liability and damages. The Budget will include the maximum number of: a) witnesses, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator, before conducting any discovery, or hearings. The Arbitrator must approve any increases in the Budget. Each Party will bear their own costs, including attorney's fees and expert witness fees related to the

resolution of the Claim~~.~~, except as otherwise provided in Section 25.12 of this Agreement. Other than the filing fees, the cost of the Arbitrator will be shared equally among the Parties. The decision of the arbitrator will be final and binding upon the Parties. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction.

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

25.12 Attorney Fees. Except as otherwise provided in this Agreement, if we are the substantially prevailing Party as to any Claims, you will reimburse our costs and attorney fees incurred in pursuing or defending the Claims.

25.13 Third Party Beneficiaries. Our officers, directors, members, shareholders, agents, and employees are express third-party beneficiaries of the terms of the Governing Law provisions contained herein.

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

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

26. RELEASE OF PRIOR CLAIMS

By executing this Agreement, the undersigned entity, if any, and individuals, 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.

27. NOTICES

Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall 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 below 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.

28. 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.

29. GUARANTY

The Area Representative named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals as sole proprietors, joint tenants, or tenants in common constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligation to make payments specified above and pay any other debts due to us. All signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other signators.

[Signature Page Follows]

Area Representative:_____

Type:_____ **(Sole Proprietor, LLC, Corp., Joint Tenants with Right of Survivorship ("JTROS"), Tenants in Common, Partnership).* See important note below.**

SIGNATORS:

By:_____ (Signature)

_____ (Printed Name)

Title:_____

Address:_____

_____

Ownership Percentage:_____% (See note below)

By:_____ (Signature)

_____ (Printed Name)

Title:_____

Address:_____

_____

Ownership Percentage:____% (See note below)

By:_____ (Signature)

_____ (Printed Name)

Title:_____

Address:_____

_____

Ownership Percentage:_____% (See note below)

By:_____ (Signature)

_____ (Printed Name)

Title:_____

Address:_____

_____

Ownership Percentage:____% (See note below)

ATAX LLC d/b/a ATAX

By:_____ Effective Date:_____

***Joint Tenants with Right of Survivorship is typically for spouses and must be owned equally by each tenant, 50-50 for two owners, and if one passes away, the other automatically receives the decedent's share. Tenants in common is normally for non-spouses and if one passes away, his or her share passes by will or state law to his or her heirs.**

SCHEDULE 1

TERRITORY

The Territory consists of the following:

[insert Territory description]

SCHEDULE 2

MINIMUM REQUIREMENTS

Area Representative shall develop the Territory as follows:

SCHEDULE 3

AUTOMATIC BANK DRAFT AUTHORIZATION

ACH Origination 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 ATAX LLC d/b/a ATAX ("Franchisor") 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 or Area Representative Agreement and, if necessary, to initiate adjustments for any transactions credited in error. This authority will remain in effect until I notify either Franchisor 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 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 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

Signature: _____

Printed Name of Person Signing: _____

Title (if any): _____

Application Date: _____

Telephone Number: _____

Applicant's Address: _____

_____

SCHEDULE 4

PROMISSORY NOTE

FOR VALUE RECEIVED, _____ (each a "Maker") promises to pay to the order of ATAX LLC d/b/a ATAX ~~["Payee"]~~("Holder") at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452 the principal amount of _____ together with interest at the rate of 12% per year.

~~This Note will be payable in (X) ANNUAL installments of $_____ each plus interest. The first payment is due April 30, 20_____ and will continue on April 30 of each year until paid.~~

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

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

As security for Maker's obligations under this Note, Maker grants to Holder a security interest in Maker's right, title and interest in the Collateral, whether owned now or hereafter acquired. The Security Interest extends into any proceeds of the Collateral including but not limited to bank accounts and insurance payments. Collateral means: (1) All Area Representative 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 ~~based~~ 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, ~~involving~~including failure to pay debts as they become due or ~~makes~~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 waives the right to a trial by jury in any action in connection with this Note. This waiver is knowingly, willingly and voluntarily made by each Maker. Maker warrants that no representations of fact or opinion have been made by any individual to induce this waiver. Maker represents that Maker had the opportunity to be represented by independent legal counsel selected of Maker's own free will, and that Maker has had the opportunity to discuss this waiver with Maker's counsel.~~

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 ~~it~~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, ~~both Makers~~the Maker(s) affix ~~the signatures, intending to be bound~~their signature(s) below to signify their acceptance~~ on this day _____~~.

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

~~**Maker**:_____~~
~~_____~~

~~By:_____~~

~~Printed Name:_____ Title:_____~~

~~**Guarantors:**~~

~~_____ _____~~
~~Signature of Guarantor Signature of Guarantor~~

~~Printed Name of Guarantor~~ ~~Printed Name of Guarantor~~

~~Home Address:~~ ~~Home Address:~~

~~Signature of Guarantor~~ ~~Signature of Guarantor~~

~~Printed Name of Guarantor~~ ~~Printed Name of Guarantor~~

~~Home Address:~~ ~~Home Address:~~

Maker	**Maker**
Signature:	Signature:
Name:	Date:
Title:	Address:
Date	

SCHEDULE 5

RELEASE

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

1. Releasor and ATAX LLC d/b/a ATAX ("Releasee") are parties to one or more Area Representative Agreements.

2. The following consideration is given:

   _____ the execution by Releasor of a successor Area Representative Agreement or other renewal documents renewing the franchise (the "Franchise"); or

   _____ Releasor's consent to Releasee's transfer of its rights and duties under the Area Representative Agreement; or

   _____ Releasor's consent to Releasee's assumption of rights and duties under the Area Representative Agreement; or

   _____ [insert description]

3. Release- Area Representative and all of Area Representative's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, Area Representatives, Franchisees, successors, assigns and affiliates (collectively "Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Representative could assert against Released Parties or any of them up through and including the date of this Release.

4. THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.

5. California Releasor- You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

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

6. The above Release shall not apply to any liabilities arising under the California Franchise

Investment Law, the California Franchise Relations Act, Indiana Code § 23-2-2.5.1 through 23-2-2.7-7, the Maryland Franchise Registration and Disclosure Law, Michigan Franchise Investment Law, Minnesota Franchise Act, North Dakota franchise laws, the Rhode Island Investment Act, and the Washington Franchise Investment Protection Act.

Approved and agreed to by:

AREA REPRESENTATIVE	FRANCHISOR: ATAX LLC d/b/a ATAX
By:_____	By:_____
By:_____	Date:_____

SCHEDULE 6

STATE ADDENDA TO THE FRANCHISE AGREEMENT

CALIFORNIA ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

Sections 14.2 and 14.3 are deleted and in their place are substituted the following:

14.2 Termination by Us Without Right to Cure. We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

(a) The Area Representative or the business to which the franchise relates has been judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or the Area Representative admits his or her inability to pay his or her debts as they come due;

(b) The Area Representative abandons the franchise by failing to operate the business for five consecutive days during which the Area Representative is required to operate the business under the terms of the franchise, or any shorter period after which it is not unreasonable under the facts and circumstances for the franchisor to conclude that the Area Representative does not intend to continue to operate the franchise, unless such failure to operate is due to fire, flood, earthquake, or other similar causes beyond the Area Representative's control;

(c) The franchisor and Area Representative agree in writing to terminate the franchise;

(d) The Area Representative makes any material misrepresentations relating to the acquisition of the franchise business or the Area Representative engages in conduct which reflects materially and unfavorably upon the operation and reputation of the franchise business or system;

(e) The Area Representative fails, for a period of 10 days after notification of noncompliance, to comply with any federal, state, or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the franchise;

(f) The Area Representative, after curing any failure in accordance with Section 14.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

(g) The Area Representative breaches the Area Representative agreement three or more times in a 12-month period, whether or not corrected after notice;

(h) The franchised business or business premises of the franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or lessor, provided that a final judgment against the Area Representative remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the license granted by the Area Developer Agreement or upon any property used in the franchised business, and it is not discharged within five days of such levy;

(i) The Area Representative is convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

(j) The Area Representative fails to pay any franchise fees or other amounts due to the franchisor or its affiliate within five days after receiving written notice that such fees are overdue; or

(k) The franchisor makes a reasonable determination that continued operation of the franchise by the Area Representative will result in an imminent danger to public health or safety.

