

## FRANCHISE DISCLOSURE DOCUMENT- UNIT

	<p><b>LOYALTY BUSINESS SERVICES LLC</b> <b>d/b/a Ledgers,</b> <b>a Virginia Limited Liability Company</b> <b>780 Lynnhaven Parkway</b> <b>Suite 240</b> <b>Virginia Beach, VA 23452</b> <b>833-920-0735</b> <a href="http://www.loyaltybrands.com">www.loyaltybrands.com</a></p>
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We offer a franchise opportunity to you as a franchisee to operate a Ledgers franchised business within a designated territory offering business advisory, bookkeeping, payroll, and income tax preparation services (the “Franchise Business”).

The total investment necessary to begin operation of a Ledgers Franchise Business ranges from \$28,200 to \$69,700. This includes \$15,000 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mary Jane DeJaager at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452 or by phone at 833-920-0735.

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

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

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

Issuance Date: April 25, 2024, Amended June 17, 2024

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E-1 and E-2.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets
<b>Will my business be the only Ledgers business in the area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Ledgers franchisee?</b>	Item 20 or Exhibits E-1 and E-2 list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-State mediation, arbitration, or litigation may force you to accept a less favorable settlement to disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise business and loss of your investment.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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



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### Exhibits

<b>Exhibit</b>	<b>Description</b>
A	State Addenda
B	Franchise Agreement
C	Financial Statements
D	State Administrators/Agents for Service of Process
E-1	List of Franchisees
E-2	List of Former Franchisees
F	Table of Contents-Operations Manual
G	State Effective Dates
H	Receipt

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

### **The Franchisor**

To simplify the language in this Disclosure Document, the terms “we”, “us”, and “our” refer to Loyalty Business Services LLC d/b/a Ledgers. The terms “you” and “your” refer to the person or entity that buys this franchise including any guarantors. We are a Virginia Limited Liability Corporation formed on October 30, 2019. We maintain our principal place of business at 780 Lynnhaven Parkway, Suite 240, Virginia Beach Virginia, 23452.

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

We do not engage in any other business activity.

We have not operated a Ledgers unit franchise business of the type you are being offered.

We have been offering franchises since June 2020.

Exhibit D contains our agents for service of process.

### **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, ATAX LLC d/b/a ATAX, formed on February 20, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. ATAX offers franchise opportunities for retail tax, bookkeeping and payroll office. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2019. They do not offer franchises in any other line of business.

We have an affiliate, Loyalty Brokers LLC d/b/a Loyalty Business Brokers, formed December 30, 2020, with a principal place of business at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Loyalty Business Brokers offers franchise opportunities for business brokerage. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business.

We have an affiliate, LMS Franchising, LLC established on May 21, 2014, with a principal place of business of 707 N. New Ballas Road, St. Louis, Missouri 63141, which also conducts business under the Little Medical School® trade name and may also use the name “Little Medical School” or “Little Nursing School” or “Little Veterinarian School.” LMS Franchising, LCC offers franchise opportunities for curriculum-based educational programs that focus on medicine, science and the benefits of good health for children ages four to fourteen years old. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2014. They do not offer franchises in any other line of business.

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 has offers franchise opportunities for offering, selling, and performing roofing and remodeling services for commercial and residential customers. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2022. They do not offer franchises in any other line of business.

We have an affiliate, The Inspection Boys Franchise USA LLC d/b/a The Inspection Boys, formed on December 19, 2020, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. The Inspection Boys offers franchise opportunities for commercial and residential inspection services. 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.

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. 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.

### **Description of the Franchise**

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

### **Area Representatives**

Since June 2020, we have also offered an Area Representative franchise program, through a separate Franchise Disclosure Document, pursuant to which Area Representatives recruit and

support unit franchisees in exchange for a portion of the initial franchise fee and royalty paid by the unit franchisee. Area Representatives do not have management responsibility related to the franchise. As of the end of December 31, 2023, we had 2 Area Representative outlets.

### **Market and Competition**

The target market consists mainly of small to medium sized businesses seeking business advisory, bookkeeping, payroll, and income tax preparation services. The market is developed with more demand seasonally during Tax Season, the January – April period of the year. You will compete with national, regional, and local companies and individuals offering similar services, both franchised and non-franchised, as well as online offerings for similar services.

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

In operating this franchise, you will be subject to laws and regulations from the IRS and states on obtaining the ability to e-file tax returns, due diligence, recordkeeping, privacy, and other laws.

You will also be subject to laws concerning administrative, technological and legal protections to safeguard customer data.

Certain states also regulate tax courses and require registration of such courses.

And certain states, such as California, Maryland, and Oregon, require training and licensure in order to offer tax preparation services.

You should investigate the application of these laws further.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Keven Elwood: Chief Executive Officer**

Keven Elwood has served as our Chief Executive Officer since May 2024. He previously served as the Chief Operating Officer of VetCor Franchising, LLC from May 2023 through May 2024 in Tampa, Florida. Mr. Elwood also previously served as a Chief Process Officer for Premium Service Brands from August 2021 through April 2023 in Charlottesville, Virginia. Mr. Elwood was also an owner of a College Hunks Hauling Junk and Moving franchise from August 2015 through October 2023 in Colorado Springs, Colorado and served as a Franchise Business Consultant of the franchisor, CHHJ Franchising, L.L.C., from January 2019 through July 2021 in Tampa, Florida.

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

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

### **ITEM 3 LITIGATION**

**John T. Hewitt, Chief Executive Officer and Chairman of Loyalty, LLC, has been named in the following litigation:**

**Pending Actions:**

*There are no pending actions.*

**Concluded Actions:**

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

*Rose Mauro, individually and on behalf of all others similarly situated v, Liberty Tax, Inc. Edward L. Brunot. John T. Hewitt, and Kathleen Donovan*, (Case No. 18 CV 245) filed on January 12, 2018 in the United States District Court for the Eastern District of New York. Plaintiff filed a securities class action asserting violations of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants and a second count for violations of Section 20(a) of the Exchange Act against the individual defendants. According to the complaint, throughout the class period, Liberty Tax, Inc. allegedly issued materially false and misleading statements and/or failed to disclose that: (1) Hewitt created an inappropriate tone at the top; (2) the inappropriate tone at the top led to ineffective entity level controls over the organization; and (3) as a result, defendants' statements about the operations and prospects were materially false and misleading and/or lacked a reasonable

basis at all relevant times. This case was consolidated with the *Patrick Beland* matter listed below and then further information on this case is reported below under the caption *In Re: Liberty Tax, Inc., Securities Litigation* Case No. 27 CV 07327 (E.D.N.Y.).

*Patrick Beland, individually and on behalf of all others, similarly, situated v. Liberty Tax, Inc., Edward L. Brunot, John T. Hewitt, and Kathleen E. Donovan*, (Case No. 17 CV 7327) filed on December 15, 2017 in the United States District Court for the Eastern District of New York. Plaintiff filed a securities class action asserting violations of Section 10(b) of the Exchange Act and Rule 10b-5 against all defendants and a second count for violations of Section 20(a) of the Exchange Act against the individual defendants. According to the complaint, throughout the class period, Liberty Tax, Inc. allegedly issued materially false and misleading statements and/or failed to disclose that: (1) Hewitt created an inappropriate tone at the top; (2) the inappropriate tone at the top led to ineffective entity level controls over the organization; and (3) as a result, defendants' statements about the business, operations and prospects were materially false and misleading and/or lacked a reasonable basis at all relevant times.

The two above referenced shareholder actions were consolidated under the caption *In Re: Liberty Tax, Inc., Securities Litigation*, (Case No. 27 CV 07327) (E.D.N.Y.). On June 12, 2018, the Lead Plaintiff, IBEW Local 98 Pension Fund, filed its Consolidated Class Action Amended Complaint, which removed Ed Brunot as a defendant and added additional securities claim based on Section 14(a) of the Exchange Act and Rules 14-a3 and 14a-9. The Consolidated Amended Class Action Complaint, among other things, asserted that LT Inc.'s SEC filings over a multi-year period failed to disclose the alleged misconduct of the individual defendants and that disclosure of the alleged misconduct caused LT Inc.'s stock price to drop and, thereby harm the purported class of shareholders. The Class Period is alleged to be October 1, 2013 through February 23, 2018. The defendants filed a joint motion to dismiss the Consolidated Amended Class Action Complaint on September 17, 2018. The Lead Plaintiff served their opposition on November 1, 2018 and the defendants filed their reply brief on November 27, 2018. A mediation took place on November 12, 2018 but did not result in a resolution. On January 16, 2020, the case was dismissed for failure to state a claim. The Plaintiff filed a Notice of Appeal on February 19, 2020. The dismissal was affirmed on appeal.

*Kenneth Martin et al. v JTH Tax, Inc. d/b/a Liberty Tax Service, John Hewitt and Danny Hewitt*, (Case No. 9:10-3016-CWH) filed on November 22, 2010 in the U.S. District Court for the District of South Carolina. The plaintiffs, former clients of two Liberty Tax franchised offices, filed suit claiming that, pursuant to a plan or scheme, JTH fraudulently increased their tax refunds when preparing their income tax returns. The plaintiffs brought the case as a class action seeking to represent all Liberty Tax customers that were charged additional fees for the filing of schedules or forms which accompanied a federal income tax return, but the Court denied class action status in February 2013. The plaintiffs also brought a RICO claim against John and Danny Hewitt individually, a breach of contract claim against us, a breach of fiduciary duty claim against us, and an unjust enrichment claim against all defendants. The plaintiffs sought at least \$5,000,000 in actual damages, treble damages under the RICO claim, punitive damages against us, restitution against all defendants, reasonable attorney's fees, accountants' fees, experts' fees, costs, and an incentive payment to the class representatives.

In January 2011, JTH filed an answer denying these claims and filed third-party claims against Annie Fuller, a former Liberty Tax franchisee, claiming that she had committed defamation by providing false information to the plaintiffs' attorneys and possibly others about JTH, breached her franchise agreement and a purchase and sale agreement, and that she owed indemnity. JTH also asked for declaratory judgment finding that, as a result of Fuller's breaches, it had no further duty to pay sums to her from a purchase and sale agreement and should be refunded monies already paid. On May 31, 2011, Fuller filed a counterclaim against JTH alleging that JTH breached a purchase and sale agreement, breached the purchase and sale agreement with a fraudulent intent, violated the Virginia Retail Franchising Act, and breached her franchise agreement. Fuller sued for unspecified damages, costs, and attorney's fees. JTH denied the allegations. The Court granted summary judgment for Danny Hewitt on all claims and for John Hewitt on unjust enrichment. In June 2013, the plaintiffs and Liberty settled all remaining matters in controversy with Liberty agreeing to pay the plaintiffs \$300,000. The plaintiffs signed releases and, on June 28, 2013, all claims were dismissed with prejudice. In May 2013, both Fuller and Liberty dismissed their claims without prejudice.

K&A Publicidad, Inc. v. JTH Tax, Inc., d/b/a Liberty Tax Service, Liberty Tax, Inc. d/b/a Siempre Tax and John Hewitt, (Case No. CL17-4169), filed on September 5, 2017 in the Virginia Beach Circuit Court. Plaintiff is a company owned and controlled by Kirke Franz Szawronski. Plaintiff alleges that it entered into a contract with Liberty to provide promotional and strategic relationship services to help grow the SiempreTax brand. Plaintiff alleged that defendants breached the contract for failure to pay for services and seeks damages. This matter, along with the Kirke Franz Szawronski matter described below, settled on January 26, 2019, with Liberty agreeing to pay plaintiff \$50,000 to settle both matters, in exchange for a release.

