


## FRANCHISE DISCLOSURE DOCUMENT- UNIT

	<p><b>ATAX LLC d/b/a ATAX, A Virginia Limited Liability Company</b> <b>780 Lynnhaven Parkway</b> <b>Suite 240</b> <b>Virginia Beach, VA 23452</b> <b>(888) 268-0321</b> <a href="http://www.ATAX.com">www.ATAX.com</a></p>
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The franchise offered is for the operation of an ATAX single unit franchise (the “Franchised Business”). An ATAX Franchised Business offers income tax preparation, bookkeeping, payroll, and incorporation services.

The total investment necessary to begin operation of an ATAX Franchised Business ranges from \$62,650 to \$79,000. This includes \$35,000 that must be paid to the Franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Alberto Ortiz, at 780 Lynnhaven Parkway, Suite 280, Virginia Beach, Virginia 23452 or by phone at (888) 268-0321.

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

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

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

**Issuance Date: April 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 F and G.
<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 ATAX 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 an ATAX franchisee?</b>	Item 20 or Exhibits F and G 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 or advertising fund 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. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

### **The Franchisor**

To simplify the language in this Disclosure Document, the terms “we”, “us”, and “our” refer to ATAX LLC d/b/a ATAX (“ATAX”). From our inception until February 18, 2020, we were named Saber Tax LLC. On February 18, 2020, we changed our name to ATAX LLC.

The terms “you” and “your” refer to the person or entity that buys this franchise including any guarantors. We are a Virginia Limited Liability Corporation formed on February 20, 2019. We maintain our principal place of business at 780 Lynnhaven Parkway, Suite 240, Virginia Beach Virginia, 23452.

We do business under our corporate name and under the name ATAX.

We have not operated an ATAX Franchised Business of the type you are being offered.

We have been offering franchises since August 2019.

Exhibit D contains our agents for service of process.

### **Predecessors**

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

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

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

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

## **Parents**

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

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

## **Affiliates**

We have an affiliate, Jomsom Franchise Company LLC d/b/a Jomsom, formed in March 2012, with a principal business address of 4390 US Highway 1, STE 203, Princeton, NJ 08540. Jomsom offers franchise opportunities for staffing and payroll services. You will not directly conduct business with this affiliate. This affiliate has offered franchises since 2012. 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, Loyalty Business Services LLC d/b/a Ledgers, formed on October 30, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Ledgers offers franchise opportunities for compliance, advisory and tax services. 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, 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 franchises to operate an ATAX franchised business (“ATAX Business” or “Franchised Business”), which focuses primarily on income tax preparation, bookkeeping, payroll, and incorporation services, along with other business services (“Products and Services”).

ATAX Businesses operate under the trade name “ATAX,” and such trademarks as we may designate for use with the System (defined below) which we refer to as the “Marks” or “Proprietary Marks.”

ATAX Businesses are established and operated under a comprehensive and unique system (the “System”). The System includes distinctive signage, interior and exterior design, décor and proprietary products and services, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures, training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, at our discretion. Certain aspects of the System are more fully described in this Disclosure Document and the Confidential Operations Manual (the “Manual”), which you should expect to evolve over time, and are provided to you as a franchisee.

### **Area Representatives**

Since July 2019, we have also offered an Area Representative franchise program, through a separate Franchise Disclosure Document, pursuant to which Area Representatives service 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 December 31, 2023, we had 38 Area Representative franchised outlets.



## **Market and Competition**

The market for your services are consumers that are smaller to median size income individual or family tax filers as well as small to medium sized businesses seeking affordable business to business services; specifically those seeking to simplify and streamline their bookkeeping, tax and other Products and 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 are required to comply with laws related to refund anticipation loans, such as poster and disclosure requirements and possibly registering as a loan broker or similar under certain state laws.

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.

[Remainder of page intentionally left blank]

## **ITEM 2 BUSINESS EXPERIENCE**

### **Alberto Ortiz: President & CEO**

Alberto Ortiz has served as our President since December 2020. He was also appointed as our CEO on June 2023. Mr. Ortiz has also served as the Chief Executive Officer of CO Ortiz Inc. in Denver, Colorado since January 2023. From April 2019 to May 2020, Mr. Ortiz served as Regional Manager with Aaron's in Denver, Colorado. From May 2016 to December 2018, Mr. Ortiz served as Regional Sales and Service Director for H&R Block in Tampa, Florida.

### **Alberto Contreras: Growth Director**

Alberto Contreras has served as our Growth Director since May 2023. He has also been an ATAX Area Representative since June 2023 in San Diego County, CA. From May 2017 through April 2023, Mr. Contreras served as Chief Revenue Officer for Latino Tax Pro in Salinas, California.

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

John T. Hewitt has served as the Chief Executive Officer and Chairman of Loyalty, LLC, a Limited Liability Company registered in Virginia Beach, Virginia since September 2017.

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### **ITEM 3 LITIGATION**

#### **Pending Action:**

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

On January 19, 2024, the Court issued a permanent injunction in favor of ATAX enjoining the defendants from (i) disclosing, conveying, transmitting, copying, or otherwise making available in

any manner, either directly or indirectly, to any person or entity, any confidential or proprietary information or lists, trade secrets, business information, software, pricing models, or customer information of Plaintiff ATAX (collectively, “Confidential Information”); (ii) from taking any action or participating within any conduct, action, and/or communication, either directly or indirectly, which calls on or solicits any clients or customers of Plaintiff ATAX, in an attempt to take away or cause the loss of clients or customers of Plaintiff ATAX; (iii) from disclosing and/or utilizing in any manner, either directly or indirectly, any Confidential Information and/or using any Confidential Information to obtain an unfair competitive advantage. The Court also compelled the defendants to return all Confidential Information.