14.3 Termination by Us with Opportunity to Cure. We may terminate this Agreement, after sending you notice and a 60 day opportunity to cure, for any other breach of this Agreement.

The Area Representative 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."

AREA REPRESENTATIVE:

By:_____

By:_____

FRANCHISOR:
ATAX LLC d/b/a ATAX

By:_____

Date:_____

ILLINOIS ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. Illinois law governs the Area Representative Agreement.

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

3. Franchisee rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

5. The Area Representative Agreement is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Area Representative Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

AREA REPRESENTATIVE:	FRANCHISOR: ATAX LLC d/b/a ATAX
By:_____	By:_____
By:_____	Date:_____

MARYLAND ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

2. This Area Representative 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.

3. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. All representations requiring prospective Area Representatives 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.

5. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required 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.

AREA REPRESENTATIVE:	FRANCHISOR: ATAX LLC d/b/a ATAX
By:_____	By:_____
By:_____	Date:_____

MINNESOTA ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

- ~~Minn. Stat. §~~Minnesota Statutes, Section 80C.21 and ~~Minn. Rule~~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 ~~Area Representative~~franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or ~~agreements~~agreement(s) can abrogate or reduce (1) any of the ~~Area Representative's~~franchisee's rights as provided for in Minnesota Statutes, Chapter 80C~~,~~ or (2) ~~Area Representative's~~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 ~~Minn. Stat. Sec.~~Minnesota Statutes, Section 80C.14~~ Subds~~, Subd. 3~~, 4, and~~ 5, which require (except in certain specified cases~~),~~) (1) that ~~an Area Representative~~a franchisee be given 90 ~~days'~~days notice of termination (with 60 days to cure) and 180 ~~days'~~days notice for non-renewal of the ~~Area Representative Agreement~~franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

- The franchisor will protect the ~~Area Representative's~~franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the ~~Area Representative~~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 Statues, Section 80C.12, Subd. 1(g).

  ~~Minnesota considers it unfair to not protect the Area Representative's right to use the trademarks. Refer to Minnesota Statutes 80C.12, Subd. 1(g).~~

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring ~~an Area Representative~~a franchisee to assent to a general release.

- The ~~Area Representative~~franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See ~~Minn.~~Minnesota Rules 2860.4400J.

- Also, a court will determine if a bond is required.

- ~~Any~~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

AREA REPRESENTATIVE:	FRANCHISOR: ATAX LLC d/b/a ATAX
By:_____	By:_____
~~By:_____~~	~~Date:_____~~

RHODE ISLAND ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. If the Area Representative Agreement contains any provisions that conflict with the Rhode Island Franchise Investment Act, the provisions of this Addendum shall prevail to the extent of such conflict.

2. Any provision in the Area Representative Agreement restricting jurisdiction or venue to a forum outside of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

3. Any provision in the Area Representative Agreement requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

4. The Rhode Island Franchise Investment Act stipulates that you cannot release or waive any rights granted under this Act. Any provision of this Area Representative Agreement, which constitutes a waiver of rights granted under the Act, is superseded.

5. You will to bring any claim against us, including our present and former employees and agents, 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.

AREA REPRESENTATIVE:	FRANCHISOR: ATAX LLC d/b/a ATAX
By:_____	By:_____
By:_____	Date:_____

VIRGINIA ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

~~If~~As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Area Representative Agreement 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 ~~Area Representative~~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.

AREA REPRESENTATIVE:

By:_____

By:_____

FRANCHISOR:
ATAX LLC d/b/a ATAX

By:_____

Date:_____

Washington Addendum to the Area Representative Agreement and All 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. Franchisor will defer collection of the initial franchise fee until the franchisor has fulfilled its initial pre-opening obligations to the franchisee and the franchisee 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.

8-K 1 f8k_121117.htm FORM 8-K

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	**001-35588**	**27-3561876**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(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 [X]

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

Exhibit Number	Description
16.1	Letter from KPMG LLP dated December 11, 2017.
99.1	Press Release dated December 11, 2017.

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 ADDENDUM
TO THE AREA REPRESENTATIVE AGREEMENT

If any of the terms of the Area Representative Agreement are inconsistent with the terms below, the terms below control.

1. If the Area Representative Agreement contains any provision that conflict with the Wisconsin Fair Dealership Law, the provisions of this Addendum shall prevail to the extent of such conflict.

2. The Area Representative Agreement is amended to also include the following language:

   With respect to franchises governed by Wisconsin law, the Wisconsin Fair Dealership Law applies to most, if not all, Area Representative Agreements and prohibits the termination, cancellation, non-renewal or the substantial change of the competitive circumstances of a dealership agreement without good cause. That Law further provides that 90 days' prior written notice of a proposed termination, etc. must be given to the dealer. The dealer has 60 days to cure the deficiency and if the deficiency is cured, the notice is void.

AREA REPRESENTATIVE:	FRANCHISOR: ATAX LLC d/b/a ATAX
By:_____	By:_____
By:_____	Date:_____

EXHIBIT C

LIST OF STATE ADMINISTRATORS AND REGISTERED AGENTS

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 651 Bannon Street, Suite 300 Sacramento, CA 95811 (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 Charlottesville, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Charlottesville, 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 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 7th 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. 21st Floor New York, NY 10005 212-416-8222 Phone	New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104	Division of Insurance Securities Regulation 124 South Euclid, Suite 104

	Pierre, SD 57501 (605) 773-3563	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 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 Rd., SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

EXHIBIT D

TABLE OF CONTENTS OF AREA REPRESENTATIVE OPERATIONS MANUAL

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

EXHIBIT E-1

LIST OF AREA REPRESENTATIVES

The following is a list of the names of all Area Representatives and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year, December 31, 2024. We do not require area representatives to have an outlet address.