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

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



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

On December 27, 2017, the two above referenced shareholder matters were consolidated with the caption *In Re: Liberty Tax, Inc. Stockholder Litigation*, (Case No. 2017-0883). The Complaint asserted claims for breach of fiduciary duty and breach of fiduciary duty by violation of the nominating committee charter. A mediation took place on November 12, 2018 but did not result in a resolution. On March 15, 2019, the parties entered into a stipulation of settlement of which the material terms of the settlement are as follows: (i) Liberty Tax agreed to implement an anti-harassment policy; (ii) Liberty Tax will conduct yearly code of conduct training; (iii) Liberty Tax will terminate for cause any employee who violates the anti-harassment policy that has been substantiated as such; (iv) Liberty Tax will revise its audit committee charter to reflect that SEC filings must be pre-approved by the Audit Committee; (v) Liberty Tax will take reasonable steps to be listed on NASDAQ or NYSE; (vi) Hewitt agrees not to solicit company employees; and (vii) No party admits any liability. On June 28, 2019, the Court of Chancery approved a Derivative and Class Action Settlement. All issues have been resolved and the Delaware derivative actions were dismissed with prejudice in 2019 without any finding of liability on the part of the Defendants.

RSL Senior Partners, LLC, derivatively and on behalf of Liberty Tax, Inc. v Brunot et al, (Case No. 2:18-cv-00127-HCM-DEM), filed on March 7, 2018, in the United States District Court for the Eastern District of Virginia. This purported shareholder derivative action was filed on behalf of LT Inc. seeking to address the alleged wrongs of LT Inc.'s directors and officers. The Complaint claimed that certain conduct created an inappropriate tone at the top, resulting in the loss of key executives, employees, directors and otherwise harmed LT Inc. The Complaint asserted claims under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Section 10(b) and Rule 10b-5 and Section 20(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets. The Complaint sought the following relief: (a) declaring that the Plaintiff may maintain this action on behalf of LT Inc., and that the Plaintiff is an adequate representative of LT Inc.; (b) declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to LT Inc.; (c) determining and awarding to LT Inc. the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon; (d) directing LT Inc. and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect LT Inc. and its shareholders from a repeat of the damaging events (e) awarding LT Inc. restitution from Individual Defendants; and (f) awarding the Plaintiff the costs and disbursements of the action,

including reasonable attorneys' and experts' fees, costs, and expenses. The parties to this action have agreed that all claims have been settled and agreed to dismiss the action within five business days of the *In Re: Liberty Tax, Inc. Stockholder Litigation* action in Delaware Chancery Court becoming final. On September 11, 2019, the Court conducted a hearing for approval of the settlement and for attorney's fees. On September 12, 2019, the Court found the shareholder notice to be adequate and in compliance with the requirements of rule 23.1(c). The Court approved the settlement ordered in the *In Re: Liberty Tax, Inc. Stockholder Litigation* which incorporated the Plaintiff's claims in this action and approved the \$295,000 in attorneys' fees, including the case contribution award of \$2,000 to Plaintiff. This matter was dismissed with prejudice.

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

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

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

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

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

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

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#### **ITEM 4 BANKRUPTCY**

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

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## **ITEM 5 INITIAL FEES**

You must pay us \$15,000 (the “Initial Franchise Fee”) for the right to open and operate a Ledgers Franchised Business.

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

We offer a 10% discount to all active-duty service members and veterans. We waive the Initial Franchise Fee for any existing franchisee of our affiliate ATAX who desires to open a Ledgers in the same territory as their existing ATAX franchised business. We may offer special incentive programs from time to time as part of national or regional development efforts and we reserve the right to offer, modify, or withdraw any incentive program without any notice to you. We disclose financing terms in Item 10.

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

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## **ITEM 6 OTHER FEES**

<b>Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee (Notes 1 and 2)	The Royalty Fee is 10% of Gross Revenues with a Minimum Royalty of: Year 1 \$5,000 Year 2 \$7,500 Thereafter \$10,000	Payable monthly by electronic funds transfer (“EFT”) from your Bank Account.	See Note 1 for a definition of Gross Revenues.  Age of the territory for purposes of calculating royalties will be based on how long any Ledgers office has operated in the territory.
Local Advertising	\$3,000/year minimum		You agree to spend these sums pursuant to our guidelines in local advertising.
Advertising Fee	The greater of 3% of the previous month’s Gross Revenues or \$500	Monthly	You agree to pay to us this fee to support our advertising program.
Credit Card Processing Fee	Then current rate charged by third party credit card processor	As 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.
Central Processing	Then current rate	As incurred	You agree to pay this fee to us if we agree to provide central processing to you.
Insufficient Funds Fee	\$50 per transaction	As incurred	You agree to pay this fee to us if an electronic transfer or other payment from you to us is declined.
Audit Fee	Cost of Audit plus \$50 per month Late Fee on any late payment	Immediately upon conclusion of audit	Payable if an audit discloses an under reporting of Gross Revenues or underpayment to us by 2% or more.
User Fees	Our then current fees	When rendered	If we provide services to your clients that you outsource to us, and we agree to provide, you agree to pay our then current schedule of fees for such services.
Transfer Fee	\$5,000 for a transfer of the franchise or a majority interest in it.	Due before transferring	We must approve the transfer.
Interest and Penalties	Actual amount incurred	As incurred	If we reimburse interest and penalties that a customer of yours incurs for an error in tax preparation you agree to reimburse us.

Client Refunds	The amount of any fee we refund to a client	As invoiced	If you do not resolve a client service complaint and we believe a reasonable basis exists for a refund to the client of all or a portion of the client fees, we may make the refund and bill you. You agree to pay the charges.
Assistance Fee in the event of death or incapacity	Our reasonable expenses plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business.	At time of expense	We are entitled to this fee if we must operate your franchise due to your death or incapacity.
On-Site Training	\$500 per half day per person plus travel expenses	As incurred	We are entitled to this fee if we provide on-site training at your request at your Franchised Business.
Sales, Excise, or Gross Receipts tax	Actual amount of tax paid	At time of payment of fees to us which are subject to any tax	If required by the state or locality in which your franchise is located, the initial franchise fee, advertising fee, and possibly other fees will be subject to sales or gross receipts tax.
Third party charges that we incur on your behalf	Actual amount of charge	At time of expense	If we incur third party charges on your behalf, you agree to reimburse us for any such charges.
Late Fee	Lesser of 1.5% per month or the highest rate allowable by law of the state where franchised is located	As incurred.	Applies to amounts owed to us that are five (5) or more days past due.
Indemnity	Actual loss sustained	At time of expense	You must indemnify us from any loss caused by your operation of the Franchised Business.
Attorney Fees and Costs	Actual amount incurred	At time of expense	If we are the substantially prevailing party in litigation with you, or you bring a claim against an Area Representative, you agree to pay our costs and attorney fees.

\*Except where otherwise specified, we uniformly impose and collect all the fees in this table, you pay them to us, and we do not refund them.

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

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

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## **ITEM 7 ESTIMATED INITIAL INVESTMENT**

### **YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Low</b>	<b>High</b>	<b>Method of payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee (Note 1)	\$15,000	\$15,000	Check or EFT	At signing of Franchise Agreement.	Us
Construction & Leasehold Improvements (Note 2)	\$0	\$10,000	Check or Credit Card	Before opening	Contractors & Suppliers
Furniture, Fixtures and Equipment (Note 3)	\$0	\$7,000	Check, Credit Card	Before opening	Suppliers
Interior & Exterior Signage (Note 4)	\$0	\$3,000	Check or Credit Card	Before opening	Contractors & Suppliers
Rent and Security Deposit (Note 5)	\$0	\$6,000	Check	Before opening	Landlord
Software and Software Support Services (Note 6)	\$100	\$500	Credit Card	Before opening	Vendors
Computer Systems & Connectivity (Note 7)	\$2,500	\$4,000	Credit Card	Before opening	Contractors, Suppliers & Franchisor
Training Travel and Living Expenses (Note 8)	\$1,000	\$2,000	Credit Card	Before opening	Third Parties
Opening Inventory & Supplies (Note 9)	\$500	\$1,500	Credit Card	Before opening	Suppliers
Permits and Licenses (Note 10)	\$700	\$700	Check	Before opening	Third Parties
Utilities (Note 11)	\$500	\$1,000	Check or EFT	Before and after opening	Utilities
Insurance (Note 12)	\$400	\$500	Check or EFT	Before opening	Insurance Company
Professional Fees (Note 13)	\$2,500	\$3,500	Check or Credit Card	Before Opening	Attorney, Accountant
Additional Funds – 3 months (Note 14)	\$5,000	\$15,000	As incurred	Before and after opening	Employees, Third Parties
Total (Note 15)	\$28,200	\$69,700			

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

#### **NOTES:**

1. Initial Franchise Fee. The Initial Franchise Fee is \$15,000. We base the table above on the purchase of a single franchise.
2. Construction & Leasehold Improvements. You may initially operate your Franchise Business from your home provided that you maintain a virtual office to meet clients as required. Further, you may already have an appropriate office, or your cost of construction or leasehold improvement for your office may be minimal. The cost of construction or leasehold improvements will vary depending on your construction and renovation costs and how many of those costs the landlord will pay (if any).
3. Furniture, Fixtures, and Equipment. These figures represent the purchase or lease of the necessary equipment, furniture, and fixtures for the location. These include a photocopier, desks, chairs, filing cabinets, and telephones.
4. Interior & Exterior Signage. Signage costs vary depending on location, type, and size of sign.
5. Rent and Utility Deposits. The amount of rent that you will incur will vary in the different market areas. We estimate rent for the first three months plus a security deposit for one month's rent. You will need approximately 1,000 square feet of space.
6. Software and Software Support Services. You must subscribe to such software as we specify for bookkeeping, accounting, and other needs.
7. Computer and Point of Sale Systems & Connectivity. You must comply with our computer hardware, software, and POS specifications which we set forth in detail in Item 11.
8. Training Travel and Living Expenses. You must pay for the travel, lodging, meals, and wages of attendees at initial training. Your costs will vary.
9. Opening Inventory & Supplies. You will need basic office supplies to run the franchise.
10. Permits and Licenses. States and localities will set costs for permits and licenses.
11. Utilities. You will incur costs for electricity and other utilities.
12. Insurance. These costs are for required insurance coverage.
13. Professional Fees. You may incur professional legal and accounting fees to assist with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.
14. Additional Funds-3 months. The estimate of additional funds for the initial phase of your business is based on your staff salaries and operating expenses for the first three months of operation. The estimate of additional funds does not include an owner's salary or draw. We base this estimate upon the years of experience our management team has in the industry.

**15.** Does not include royalties, advertising fees, or interest expenses.

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## **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.