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

**Pending Action:**

*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 allege that Mr. Hewitt tortiously interfered with certain contractual relations by discussing with existing and former franchisees of the Plaintiff opportunities at ATAX. The complaint alleges that Mr. Hewitt breached his employment agreement by sharing and using trade secrets, confidential and proprietary information for his own benefit or the benefit of a third party by convincing existing and prospective franchisees of the Plaintiff to leave and instead open ATAX franchises. Lastly, the complaint alleges that Mr. Hewitt engaged in a conspiracy to unfairly compete against and damage Liberty Tax by convincing customers and prospective customers to pick ATAX over Liberty Tax. Plaintiffs sought \$20 million in actual damages, treble damages, costs, and legal fees along with injunctive relief. The Defendants have denied the allegations. The matter was settled on December 31, 2021. Under the Settlement Agreement, Defendants agreed to pay the Plaintiff \$545,000 over 6 years, and to refrain from: (1) unfairly competing with Liberty Tax by tortiously interfering with its franchise agreements; (2) diverting or attempting to interfere with or divert any leases from Liberty; (3) palming off any of ATAX's products or services as those of Liberty; (4) any action or statement that could reasonably cause likelihood of confusion that any ATAX location is associated with Liberty; (5) possessing, misappropriating, using or disclosing Liberty's confidential information; and (6) accessing any of Liberty's computer systems or databases. ATAX agreed to permanently close three specific ATAX locations and use their best efforts to assign leases for those locations to Liberty. The Court retained jurisdiction to enforce the final consent order.

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 John T. Hewitt:**

In the Matter of a Consent Order between The Commissioner of Financial Protection and Innovation and John T. Hewitt, before the Commissioner of Financial Protection and Innovation for the State of California. The Commissioner is the head of the Department of Financial Protection and Innovation (Department) and is responsible for administering and enforcing the Franchise Investment Law (FIL) (Corp. Code, § 31000 et seq.), The Commissioner has determined pursuant to her authority under the FIL that John T. Hewitt is "subject to" the Final entered in the

matter of United States of America v. Franchise Group Intermediate L 1, LLC d/b/a Liberty Tax Service (Case No. 2:19-cv-00653-RAJ-DEM) filed on or around December 3, 2019 in the United States District Court for the Eastern 25 District of Virginia (the Final Order). John T. Hewitt agreed that he is required to disclose the Final Order in Item 3 of any Franchise Disclosure Document filed by any present or future Franchisor where John T. Hewitt is a director, trustee, general partner, principal officer, or maintains management responsibility relating to the sale or operation of the respective Franchisor, along with disclosure of this governmental action.

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

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

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

#### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item 4.



## **ITEM 5 INITIAL FEES**

You must pay us \$35,000 (the “Initial Franchise Fee) for the right to open and operate an ATAX retail tax preparation office from a Territory within the continental United States, Alaska, or Hawaii. The Initial Franchise Fee is \$17,500 in Puerto Rico.

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 also offer occasional promotions and discounts. In the fiscal year ending December 31, 2023, we discounted the Initial Franchise Fee up to 100% based on certain factors; including, whether the buyer was an existing franchisee, whether the buyer was purchasing an area representative franchise offered through a separate offering, or whether the buyer was converting an existing retail tax preparation office into an ATAX location. We may offer special incentive programs from time to time as part of national or regional development efforts and we reserve the right to offer, modify, or withdraw any incentive program without any notice to you. We disclose financing terms in Item 10.

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

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## ITEM 6 OTHER FEES

Fee	Amount	Due Date	Remarks
Royalty Fee (Notes 1 and 2)	14% of your Gross Revenues, subject to a minimum annual royalty amount (See the <u>Minimum Annual Royalty Fee</u> below).	The Royalty Fee is payable the Friday of each week on the prior week's Gross Revenues.	See <u>Note 1</u> for a definition of Gross Revenues.
Minimum Annual Royalty Fee	Year 1: \$5,000* Year 2: \$7,500* Year 3+: \$10,000*  See <u>Note 3</u> .  *The minimum annual royalty fee for Puerto Rico is reduced by 50%	May 5 of each year (if any amount is due).	This fee only applies if the total Royalty Fee paid by you in any given year is less than the amount provided under this Minimum Annual Royalty Fee schedule. In the event there is a deficiency between the Royalty Fee paid by you and the Minimum Annual Royalty Fee amount, you will pay the remaining amount to us. This fee (if any) is calculated on an annual basis.  See <u>Note 4</u> for details on the reconciliation process.
Local Advertising	\$1,200/year minimum	Annually, primarily January - March	You agree to spend these sums pursuant to our guidelines in local advertising.
Unapproved Advertising Fee	\$1,000 per incident	At the time of incident	If you use unapproved advertising, you agree to pay this fee to us.
Advertising Fee	3% of Gross Revenues	Weekly	You agree to pay to us this fee to support our advertising program.
Training Fee	There is no cost for training, but you are responsible for all travel, dining, and accommodation expenses	As incurred	You are required to attend training and must arrange and pay for your own travel, dining, and hotel accommodations.
Insufficient Funds Fee	\$50 per transaction	As incurred	You agree to pay this fee to us if an electronic transfer or other payment from you to us is declined.
Audit Fee	Cost of Audit plus \$50 per month Late Fee on any late payment	Immediately upon conclusion of audit	Payable if an audit discloses an under reporting of Gross Revenues or underpayment to us by 2% or more.

Transfer Fee	\$5,000 for a transfer of the franchise or a majority interest in it.	Due before transferring	We must approve the transfer.
Interest Fee / Late Fee	12% per annum or the maximum permitted by law, if less	As incurred	You agree to pay this fee to us for all amounts owed to us that are five (5) or more days past due. This includes payment of any royalty or any fee owed to us.
Client Refunds and Interest and Penalties	The amount of any fee or interest and penalties 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. If we pay interest and penalties that a customer of yours incurs for an error in tax preparation, you agree to reimburse us.
Management and Assistance Fee	Our reasonable expenses plus 10% of Gross Revenues for the period in which we manage or oversee the operation of the Franchised Business.	At time of expense	We are entitled to this fee if we must manage or oversee the operation of your Franchised Business due to your inability to electronically file tax returns for any reason, or due to your death or incapacity. (Note 5).
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 federal, state or locality in which your franchise is located. Including sales, excise or gross receipts tax or similar type tax on the initial franchise fee, royalty, and other fees and costs.
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.
Credit Card Processing Fee	Actual amount of third-party credit card processing charge	At time of Charge	You agree to pay the credit card processing fee if you pay any sums to us by credit card.
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.
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\*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.