State	Area Representative	Mailing Address	Email	Phone
~~California~~Connecticut	David Fabrizi~~Financial Frontera LLC~~	~~601 E Palomar St. Ste. C, PMB 554, Chula Vista, CA 91911-6976~~1345 Barnum Ave Unit 3 Stratford, CT	~~acontreras~~dfrabrizi@atax.com	~~831.214.9040~~ 203-256-1169
Colorado	Medmon Holdings LLC	4725 Newton St., Denver, CO 80211	emedina@atax.com	303-870-6150
	DFS Area Holding LLC	3049 W 74th Ave., Westminster CO 80030	zvalles@atax.com	303-725-2015
Florida	EMM Opportunity Fund Inc	46 W. Main St., Maple Shade, NJ 08052	emcdowell@atax.com	856-278-2540
	Magno Corp	109 Chestnut Place, New Hartford, NY 13413	mmagno@atax.com	315-292-7276
	Progress Mode Inc	5665 Curry Ford Rd., Orlando, FL 32822	Cgallo@atax.com	407-956-4395
	Steve Burnett Area Rep LLC	429 Blue Whale Way Jacksonville, FL 32218	sburnett@atax.com	904-608-9509
	National Tax Group Inc.	4951 S US Hwy 1 Fort Pierce FL 34982	alexreed@usa.com & strather.dupree@gmail.com	(305) 582-4190 & (772) 519-3592
	Tax Biz Developer LLC*	7028 W Waters Ave., #241, Tampa, FL 33634	jaymie.guerra@gmail.com	813-464-4637
	NYT Financial Holding LLC	1569 Bellrose Dr East, Clearwater, FL 33756	nathan.palacci@live.fr	+33 6 46 25 49 43
	Michael Levesque, Sole Proprietor*	54 Malone Rd., Newport, RI 02840	mlevesque@atax.com	
~~Georgia~~	~~S Nelson Group LLC~~	~~4324 Garden Hills Loop, Richmond Hill, GA 31324~~	~~snelson@atax.com~~	~~912-977-7945~~
Illinois	US Financial Enterprises Corporation	600 W 22nd St. Suite 310, Oakbrook, IL 60523	lmiranda@atax.com; jsandoval@atax.com	708-257-5473
Indiana	John Patrick Holloway	4563 Oxford Pl, Carmel, IN 46033	pholloway@atax.com	317-966-3203
~~Massachusetts~~	~~New England Tax Services Inc.~~	~~27 Elm Street Nashua NH 03060~~	~~erniecintron.enbs@gmail.com~~	~~603-318-9116~~

Massachusetts	Eliclade's Area Representative LLC*	476 Wellington Ave., Cranston, RI 02910	ELICLADE@atax.com	407-688-1235
Michigan	Jennifer Hoyt & Grant Hoyt	18034 Trudy Drive, Spring Lake, MI 49456	jhoyt@atax.com; ghoyt@atax.com	6166330163
Nevada	AJM Financial Group LLC	975 Seven Hills Dr., # 2625, Henderson, NV 89052	egriego18@gmail.com	(661) 728-7030
~~New Hampshire~~	~~New England Tax Services Inc.~~	~~27 Elm Street Nashua NH 03060~~	~~erniecintron.enbs@gmail.com~~	~~603-318-9116~~
New Jersey	Burgos and Diaz Group Inc	150 W 225th St., Apt. 21C, Bronx, New York 10463	jburgos@atax.com	347-339-7003
	Shree Rambhakt Inc	28 Neklin Dr, Apt #276 Wallington, NJ 07057	shahsejal24@yahoo.com	731-293-2331
New York	~~SV Business Services Inc.~~	~~67-52-152 Street, Flushing, NY 11367~~	~~svargas@atax.com~~	~~917-523-4734~~
	Toasa Business Services LLC	34 Spruce St. New Rochelle, NY 10805-1408	dtoasa@atax.com	646-321-1356
	NYC Developers LLC	199 Winding Brook Rd., New Rochelle, NY 10804	ymarte@atax.com	646-467-1827
	SAA Infinite Holdings Corp	58-10 Maspeth Ave., Maseth, NY 11376	svargas@atax.com	718-456-8428
	~~Mailbox Checks Corp~~	~~47 W Main Street, Smithtown, NY 1187~~	~~ny@theinspectionboys.com~~	~~631-831-4077~~
	Pension Maxima Investment Advisory, Inc.	41 Juniper Hill Road, White Plains, NY 10607	bonnie@pensionmaxima.com	626-216-7483
	Pinnacle Tax Franchise Group Inc.	13-36 Robin Ln, Bayside, NY 11360	easybooksdata@gmail.com	917-202-2650
	Clarity Development Inc.	35 Melville Park Rd., Suite 400, Melville, NY 11747	briankutayiah@gmail.com	516-491-7963
Oregon	Eagle Tax LLC*	5253 SE 82nd Ave, Suite 22, Portland, OR 97266	thuynh@atax.com	503-309-4766
Puerto Rico	Zion Nation Enterprises LLC	648 Bishop Bay Loop, Apopka, FL 32712	pmartinez@clchq.org & kmartinez@atax.com	(407) 953-5310 & (407) 953-5854
Rhode Island	Michael Levesque, Sole Proprietor*	54 Malone Rd. Newport, RI 02840	mlevesque@atax.com	(401)261-0147
South Carolina	Tax Authority LLC	PO Box 702 Moorestown, NJ 08057	kleese@atax.com	(609) 254-1040
Texas	Loyalty Op Fund	Virginia Beach, VA 23452	jack.seal@atax.com	757-406-6699
	Eliclade's Area Representative LLC*	476 Wellington Ave., Cranston, RI 02910	ELICLADE@atax.com	484-721-3827

Washington	Eagle Tax LLC*	5253 SE 82nd Ave, Suite 22, Portland, OR 97266	thuynh@atax.com	503-309-4766

*Multi-state Area Representatives

Area Representative Agreement Signed But Outlet Not Yet Open (as of 12/31/2024):

None

EXHIBIT E-2

LIST OF FORMER AREA REPRESENTATIVES

The following is a list of Area Representatives who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Area Representative Agreement during the most recently completed fiscal year or who had not communicated with us within ten weeks of the date of the disclosure document issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

State	Owner(s)	Phone (business or personal)
~~Florida~~California	Financial Frontera LLC~~Ken Leese~~	~~609-254-1040~~831-214-9040
Georgia	~~Rebecca Espinoza~~S Nelson Group LLC	912-977-7945~~813-464-4637~~
~~New Jersey~~	~~Ken Leese~~	~~609-254-1040~~
New York	Mailbox Checks Corp~~Deborah Occena~~	631-831-4077~~914-481-7272~~
	~~Michael Greenberg~~	~~516-220-7194~~
	~~Eric Broslaw~~	~~845-945-0327~~
	SV Business Services Inc.	718-456-8428
Massachusetts~~Pennsylvania~~	New England Tax Services Inc.~~Ken Leese~~	603-318-9116~~609-254-1040~~
New Hampshire~~Texas~~	New England Tax Services Inc.~~Tina Haight~~	603-318-9116~~469-843-9677~~

EXHIBIT F

FINANCIAL STATEMENTS

ATAX, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025, 2024, AND 2023

ATAX, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2024, 2023, AND 2022

ATAX, LLC
Table of Contents

	Page No.
Independent Auditor's Report	1
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Members' Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Schedules of Selling, General and Administrative Expenses	15

Independent Auditor's Report

To Members of
ATAX, LLC
Virginia Beach, Virginia

Opinion

We have audited the accompanying financial statements of ATAX, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2024, 2023 and 2022, 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 ATAX LLC as of December 31, 2024, 2023 and 2022, and its results of 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 ATAX 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.