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

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

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

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

Our current insurance specifications are as follows:

- i        *“all risk” property insurance coverage for assets of the Franchised Business;*
- ii       *workers’ compensation insurance and employer liability coverage with a minimum limit of \$100,000 or higher if your state law requires;*
- iii      *comprehensive general liability insurance which includes contractual indemnity with a minimum liability coverage of \$1,000,000 per occurrence, or higher if your state law requires;*
- iv       *business interruption insurance;*
- v        *commercial automobile liability insurance of at least \$1,000,000 or higher if your state law requires;*
- vi       *professional liability insurance for errors and omissions in the amount of \$1,000,000.*

Leased Location. You will need a site in which to operate the Franchised Business within twelve months of signing a Franchise Agreement. We furnish site selection guidelines. You are solely responsible for your site selection and may lease from any landlord within your territory.

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

Signs. You must purchase signage pursuant to our specifications, which may include a vendor designation. It is your responsibility to obtain signage in conformity with the templates provided by us and to the specifications provided in our Manual. If you need to modify our signage

templates or specifications to meet your needs or the restrictions of your office location, you must obtain our written approval by submitting your request to our operations department. We typically respond to any request submitted to our operations department within five days.

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

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

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

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

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

John Hewitt owns an interest in us.

### **Alternative Suppliers:**

We do not maintain written criteria for approving suppliers and thus these criteria are not available to you or your proposed supplier. If you wish to purchase products or services from a non-approved vendor; you must submit the vendor for approval. We charge \$100/hour plus our costs to evaluate an alternative supplier. Our right to approve or disapprove will be done in a reasonable manner within 30 days of our receipt of your request. For example, if you wish to purchase items bearing our Marks, we may request from the vendor seeking approval, a sample to insure they meet our standards. We will make you aware of our decision concerning the vendor via email within a reasonable time. If we choose to deny your request or subsequently revoke our approval, we will inform you via email of our reasons for the action. If we feel it is in the best interests of the network, we may choose to limit the number of approved vendors that you may purchase specific products from. We periodically publish our vendor directory, product specifications and standards as part of our Operations Manual.

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

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

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

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

In our last fiscal year ended December 31, 2023, neither we nor our affiliates earned revenue or other material consideration from required purchases or leases by franchisees.

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

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

**Supplier Payments to Us:**

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

**Purchasing or Distribution Cooperatives:**

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

**Purchase arrangements:**

We do not currently, but reserve the right in the future to, negotiate purchase arrangements with suppliers, including preferred pricing arrangements, for the benefit of our franchisees. Further, we do not currently, but reserve the right in the future to, receive payments from approved suppliers with respect to your purchases. Furthermore, we may utilize any such funds received by us in our sole judgment.

**Material Benefits:**

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

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

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

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	1.4, 4.3	11
b. Pre-opening purchases/leases	4.3, 4.5,	7, 8
c. Site development and other pre-opening requirements	4.3	11
d. Initial and ongoing training	4.2	11
e. Opening	1.1.A, 1.8	11
f. Fees	2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	4.4	8, 11
h. Trademarks and proprietary information	5, 4.6, 6	13, 14
i. Restrictions on products/services offered	4.1.C,	8, 16
j. Warranty and customer service requirements	4.1.B., 4.4	6
k. Territorial development and sales quotas	1.6, Schedule 2	12
l. Ongoing product/service purchases	4.6	8
m. Maintenance, appearance & remodeling requirements	4.3	Not Applicable
n. Insurance	4.8	8
o. Advertising	1.8	8, 11

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure Document</b>
p. Indemnification	4.7	6
q. Owner's participation/management/staffing	1.1.C, 4.1	15
r. Records and reports	4.6, 6	11
s. Inspections and Audits	4.6.C	11
t. Transfer	7	17
u. Renewal	1.2.B	17
v. Post-termination obligations	8.5	15, 16, 17
w. Non-competition covenants	8.6	15, 16, 17
x. Dispute resolution	9	17

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## **ITEM 10 FINANCING**

We do not offer, either directly or indirectly, any financing arrangements to you. We do not guarantee your notes, leases or other obligations.

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

**Except as listed below, we are not required to provide you with any assistance.**

### **Pre-Opening Obligations**

**Initial Training.** We provide an Initial Training program in Newmarket, Ontario, Canada, another designated training location, or online, at our choosing. The topics covered in Initial Training are described in the chart below in this Item 11. (Franchise Agreement, Section 4.1., 4.2).

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

You may initially operate your Franchise Business from your home provided that you maintain a virtual office to meet clients as required. You must open an office location within your Territory within twelve (12) months from the Effective Date of the Franchise Agreement. If you do not, then we can terminate the Franchise Agreement without any refund to you (Franchise Agreement, Section 3.2., 4.3).

**Assistance to Hire and Train Employees.** You are solely responsible for hiring, firing, compensating, withholding and remitting applicable payroll taxes and day-to-day supervision and control over your employees. The Manual may recommend best practices on how to hire and train employees (Franchise Agreement, Section 3.4).

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

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

**Length of Time Before Opening:** The typical length of time between the signing of the Franchise Agreement and the opening of your outlet is 3-4 months. You agree to begin operations and be open for business no later than 6 months from the time both parties execute the Franchise Agreement. If you do not, more time will be given, but if you do not open an office location within your Territory within twelve months, then we may terminate the Franchise Agreement without any refund to you (Franchise Agreement, Section 3.2., 4.3).

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

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

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

**Marketing Support.** We offer marketing assistance and support. (Franchise Agreement, Section 1.9).

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

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

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

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

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

**Local Advertising.** We require you to spend a minimum of \$3,000 per year on local advertising pursuant to our guidelines.

**Advertising Fund.** You agree to contribute 3% of your Gross Revenues into our Advertising Fund. Franchisor owned outlets do not have to contribute to the Advertising Fund, but may do so. We administer the Advertising Fund. The Fund is not audited. Unaudited financial statements of the Advertising Fund will be made available to you upon written request.

In our last fiscal year ending December 31, 2023, the Advertising Fund spent 100% of its funds on media placement (online listings and social media).

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Hardware**

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

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

### Software

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

Software Name	Nature	Approx. Cost per month
Stripe	Credit Card Processing	\$200-\$300 per month plus approximately 3% of sales
Loyalty Accounting System powered by Intuit	Bookkeeping, and Accounting functionality	N/A
Loyalty Practice Management powered by TR Onvio	Client Workflow	N/A
Loyalty Tax powered by UltraTax	Allows preparation of income tax returns	N/A
Loyalty Research and Learning powered by Checkpoint	Tax knowledge base and Learning	N/A

Neither we nor our affiliates or any third party have any obligation to provide ongoing maintenance, repairs, upgrades or updates. You must maintain your computer systems in good working order and must replace, update or upgrade your hardware systems as we require. There are no contractual limitations regarding the frequency or costs of required upgrades or updates relating to the computer system. The estimated annual cost of optional or required maintenance, updating, upgrading, or support contracts to your computer systems is approximately \$1,000.

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

### Operations Manual:

Exhibit F contains the Table of Contents to the Operations Manual. The Manual contains approximately 50 pages.

**Initial Training Program:**

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

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on-the-job Training</b>	<b>Location</b>
Introductions & Overview Ledgers Image and Standards Our Cloud Technology	8	0	(Note 1)
Operating a Successful Ledgers Franchise Your Billing Model Ledgers Dynamix	8	0	
Central Processing Services - Policies, Procedures, Roles and Responsibilities Common Challenges Shoebox Processing	8	0	
Marketing 101	8	0	
Business Development	8	0	
<b>Total</b>	<b>40</b>	<b>0</b>	

Note 1- We hold initial training in Virginia Beach, Virginia, Newmarket, Ontario, Canada, another designated training center, or online, at our choosing.

Instructors: Gordon Haslam and John T. Hewitt oversee our Initial Training. Gordon Haslam has 33 years' experience in the industry and 30 years' experience in Ledgers Canada (3 year's experience directly with this franchise in the United States). John T. Hewitt has 55 years' experience in the industry and 3 years' experience in this franchise.

We hold Initial Training classes monthly.

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

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

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

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

## **ITEM 12 TERRITORY**

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

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

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

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

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

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

Continuation of your territorial rights does not depend on achieving a certain sales volume, market penetration, or other contingency, and we may not alter your franchise territory, even if there is a population increase in your territory. However, your right to operate a Franchised Business in the Territory are subject to certain rights reserved by us. We, our parent, and our affiliates reserve all rights not expressly granted in the Franchise Agreement. For example, we, our parent, and our affiliates have the right to:

(a) use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales, to solicit or accept customers within your Territory using our principal trademarks (or another trademark) without any compensation to you, except that we will normally direct inquiries for services from within your Territory to your Franchised Business

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

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

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

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

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

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



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

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

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## **ITEM 13 TRADEMARKS**

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

<b>Description of Mark</b>	<b>Serial/Registration Number</b>	<b>Principal or Supplemental Register of the USPTO</b>	<b>Registration Date</b>
 The logo for Loyalty Business Services features a stylized green and black 'L' above the word 'LOYALTY' in bold black capital letters, with 'BUSINESS SERVICES' in smaller black capital letters below it.	6,179,313	Principal	October 20, 2020
 The logo for Ledgers features a blue stylized figure holding a telescope, positioned next to the word 'Ledgers' in a bold, sans-serif font. A yellow swoosh underline is beneath the word.	SN: 90,289,360	Principal	September 28, 2021

The Ledgers Mark is currently registered and used in United States and Canada. We obtained the rights to use the Mark in the United States from 2000486 Ontario Inc doing business as Ledgers Canada.

We have filed all required affidavits and renewals.

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

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

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



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

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

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

We reserve the right to supplement and modify the marks that you may or may not use in connection with the operations of your Franchised Business. You may only use the Licensed Marks as authorized by us in writing and under the terms of your Franchise Agreement. You may not use the Licensed Marks in the name of any corporate entity that you establish.

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

At this time, we do not hold any patents. We claim a copyright to our Operations Manual, marketing material such as our website text, and other printed material, although we have not presently filed a registration of those copyrights. We consider all of these items confidential and proprietary. Upon termination of your Franchise Agreement, you must return to us our Operations Manuals and any confidential information.

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

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

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

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

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

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

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

You must designate a Business Manager. If you are an individual, then you must serve as Business Manager. You must inform us in writing of the identity of your Business Manager, furnish information to us regarding the candidate's background, experience and credentials, and secure our advance written approval before you engage him or her. We will not unreasonably withhold or deny our approval. Your Business Manager must have complete decision-making authority with regard to your Franchised Business and must have authority to act on your behalf in all respects under the Franchise Agreement. Your Business Manager is the only individual with whom we will be required to communicate when we seek to communicate with you. Your Business Manager must complete the Initial Training Program to our satisfaction.

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

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

All owners of this franchise must guarantee the obligations under the Franchise Agreement. However, your spouse is not required to guarantee your performance under the Franchise Agreement.

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 may offer for sale through your Franchised Business only a business advisory, bookkeeping, payroll, and income tax preparation as specified by us and such products and services that we have approved in writing. We may designate products or services as optional or mandatory. You may not sell any goods or services that we have not authorized or approved.