**Notes:**

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

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

Note 3: The age of the Territory (Year 1, Year 2, or Year 3+) for purposes of calculating the Minimum Annual Royalty Fee is determined by how many full or partial tax seasons (typically, January 1 through April 15) your ATAX office has operated in the Territory. The Year 1 amount applies to your first full or partial tax season in operation regardless of when you sign a franchise agreement. The Year 2 amount applies to your second tax season in operation. The Year 3 amount applies to your third and subsequent tax seasons in operation.

Our new franchisees typically begin operations January 1; however, if you do not begin operations until late in the tax season, we may, in our sole judgment, defer the Minimum Annual Royalty Fee schedule until the following year.

Note 4: Following completion of each tax season, we will reconcile the Royalty Fee amount actually paid by you during the preceding twelve (12) months with the Minimum Annual Royalty Fee amount. If the cumulative Royalty Fee amount paid by you during such period is less than the Minimum Annual Royalty Fee amount, then you will pay the deficiency on May 5 of such year. For example, if you paid a total of \$4,000 as a Royalty Fee during your first year, you would owe us an additional \$1,000 on May 5 of that year (the difference between the 14% weekly Royalty Fee collected by us during the year and the Minimum Annual Royalty Fee applicable during Year

Note 5. In order to operate a Franchised Business, you will be required to obtain and maintain the ability to e-file tax returns with the Internal Revenue Service (“IRS”). The IRS establishes certain application requirements, and they enforce certain rules, laws, and regulations to ensure that all parties are fit to e-file tax returns. You must ensure that you meet all eligibility requirements, obtain the appropriate permissions, and maintain compliance by being diligent, always preparing accurate and complete tax returns, following all record keeping requirements, respecting privacy

laws, and adhering to all laws, rules, and regulations imposed by the IRS or on the state or local level. If you do not obtain the appropriate permissions or lose them during the term of your franchise agreement, we have the right, but not the obligation, to manage and operate your Franchised Business to ensure customers can be served. Likewise, if you are unavailable due to death or incapacity, we have the right, but not the obligation, to manage and operate your Franchised Business to ensure customers can be served.

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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)	\$35,000	\$35,000	Check or EFT	At signing of Franchise Agreement.	Us
Construction & Leasehold Improvements (Note 2)	\$2,500	\$5,000	Check or Credit Card	Before opening	Contractors & Suppliers
Furniture, Fixtures and Equipment (Note 3)	\$4,000	\$6,000	Check, Credit Card	Before opening	Suppliers
Interior & Exterior Signage (Note 4)	\$2,000	\$4,000	Check or Credit Card	Before opening	Contractors & Suppliers
Rent and Security Deposit (Note 5)	\$3,000	\$5,000	Check	Before opening	Landlord
Software and Software Support Services (Note 6)	\$100	\$1,000	Credit Card	Before opening	Vendors
Computer and Point of Sale 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
Grand Opening Advertising (Note 10)	\$1,500	\$5,000	As incurred	Before Opening	Suppliers
Permits and Licenses (Note 11)	\$200	\$500	Check	Before opening	Third Parties
Utilities (Note 12)	\$450	\$1,000	Check or EFT	Before and after opening	Utilities
Initial Insurance Deposit/Advanced Premium (Note 13)	\$400	\$500	Check or EFT	Before opening	Insurance Company
Professional Fees (Note 14)	\$2,500	\$3,500	Check or Credit Card	Before Opening	Attorney, Accountant
Additional Funds – 3 months (Note 15)	\$3,500	\$5,000	As incurred	Before and after opening	Employees, Third Parties
<b>Total (Note 16)</b>	<b>\$59,150.00</b>	<b>\$79,000.00</b>			

\*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. Any fees paid to us by credit card are charged a Credit Card Processing Fee as disclosed in Item 6.

**NOTES:**

1. Initial Franchise Fee. The Initial Franchise Fee is \$35,000 in the continental United States, Alaska, and Hawaii. We base the table above on the purchase of a single franchise in the continental United States, Alaska, and Hawaii. This Fee will be reduced to \$17,500 in Puerto Rico; however, we have not included this reduced rate in our calculations because there are limited territories available in Puerto Rico as of the Issuance Date. Depending on your creditworthiness, we may extend financing to you of up to 100% of the Initial Franchise Fee repayable monthly over 48 months at 12% per annum interest. For a loan of \$20,000 repayable over 48 months at 12% interest, your monthly payment would be approximately \$527.
2. Construction & Leasehold Improvements. 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 Security Deposits. We will provide you with site selection criteria that break office spaces down into three separate categories. The categories range from 600 square feet or less, 601 to 900 square feet, or 901 to 1200 square feet. During the first three tax seasons, we encourage franchisees to locate a shared space with a complimentary business, such as an insurance office, or within a larger retailer. We may also permit you to open within an existing business you own. Our estimate assumes an open date of November 1, with deferred rent through December 31 on a small or shared office space. We base this estimate on what franchisees have reported to us and our experience working with landlords; however, the amount of rent that you will incur will vary in the different market areas. Likewise, if you are not able to negotiate for deferred rent, your cost will be higher. We use these estimates because we encourage franchisees to begin leasing an office space on November 1 of the first year of operation and then open for retail tax preparation on the following January 1 to begin the tax season.
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. Grand Opening Advertising. You will need to spend sufficient funds to obtain an ATAX Eagle Costume and other promotional materials from an approved supplier to prepare for the launch of your ATAX tax office, and you will need to procure local services for advertising and promotion of your Franchised Business. You may choose to spend more funds on local advertising to promote your business, but you are not required to do so.
11. Permits and Licenses. States and localities will set costs for permits and licenses.
12. Utilities. You will incur costs for electricity and other utilities.
13. Initial Insurance Deposit/Advanced Premium. These costs are for required insurance coverage.
14. 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.
15. 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. This estimate assumes you open for business on November 1 and do not need to retain tax preparers during the first two months of operation. We encourage you to use this time to offer a tax school and promote your business. If you open during the tax season, you will need additional funds during the first three months. We recommend franchisees work in the business and hire a sign waiver, along with 1 tax prepare per every 100 to 150 of projected tax returns. You will need to plan accordingly. We base this estimate upon the years of experience our management team has in the industry.
16. Does not include royalties, advertising fees, or interest expenses. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

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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.