2023 and 2022 Financial Statements Restated

As discussed in Note 10 to the financial statements, the 2023 and 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 ATAX 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 ATAX 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 ATAX 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Selling, General and Administrative Expenses is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
April 21, 2025

ATAX, LLC
Balance Sheets
December 31, 2024, 2023 and 2022

Assets

	2024	2023	2022
Current Assets:			
Cash and cash equivalents	**$ 892,195**	$ 1,137,214	$ 181,469
Accounts receivable, net	**79,082**	60,776	23,537
Notes receivable, current	**2,644,960**	3,461,995	2,399,871
Prepaid expenses	**2,252**	1,423	-
Total Current Assets	**3,618,489**	4,661,408	2,604,877
Noncurrent Assets:			
Notes receivable, less current portion	**929,242**	2,612,926	3,877,259
Due from related parties	**2,583,685**	3,135,548	2,784,353
Deferred tax asset	**1,094,554**	742,903	778,645
Goodwill, net	**233,424**	284,820	336,216
Intangible assets, net	**131,679**	220,399	309,119
Total Noncurrent Assets	**4,972,584**	6,996,596	8,085,592
Total Assets	**$ 8,591,073**	$ 11,658,004	$ 10,690,469

Liabilities and Members' Equity

Current Liabilities:			
Accounts payable	**$ 19,362**	$ -	$ 41,988
Accrued expenses	**76,125**	69,764	67,490
Taxes payable	**-**	9,442	-
Due to franchisees	**63,208**	108,621	111,211
Paycheck protection program loan	**-**	-	8,684
Due to related parties	**1,141,957**	1,349,440	318,300
Deferred revenue, current	**758,914**	993,158	875,042
Total Current Liabilities	**2,059,566**	2,530,425	1,422,715
Non-Current Liabilities:			
Accrued expenses, less current portion	**64,000**	128,000	192,000
Deferred revenue, less current portion	**4,708,505**	6,519,657	6,339,306
Total Noncurrent Liabilities	**4,772,505**	6,647,657	6,531,306
Total Liabilities	**6,832,071**	9,178,082	7,954,021
Members' Equity:			
Members' equity	**1,759,002**	2,479,922	2,736,448
Total Members' Equity	**1,759,002**	2,479,922	2,736,448
Total Liabilities and Members' Equity	**$ 8,591,073**	$ 11,658,004	$ 10,690,469

See Notes to Financial Statement

ATAX, LLC
Statements of Operations
For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Revenue:			
Royalty fees	**$ 1,637,738**	$ 1,367,864	$ 1,084,390
Franchise fees and area representative sales	**909,379**	1,038,760	770,046
Referral fees	**209,154**	172,816	205,673
Other income	**16,760**	114,043	2,392
Total revenue	**2,773,031**	2,693,483	2,062,501
Operating expenses:			
Selling, general and administrative	**4,439,791**	3,198,552	2,335,818
Amortization	**140,116**	140,116	140,116
Total operating expenses	**4,579,907**	3,338,668	2,475,934
Loss from operations	**(1,806,876)**	(645,185)	(413,433)
Other (income) expense:			
Interest income	**(736,927)**	(815,090)	(383,417)
Interest expense	**654**	612	1,379
Other expenses	**1,968**	-	97,077
Total other (income) expense	**(734,305)**	(814,478)	(284,961)
Income (loss) before income taxes	**(1,072,571)**	169,293	(128,472)
Income tax (expense) benefit	**351,651**	(45,184)	186,875
Net income (loss)	**$ (720,920)**	**$ 124,109**	**$ 58,403**

See Notes to Financial Statement

ATAX, LLC
Statements of Changes in Members' Equity
For the Years Ended December 31, 2024, 2023, and 2022

Members' equity, January 1, 2022 (Restated)	$ 2,678,045
Net income (Restated)	58,403
Members' equity, December 31, 2022 (Restated)	2,736,448
Adoption of Topic 326	(380,635)
Net income (Restated)	124,109
Members' equity, December 31, 2023 (Restated)	2,479,922
Net loss	**(720,920)**
Members' equity, December 31, 2024	**$ 1,759,002**

See Notes to Financial Statement

ATAX, LLC
Statements of Cash Flow
For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Cash flows from operating activities:			
Net income (loss)	**$ (720,920)**	$ 124,109	$ 58,403
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization expense	**140,116**	140,116	140,116
Accrued interest income	**(707,946)**	(794,704)	(382,260)
Write off of notes receivable, net of deferred revenue	**1,110,833**	176,354	305,712
Change in allowance for credit losses	**355,501**	566,003	-
Deferred taxes	**(351,651)**	35,742	(186,875)
(Increase) decrease in:			
Accounts receivable	**(56,314)**	(128,051)	26,463
Prepaid expenses	**(829)**	(1,423)	-
Other assets	**-**	-	6,500
Notes receivable	**316,533**	574,299	398,229
Increase (decrease) in:			
Accounts payable	**19,362**	(41,988)	41,988
Accrued expenses	**(57,639)**	(61,726)	(63,176)
Taxes payable	**(9,442)**	9,442	-
Due to franchisees	**(45,413)**	(14,075)	3,060
Deferred revenue	**(581,590)**	(299,614)	(526,418)
Net cash provided by (used in) operating activities	**(589,399)**	284,484	(178,258)
Cash flows from investing activities:			
(Advances to) borrowings from related parties	**344,380**	679,945	(593,040)
Net cash provided by (used in) investing activities	**344,380**	679,945	(593,040)
Cash flows from financing activities:			
Proceeds (payments) for paycheck protection program loan	**-**	(8,684)	(113,176)
Net cash used in financing activities	**-**	(8,684)	(113,176)
Net increase (decrease) in cash	**(245,019)**	955,745	(884,474)
Cash and cash equivalents, beginning of year	**1,137,214**	181,469	1,065,943
Cash and cash equivalents, end of year	**$ 892,195**	$ 1,137,214	$ 181,469
Supplemental disclosure of cash flow information:			
Income taxes paid	**$ 9,902**	$ -	$ -
Supplemental disclosure of noncash investing and financing activities:			
Issuance of notes receivable for area rep and franchise purchases deferred over term of underlying agreement	**$ 568,569**	$ 1,180,715	$ 1,632,063

See Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ATAX LLC ("ATAX" or the "Company") is a limited liability company, organized by the Commonwealth of Virginia in 2019. The Company is primarily engaged in the business of franchising ATAX Tax Preparation and Business Services, which provides Latino tax services and related Hispanic support. The Company franchises the intellectual property, which are the basic attributes of the franchised operations.

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable 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, previous loss history, the customer's current ability to pay its obligation 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 bad debt expense. Management has determined the allowance for credit losses related to accounts receivable was $109,417, $90,812 and $0 as of December 31, 2024, 2023, and 2022, respectively.

Goodwill and Intangible Assets

Intangible assets consist of franchise contract rights, non-compete agreements, and trademarks. Intangible assets are amortized over the useful life of the respective asset using the straight-line method. All intangible assets are measured for impairment at each reporting period. Intangible assets considered impaired are written down to estimated fair value, which becomes the new carrying value.

Goodwill consists of the excess fair value of purchase considerations over the fair values of identifiable assets and liabilities. The Company follows the provisions of Accounting Standards, *Intangibles - Goodwill and - Other* (Topic 350): Accounting for Goodwill, which provides an alternative to accounting for goodwill for private companies. The alternative allows an entity to amortize goodwill over a period not to exceed 10 years. An entity that elects the alternative is also required to make an election to test goodwill for impairment at the entity level or the reporting unit level. Under the alternative, goodwill is tested for impairment only when a triggering event occurs or circumstances change that indicate that the fair value of the entity (or reporting unit) may be less than its carrying amount.

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 ATAX outlet or to develop ATAX 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 and monthly advertising fees 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:

	2024	2023	2022
Deferred initial franchise fees	**$ 1,225,459**	$ 993,158	$ 925,854
Deferred area representative fees	**4,241,960**	6,519,657	6,288,494
	$ 5,467,419	$ 7,512,815	$ 7,214,348

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.

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 2024, 2023 and 2022.