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

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

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

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

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

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

### **THE FRANCHISE RELATIONSHIP**

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

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

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

Provision	Section In Franchise Agreement	Summary
		-you must request that we provide the prospective transferee with our current franchise disclosure document.
n. Franchisor's right of first refusal to acquire franchisee's business	7.6	We do not maintain the right of first refusal
o. Franchisor's option to purchase franchisee's business	7.6	We do not maintain the right of first refusal.
p. Death or disability by franchisee	7.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	8.6.	No competition allowed in the United States and its territories (subject to applicable state law).
r. Non-competition covenants after the franchise is terminated or expires	8.6.A.	You may not compete in the Territory or within 25 miles of the Territory (or any other outlet of ours) for 2 years (subject to applicable state law).
s. Modification of the agreement	10.2	No modifications except to Operations Manual or as you and we may mutually agree in writing. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	10.1,	Only the terms in the Franchise Agreement are binding (subject to federal or state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable. No claim in any franchise agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure Document. Subject to applicable state law.
u. Dispute resolution by arbitration or mediation	9	You must first attempt to resolve claims against us through mediation.
v. Choice of forum	9.7	All claims must be brought before a court of general jurisdiction closest to our corporate office (subject to applicable state law).
w. Choice of Law	9.6	Virginia law governs (subject to applicable state law).

## **ITEM 18 PUBLIC FIGURES**

We do not use any public figure to promote our franchises.

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## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mary Jane DeJaager at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452, 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 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of Year</b>	<b>Outlets at the End of Year</b>	<b>Net Change</b>
Franchised	2021	2	7	5
	2022	7	8	1
	2023	8	4	-4
Company Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	2	7	+5
	2022	7	8	+1
	2023	8	4	-4

**Table No. 2**  
**Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)**  
**For Fiscal Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Total	2021	0
	2022	0
	2023	0

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**Table No. 3**  
**Status of Franchise Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
Connecticut	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	1	0	0
Florida	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Michigan	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
New Jersey*	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Texas	2021	0	2	0	0	0	0	2
	2022	2	0	1	0	0	0	1
	2023	1	0	0	0	0	1	0
Virginia	2021	1	1	1	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
Total	2021	2	6	1	0	0	0	7
	2022	7	3	1	0	0	1	8
	2023	8	0	0	0	1	3	4

**\*All New Jersey locations ceased operations in 2024.**

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**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023**

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
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	1	0	0

**Table No. 5**  
**Projected Openings as of December 31, 2023**

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
Connecticut	0	1	0
Pennsylvania	0	1	0
New York	0	1	0
South Carolina	0	1	0
<b>TOTALS</b>	0	4	0

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

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

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

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

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit C contains our audited financial statements for our fiscal years ending December 31, 2021, 2022, and 2023.

Our fiscal year end is December 31.

## **ITEM 22 CONTRACTS**

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

Exhibit B- Franchise Agreement

Schedule 1-Territory

Schedule 2-Minimum Requirements

Schedule 3-Automatic Bank Draft Authorization

Schedule 4A-Telephone Number Assignment

Schedule 4B-Lease Rider

Schedule 5-Reserved

Schedule 6-Release

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

## **ITEM 23 RECEIPTS**

Exhibit H contains two copies of a Receipt of our Disclosure Document. You must sign, date and deliver one copy of the Receipt Page to us for our records.

**EXHIBIT A-STATE SPECIFIC ADDENDA TO THE FRANCHISE  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT**

The following modifications are to Loyalty Business Services LLC Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement dated \_\_\_\_\_, 20\_\_.

The provisions of this State Law Addendum to Franchise Disclosure Document and Franchise Agreement (“State Addendum”) apply only to those persons residing or operating Loyalty Business Services LLC in the following states:

## **MICHIGAN**

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

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

transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

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

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



## **CALIFORNIA**

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Agreement contains provisions that are inconsistent with the law, the law will control.

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

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

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

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

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

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

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

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

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

OUR WEBSITE, [www.ledgerspros.com](http://www.ledgerspros.com) , HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

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

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

“We will offer a discount of 50% on the Initial Franchise Fee in California until September 27, 2023, which is the twelve-month anniversary of the effective date of our last disclosure document.”

“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.**

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

## **HAWAII**

Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: ‘The franchisor defers the collection of all initial fees from Hawaii franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

The State Cover Page is amended to include the following language: “The franchisee will be required to make an estimated initial investment which exceeds the franchisor’s equity as of December 31, 2020.”

## **ILLINOIS**

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

- a. Illinois law governs the Franchise Agreement.
- b. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
- c. The conditions under which your Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.
- d. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision of the Franchise Agreement purporting to bind you to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: “The franchisor defers the collection of all initial fees from Illinois franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.” The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition

## MARYLAND

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

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

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

- b) Item 17.u. of the FDD and Section 9.2E of the FA is modified to also provide,

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

- c) Item 17.v. of the FDD and Section 9.5A of the FA is modified to also provide,

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

- d) Item 5 of the FDD and Section 2.1 of the FA are modified with the addition of the following language:

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

The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under the federal bankruptcy law (11 U.S.C. Section 1010 et seq.).

The FA and the Franchisee Questionnaire are amended with the addition of the following language: “All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.”

## **MINNESOTA**

1. “Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws or the jurisdiction.”

**FDD:** Item 17

**FA:** Section 9

2. “With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.”

**FDD:** Item 17

**FA:** Section 8

3. The Disclosure Document and the agreement must state that the franchisor will protect the franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

**FDD:** Item 13

**FA:** Section 1.10

4. Minn. Rule 2860.4400D. prohibits requiring a franchisee to assent to a general release. Amend to exclude claims under the Minnesota Franchise Law.

**FDD:** Item 17

**FA:** Section 1.2

5. Minn. Rule 2860.4400J prohibits termination penalties.

**FDD:** Item 17

**FA:** Section 8

6. Minn. Statue 604.113 places a cap of \$30 on service charges.

**FDD:** Item 6

**FA:** Section 2.15

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

Items 5 and 7 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: 'The franchisor defers the collection of all initial fees from Minnesota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

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.

- This Addendum amends any language to the contrary, as outlined above, contained in either the Franchise Disclosure Document ("FDD") and/or the Franchise Agreement ("FA").

# NEW YORK

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

## 1. Cover Page

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

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

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

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

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

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

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



D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

## **NORTH DAKOTA**

As to franchises governed by the North Dakota Franchise Investment Law, if any of the terms of the Disclosure Document and/or Franchise Agreement are inconsistent with the terms below, the terms below control.

- Item 17(c) of the Franchise Disclosure Document, and Section 1.2(B) of the Franchise Agreement (FA) require franchisee to sign a general release upon renewal of the franchise agreement. The general release required as a condition of renewal, sale, and/or assignment /transfer shall not apply to any liability under the North Dakota Franchise Investment Law.

FDD:           Item 17(c)

FA:            Section 1.2(B)”

- To the extent that Item 17 (r) of the Disclosure Document and Section 8 the Franchise Agreement conflict with the provisions of North Dakota law regarding restrictive covenants (N.D.C.C., Sec. 9-08-06), such covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.
- To the extent that Item 17 (u) of the Disclosure Document, Section 9 of the Franchise Agreement require a Franchisee to agree to arbitration or mediation of disputes be held in Virginia, they are hereby amended to expressly permit arbitration or mediation be held in North Dakota for claims arising under the North Dakota Franchise Investment Law.

FDD:           Item 17(u)

FA:            Section 9

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

FDD:           Item 17 (v)

FA:            Section 9

- Item 17 (w) of the Disclosure Document, and Section 9 of the Franchise Agreement provide that Virginia law governs the document and agreement except for certain provisions. As required by North Dakota law, the North Dakota Franchise Investment Law will prevail over Virginia law to the extent of any conflict.

- Section 9.5.(A) of the Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. This provision is inconsistent with Section 51-19-09 of the North

Dakota Franchise Investment Law, and is hereby amended to state that the statute of limitations under North Dakota law will apply.

- Section 9.5.(C) of the Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law and is deleted in its entirety.

- Section 9.5.(E) of the Franchise Agreement requires the franchisee to consent to a waiver of exemplary and punitive damages. This provision is inconsistent with Section 51-19-09 of the North Dakota Franchise Investment Law and is deleted in its entirety.

- Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: 'The franchisor defers the collection of all initial fees from North Dakota franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.'

## **RHODE ISLAND**

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

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

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

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

Rhode Island law applies.

## **SOUTH DAKOTA**

Item 5 of the FDD and Item 2.1 of the Franchise Agreement are modified with the addition of the following language: ‘The franchisor defers the collection of all initial fees from South Dakota franchisees until the franchisee is open for business.’” Please see the attached Exhibit A.

## **VIRGINIA**

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

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

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

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

Item 5 of the Disclosure Document 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.”

## **WASHINGTON**

The State of Washington has a statute, RCW 19.100.180 which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator, or as determined by the arbitrator at the time of arbitration. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

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

A release or waiver or rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

## **WISCONSIN**

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

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

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

FDD: Item 17

FA: Section 9

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

FDD: Item 17

FA: Section 8

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



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

FDD:           Item 17

FA:             Section 8

**ACKNOWLEDGMENT:**

It is agreed that the applicable foregoing State-Specific Addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect, and the parties further acknowledge and agree that this State-Specific Addendum is applicable only to those persons specifically subject to the protections of the state laws referenced in this State-Specific Addendum.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

FRANCHISOR:

FRANCHISEE:

**Loyalty Business Services LLC**

\_\_\_\_\_

\_\_\_\_\_

By:

By:

Title:

Title:

**EXHIBIT B-**  
**FRANCHISE AGREEMENT**



**SUMMARY PAGE**

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

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Schedule 3- Automatic Bank Draft Authorization

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Schedule 4B-Lease Rider

Schedule 5-Reserved

Schedule 6-Release

# Franchise Agreement

## *Single Unit*

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

## *Recitals*

Ledgers has developed a system (“Franchise System”) to deliver advisory, compliance, recordkeeping and tax services (collectively “Services”). The Franchise System utilizes prescribed marketing techniques and operating procedures to deliver outstanding service to businesses (“Clients”).

We seek to identify and recruit candidates with the ability to deliver outstanding Client service in a defined Territory who are willing to own at least one Franchise Business. Franchisee seeks to use the Franchise System to profitably deliver an outstanding Client experience (collectively the “Services”).

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

### **1. Scope**

#### **1.1. Franchise Relationship**

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

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

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

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

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

As a separate Franchise Business, you have sole and exclusive control over your employees. Neither you nor your employees and agents may make a claim as employees or agents of us for any purpose

including participation in an employee benefit plan, stock option program, or workers compensation law.

**D. *No Unauthorized Commitments.***

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

**1.2. Term and Renewal**

**A. *Term.***

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

**B. *Renewal and Subsequent Renewals.***

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

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

**1.3. Territory**

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

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

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

## **1.4. Facility**

### **A. Initial Location**

You may initially operate your Franchise Business from your home provided that you maintain a virtual office to meet clients as required. You must open an office location within your Territory within twelve (12) months from the Effective Date of this Agreement. If you do not, then we can terminate without any refund to you.

### **B. Reserved**

## **1.5. Additional Territories**

We may grant you additional franchise territories if we feel you have the time, energy, capital, and management structure to be able to successfully open and operate more outlets. You do not have rights of first refusal, or similar rights to acquire additional territories.

## **1.6. Minimum Requirements**

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

## **1.7. Dual Distribution**

### **A. Client Choice**

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

### **B. Protected Territory**

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

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

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

### **D. Profit Passover**

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

### **E. *Client Coordination***

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

### **F. *Other Brands***

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

## **1.8. Advertising**

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

Your advertising and promotions will conform to the following requirements:

1. You will advertise and promote only in a manner that will reflect favorably on us.
2. You will participate in all promotional programs and that we create, offer or advertise.
3. Your advertising must comply with federal, state, and local laws.
4. You will spend a minimum of \$3,000 per year on local advertising, pursuant to our guidelines.