Bank Products. You must offer refund settlement products through which clients can obtain tax refunds without prepaying the tax preparation fee, or a loan on the anticipated tax refund, from our designated vendor.

Computers, Software, Internet, and Point of Sale. We require you to use such computer hardware, software, internet, and Point of Sale 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.

Furniture, Fixtures, and Equipment. You must purchase furniture, fixtures, and equipment from a supplier that we designate or subject to our specifications.

Insurance. You must purchase and maintain insurance that we specify. All policies must name us and our designated affiliates as an additional insured and you must furnish us proof of coverage. You may obtain any additional insurance coverage as you feel necessary. You may purchase your insurance from any carrier rated A- VII or better subject to our approval, not to be unreasonably withheld. Here are our present insurance specifications:

1. Comprehensive general liability, contractual liability and professional liability coverage satisfactory to us of at least \$1,000,000 aggregate. This insurance may not have a deductible or self-insured retention of over \$5,000.
2. Business interruption insurance in sufficient amounts to cover your ATAX Business expenses, maintenance of competent personnel and other fixed expenses for a minimum of 120 days.
3. Workers’ compensation, employer’s liability and any other employee insurance required by any applicable federal, state or local law, rule or regulation (but not less than \$1,000,000 for employer’s liability insurance).
4. If required, in connection with the construction, refurbishment, renovation or remodeling of your franchised ATAX Business, builders’ and/or contractor’s insurance (as applicable) and performance and completion bonds in forms and amounts acceptable to us.
5. Insurance coverage of the types, nature and scope sufficient to satisfy your indemnification obligations under the Franchise Agreement.

6. An umbrella liability insurance policy in the amount of \$1,000,000 to afford coverage above and beyond the general liability, worker's compensation and other insurance specified above.

Leased Location. You will need a site in which to operate the Franchised Business. We furnish site selection guidelines. We require you to send to us any proposed lease and information as required by us to evaluate the site for our approval before you sign the lease. You may lease from any landlord.

Leasehold Improvements. You may purchase leasehold improvements from a contractor or other supplier that we approve and you must build out your location pursuant to our specifications.

Signs. You must purchase signage pursuant to our specifications, which may include a vendor designation. Specifications are included in our Operations Manual and posted on our Marketing and Brand Standard guidelines that we disseminate. A proof of your proposed signage must be submitted to the marketing department via email at [marketing@atax.com](mailto:marketing@atax.com) along with your request for approval. We will typically approve proposed signage or provide you with appropriate guidance within 2-5 business days of your e-mail.

Supplies/Inventory. You must purchase supplies and inventory pursuant to our specifications, which may include vendor designations. This obligation includes the purchase of certain visibility items (such as: tents, table clothes, banners, and yard signs) and certain marketing items (such as: business cards and flyers).

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

We are an approved supplier of advertising material but not the only approved supplier of such items. Our affiliates are not approved suppliers of any required purchases of products or services.

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

Chief Executive Officer and Chairman of Loyalty, LLC, 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. 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.

In our last fiscal year ended December 31, 2023, we did not derive any revenue from required purchases or leases by franchisees.

None of our affiliates derive revenue or other material consideration from franchisee purchases or leases.

**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:**

In our last fiscal year ending December 31, 2023, we received \$ \$172,816 from a third-party bank provider and from our tax preparation software provider to our franchisees. This represents approximately 6.4% of our total revenue in 2023, which was \$2,693,483 (See Item 21).

**Purchasing or Distribution Cooperatives:**

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

**Purchase arrangements:**

We negotiate purchase arrangements with suppliers, including price terms, for the benefit of our franchisees.

**Material Benefits:**

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

## ITEM 9 FRANCHISEE'S OBLIGATIONS

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

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	3, 6.2	11
b. Pre-opening purchases/leases	6.10, 6.11, 6.12, 6.13	7, 8
c. Site development and other pre-opening requirements	6.2	11
d. Initial and ongoing training	5.8, 6.1, 6.8	11
e. Opening	6.3	11
f. Fees	4, 7, 15, 19.10, 9.12, 9.16	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	6.4	8, 11
h. Trademarks and proprietary information	7, 8	13, 14
i. Restrictions on products/services offered	6.6	8, 16
j. Warranty and customer service requirements	6.7	6
k. Territorial development and sales quotas	3, 6.17	12
l. Ongoing product/service purchases	6.10, 6.11, 6.12	8
m. Maintenance, appearance & remodeling requirements	6.14	Not Applicable
n. Insurance	6.9	8
o. Advertising	7	8, 11
	13.3	6

<b>Franchisee's Obligations</b>	<b>Section In Franchise Agreement</b>	<b>Item in Disclosure Document</b>
p. Indemnification		
q. Owner's participation/management/staffing	6.5	15
r. Records and reports	9	11
s. Inspections and Audits	9	11
t. Transfer	14	17
u. Renewal	2.2	17
v. Post-termination obligations	11	15, 16, 17
w. Non-competition covenants	12	15, 16, 17
x. Dispute resolution	19	17

[Remainder of page intentionally left blank]

## ITEM 10 FINANCING

We offer the following financing program:

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

<sup>1</sup> **Discretionary**-We may in our sole discretion provide financing to you.

<sup>2</sup> **Form**-Schedule 5 contains the form of Promissory Note that you must sign for us to extend financing to you

<sup>3</sup> **Corporate Guarantee**- If the franchisee is a corporation, each officer and shareholder of the franchisee must execute a personal guaranty for the note, agreeing to be personally and jointly and severally liable for its repayment. Schedule 5 has the Promissory Note that must be executed. We do not guarantee your notes, leases, or obligations.