Advertising Costs

The Company expenses advertising costs as they are incurred. Total advertising expense for the years ended December 31, 2024, 2023 and 2022 were $499,122, $504,994 and $246,902, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. 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 21, 2025, which is the date the financial statements were available to be issued.

NOTE 2 - GOODWILL AND INTANGIBLE ASSETS

On July 15, 2019, the Company acquired goodwill and intangible assets of ATAX Franchise, Inc., ATAX Software Solutions, Inc. and ATAX Cloud Bookkeeping, Inc. for a membership interest valued at $1,300,000.

NOTE 2 - GOODWILL AND INTANGIBLE ASSETS (Continued)

Goodwill:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2024	$ 513,961	$ 280,537	$ 233,424
2023	$ 513,961	$ 229,141	$ 284,820
2022	$ 513,961	$ 177,745	$ 336,216

Intangibles:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Franchise contract rights (7 years)	$ 586,039	$ 477,068	$ 108,971
Non-compete agreements (2 years)	150,000	150,000	-
Trademarks (10 years)	50,000	27,292	22,708
2024	$ 786,039	$ 654,360	$ 131,679
2023	$ 786,039	$ 565,640	$ 220,399
2022	$ 786,039	$ 476,920	$ 309,119

Amortization expenses related to goodwill and intangible assets were $140,116 for the years ended December 31, 2024, 2023 and 2022.

Estimated future amortization expense on goodwill and intangible assets is as follows for the next five years and thereafter for the years ended December 31:

	Goodwill	Intangible Assets	Net Carrying Total
2025	$ 51,396	$ 88,720	$ 140,116
2026	51,396	30,252	81,648
2027	51,396	5,000	56,396
2028	51,396	5,000	56,396
2029	27,840	2,707	30,547
	$ 233,424	$ 131,679	$ 365,103

NOTE 3 - NOTES RECEIVABLE

The Company enters into notes receivable with its area representatives and franchisees in order to fund their initial franchise purchase as well as provide them with working capital loans. Promissory notes bear interest up to 12% and are due in various periods through February 2034.

Amounts due as of December 31 are as follows:

	2024	2023	2022
Notes receivable - Principal	**$ 3,862,965**	$ 6,260,005	$ 5,763,848
Notes receivable - Accrued interest	**903,959**	670,742	513,282
	4,766,924	6,930,747	6,277,130
Allowance for credit losses	**(1,192,722)**	(855,826)	-
	$ 3,574,202	$ 6,074,921	$ 6,277,130

NOTE 3 - NOTES RECEIVABLE (Continued)

Principal contractual maturities on the note receivable balances are as follows:

2025	$ 2,623,075
2026	619,115
2027	359,325
2028	124,408
2029	56,766
Thereafter	80,276
	$ 3,862,965

NOTE 4 - CURRENT EXPECTED CREDIT LOSSES

Changes in the allowance for credit losses during the year are as follows:

	Notes Receivable	Accounts Receivable	Total
Balance, January 1, 2023	$ -	$ -	$ -
Adoption of Topic 326	380,635	-	380,635
Change in allowance for credit losses	475,191	90,812	566,003
Balance, December 31, 2023	855,826	90,812	946,638
Notes receivable written off	**(413,341)**	**-**	**(413,341)**
Change in allowance for credit losses	**750,237**	**18,605**	**768,842**
Balance, December 31, 2024	**$ 1,192,722**	**$ 109,417**	**$ 1,302,139**

NOTE 5 - RELATED PARTY TRANSACTIONS

In prior years, the Company sold area representative rights to Loyalty Area Rep 001 LLC, a related party under common control, in the amount of $1,050,000, which provide for area representative rights to eighty territories for a term of 10 years. Franchise fees and area representative sales for the years ended December 31, 2024, 2023 and 2022 include approximately $105,000, for all rights related to Loyalty Area Rep 001 LLC. As of December 31, 2024, 2023 and 2022, deferred revenue includes approximately $554,000, $659,000 and $764,000, respectively, related to all sales of area representative rights to Loyalty Area Rep 001 LLC.

Additionally, during the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements.

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

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

	2024	2023	2022
Due from related			
Loyalty LLC	**$ 2,179,965**	$ 2,753,828	$ 2,382,813
Loyalty Franchising	**74,540**	84,540	73,540
Zoomin Groomin	-	-	162,000
Loyalty Business Services, LLC	**326,180**	294,180	155,000
Others	**3,000**	3,000	11,000
	$ 2,583,685	$ 3,135,548	$ 2,784,353
Due to related			
JMS Tax Support	**$ 4,311**	$ -	$ -
Loyalty Franchising	**-**	-	31,000
Loyalty Zone	**45,000**	38,000	88,300
Zoomin Groomin	**1,083,006**	1,288,000	190,000
Tax Support	**8,640**	22,440	-
Others	**1,000**	1,000	9,000
	$ 1,141,957	$ 1,349,440	$ 318,300

NOTE 6 - DEFERRED TAXES

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

	2024	2023	2022
Current tax expense:			
Federal	**$ -**	$ 7,343	$ -
State	**-**	2,099	-
	-	9,442	-
Deferred tax (benefit):			
Federal	**(62,668)**	29,372	(153,572)
State	**(288,983)**	6,370	(33,303)
	(351,651)	35,742	(186,875)
Expense (benefit) from income taxes	**$ (351,651)**	$ 45,184	$ (186,875)
Deferred income taxes:			
Gross deferred tax assets - federal	**$ 899,493**	$ 610,510	$ 639,882
Gross deferred tax assets - state	**195,061**	132,393	138,763
Net deferred tax asset	**$ 1,094,554**	$ 742,903	$ 778,645

Deferred tax asset relates to net operating loss carryforwards. Net operating losses approximate $4,283,299 as of December 31, 2024. 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 7 - UNIT OPTION PLAN

The Company's operating agreement provides for the adoption of a Unit Option Plan (the "Plan") upon approval by the Company's Board of Directors. The Plan, once adopted, provides for the issuance of up to 125,000 options at the discretion of the Board of Directors and subject to the execution of an agreement between the Company and the award recipient. As of December 31, 2024, the Company has approved 40,000 options to be issued upon approval of the Plan. These options, once issued, have a 10-year life and will vest over a five-year period from the date of grant. The Company has not recorded compensation expense related to these conditional awards during the years ended December 31, 2024, 2023 and 2022.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 9 - SETTLEMENT AGREEMENT

The Company was involved in legal proceedings which were settled as of December 31, 2022. Terms of the settlement agreement required the Company to close certain ATAX locations as well as pay the Plaintiff a total of $545,000, with $225,000 being paid by December 31, 2022 and $64,000 annually through December 31, 2026. As of December 31, 2024, 2023 and 2022, the balance due under the settlement agreement was $128,000, $192,000 and $256,000, respectively, which is recorded in accrued expenses in the accompanying balance sheets.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2023 and 2022, the Company's financial statements disclosed that the entity was as a flow through entity for income tax purposes. As such, no provision for income taxes was prepared, recorded, or disclosed in the financial statements in error. Therefore, there were not any deferred tax asset or liabilities recorded. During the year ended December 31, 2024, the Company identified this error and restated its financial statements to properly recognize the deferred tax asset of $742,903, $778,645 and $591,770 at December 31, 2023, 2022, and 2021, respectively, and tax (expense) benefit of ($45,184) and $186,875 for the years ended December 31, 2023 and 2022, respectively.