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

You will contribute the greater of (i) 3% of the previous month's Gross Revenues or (ii) \$500 into the Advertising Fund monthly.

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

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

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

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



**A. Corporate Website.**

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

**B. Digital Marketing.**

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

We have the sole right to control all aspects of any digital marketing including all digital marketing related to your Franchised Business. We may negotiate contracts with vendors such as Google AdWords. If you choose to participate, you must pay your pro-rata share either directly to the vendor or reimburse us if we are paying the vendor.

**C. Print Material.**

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

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

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

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

**E. Business cards.**

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

**F. Private Websites.**

You are not allowed to have an independent website or obtain or use any domain name (Internet address) for your Franchised Business without first obtaining our written approval.

**G. Social Media.**

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

**H. Publicity.**

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

## **1.10. Trademarks**

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

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

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

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

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

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

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

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

### **E. *Infringement Claims.***

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

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

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

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

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

## **2. Fees**

### **2.1. Initial Franchisee Fee**

Upon execution of this Agreement, you will pay us a Franchise Fee of **\$15,000.00**. The Franchise Fee is fully earned and nonrefundable when both Parties execute this Agreement.

### **2.2. Reserved**

Reserved to preserve numbering.

### 2.3. Royalty Fee

You will pay to us a Royalty Fee on a monthly basis as follows:

<b>Territory Age</b>	<b>Royalty Amount</b>
<b>Year 1</b>	The greater of 10% of Gross Revenues or \$5,000
<b>Year 2</b>	The greater of 10% of Gross Revenues or \$7,500
<b>Year 3 and beyond</b>	The greater of 10% of Gross Revenues or \$10,000

“**Gross Revenues**” is defined as all revenues that you derive or receive, directly or indirectly, from the operation of the Franchised Business, excluding only sales and use taxes. The age of a Territory is determined by the date you begin operations.

Any royalty payment needed to meet the minimum royalty amount is owed monthly. For example, in Year 1, you will pay a minimum royalty amount of \$416.67 per month.

### 2.4. Central Processing

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

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

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

### 2.6. Third Party Software Fees

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

### 2.7. On-Site Training Fee

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

### 2.8. Annual Convention

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

### 2.9. Strategic Sourcing

Reserved.

### 2.10. Third Party Charges

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

**2.11. Transfer Fee**

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

**2.12. Administration**

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

**2.13. Client Refunds**

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

**2.14. Audit Fee**

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

**2.15. Payment Terms**

Recurring fees: You are responsible for providing a monthly Royalty Report to us. The Royalty Report is due on the 10<sup>th</sup> day following the end of each month. The Royalty Report is used to calculate your Royalty Payments owed to us. Your Royalty Payments are due on the same date. You will execute an Automatic Bank Draft Authorization on a form substantially similar to that in Schedule 3. We will draft your Royalty Payment on the 10<sup>th</sup> day of each month or as soon thereafter as they are processed by us.

Other fees: We will provide an invoice to you for other fees incurred. Payment is due upon receipt. We will draft your account on the same date, or as soon thereafter as the draft is processed by us. We reserve the right to deduct monies that you owe to us from any monies that we pay to you.

**2.16. Credit Card Fee**

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

**2.17. Insufficient Funds Fee**

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

**2.18. Late Fees**

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

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

#### **3.1. Manual**

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

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

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

#### **3.3. Training**

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

We will provide you a minimum of three (3) days of Initial Training. The Initial Training course will provide you with training on operations and client acquisition. We presently offer this training live in Newmarket, Ontario, Canada, but may offer it in other locations, or via interactive video conference or webinar, at our choosing. Successful completion of the Initial Training is mandatory prior to opening your Franchised Business.

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

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

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

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

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

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

### **4. Duties of Franchisee**

#### **4.1. Commitment**

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

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

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

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

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

You must offer the Products and Services that we require as specified in the manual. You may not offer any other Products and Services through the Franchise Business without our prior written consent.

## **4.2. Training**

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

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

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

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

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

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

## **4.3. Facility**

- A. **Lease.** It is your responsibility to locate an office location within your territory within twelve (12) months of execution of this Agreement. You are not required to obtain our approval before entering into a lease or purchase agreement for your office location.
- B. **Plan and Layout.** It is your responsibility to develop and implement the plans and layout for your office location.
- C. **Buildout.** It is your responsibility to engage contractors or suppliers and buildout your office location.
- D. **Permitting.** It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits.

- E. **Signage.** It is your responsibility to obtain signage in conformity with the templates provided by us and to the specifications provided in our Manual. If you need to modify our signage templates or specifications to meet your needs or the restrictions of your office location, you must obtain our written approval by submitting your request to our operations department. We typically respond to any request submitted to our operations department within five days.
- F. **Brand Image.** You must maintain the facility housing your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our Franchise System.

#### **4.4. Operations**

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

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

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

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

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

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

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

##### **B. Requirement**

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

##### **C. Technology Refresh**

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

#### **4.6. REPORTS AND REVIEW**

##### **A. Reports.**

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

Name of Report	When Due
----------------	----------

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

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

You will allow us to have independent access to the information that will be generated or stored in your computer system or remotely by online cloud storage, arising out of or related to the Franchise Business, which includes prospect, financial, and operational information. We will provide an engagement letter and consent form for use in your Franchised Business. It is your responsibility to comply with the law in determining the desire and scope of a Clients consent to share Client data and to refrain from sharing any data without consent.

#### ***C. Reviews.***

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

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

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

#### ***E. Secret Shoppers***

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

#### ***F. Corrective Action Plan***

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

#### ***G. Central Processing***

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

### **4.7. Indemnity**

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

1. service to any client;



2. breach or alleged breach of this Agreement;
3. negligence, or
4. willful misconduct.

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

#### **4.8. Insurance**

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

#### **4.9. Notice and Compliance**

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

### **5. Intellectual Property**

#### **5.1. Ownership**

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

#### **5.2. Client Data**

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

#### **5.3. Suggestions**

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

#### **5.4. Performance Data**

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

### **6. Confidentiality**

#### **6.1. Definition**

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

#### **6.2. Confidentiality**

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

#### **6.3. Use**

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

#### **6.4. Storage**

You will store Confidential Information in a secure location whether physically or electronically. You must follow all regulatory and legal requirements for the protection of consumer data and tax preparer data. You must notify us if the Confidential Information is lost or stolen, regardless of fault.

#### **6.5. Return**

Upon Termination or Expiration of this Agreement, you must destroy any Confidential Information stored in printed or digital form within ten (10) days and provide us with a written certification of destruction. However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

### **7. Transfer**

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

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

## **7.2. Transfer by You**

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

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

## **7.3. Joint Tenancy**

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

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

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

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

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

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

We do not reserve a right to first refusal.

## **7.7. Death or Incapacity**

### **A. Definition**

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

### **B. Transfer**

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

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

#### **C. *New Franchisee***

The Transferee(s) must:

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

#### **D. *Interim Services***

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

### **7.8. Transferee Requirements**

The proposed Transferee(s) must:

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

## **8. Termination**

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

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

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

We may terminate this Agreement for Cause without notice, and without the opportunity for you to cure. "Cause" means:

1. If you do not attend and pass our Initial Training in accordance with our current passing standards;
2. If you are charged with, indicted for, or convicted of a felony or serious misdemeanor involving moral turpitude;
3. If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law;
4. If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices;
5. If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form including the request for consideration or application,
6. If you refuse to completely fill out a requested form or tender supporting documentation upon reasonable request;
7. You become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
8. If a final judgment of record against you or your Franchise Business remains unsatisfied for thirty (30) days or longer;
9. If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months; or
10. If you abandon the Franchised Business or discontinue the active operation of the Franchised Business for three or more business days, except when active operation is not reasonably possible, such as because of a natural disaster or government order.

### **8.3. Termination by Us with the Opportunity to Cure**

We may terminate this Agreement, if the following conditions remain within thirty (30) days after sending you notice and an opportunity to cure:

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

### **8.4. No Refund of Initial Fee**

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

### **8.5. Post Termination Obligations**

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

1. Cease to operate the Franchised Business;
2. Discontinue using any of our “Marks”;
3. Cancel all fictitious name filings which you use that includes any of our Marks;
4. Pay to us all amounts owing to us;
5. Reimburse Clients for any fees paid for services not yet rendered;

6. If requested by us, transfer to us all telephone numbers used in relation to this Franchise Business by executing the form in Schedule 4a, and deliver to us written proof of transfer;
7. At our option, and upon our request, use your best efforts to assist in transferring the lease of the facility of your Franchised Business, whether it be through a new lease or assignment;
8. Return to us or certify destruction of any paper and electronic copies of the Manual and any Confidential Information (retaining only such copies as you need for legal or tax purposes);
9. Adhere to the post-term duties stated in Section 8.6 entitled Non-Compete and No Solicitation and any other duties that require your performance after you are no longer a franchisee.
10. At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within thirty (30) days of the date of termination for the adjusted book value, which is the undepreciated book value of the assets on your most recently filed federal tax return prior to the date of the termination or expiration;
11. Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee.
12. Refrain from making disparaging comments in any form about us or our current and former employees, agents, members, directors, or franchisees.

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

### **A. *Post-Term.***

You will not, during the Term and for a period of two (2) years after expiration or termination of this Agreement (“Restriction Period”), in the Territory or within twenty-five (25) miles of the boundaries of the Territory (“Restricted Market”), own or manage any business that provides prospective clients advisory, compliance, recordkeeping, payroll, or tax services (“Restricted Activities”). This restriction applies even if you sell your Franchise Business.

### **B. *No Solicitation***

During the Restriction Period, you will not directly or indirectly provide advisory, compliance, recordkeeping, payroll, or tax services to any Client, except through the Franchise Business.

### **C. *Disparagement***

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

## **8.7. Waiver of Bond**

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

## **8.8. Severability**

If any covenant or provision of this Agreement is determined to be void or unenforceable, in whole or in part, it will be deemed severed and removed and will not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either Party to this

Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.

## **9. Dispute Resolution**

### **9.1. Continued Performance**

Each Party will continue performance under this Agreement while the Matter is being resolved as described in this Section.

### **9.2. Internal Resolution**

Any issue that you may have arising out of or related to this Agreement (“Matter”) will be resolved as described in this Section. You must exhaust this internal dispute resolution procedure before you bring your Claim in Court.

#### **A. Notice**

You must provide written notice by sending a letter to our Chief Executive Officer (“CEO”) via either certified mail or overnight delivery through a common carrier like FedEx, UPS or DHL. The Notice must contain:

- i A description of the specific nature of the Claim,
- ii All relevant facts,
- iii All supporting evidence, and
- iv Either the specific dollar amount of Damages, or the action requested to resolve the Matter (“Cure”);

#### **B. Response**

We will reply (“Response”) in writing within ten (10) business days with either:

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

#### **C. Meeting**

If in good faith, you do not believe the Matter is settled after the Response then within twenty-one (21) days of receipt of the Response, you may meet with the CEO or our agent in Virginia Beach, VA to discuss in person. Upon mutual agreement, the Parties may choose an alternate location or meet via video call.

#### **D. Mediation**

If in good faith, you do not believe the Matter is settled after the Meeting, then within thirty (30) days of receipt of the Response, such Party will request mediation by:

1. completing the request for mediation form at:  
[https://www.adr.org/sites/default/files/Request\\_for\\_Mediation.pdf](https://www.adr.org/sites/default/files/Request_for_Mediation.pdf)
2. paying the applicable fee, and
3. notifying the other Party.