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

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

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

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

### **Pre-Opening Obligations**

**Initial Training.** We provide an Initial Training program in Virginia Beach, 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 5.1).

**Site Selection.** We do not generally own the premises and lease it to you. We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.

We consider the following factors when reviewing a proposed site: (i) Hispanic population density, (ii) income levels, (iii) demographics, (iv) competition, (v) visibility, (vi) accessibility, (vii) traffic, (viii) size, (ix) condition and character, (x) parking, and (xi) available signage.

If you do not locate a site of which we approve within 120 days of the date of the Franchise Agreement or before January 1<sup>st</sup>, we can terminate the Franchise Agreement without any refund to you, or allow you more time. (Franchise Agreement, Section 5.2(a)).

**Plans and Layout.** We will furnish a sample site layout plan. (Franchise Agreement, Section 5.2(b)).

**Build out.** It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits. (Franchise Agreement, Section 6.2(b)). We do not assist.

**Lease.** Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement. (Franchise Agreement, Sections 5.2(c) and 6.2(d)).

**Assistance to Hire and Train Employees.** We provide guidance on how to hire and train employees. (Franchise Agreement, Section 5.3).

**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 5.4).

**Operations Manual.** We provide access to our Operations Manual ("Manual") to offer guidance in the operation of your Franchised Business. (Franchise Agreement, Section 5.5).

**Signs.** We provide signage specifications in our Operations Manual and on our Marketing and Brand Standard guidelines that we disseminate. A proof of your proposed signage must be submitted to the marketing department via email at [marketing@atax.com](mailto:marketing@atax.com) along with your request for approval. We will typically approve proposed signage or provide you with appropriate guidance within 2-5 business days of your e-mail. (Franchise Agreement, Section 6.2(f)).

**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 or before January 1<sup>st</sup> immediately following execution of your Agreement, whichever occurs first. If you and we cannot agree on a site, we can allow you more time to search for a site or terminate the Franchise Agreement.

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, Section 5.6).

**Marketing Support.** We offer marketing assistance and support. (Franchise Agreement, Section 7).

**Computer Hardware and Software.** We specify computer hardware and software to assist in the operation of your Franchised Business. (Franchise Agreement, Section 5.7).

**Additional Training or Seminars.** We may elect to offer additional training or seminars. (Franchise Agreement, Section 5.8).

**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.

**Remodeling.** You will present your Franchised Business in a clean and well-maintained manner to uphold the image and goodwill of our Franchise System. We may require you to remodel your business once every ten (10) years. We will not require you to remodel during the initial term. If a remodel is required, we will provide you with our then-current specifications and guidelines and you will be required to comply as a condition of renewal.



## **Advertising Program and Fund:**

**Grand Opening Advertising.** You will need sufficient funds to pay for your own Grand Opening Advertising, which includes local advertising and promotion of your ATAX Business.

**Local Advertising.** We require you to spend a minimum of \$1,200 per year on local advertising pursuant to our guidelines.

**Advertising Fund.** You agree to contribute 3% of your Gross Revenues into our Advertising Fund. Some franchisees contribute 2%. 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 website development, marketing corporate team, SOCi, Textellent, and other media placement.

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 7.5).

**Corporate Website.** We will develop and maintain a comprehensive website that contains your location's contact information. (Franchise Agreement, Section 7.5).

**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 7.5).

**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 7.5).

**Print Material.** We supply you with templates of fliers, coupons, and other print material. (Franchise Agreement, Section 7.5)

**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 7.6).

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 7.6).

Advertising Council. We have 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, software, and POS 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:

<b>Software Name</b>	<b>Nature</b>	<b>Approx. Cost per month</b>
Crosslink Tax Preparation	Personal & Business Tax Preparation	Free to use, \$5 per taxpayer transaction, paid by the client
QuickBooks Online / Xero	Point of Sale, Bookkeeping, Accounting	\$30 per month per bookkeeping client, paid by the client
ADP, Gusto	Payroll	Varies (typically \$50-\$60/month)
MB Card / Stripe	Credit Card Processing	Approximately \$29.99 per month / 3.99% of charge, the processing fee can be paid by the client, subject to state law.

Vendors set their own pricing and we do not control price increases for use of the identified software. We reserve the right to switch software vendors. 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.

**Reports:** You must send us such reports in the time and manner we may specify in the Operations Manual. At present, you must send to us the following reports during the following time frames:

<b>Name of Report</b>	<b>When Due</b>
Annual Budget	May 31 of each year
Annual Profit & Loss Statement	By May 31 of each year as to income and expenses incurred in the prior year

**Operations Manual:**

Exhibit H contains the Table of Contents to the Operations Manual. The Manual contains approximately 183 pages.

**Initial Training Program:**

After you sign the Franchise Agreement and no later than six weeks before the opening of your ATAX Business, we provide an Initial Training Program as follows:

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on-the-job Training</b>	<b>Location (Note 1)</b>
Franchise Overview	2 hrs.	0	Virginia Beach, VA

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of on-the-job Training</b>	<b>Location (Note 1)</b>
Requirements to open a tax business	1 hr.	0	Virginia Beach, VA
Opening your location	1.5 hr.	0	Virginia Beach, VA
Human Resources	2 hrs.	0	Virginia Beach, VA
Creating Fanatical Fans	1.5 hr.	0	Virginia Beach, VA
New Client Acquisition	6 hrs.	2	Virginia Beach, VA
Financial Planning	2.5 hrs.	0	Virginia Beach, VA
Tax School Setup and Implementation	2 hrs.	0	Virginia Beach, VA
Understanding Financial Products	1.5 hrs.	0	Virginia Beach, VA
Top 10 to be successful in ATAX	2 hrs.	0	Virginia Beach, VA
Software Overview	1 hr.	0	Virginia Beach, VA
Q&A with John T. Hewitt	1 hr.	0	Virginia Beach, VA
<b>Total</b>	24	2	Virginia Beach, VA

Note 1- We hold Initial Training in Virginia Beach, another designated training center, or online, at our choosing.