The effect of these restatements is to increase members' equity as of January 1 and properly state income tax (expense) benefit and deferred tax assets as of December 31 and for the years then ended as follows:

2023 Restatement	Previously Reported	As Restated
Members' equity - January 1, 2024	$ 1,746,461	$ 2,479,922
Deferred tax asset	-	742,903
Taxes payable	-	9,442
Tax (expense) benefit	-	(45,184)
Net income (loss)	169,293	124,109

NOTE 10 - PRIOR PERIOD ADJUSTMENT (Continued)

2022 Restatement	Previously Reported	As Restated
Members' equity - January 1, 2023	$ 1,957,803	$ 2,736,448
Deferred tax asset	-	778,645
Tax (expense) benefit	-	186,875
Net income (loss)	(128,472)	58,403

2021 Restatement	Previously Reported	As Restated
Members' equity - January 1, 2022	$ 2,086,275	$ 2,678,045
Deferred tax asset	-	591,770

ATAX, LLC
Schedules of Selling, General and Administrative Expenses
For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Payroll and related costs	**$ 841,568**	$ 646,925	$ 476,119
Legal and settlement expense	**-**	-	94,793
Advertising and promotion	**499,122**	504,994	246,902
Corporate overhead expense	**958,569**	751,639	623,445
Repairs	**-**	-	5,137
Connectivity and technology	**129,998**	158,195	145,238
Consultants	**128,056**	134,814	139,692
Professional fees	**58,580**	33,054	64,378
Rent	**-**	-	10,750
Travel	**77,308**	41,485	60,273
Puerto Rico expense	**-**	36,000	25,044
Albany expense	**13,079**	21,085	-
Vancouver expense	**-**	6,184	-
Insurance	**13,450**	(590)	9,514
Office and meeting expense	**41,539**	32,008	35,375
Meals and entertainment	**16,028**	11,077	20,973
Other operating expenses	**195**	839	2,956
Bad debt expense	**1,621,831**	807,021	319,580
Annual convention	**-**	665	40,345
Referral fees	**39,393**	13,157	15,304
Aragona expense	**1,075**	-	-
Total selling, general and administrative expenses	**$ 4,439,791**	$ 3,198,552	$ 2,335,818

ATAX, LLC
Table of Contents

Page No.

Independent Auditor's Report

To Members of
ATAX, LLC
Virginia Beach, Virginia

Opinion

We have audited the accompanying financial statements of ATAX, 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 ATAX, LLC as of December 31, 2025, 2024 and 2023, and its results of 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 ATAX, 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 ATAX, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 ATAX, 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 ATAX, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Selling, General and Administrative Expenses is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
April 28, 2026

ATAX, LLC
Balance Sheets
December 31, 2025, 2024 and 2023

Assets

	2025	2024	2023
Current Assets:			
Cash and cash equivalents	**$ 86,741**	$ 892,195	$ 1,137,214
Accounts receivable, net	**71,981**	79,082	60,776
Notes receivable, current	**1,432,566**	2,644,960	3,461,995
Prepaid expenses	**2,154**	2,252	1,423
Total Current Assets	**1,593,442**	3,618,489	4,661,408
Noncurrent Assets:			
Notes receivable, less current portion	**337,661**	929,242	2,612,926
Due from related parties	**3,000,704**	2,583,685	3,135,548
Deferred tax asset	**1,192,108**	1,094,554	742,903
Goodwill, net	**182,027**	233,424	284,820
Intangible assets, net	**42,960**	131,679	220,399
Total Noncurrent Assets	**4,755,460**	4,972,584	6,996,596
Total Assets	**$ 6,348,902**	$ 8,591,073	$ 11,658,004

Liabilities and Members' Equity

Current Liabilities:			
Accounts payable	**$ 32,126**	$ 19,362	$ -
Accrued expenses	**73,585**	76,125	69,764
Taxes payable	**-**	-	9,442
Due to franchisees	**85,542**	63,208	108,621
Due to related parties	**1,118,646**	1,141,957	1,349,440
Deferred revenue, current	**618,315**	758,914	993,158
Total Current Liabilities	**1,928,214**	2,059,566	2,530,425
Non-Current Liabilities:			
Accrued expenses, less current portion	**-**	64,000	128,000
Deferred revenue, less current portion	**3,285,002**	4,708,505	6,519,657
Total Noncurrent Liabilities	**3,285,002**	4,772,505	6,647,657
Total Liabilities	**5,213,216**	6,832,071	9,178,082
Members' Equity:			
Members' equity	**1,135,686**	1,759,002	2,479,922
Total Members' Equity	**1,135,686**	1,759,002	2,479,922
Total Liabilities and Members' Equity	**$ 6,348,902**	$ 8,591,073	$ 11,658,004

See Notes to Financial Statement

ATAX, LLC
Statements of Operations
For the Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Revenue:			
Royalty fees	**$ 1,958,923**	$ 1,637,738	$ 1,367,864
Franchise fees and area representative sales	**702,438**	909,379	1,038,760
Referral fees	**263,352**	209,154	172,816
Other income	**17,443**	16,760	114,043
Total revenue	**2,942,156**	2,773,031	2,693,483
Operating expenses:			
Selling, general and administrative	**3,903,546**	4,439,791	3,198,552
Amortization	**140,116**	140,116	140,116
Total operating expenses	**4,043,662**	4,579,907	3,338,668
Loss from operations	**(1,101,506)**	(1,806,876)	(645,185)
Other (income) expense:			
Interest income	**(381,193)**	(736,927)	(815,090)
Interest expense	**523**	654	612
Other expenses	**34**	1,968	-
Total other (income) expense	**(380,636)**	(734,305)	(814,478)
Income (loss) before income taxes	**(720,870)**	(1,072,571)	169,293
Income tax (expense) benefit	**97,554**	351,651	(45,184)
Net income (loss)	**$ (623,316)**	$ (720,920)	$ 124,109

See Notes to Financial Statement

ATAX, LLC
Statements of Changes in Members' Equity
For the Years Ended December 31, 2025, 2024, and 2023

Members' equity, January 1, 2023 (Restated)	$ 2,736,448
Adoption of Topic 326	(380,635)
Net income (Restated)	124,109
Members' equity, December 31, 2023 (Restated)	2,479,922
Net loss	(720,920)
Members' equity, December 31, 2024	1,759,002
Net loss	**(623,316)**
Members' equity, December 31, 2025	**$ 1,135,686**

See Notes to Financial Statement

ATAX, LLC
Statements of Cash Flow
For the Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Cash flows from operating activities:			
Net income (loss)	**$ (623,316)**	$ (720,920)	$ 124,109
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization expense	**140,116**	140,116	140,116
Accrued interest income	**(365,199)**	(707,946)	(794,704)
Write off of notes receivable, net of deferred revenue	**1,378,653**	1,110,833	176,354
Change in allowance for credit losses	**(534,850)**	355,501	566,003
Deferred taxes	**(97,554)**	(351,651)	35,742
(Increase) decrease in:			
Accounts receivable	**(31,851)**	(56,314)	(128,051)
Prepaid expenses	**98**	(829)	(1,423)
Notes receivable	**340,922**	316,533	574,299
Increase (decrease) in:			
Accounts payable	**12,764**	19,362	(41,988)
Accrued expenses	**(66,540)**	(57,639)	(61,726)
Taxes payable	-	(9,442)	9,442
Due to franchisees	**22,334**	(45,413)	(14,075)
Deferred revenue	**(540,701)**	(581,590)	(299,614)
Net cash provided by (used in) operating activities	**(365,124)**	(589,399)	284,484
Cash flows from investing activities:			
(Advances to) borrowings from related parties	**(440,330)**	344,380	679,945
Net cash provided by (used in) investing activities	**(440,330)**	344,380	679,945
Cash flows from financing activities:			
Proceeds (payments) for paycheck protection program loan	-	-	(8,684)
Net cash used in financing activities	-	-	(8,684)
Net increase (decrease) in cash	**(805,454)**	(245,019)	955,745
Cash and cash equivalents, beginning of year	**892,195**	1,137,214	181,469
Cash and cash equivalents, end of year	**$ 86,741**	$ 892,195	$ 1,137,214
Supplemental disclosure of cash flow information:			
Income taxes paid	**$ -**	$ 9,902	$ -
Supplemental disclosure of noncash investing and financing activities:			
Issuance of notes receivable for area rep and franchise purchases deferred over term of underlying agreement	**$ 252,000**	$ 568,569	$ 1,180,715