The mediation will be conducted in accordance with the mediation rules of the American Arbitration Association (“AAA”).

**E. *Arbitration***

If a Matter cannot be resolved through Mediation, then you must submit the Matter to arbitration in accordance with the rules of the AAA.

**F. *Proportionality of Fees***

Your attorney 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) witness, 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.

**9.3. *Enforceable***

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

**9.4. *Costs***

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

**9.5. *Limitations and Waivers***

**A. *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.

**B. *Non-Waiver of Breach***

The failure of either Party to enforce any one or more of the terms or conditions of this Agreement will 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.

**C. *Jury Waiver.***

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

**D. *Class Action Waiver.***

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

**E. *Compensatory Damages.***

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



**F. Waiver of Bond.**

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

**9.6. Governing 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. However, no laws regulating the sale of franchises or governing the relationship between franchisor and franchisee will apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**9.7. Jurisdiction and Venue**

Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our headquarters, presently located in Virginia Beach, VA. However, if you are an Illinois or Maryland resident or your Franchise Business is located in Illinois or Maryland, you will bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.

**10. General****10.1. Entire Agreement**

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

**10.2. Modification**

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

**10.3. Third Party Beneficiaries**

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries to this Agreement. You are not a third-party beneficiary to any agreement between us and any other franchisee.

**10.4. Survival**

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

**10.5. Severability Clause**

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

### **10.6. Notices**

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

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

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

### **10.7. Acknowledgements**

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

### **10.8. Release of Prior Claims**

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

### **10.9. Counterparts**

This Agreement may be executed by the parties in this Agreement in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument. The Agreement may be signed and delivered electronically via email, facsimile or other means, which will each have the same legal effect as if signed in hardcopy with traditional ink.

[Signature Page Follows]

**10.10. Signature**

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

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

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

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

### **Schedule 1-Territory**

Your Territory will be defined here.

### **Schedule 2-Minimum Requirements**

Growth is key. You must use commercially reasonable efforts to deliver all recommended Services including advisory, compliance, recordkeeping and tax services to Clients. You must use commercially reasonable efforts to participate fully in all marketing programs offered by us. The following table establishes the minimum annual royalty payment amounts.

Year	Annual Royalty
1	\$5,000
2	\$7,500
3+	\$10,000

### **Schedule 3-Automatic Bank Draft Authorization**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Schedule 4a-Telephone Number Assignment**

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

### **1. BACKGROUND**

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

### **2. TELEPHONE NUMBER ASSIGNMENT**

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

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

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

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

For value received, Franchisee hereby irrevocably appoints Franchisor as Franchisee's attorney-in-fact, to act in Franchisee's place, for the purpose of assigning any Listings. This appointment gives to us full power to receive, transfer or assign to us or our designee or take any other actions required of Franchisee under the Agreement. Franchisee grants Franchisor full authority to act in any manner proper or necessary to the exercise of the foregoing powers, including full power of substitution and execution or completion of any documents required or requested by any telephone or other company to transfer such Listings and Franchisee ratifies every act that Franchisor may lawfully perform in exercising those powers. This power of attorney shall be effective for a period of two (2) years from the date of expiration, cancellation or termination of Franchisee's rights under the Agreement for any reason. Franchisee declares this power of attorney to be irrevocable and renounces all rights to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney shall not be affected by the subsequent incapacity of Franchisee. This power is created to secure performance of a duty to Franchisor and is for consideration.

**4. Governing Law and Survival.**

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

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



### **Schedule 4b-Lease Rider**

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

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

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

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

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

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

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

**Schedule 5**

Reserved to preserve formatting.

## **Schedule 6-Release**

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

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

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

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

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

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

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

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

6. The above Release 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:

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

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

**EXHIBIT C**  
**FINANCIAL STATEMENTS**

LOYALTY BUSINESS SERVICES, LLC  
(FORMERLY FIDE HOLDING, LLC)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022



**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
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Bernard Robinson & Company, L.L.P.

## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying financial statements of Loyalty Business Services, LLC (formerly Fide Holding, LLC) (a limited liability company), which comprise the balance sheets as of December 31, 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 Loyalty Business Services, LLC as of December 31, 2023 and 2022, and its results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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

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

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

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

Greensboro, North Carolina  
April 24, 2024

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Balance Sheets****December 31, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash	\$ 9,465	\$ 8,020
Investments, at fair value	171,612	256,391
Royalty receivables	3,302	-
Notes receivable, current	381,784	229,901
Total Current Assets	<u>566,163</u>	<u>494,312</u>
Non-Current Assets:		
Notes receivable, less current portion	411,094	634,000
Due from related parties	1,229,516	1,320,815
Deferred tax asset	611,000	513,000
Total Non-Current Assets	<u>2,251,610</u>	<u>2,467,815</u>
Total Assets	<u>\$ 2,817,773</u>	<u>\$ 2,962,127</u>
<u>Liabilities and Members' Equity</u>		
Current Liabilities:		
Accounts payable	\$ 15,010	\$ 125,974
Accrued expenses	9,975	5,152
Due to related parties	737,180	305,000
Deferred revenue - current	110,000	110,000
Total Current Liabilities	<u>872,165</u>	<u>546,126</u>
Non-Current Liabilities:		
Deferred revenue	570,989	711,614
Total Non-Current Liabilities	<u>570,989</u>	<u>711,614</u>
Total Liabilities	<u>1,443,154</u>	<u>1,257,740</u>
Members' Equity:		
Members' equity	1,374,619	1,704,387
Total Members' Equity	<u>1,374,619</u>	<u>1,704,387</u>
Total Liabilities and Members' Equity	<u>\$ 2,817,773</u>	<u>\$ 2,962,127</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Statements of Operations**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Revenue:		
Initial franchise fees	\$ 113,362	\$ 114,383
Royalty fees	37,528	49,019
Commission income	-	21,000
Other	41,740	176,466
Total revenue	<u>192,630</u>	<u>360,868</u>
Operating expenses:		
Salaries, wages, taxes and benefits	449,440	425,683
Advertising and promotions	9,910	19,784
Corporate overhead expense	109,334	58,370
Franchise recruitment	50,925	128,533
Technology expense	40,525	248,337
Management fees	15,000	-
Professional fees	13,327	61,406
Bad debt expense	75,206	-
Other general and administrative expenses	8,561	21,766
Total operating expenses	<u>772,228</u>	<u>963,879</u>
Other (income) expense:		
Interest income	(82,735)	(6,284)
Other income	(115,395)	554
Other expense	4,014	3,246
Total other (income) expense	<u>(194,116)</u>	<u>(2,484)</u>
Loss before income taxes	(385,482)	(600,527)
Income tax benefit	(98,000)	(153,000)
Net loss	<u>\$ (287,482)</u>	<u>\$ (447,527)</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Statements of Changes in Members' Equity**  
**For the Years Ended December 31, 2023 and 2022**

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	Capital Contributions	Accumulated Deficit	Total
Balances, January 1, 2022	\$ 3,200,000	\$ (1,048,086)	\$ 2,151,914
Net loss	<u>-</u>	<u>(447,527)</u>	<u>(447,527)</u>
Balances, December 31, 2022	3,200,000	(1,495,613)	1,704,387
Adoption of Topic 326	-	<b>(42,286)</b>	<b>(42,286)</b>
Net loss	<u>-</u>	<u><b>(287,482)</b></u>	<u><b>(287,482)</b></u>
Balances, December 31, 2023	<u><b>\$ 3,200,000</b></u>	<u><b>\$ (1,825,381)</b></u>	<u><b>\$ 1,374,619</b></u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Statements of Cash Flow**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Net loss	\$ (287,482)	\$ (447,527)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in allowance for credit losses	67,468	-
Bad debt expense	7,736	-
Accrued interest income	(72,480)	(5,718)
Reinvested interest and dividends	84,779	554
Benefit from income taxes	(98,000)	(153,000)
(Increase) decrease in:		
Royalty receivables	(3,302)	-
Increase (decrease) in:		
Accounts payable	(110,964)	6,410
Accrued expenses	4,823	(3,362)
Deferred revenue	(113,362)	(114,383)
Net cash used in operating activities	<u>(520,784)</u>	<u>(717,026)</u>
Cash flows from investing activities:		
(Advances to) borrowings from related parties	510,300	(394,556)
Principal payments on notes receivable	11,929	1,252
Sale of investments	-	812,766
Net cash provided by investing activities	<u>522,229</u>	<u>419,462</u>
Net increase (decrease) in cash	1,445	(297,564)
Cash, beginning of year	<u>8,020</u>	<u>305,584</u>
Cash, end of year	<u>\$ 9,465</u>	<u>\$ 8,020</u>
Supplemental disclosures for cash flow information:		
Cash payments for taxes	<u>\$ -</u>	<u>\$ -</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES****Nature of Activities**

Loyalty Business Services, LLC, dba Loyalty Business Services (the Company) is a limited liability company, organized by the Commonwealth of Virginia on October 30, 2019. The Company intends to sell franchises to franchisees that will provide tax preparation and accounting services to the general public.

On June 1, 2020, the members of Fide Holding, LLC amended the articles of organization to change the name to Loyalty Business Services, LLC.

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

**Basis of Preparation**

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

**Adoption of New Accounting Standard**

On January 1, 2023, the Company adopted the requirements of Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326), which changes how entities are required to measure credit losses for most financial assets and certain other instruments that aren't measured at fair value. The most significant change from this standard is a shift from the incurred loss model to the expected loss model which requires the Company's to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Under this standard, along with related ASU's issued subsequently, disclosures are also required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Assets must be presented in the financial statements at the net amount expected to be collected.

As part of the adoption of the new standard, the Company recognized the cumulative effect of initially applying the new credit loss standard to its notes receivable by recording an adjustment of \$42,286 to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that reporting period.

**Cash and Cash Equivalents**

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

**Investments**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Unrealized gains and losses due to changes in market valuations are included in the changes in net assets. Realized gains and losses are determined using the specific identification method.

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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

**Fair Value Measurements**

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair values for assets and liabilities using one of the following valuation measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); or significant unobservable inputs (Level 3). Observable inputs reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value as of December 31, 2023 and 2022:

*Money Market and equities:* Valued at the closing price reported on the active market on which the individual securities are traded.

December 31, 2023			
	Level 1	Level 2	Level 3
Money market	\$ 171,612	\$ -	\$ -
	<u>\$ 171,612</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2022			
	Level 1	Level 2	Level 3
Money market	\$ 256,391	\$ -	\$ -
	<u>\$ 256,391</u>	<u>\$ -</u>	<u>\$ -</u>

**Royalty Receivables**

Royalty receivables are stated at the amount management expects to collect from balances outstanding at year-end. The Company estimates its allowance for credit losses by considering a number of factors, including the length of time accounts receivable are due, 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 credit loss expense. Management has determined there is no allowance for credit losses related to royalty receivables as of December 31, 2023.



**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**

**Notes to Financial Statement**

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

**Revenue Recognition**

An initial nonrefundable franchise fee is paid to the Company upon sale of a franchise, and 50% of the initial nonrefundable franchise fee paid to the Area Representative. Under Topic 606, the Company has elected the Practical Expedient to account for pre-opening services as performance obligations distinct from the franchise license. Revenue from the sale of an individual franchise is recognized in the period the sale is consummated and all performance obligations have been substantially provided by the Company.