The following instructors teach our Initial Training program: Alberto Ortiz and Robin Brown. Guest Instructors may also make select presentations.

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

<u>Instructor</u>	<u>Years of Experience in the Field</u>	<u>Years of Experience with the Franchisor</u>
Alberto Ortiz	15	4
Alberto Contreras	7	1
Nicole Bellenfant	19	3

The minimum experience of the instructors that is relevant to the subject taught and our operations is at least one year of experience.

We hold Initial Training classes quarterly, or more often if necessary.

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 franchise within three months of signing the Franchise Agreement. 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 on Schedule 1 to the Franchise Agreement.

A territory will normally include a population of 30,000 – 33,000 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 outlets 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 receive an exclusive territory, meaning 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.

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 Loyalty Business Services LLC d/b/a Ledgers offers franchise opportunities for compliance, advisory and tax services under the Ledgers brand as described in Item 1. As of the Issuance Date, all outlets are franchisee owned, but our affiliate may operate company owned outlets in the future. Although Ledgers and ATAX typically target a different client base, Ledgers franchisees do offer goods and services that are similar to the goods and services you will offer in your Territory and therefore may solicit or accept orders from within your Territory. Ledgers and ATAX share the same principal business address, but their staff maintain physically separate offices and they provide training at different times or at different facilities.

We and Ledgers have primarily offered franchise opportunities to existing franchisees with rights over the same territory to eliminate conflicts between the franchisor and franchisees and between the franchisees of each system regarding territory, customers, and franchisor support. We have not previously offered or sold ATAX and Ledgers franchises in the same territory to different franchisees or area representatives, and do not have any plans to do so. If we ever did so, we would 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.

[Remainder of page intentionally left blank]

## ITEM 13 TRADEMARKS

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

Description of Mark	Serial/Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
<b>ATAX</b>  (Wordmark)	3441651	Principal	June 3, 2008
  (Design Mark, color is not claimed as a feature of the mark and you may use this mark in multiple color configurations as approved by us)	97869581	Principal	Pending: Application Filed April 3, 2023

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. You do not have any right under the Franchise Agreement to continue using any Mark that we discontinue or to contest our use of any new Mark.

We do not know of any superior prior rights or infringing uses that could materially affect your use of our Marks anywhere except there is an A TAX in Wauwatosa, Wisconsin that has been performed tax preparation services in Wisconsin since before registration of our Mark (the extent of time is unknown). They may have prior or superior rights in their area to certain uses of the Mark "A TAX" in connection with tax preparation services. No action has been taken.

## **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.

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.

[Remainder of page intentionally left blank]

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

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

You must designate a 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. If you are an individual, then you must serve as Business Manager. Your Business Manager must have complete decision-making authority with regard to your ATAX 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.

Some of your personnel designated by the Manual must be proficient in both English and Spanish; however, we do not require you or your Business Manger to be dual language proficient.

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

All owners of this franchise must sign the signature page of the Franchisee Agreement and thereby guarantee the obligations 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.

[Remainder of page intentionally left blank]

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

You may offer for sale through your Franchised Business only an income tax preparation service and ancillary business services 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.

You are required to maintain operations and conduct business under conditions and specifications provided in the Franchise Agreement and our Manual, unless prohibited by your applicable local law, or approved by us. This includes minimum or specific hours of operation and certain staffing requirements (see Item 15). We recommend, but do not require, that you participate in coupon and promotional programs.

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 ATAX outlet of ours or a franchisee of ours in operation at the time.

[Remainder of page intentionally left blank]

**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	2	10 years.
b. Renewal or extension of the term	2	Can be renewed for successive terms if you are in compliance with your Franchise Agreement (“Agreement”).
c. Requirements for you to renew or extend	2	Renewing your Franchise Agreement means that you are able to continue your operations as a franchisee for an additional term. A renewal fee is not required. However, you must sign a general release of claims, notify us in writing at least 180 days before the expiration of the Agreement, and sign our then-current Agreement, which may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	10.1	You may terminate the Agreement if you sell the franchise pursuant to the terms of the Franchise Agreement or do not renew.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	10.2, 10.3	We can terminate only if you default.
g. “Cause” defined – curable defaults	10.3	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	10.2	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

Provision	Section In Franchise Agreement	Summary
		than 60 days; fail to permit us to inspect or audit your franchise; or commit three or more breaches within 12 months.
i. Franchisee’s obligations on termination/renewal	11	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	14.1	We may assign to a successor in interest who remains bound by terms of Agreement.
k. “Transfer” by franchisee - defined	14.2	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	14.2	We have the right to approve all transfers.
m. Conditions for franchisor’s approval of transfer	14.5	<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>

<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
		-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	14.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Franchisor's option to purchase franchisee's business	11(g)	We have a right to purchase your furniture, equipment, signage, fixtures, and supplies post-termination.
p. Death or disability by franchisee	15	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	12	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	12	You may not compete in the territory or within 25 miles of the territory (or any other outlet of ours) for 2 years.
s. Modification of the agreement	16	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	18	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. Nothing in the Franchise Agreement(s) or any related agreements is intended to disclaim the representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	19	You agree to mediate and arbitrate Claims against us.
v. Choice of forum	19	All Claims must be brought in the city or county where our headquarters are located (subject to applicable state law).
w. Choice of Law	19	Virginia law governs (subject to applicable state law).

## **ITEM 18 PUBLIC FIGURES**

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

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

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

### **Basis**

ATAX® Franchised Businesses offer income tax preparation, bookkeeping, payroll, and incorporation services from a brick-and-mortar location within an exclusive territory. There were 111 operational franchised outlets systemwide as of December 31, 2023. Our financial performance representation is systemwide and encompasses the entirety of our outlets that: (i) were operational during our measurement period from January 1, 2023, through December 31, 2023, and (ii) began their second tax season as an ATAX franchisee in 2023. We excluded company owned outlets and 44 franchised outlets (40% of total franchised outlets) from these financial performance representations because they did not begin their second tax season as an ATAX franchisee on January 1, 2023.