See Notes to Financial Statement

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ATAX, LLC ("ATAX" or the "Company") is a limited liability company, organized by the Commonwealth of Virginia in 2019. The Company is primarily engaged in the business of franchising ATAX Tax Preparation and Business Services, which provides Latino tax services and related Hispanic support. The Company franchises the intellectual property, which are the basic attributes of the franchised operations.

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

Basis of Accounting

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 highly liquid financial instruments which are not subject to withdrawal restrictions or penalties with a maturity of three months or less as cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end net of an allowance for credit losses. The Company determines past-due status of individual accounts receivable based on the original billing date. The Company estimates its allowance for credit losses based on a combination of factors, including the Company's knowledge of the current composition of receivables, historical losses, collections subsequent to year end through February 15, 2026, and current economic conditions. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination. Based on management's assessment, the allowance for credit losses was $148,285, $109,417, and $90,812 as of December 31, 2025, 2024, and 2023, respectively.

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

Goodwill and Intangible Assets

Intangible assets consist of franchise contract rights, non-compete agreements, and trademarks. Intangible assets are amortized over the useful life of the respective asset using the straight-line method. All intangible assets are measured for impairment at each reporting period. Intangible assets considered impaired are written down to estimated fair value, which becomes the new carrying value.

Goodwill consists of the excess fair value of purchase considerations over the fair values of identifiable assets and liabilities. The Company follows the provisions of Accounting Standards, *Intangibles - Goodwill and - Other* (Topic 350): Accounting for Goodwill, which provides an alternative to accounting for goodwill for private companies. The alternative allows an entity to amortize goodwill over a period not to exceed 10 years. An entity that elects the alternative is also required to make an election to test goodwill for impairment at the entity level or the reporting unit level. Under the alternative, goodwill is tested for impairment only when a triggering event occurs or circumstances change that indicate that the fair value of the entity (or reporting unit) may be less than its carrying amount.

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 ATAX outlet or to develop ATAX 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 and monthly advertising fees 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:

	2025	2024	2023
Deferred initial franchise fees	**$ 1,179,189**	$ 1,225,459	$ 993,158
Deferred area representative fees	**2,724,128**	4,241,960	6,519,657
	$ 3,903,317	$ 5,467,419	$ 7,512,815

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

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.

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 $458,219, $499,122, and $504,994, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through April 28, 2026, which is the date the financial statements were available to be issued.

NOTE 2 - GOODWILL AND INTANGIBLE ASSETS

On July 15, 2019, the Company acquired goodwill and intangible assets of ATAX Franchise, Inc., ATAX Software Solutions, Inc. and ATAX Cloud Bookkeeping, Inc. for a membership interest valued at $1,300,000.

Goodwill:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
2025	$ 513,961	$ 331,934	$ 182,027
2024	$ 513,961	$ 280,537	$ 233,424
2023	$ 513,961	$ 229,141	$ 284,820

Intangibles:	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Franchise contract rights (7 years)	$ 586,039	$ 560,787	$ 25,252
Non-compete agreements (2 years)	150,000	150,000	-
Trademarks (10 years)	50,000	32,292	17,708
2025	$ 786,039	$ 743,079	$ 42,960
2024	$ 786,039	$ 654,360	$ 131,679
2023	$ 786,039	$ 565,640	$ 220,399

Amortization expenses related to goodwill and intangible assets were $140,116 for the years ended December 31, 2025, 2024, and 2023.

Estimated future amortization expense on goodwill and intangible assets is as follows for the next five years and thereafter for the years ended December 31:

	Goodwill	Intangible Assets	Net Carrying Total
2026	$ 51,396	$ 30,252	$ 81,648
2027	51,396	5,000	56,396
2028	51,396	5,000	56,396
2029	27,839	2,708	30,547
2030	-	-	-
	$ 182,027	$ 42,960	$ 224,987

NOTE 3 - NOTES RECEIVABLE

The Company enters into notes receivable with its area representatives and franchisees in order to fund their initial franchise purchase as well as provide them with working capital loans. Promissory notes bear interest up to 12% and are due in various periods through February 2034.

NOTE 3 - NOTES RECEIVABLE (Continued)

Amounts due as of December 31 are as follows:

	2025	2024	2023
Notes receivable - Principal	**$ 1,896,313**	$ 3,862,965	$ 6,260,005
Notes receivable - Accrued interest	**492,834**	903,959	670,742
	2,389,147	4,766,924	6,930,747
Allowance for credit losses	**(618,920)**	(1,192,722)	(855,826)
	$ 1,770,227	$ 3,574,202	$ 6,074,921

Principal contractual maturities on the note receivable balances are as follows:

2026	$ 1,397,789
2027	238,074
2028	119,908
2029	52,266
2030	27,266
Thereafter	61,010
	$ 1,896,313

NOTE 4 - CURRENT EXPECTED CREDIT LOSSES

Changes in the allowance for credit losses during the year are as follows:

	Notes Receivable	Accounts Receivable	Total
Balance, January 1, 2023	$ -	$ -	$ -
Adoption of Topic 326	380,635	-	380,635
Change in allowance for credit losses	475,191	90,812	566,003
Balance, December 31, 2023	855,826	90,812	946,638
Notes receivable written off	(413,341)	-	(413,341)
Change in allowance for credit losses	750,237	18,605	768,842
Balance, December 31, 2024	1,192,722	109,417	1,302,139
Notes receivable written off	**(2,654,054)**	**(153,091)**	**(2,807,145)**
Change in allowance for credit losses	**2,080,252**	**192,043**	**2,272,295**
Balance, December 31, 2025	**$ 618,920**	**$ 148,369**	**$ 767,289**

NOTE 5 - RELATED PARTY TRANSACTIONS

In prior years, the Company sold area representative rights to Loyalty Area Rep 001 LLC, a related party under common control, in the amount of $1,050,000, which provide for area representative rights to eighty territories for a term of 10 years. Franchise fees and area representative sales for the years ended December 31, 2025, 2024, and 2023 include approximately $105,000, for all rights related to Loyalty Area Rep 001 LLC.

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

As of December 31, 2025, 2024, and 2023, deferred revenue includes approximately $449,000, $554,000, and $659,000, respectively, related to all sales of area representative rights to Loyalty Area Rep 001 LLC.

Additionally, 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 ATAX, LLC were $735,075, $1,048,268, and $951,873 for the years ended December 31, 2025, 2024, and 2023, respectively, which are included in general, selling, and administrative expenses.