Direct costs incurred for each performance obligation are expensed in the same manner that matches revenue recognized under the franchise agreement. For performance obligations related to the initial nonrefundable franchise fee, control transfers to the franchisee at a point in time when the Company has completed all pre-opening services (such as site development, pre-opening assistance, and post-opening onsite assistance).

The Company offers an Area Representative Agreement ("ARA") for the development rights of an area and a predetermined number of territories that the ARA would be allowed to sell, with a minimum number that the ARA shall develop. The ARA fee is \$10,000 per territory and is nonrecurring and nonrefundable. The Company recognizes revenue from the sale of the ARA upon the execution of a franchise agreement and satisfaction of applicable performance obligations. As mentioned above, the Company has elected the Practical Expedient (Under Topic 606) performance obligations related to ARA, control transfers over time as units within a territory are sold.

To license the use of the Company's brand, each franchisee enters into a franchise agreement that includes a monthly royalty fee (the greater of 14% of gross receipts or the annual minimum as outlined in the executed franchise agreement) and a monthly advertising fee (3% of gross revenues). Management has determined that, as a practical expedient, the Company has a right to the monthly royalty and advertising fees from the franchisee as daily performance obligations have been completed pursuant to the Franchise Agreement. Revenue is recognized on the basis of when the franchise generates gross receipts and at which point the royalty fee and advertising fees are due and payable.

**Income Tax Status**

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

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Notes to Financial Statement**

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

**Income Tax Status (Continued)**

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

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

It is the Company's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more-likely-than-not threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position will be recognized in the period the change occurs. No material uncertain tax positions were identified for 2023 and 2022.

**Advertising Costs**

The Company expenses advertising costs as they are incurred.

**Use of Estimates**

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

**Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through April 24, 2024, which is the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The following is a summary of the Company's investments as of December 31, 2023:

	December 31, 2023		
	Fair Market Value	Cost	Cumulative Unrealized Gain
Money market	<u>\$ 171,612</u>	<u>\$ 171,612</u>	<u>\$ -</u>
	<u>\$ 171,612</u>	<u>\$ 171,612</u>	<u>\$ -</u>

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Notes to Financial Statement**

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NOTE 2 - INVESTMENTS (Continued)

The following is a summary of the Company's investments as of December 31, 2022:

	December 31, 2022		
	Fair Market Value	Cost	Cumulative Unrealized Gain
Money market	\$ 256,391	\$ 256,391	\$ -
	<u>\$ 256,391</u>	<u>\$ 256,391</u>	<u>\$ -</u>

NOTE 3 - DEFERRED INITIAL LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT LIABILITIES)

In accordance with ASC 606, an initial license or franchise fee received and the costs directly related to that fee are recorded as revenues and expenses when management has determined that all performance obligations have been satisfactorily completed. Fees received and the direct costs incurred prior to the recognition of the revenue and expenses, are recorded as deferred income and deferred expenses until the satisfaction of those performance obligations.

Deferred fee income and expenses as of December 31 were as follows:

	2023	2022
<u>Contract Liabilities:</u>		
Deferred initial franchise fee	\$ 33,989	\$ 80,614
Deferred area representative fees	647,000	741,000
	<u>\$ 680,989</u>	<u>\$ 821,614</u>
Prior year deferred fees recognized as income	<u>\$ 113,362</u>	<u>\$ 110,000</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements. The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	2023	2022
<u>Accounts receivable</u>		
Loyalty LLC	\$ 1,209,516	\$ 1,300,815
Loyalty Franchising	15,000	15,000
The Inspection Boys	5,000	5,000
	<u>\$ 1,229,516</u>	<u>\$ 1,320,815</u>
<u>Accounts payable</u>		
Hewitt Construction	\$ 7,000	\$ -
Zoomin Groomin	436,000	150,000
ATAX	294,180	155,000
	<u>\$ 737,180</u>	<u>\$ 305,000</u>

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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**NOTE 5 - FRANCHISE AGREEMENTS**

Franchise locations consisted of the following as of December 31, 2023:

	Units	ARA Units
Units/ARA Units beginning of year	3	2
Units purchased/obtained	-	-
New units opened	-	-
Units Sold	(1)	-
Units closed	-	-
Units/ARA Units at year end	<u>2</u>	<u>2</u>

**NOTE 6 - NOTES RECEIVABLE**

Notes receivable consists of financed area representative and unit franchise agreements. Promissory notes bear interest up to 12% and are due in various periods through May 2027. Amounts due as of December 31 are as follows:

	2023	2022
Notes receivable - Principal	\$ 820,000	\$ 853,748
Notes receivable - Accrued interest	<u>82,632</u>	<u>10,153</u>
	902,632	863,901
Allowance for credit losses	<u>(109,754)</u>	<u>-</u>
	<u>\$ 792,878</u>	<u>\$ 863,901</u>

**NOTE 7 - CURRENT EXPECTED CREDIT LOSSES**

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

Balance, January 1, 2023	\$ -
Adoption of Topic 326	42,286
Allowance for credit losses	<u>67,468</u>
Balance, December 31, 2023	<u>\$ 109,754</u>

**NOTE 8 - DEFERRED TAXES**

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

	2023	2022
Deferred tax (benefit):		
Federal	\$ (80,000)	\$ (126,000)
State	<u>(18,000)</u>	<u>(27,000)</u>
	(98,000)	(153,000)
Expense (benefit) from income taxes	<u>\$ (98,000)</u>	<u>\$ (153,000)</u>

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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## NOTE 8 - DEFERED TAXES (Continued)

	<u>2023</u>	<u>2022</u>
Deferred income taxes:		
Gross deferred tax assets - federal	\$ 502,000	\$ 422,000
Gross deferred tax assets - state	<u>109,000</u>	<u>91,000</u>
Net deferred tax asset	<u>\$ 611,000</u>	<u>\$ 513,000</u>

Net operating losses approximate \$2,280,000 as of December 31, 2023. 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 9 - 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 10 - RECLASSIFICATION

Certain prior year balances have been reclassified to conform to the current year presentation.

LOYALTY BUSINESS SERVICES, LLC  
(FORMERLY FIDE HOLDING, LLC)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021



**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
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Bernard Robinson & Company, L.L.P.

## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying financial statements of Loyalty Business Services, LLC (formerly Fide Holding, LLC) (a limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loyalty Business Services, LLC as of December 31, 2022 and 2021, and its results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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



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

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

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

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

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

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

Greensboro, North Carolina  
March 23, 2023

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Balance Sheets****December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 8,020	\$ 305,584
Investments, at fair value	256,391	1,069,711
Notes receivable, current	229,901	180,435
Total Current Assets	<u>494,312</u>	<u>1,555,730</u>
Noncurrent Assets:		
Notes receivable, less current portion	634,000	644,000
Due from related parties	1,320,815	801,000
Deferred tax asset	513,000	360,000
Total Noncurrent Assets	<u>2,467,815</u>	<u>1,805,000</u>
Total Assets	<u>\$ 2,962,127</u>	<u>\$ 3,360,730</u>
<b><u>Liabilities and Members' Equity</u></b>		
Current Liabilities:		
Accounts payable	\$ 125,974	\$ 119,564
Accrued expenses	5,152	8,514
Due to related parties	305,000	179,741
Deferred revenue - current	110,000	110,000
Total Current Liabilities	<u>546,126</u>	<u>417,819</u>
Non-Current Liabilities:		
Deferred revenue	711,614	790,997
Total Non-Current Liabilities	<u>711,614</u>	<u>790,997</u>
Total Liabilities	<u>1,257,740</u>	<u>1,208,816</u>
Members' Equity:		
Members' equity	1,704,387	2,151,914
Total Members' Equity	<u>1,704,387</u>	<u>2,151,914</u>
Total Liabilities and Members' Equity	<u>\$ 2,962,127</u>	<u>\$ 3,360,730</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Statements of Operations**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Revenue:		
Initial franchise fees	\$ 114,383	\$ 143,506
Royalty fees	49,019	988
Commission income	21,000	-
Other	176,466	-
Total revenue	<u>360,868</u>	<u>144,494</u>
Operating expenses:		
Salaries, wages, taxes and benefits	425,683	322,259
Advertising and promotions	19,784	94,603
Corporate overhead expense	58,370	-
Franchise recruitment	128,533	320,241
Technology expense	248,337	271,098
Commissions expense	-	35,750
Professional fees	61,406	62,839
Bad debt expense	-	36,867
Other general and administrative expenses	21,766	15,066
Miscellaneous expense	-	-
Total operating expenses	<u>963,879</u>	<u>1,158,723</u>
Other (income) expense:		
Interest income	(6,284)	(22,924)
Interest expense	3,226	-
Penalties expense	20	-
Unrealized (gain) loss on investments	554	(69,848)
Total other (income) expense	<u>(2,484)</u>	<u>(92,772)</u>
Loss before income taxes	(600,527)	(921,457)
Income tax benefit	<u>(153,000)</u>	<u>(237,000)</u>
Net loss	<u>\$ (447,527)</u>	<u>\$ (684,457)</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Statements of Changes in Members' Equity**  
**For the Years Ended December 31, 2022 and 2021**

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	<u>Capital Contributions</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balances, January 1, 2021	\$ 200,000	\$ (363,629)	\$ (163,629)
Contributions	3,000,000	-	3,000,000
Net loss	<u>-</u>	<u>(684,457)</u>	<u>(684,457)</u>
Balances, December 31, 2021	3,200,000	(1,048,086)	2,151,914
Net loss	<u>-</u>	<u>(447,527)</u>	<u>(447,527)</u>
Balances, December 31, 2022	<u><b>\$ 3,200,000</b></u>	<u><b>\$ (1,495,613)</b></u>	<u><b>\$ 1,704,387</b></u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**  
**Statements of Cash Flow**  
**For the Years Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Net loss	\$ (447,527)	\$ (684,457)
Accrued interest	(5,718)	(4,435)
Unrealized gain on investments	554	(69,848.00)
Benefit from income taxes	(153,000)	(237,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Increase (decrease) in:		
Accounts payable	6,410	97,533
Accrued expenses	(3,362)	(51)
Deferred revenue	(114,383)	80,997
Net cash used in operating activities	<u>(717,026)</u>	<u>(817,261)</u>
Cash flows from investing activities:		
(Advances to) borrowings from related parties	(394,556)	(941,580)
Principal payments on notes receivable	1,252	-
Sale (purchase) of investments	812,766	(999,863)
Net cash provided by (used in) investing activities	<u>419,462</u>	<u>(1,941,443)</u>
Cash flows from financing activities:		
Contributions of capital	-	3,000,000
Net cash provided by financing activities	<u>-</u>	<u>3,000,000</u>
Net increase (decrease) in cash	(297,564)	241,296
Cash, beginning of year	305,584	64,288
Cash, end of year	<u>\$ 8,020</u>	<u>\$ 305,584</u>

*See Notes to Financial Statement*

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**

**Notes to Financial Statement**

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**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Loyalty Business Services, LLC, dba Loyalty Business Services (the Company) is a limited liability company, organized by the Commonwealth of Virginia on October 30, 2019. The Company intends to sell franchises to franchisees that will provide tax preparation and accounting services to the general public.

On June 1, 2020, the members of Fide Holding, LLC amended the articles of organization to change the name to Loyalty Business Services, LLC.