The following two tables present historic gross revenue figures for the remaining 60% of (67/111) of ATAX offices, which operated for the entire year from January 1, 2023, through December 31, 2023. Table 1 provides a historical financial performance representation for ATAX Franchisees in their second tax season in operation. Table 2 provides a historical financial performance representation for ATAX Franchisees in their third or subsequent tax season in operation. These representations are based on information reported to us by each of our ATAX® franchisees as Gross Revenues as we define the term for purpose of royalty calculations. Gross Revenue is net of any refunds and excludes sales and use taxes.



**Table 1:**

<b>ATAX Operational Franchise Outlets                      Gross Revenue – Second Tax Season in Operation                      For the Period January 1, 2023 to December 31, 2023</b>			
Total Number of Outlets	Average Annual Revenue / (Median Annual Revenue)	Highest and Lowest Annual Revenue	Number (%) of Outlets that Met or Exceeded Average
16	\$42,701.14 (\$32,807.17)	\$132,626.92 - \$3,820.00	6 (37.5%)

**Table 2:**

<b>ATAX Operational Franchise Outlets                      Gross Revenue – Third+ Tax Seasons in Operation                      For the Period January 1, 2023 to December 31, 2023</b>			
Total Number of Outlets	Average Annual Revenue / (Median Annual Revenue)	Highest and Lowest Annual Revenue	Number (%) of Outlets that Met or Exceeded Average
51	\$170,285.48 (\$94,750.80)	\$1,154,230.41 - \$5,472.10	18 (35.3%)

**Assumptions**

Our study measured ATAX® franchisee’s performance systemwide who began at least their second tax season in operation on or before January 1, 2023. We also conducted a separate systemwide study of ATAX® franchisees performance during their first year in operation. That study showed that franchisees did not achieve the levels of success demonstrated by franchisees with two or more full tax seasons in operation during their first tax season in operation. Additionally, we acquired the assets of our predecessor on July 15, 2019, which included established franchisees with a high geographical concentration in New York. Although our study is systemwide, the franchised outlets have a higher concentration in New York than other markets. The market where your ATAX® is operated may not be like our existing franchisees. Accordingly, the results achieved by the franchisees in our study may not be typical for a business in your area.

No certified public accountant has audited these figures or expressed his or her opinion concerning their contents or form. Written substantiation of this financial performance representation will be made available to you upon reasonable request.

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

Other than the preceding financial performance representation, ATAX® does not make any other financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing

outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Alberto Ortiz at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452, the Federal Trade Commission, and the appropriate state regulatory agencies.

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## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**  
**Systemwide Outlet Summary for Years 2021 to 2023**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	58	70	+12
	2022	70	98	+28
	2023	98	111	+16
Company-Owned	2021	0	0	0
	2022	0	1	+1
	2023	1	2	+1
Total Outlets	2021	58	70	+12
	2022	70	99	+29
	2023	99	113	+14

**Table No. 2**  
**Transfers of Franchised Outlets to New Owners (Other than the Franchisor) for Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
New Jersey	2021	1
	2022	0
	2023	
New York	2021	2
	2022	1
	2023	
Florida	2021	0
	2022	1
	2023	
Total	2021	3
	2022	2
	2023	

**Table No. 3  
Status of Franchised 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 the Year
Arizona	2021	0	2	1	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
California	2021	0	1	1	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Colorado	2021	1	2	1	0	0	0	2
	2022	2	3	0	0	0	0	5
	2023	5	6	0	0	0	0	11
Connecticut	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Florida	2021	10	5	3	0	0	0	12
	2022	12	1	2	0	0	0	11
	2023	11	2	0	0	0	0	13
Georgia	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Illinois	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	2	0	0	0	0	4
Indiana	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
Massachusetts	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Michigan	2021	6	0	5	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Missouri	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nevada	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Hampshire	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	0	0	0	0	0	3
New Jersey	2021	5	6	1	0	0	0	10
	2022	10	1	0	0	0	0	11
	2023	11	0	2	0	0	1	8
New York	2021	26	6	2	0	0	0	30
	2022	30	10	2	0	0	0	38
	2023	38	3	1	0	0	3	37
North Carolina	2021	3	0	1	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	2	0	0	0	0	4
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Puerto Rico	2021	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2022	0	4	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Rhode Island	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
South Carolina	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Tennessee	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Texas	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Virginia	2021	0	2	1	0	0	0	1
	2022	1	1	1	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	58	27	15	0	0	0	70
	2022	70	33	5	0	0	0	98
	2023	98	20	3	0	0	4	111

**Table No. 4**  
**Status of Company-Owned Outlets for Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New York	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	1	0	0
Virginia	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	1	0	0	0	2
Totals	2021	0	0	0	0	0	0
	2022	0	2	0	0	0	2
	2023	2	1	0	1	0	2

**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
Colorado	1	5	0
Florida	0	10	0
Illinois	0	5	0
Massachusetts	0	3	0
Nevada	0	3	0
New Hampshire	0	3	0
New Jersey	7	3	0
New York	0	20	0
North Carolina	0	2	0
Puerto Rico	0	5	0
Rhode Island	0	2	0
Texas	2	10	0
<b>TOTALS</b>	<b>9</b>	<b>71</b>	<b>0</b>

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

Exhibit G 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.

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



## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit C contains our audited financial statements as of December 31, 2023, 2022 and 2021. 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 A- Franchise Agreement

Schedule 1-Territory

Schedule 2-Automatic Bank Draft Authorization

Schedule 3-Telephone Number Assignment

Schedule 4-Lease Rider

Schedule 5-Promissory Notes

Schedule 6-State Addenda to the Franchise Agreement

Exhibit B-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 J contains two copies of a Receipt of our Disclosure Document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

**ATAX FRANCHISE AGREEMENT**



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

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Schedule 1-Territory

Schedule 2-Automatic Bank Draft Authorization

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Schedule 4-Lease Rider

Schedule 5-Promissory Note

Schedule 6-State Addenda to the Franchise Agreement

# Franchise Agreement

## Single Unit

This contract (“Agreement”) is between ATAX LLC (“ATAX”, “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

ATAX has developed a system (“Franchise System”) to deliver income tax preparation and business services (collectively, the “Services”). The Franchise System utilizes prescribed marketing techniques and operating procedures to deliver outstanding customer service to customers (“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 Franchised Business.