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

	2025	2024	2023
Due from related parties			
Loyalty LLC	**$ 2,596,344**	$ 2,179,965	$ 2,753,828
Loyalty Franchising	**74,540**	74,540	84,540
Loyalty Business Services, LLC	**326,180**	326,180	294,180
Others	**3,640**	3,000	3,000
	$ 3,000,704	$ 2,583,685	$ 3,135,548
Due to related parties			
JMS Tax Support	**$ -**	$ 4,311	$ -
Loyalty Zone	**40,000**	45,000	38,000
Zoomin Groomin	**1,069,006**	1,083,006	1,288,000
Tax Support	**8,640**	8,640	22,440
Others	**1,000**	1,000	1,000
	$ 1,118,646	$ 1,141,957	$ 1,349,440

NOTE 6 - DEFERRED TAXES

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

	2025	2024	2023
Current tax expense:			
Federal	**$ -**	$ -	$ 7,343
State	**-**	-	2,099
	-	-	9,442
Deferred tax (benefit):			
Federal	**(80,164)**	(62,668)	29,372
State	**(17,390)**	(288,983)	6,370
	(97,554)	(351,651)	35,742
Expense (benefit) from income taxes	**$ (97,554)**	$ (351,651)	$ 45,184

NOTE 6 - DEFERRED TAXES (Continued)

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

	2025	2024	2023
Deferred income taxes:			
Gross deferred tax assets - federal	**$ 979,657**	$ 899,493	$ 610,510
Gross deferred tax assets - state	**212,451**	195,061	132,393
Net deferred tax asset	**$ 1,192,108**	$ 1,094,554	$ 742,903

Deferred tax asset relates to net operating loss carryforwards. Net operating losses approximate $3,950,588 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 7 - UNIT OPTION PLAN

The Company's operating agreement provides for the adoption of a Unit Option Plan (the "Plan") upon approval by the Company's Board of Directors. The Plan, once adopted, provides for the issuance of up to 125,000 options at the discretion of the Board of Directors and subject to the execution of an agreement between the Company and the award recipient. As of December 31, 2025, the Company has approved 40,000 options to be issued upon approval of the Plan. These options, once issued, have a 10-year life and will vest over a five-year period from the date of grant. The Company has not recorded compensation expense related to these conditional awards during the years ended December 31, 2025, 2024, and 2023.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 9 - COMMITMENT AND CONTINGENGIES

The Company is a defendant in a legal proceeding arising from one of the Company's members. The plaintiff has asserted a claim seeking damages in an amount in excess of $4,000,000. 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 10 - SETTLEMENT AGREEMENT

The Company was involved in legal proceedings which were settled as of December 31, 2022. Terms of the settlement agreement required the Company to close certain ATAX locations as well as pay the Plaintiff a total of $545,000, with $225,000 being paid by December 31, 2022 and $64,000 annually through December 31, 2026. As of December 31, 2025, 2024, and 2023, the balance due under the settlement agreement was $64,000, $128,000, and $192,000, respectively, which is recorded in accrued expenses in the accompanying balance sheets.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During the years ended December 31, 2023 and 2022, the Company's financial statements disclosed that the Company was treated as a flow through entity for income tax purposes, in error, as such no provision for income taxes was prepared, recorded, or disclosed in the financial statements. Therefore, there were not any deferred tax assets or liabilities recorded. During the year ended December 31, 2024, the Company identified this error and restated its financial statements to properly recognize the deferred tax assets of $742,903 and $778,645 at December 31, 2023 and 2022, respectively, and tax (expense) benefit of ($45,184) and $186,875 for the years ended December 31, 2023 and 2022, respectively.

The effect of these restatements are to increase members' equity as of January 1 and properly state income tax (expense) benefit and deferred tax assets as of December 31 and for the year then ended as follows:

2023 Restatement	Previously Reported	Restatement	As Restated
Members' equity - January 1, 2024	$ 1,746,461	$ 733,461	$ 2,479,922
Deferred tax asset	-	742,903	742,903
Taxes payable	-	9,442	9,442
Tax (expense) benefit	-	(45,184)	(45,184)
Net income (loss)	169,293	(45,184)	124,109

2022 Restatement	Previously Reported	Restatement	As Restated
Members' equity - January 1, 2023	$ 1,957,803	$ 778,645	$ 2,736,448
Deferred tax asset	-	778,645	778,645
Tax (expense) benefit	-	186,875	186,875
Net income (loss)	(128,472)	186,875	58,403

ATAX, LLC
Schedules of Selling, General and Administrative Expenses
For the Years Ended December 31, 2025, 2024, and 2023

	2025	2024	2023
Payroll and related costs	**$ 854,815**	$ 841,568	$ 646,925
Legal and settlement expense	**229,978**	-	-
Advertising and promotion	**458,219**	499,122	504,994
Corporate overhead expense	**664,038**	958,569	751,639
Connectivity and technology	**163,159**	129,998	158,195
Consultants	**147,197**	128,056	134,814
Professional fees	**141,791**	58,580	33,054
Travel	**85,634**	77,308	41,485
Puerto Rico expense	-	-	36,000
Albany expense	-	13,079	21,085
Vancouver expense	-	-	6,184
Insurance	**7,972**	13,450	(590)
Office and meeting expense	**63,267**	41,539	32,008
Meals and entertainment	**12,773**	16,028	11,077
Other operating expenses	-	195	839
Bad debt expense	**994,342**	1,621,831	807,021
Annual convention	**66,082**	-	665
Referral fees	**10,740**	39,393	13,157
Aragona expense	**3,378**	1,075	-
Property Taxes	**161**	-	-
Total selling, general and administrative expenses	**$ 3,903,546**	$ 4,439,791	$ 3,198,552

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 ATAX LLC d/b/a ATAX offers you an Area Representative franchise, we must provide this Disclosure Document to you at least 14 calendar days before you sign a binding agreement or make a payment to us in connection with the proposed franchise sale or grant.

Rhode Island 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.

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 you to receive this Franchise Disclosure Document at the earlier of the first personal meetings or 10 business days before the execution of the Franchise or other Agreement or 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, D.C. 20580 and the state agency listed on Exhibit C.

The Franchisor is ATAX LLC d/b/a ATAX located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is (888) 268-0321

Issuance date: April ~~24, 2025; Amended June 3,~~ 29, 2026~~2025~~

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
☒ ~~Alberto Ortiz~~Tyler Wynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ ~~Alberto Contreras~~Jose Leal, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ John T. Hewitt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ Jamie Marcil, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ Kelly Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ Jennifer Wyatt, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ Tayler Romanelli, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ Colin Flynn, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☒ Gwendolyn DiFerdinando, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☐ _____ Loyalty Brands, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (833) 920-0735
☐ _____

Loyalty Business Services LLC, 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452; (832) 660-6727

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

I have received a Disclosure Document dated April ~~24,~~ 29, 2026~~2025; Amended June 3, 2025~~, that included the following Exhibits:

A. State Addenda to the Disclosure Document
B. Area Representative Agreement
   Schedule 1- Territory
   Schedule 2- Minimum Requirements
   Schedule 3- Automatic Bank Draft Authorization
   Schedule 4- Promissory Notes
   Schedule 5- General Release
   Schedule 6- State Addenda to the Area Representative Agreement
C. List of State Administers and Registered Agents
D. Table of Contents of Area Representative Operations Manual.
E-1. List of Area Representatives
E-2. List of Former Area Representatives
F. Financial Statements
G. State Effective Dates
H. Receipt

Date:_____
(Do not leave blank)

_____
Signature of Prospective Area Representative

_____
Print Name

FOR OUR RECORDS

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G. State Effective Dates
H. Receipt

Date:_____ _____
(Do not leave blank) Signature of Prospective Area Representative

_____
Print Name

FOR YOUR RECORDS