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

**Basis of Preparation**

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

**Cash and Cash Equivalents**

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

**Investments**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Unrealized gains and losses due to changes in market valuations are included in the changes in net assets. Realized gains and losses are determined using the specific identification method.

**Fair Value Measurements**

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair values for assets and liabilities using one of the following valuation measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); or significant unobservable inputs (Level 3). Observable inputs reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity.

Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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

**Fair Value Measurements (Continued)**

Following is a description of the valuation methodologies used for assets measured at fair value as of December 31, 2022 and 2021:

*Money Market and equities* : Valued at the closing price reported on the active market on which the individual securities are traded.

		December 31, 2022		
		Level 1	Level 2	Level 3
Money market		\$ 256,391	\$ -	\$ -
Equities		-	-	-
		<u>\$ 256,391</u>	<u>\$ -</u>	<u>\$ -</u>
		December 31, 2021		
		Level 1	Level 2	Level 3
Money market		\$ 489,461	\$ -	\$ -
Equities		580,250	-	-
		<u>\$ 1,069,711</u>	<u>\$ -</u>	<u>\$ -</u>

**Accounts Receivable**

Accounts receivable are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual franchisee accounts receivable balances that the Company specifically knows may be uncollectible. In making such determination, the Company also considers a franchisee's financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for doubtful accounts receivable was zero as of December 31, 2022 and 2021.

**Revenue Recognition**

An initial nonrefundable franchise fee is paid to the Company upon sale of a franchise, and 50% of the initial nonrefundable franchise fee paid to the Area Representative. Under Topic 606, the Company has elected the Practical Expedient to account for pre-opening services as performance obligations distinct from the franchise license. Revenue from the sale of an individual franchise is recognized in the period the sale is consummated and all performance obligations have been substantially provided by the Company.

Direct costs incurred for each performance obligation are expensed in the same manner that matches revenue recognized under the franchise agreement. For performance obligations related to the initial nonrefundable franchise fee, control transfers to the franchisee at a point in time when the Company has completed all pre-opening services (such as site development, pre-opening assistance, and post-opening onsite assistance).

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)**

**Notes to Financial Statement**

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

**Revenue Recognition (Continued)**

The Company offers an Area Representative Agreement ("ARA") for the development rights of an area and a predetermined number of territories that the ARA would be allowed to sell, with a minimum number that the ARA shall develop. The ARA fee is \$10,000 per territory and is nonrecurring and nonrefundable. The Company recognizes revenue from the sale of the ARA upon the execution of a franchise agreement and satisfaction of applicable performance obligations. As mentioned above, the Company has elected the Practical Expedient (Under Topic 606) performance obligations related to ARA, control transfers over time as units within a territory are sold.

To license the use of the Company's brand, each franchisee enters into a franchise agreement that includes a monthly royalty fee (the greater of 14% of gross receipts or the annual minimum as outlined in the executed franchise agreement) and a monthly advertising fee (3% of gross revenues). Management has determined that, as a practical expedient, the Company has a right to the monthly royalty and advertising fees from the franchisee as daily performance obligations have been completed pursuant to the Franchise Agreement. Revenue is recognized on the basis of when the franchise generates gross receipts and at which point the royalty fee and advertising fees are due and payable.

**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 2022 and 2021.



**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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

The Company expenses advertising costs as they are incurred.

**Use of Estimates**

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

**Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, which is the date the financial statements were available to be issued.

**NOTE 2 - INVESTMENTS**

The following is a summary of the Company's investments as of December 31,:

December 31, 2022		
	Fair Market Value	Cumulative Unrealized Gain
Money market	\$ 256,391	\$ -
Equities	-	-
	<u>\$ 256,391</u>	<u>\$ -</u>
December 31, 2021		
	Fair Market Value	Cumulative Unrealized Gain
Money market	\$ 489,461	\$ -
Equities	580,250	69,848
	<u>\$ 1,069,711</u>	<u>\$ 69,848</u>

**NOTE 3 - DEFERRED INITIAL LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT LIABILITIES)**

In accordance with ASC 606, an initial license or franchise fee received and the costs directly related to that fee are recorded as revenues and expenses when management has determined that all performance obligations have been satisfactorily completed. Fees received and the direct costs incurred prior to the recognition of the revenue and expense, are recorded as deferred income and deferred expenses until the satisfaction of those performance obligations.

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement****NOTE 3 - DEFERRED INITIAL LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT LIABILITIES) (Continued)**

Deferred fee income and expenses as of December 31 were as follows:

	<b>2022</b>	2021
<u>Contract Liabilities:</u>		
Deferred initial franchise fee	<b>\$ 80,614</b>	\$ 65,994
Deferred area representative fees	<b>741,000</b>	835,003
	<b><u>\$ 821,614</u></b>	<b><u>\$ 900,997</u></b>
 Prior year deferred fees recognized as income	 <b><u>\$ 110,000</u></b>	 <b><u>\$ 99,000</u></b>

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During the ordinary course of business, the Company enters into certain transactions with related parties substantially due to short term advances and cost reimbursements. The Company had related party transactions recorded in the financial statements in the following amounts as of December 31:

	<b>2022</b>	2021
<u>Accounts receivable</u>		
Loyalty LLC	<b>\$ 1,300,815</b>	\$ 761,000
Loyalty Franchising	<b>15,000</b>	40,000
The Inspection Boys	<b>5,000</b>	-
	<b><u>\$ 1,320,815</u></b>	<b><u>\$ 801,000</u></b>
 <u>Accounts payable</u>		
Loyalty LLC	<b>\$ -</b>	\$ 67,741
Zoomin Groomin	<b>150,000</b>	62,000
Atax	<b>155,000</b>	50,000
	<b><u>\$ 305,000</u></b>	<b><u>\$ 179,741</u></b>

**NOTE 5 - FRANCHISE AGREEMENTS**

Franchise locations consisted of the following as of December 31, 2021:

	<b>Units</b>	<b>ARA Units</b>
Units/ ARA Units beginning of year	2	2
Units purchased/obtained	1	-
New units opened	-	-
Units Sold	-	-
Units closed	-	-
Units/ARA Units at year end	<b><u>3</u></b>	<b><u>2</u></b>

**LOYALTY BUSINESS SERVICES, LLC (FORMERLY FIDE HOLDING, LLC)****Notes to Financial Statement**

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**NOTE 6 - NOTES RECEIVABLE**

Notes receivable consists of financed area representative and unit franchise agreements. Promissory notes bear interest up to 12% and are due in various periods through May 2027. Amounts due as of December 31 are as follows:

	<b>2022</b>	2021
Notes receivable - current	<b>\$ 219,748</b>	\$ 176,000
Accrued interest - current	<b>10,153</b>	4,435
	<b>229,901</b>	180,435
Notes receivable - noncurrent	<b>634,000</b>	644,000
	<b>\$ 863,901</b>	\$ 824,435

**NOTE 7 - DEFERED TAXES**

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

	<b>2022</b>	2021
Deferred tax (benefit):		
Federal	<b>\$ (126,000)</b>	\$ (195,000)
State	<b>(27,000)</b>	(42,000)
	<b>(153,000)</b>	(237,000)
Benefit from income taxes	<b>\$ (153,000)</b>	\$ (237,000)
Deferred income taxes:		
Gross deferred tax assets - federal	<b>\$ 422,000</b>	\$ 296,000
Gross deferred tax assets - state	<b>91,000</b>	64,000
Net deferred tax asset	<b>\$ 513,000</b>	\$ 360,000

Net operating losses approximate \$2,008,000 as of December 31, 2022. 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 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.

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

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

Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222	Secretary of State 99 Washington Avenue Albany, New York 12231 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588

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

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

The following is a list of the names of all franchisees and the addresses and telephones numbers of their outlets as of the end of our last fiscal year, December 31, 2023.

**Operational Outlets:**

<b>Location</b>	<b>Franchisee</b>	<b>Phone</b>
<b><u>Florida</u></b>		
36324 Darien Ct, Eustis, FL	KL Central FL Inc.	(407) 906-3890
<b><u>New Jersey*</u></b>		
1415 Hooper Ave, Ste 201, Toms River, NJ 08753	LUSA 60115 LLC	(212) 578-2001
1719 Rt. 10 East, East Lobby – Ste 127, Parsippany, NJ 07054	LUSA 60116 LLC	(212) 578-2001
96 East Main Street, Little Falls, NJ 07424	LUSA 60117 LLC	(212) 578-2001

\*All New Jersey Locations notified us that they were no longer operating as a Ledgers franchised business in February, 2024.

**Franchise Agreement Signed, but Outlet Not Opened:**

**Not Applicable**

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

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

<b>Location</b>	<b>Franchisee</b>	<b>Phone</b>
<b><u>Connecticut</u></b>		
3548 Main Street, Stratford, CT	The Tax Shark LLC	(203) 256-1169

<b><u>Maryland</u></b>		
14821 Mud College Rd, Thurmont, MD	Higher Ground Financial Group, Inc.	(240) 393-3842

<b><u>Michigan</u></b>		
878 S Grove St, Ypsilanti, MI	Timothy Roberts & Associates	(734) 256-7234

<b><u>New Jersey*</u></b>		
1415 Hooper Ave, Ste 201, Toms River, NJ 08753	LUSA 60115 LLC	(212) 578-2001
1719 Rt. 10 East, East Lobby – Ste 127, Parsippany, NJ 07054	LUSA 60116 LLC	(212) 578-2001
96 East Main Street, Little Falls, NJ 07424	LUSA 60117 LLC	(212) 578-2001

<b><u>Texas</u></b>		
8401 Westview Dr Ste B, Houston, TX	Freedom Day Tax Services, LLC	(713) 302-7612

\*All New Jersey Locations ceased operating as a Ledgers franchised business in February, 2024.



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

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

**EXHIBIT G**  
**STATE EFFECTIVE DATES**

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

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

<b>State:</b>	<b>Effective Date:</b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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

## **EXHIBIT H-RECEIPT**

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

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

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

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

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

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

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

Issuance date: April 25, 2024, Amended June 17, 2024

The franchise seller for this offering is:

<b>Seller</b>	<b>Address</b>	<b>City, State Zip</b>	<b>Phone</b>
John T. Hewitt (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23454	(888) 268- 0321
Keven Elwood	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23454	(888) 528- 5687
Erik Klumpe (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23454	(833) 920- 0735
Jamie Marcil (Loyalty Brands)	780 Lynnhaven Parkway, Suite 240	Virginia Beach, VA 23452	(833) 920 0735

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

I have received a Disclosure Document dated April 25, 2024, Amended June 17, 2024, that included the following :

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

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

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

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

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

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<input type="checkbox"/>	Schedule 4A	Telephone Number Assignment
<input type="checkbox"/>	Schedule 4B	Lease Rider
<input type="checkbox"/>	Schedule 5	Promissory Notes
<input type="checkbox"/>	Schedule 6	Release
<input type="checkbox"/>	EXHIBIT C	Financial Statements
<input type="checkbox"/>	EXHIBIT D	State Administrators/Agents for Service of Process
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<input type="checkbox"/>	EXHIBIT F	Table of Contents – Operations Manual
<input type="checkbox"/>	EXHIBIT G	State Effective Dates
<input type="checkbox"/>	EXHIBIT H	Receipts

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

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

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

**Please date, sign, and return this copy to us.**