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

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

## 1. GRANT OF FRANCHISE

**1.1 Grant of Franchise.** Subject to the terms of this franchise agreement (“Agreement” or “Franchise Agreement”), we grant to you the right to operate a retail tax preparation office (“Franchise” or “Franchised Business”) using our System and our Marks, which may be changed, improved, and further developed by us from time to time, in your Territory and 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).

## 2. TERM AND RENEWAL

**2.1. Term.** This Agreement will be effective for a ten (10) year term beginning on the Effective Date specified in this Agreement.

**2.2 Renewal.** You may renew for another term by signing our then-current Franchise Agreement if you are in compliance with this Agreement and meet the other conditions for renewal. You may also renew future Franchise Agreements if you are in compliance with such Agreements and meet the other conditions for renewal by signing our then-current Franchise Agreement. To renew, you must exercise a general release of all Claims that you might have against us. Other terms, conditions, and fees may vary. If you wish to renew, you must notify us in writing at least 180 days before the expiration of this Agreement.

### 3. TERRITORY

**3.1. Territory Designation.** 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 30,000 to 33,000 residents, 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 may approve relocation of the Franchised Business if we feel that conditions have changed such that a relocation represents a sound business decision.

**3.2 Additional Outlets and Territories.** We may grant to you approval to open additional outlets 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.

**3.3 Option to Purchase Additional Outlets.** We do not grant you options, rights of first refusal, or similar rights to acquire additional franchises.

**3.4 Minimum Requirements.** Continuation of your Territorial rights does not depend on achieving a certain sales volume, growth or market share percentage; however, you will be subject to minimum monthly royalty payments for the entirety of this Agreement as defined in Minimum Requirements listed in Schedule 2.

#### **3.5 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. Exclusive**

The Territory you receive is exclusive. This means that we will neither open a Company owned nor sell another Franchised Business within your Territory. All leads that we generate or receive from within your Territory will be directed to you. You and other franchisees may not accept orders from consumers outside of your territory, nor may you use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your territory.

##### **C. 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 Franchised Business.

**D. Other Brands**

We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under this Agreement. Our affiliate, Loyalty Business Services LLC d/b/a Ledgers offers compliance, advisory, and tax services similar to the goods and services offered by your Franchised Business.

**3.6 Our Rights to Develop, Acquire or Be Acquired**

We can develop, acquire or be acquired by, or engage in any other transaction with other businesses, companies and/or units (competitive or not), that are or will be located anywhere, including arrangements where other units are (or are not) converted to our System or other format, or in which company-owned, franchised or other businesses (including your Franchised Business) are (or are not) converted to another format (whether competitive or not), or both, and is maintained as the same concept, as a new concept, or as a separate concept in your protected Territory. You must fully cooperate with any of these conversions, at your sole expense.

**3.7 Our Rights to Establish Other Franchise Systems**

We have and retain the right to develop and establish other franchise systems for similar, the same, or different products or services utilizing proprietary marks not designated by us as part of the Franchise System. Likewise, we are not restricted from pursuing any other business concept, offering any other product or service, or from granting rights to others without granting the same rights to you.

**3.8 Area Representatives**

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 representatives 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).

**4. FEES AND PAYMENTS**

**4.1 Initial Fees.** You must pay to us an Initial Franchise Fee of \$ \_\_\_\_\_ per Territory.

The Initial Franchise Fee is fully earned and nonrefundable as paid.

**4.2 Royalty Fee.** You will pay to us a Royalty Fee of 14% of Gross Revenues on a weekly basis by electronic funds transfer, subject to an annual minimum amount as follows:

<b>Territory Age</b>	<b>Minimum Annual Royalty Amount</b>
Year 1	\$5,000
Year 2	\$7,500

Year 3 and beyond	\$10,000
-------------------	----------

“**Territory Age**” is determined by how many full or partial tax seasons (typically, January 1 through April 15) your ATAX office has operated in the Territory. The Year 1 amount will apply to your first full or partial tax season in operation regardless of when you sign the Agreement. The Year 2 amount will apply to your second tax season in operation. The Year 3 amount will apply to your third year and beyond.

“**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.

Following completion of each tax season, we will reconcile (1) the weekly Royalty Fee amount actually paid by you on Gross Revenues during the preceding twelve (12) months with (2) the Minimum Annual Royalty Amount. If the cumulative Royalty Fee amount paid by you is less than the Minimum Annual Royalty Amount, then you will pay the deficiency (if any) on May 5 of such year.

**4.3 Advertising Fees.** You will comply with the advertising fees and payments disclosed in Section 7 of this Franchise Agreement, below.

**4.4 Training Fee.** There is no charge for any training that we conduct; however, you will pay for your own travel, dining, and accommodation expenses incurred to attend training. Additionally, if you choose to bring an employee to any training, you will pay their wage and travel, dining and accommodation expenses incurred to attend training.

**4.5 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.

**4.6 Audit Fee.** You will pay to us our cost in performing an audit of your Franchised 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 2% or more.

**4.7 Transfer Fee.** You will pay to us a Transfer Fee of \$5,000 if you wish to transfer ownership of the rights under this Franchise Agreement, or a majority of the ownership of this Agreement or in an entity holding this Agreement. We do not charge a Transfer Fee for the transfer of a minority interest in the franchise or if the owners of this Agreement transfer this Agreement into an entity owned by the same owners with the same ownership percentages.

**4.8 Interest.** You will pay to us the lesser of 12% per annum or the maximum rate permitted by law on any late payments you owe to us.

**4.9 Client Refunds and Interest and Penalties.** 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 and bill you. You will pay the charges. If we pay interest and penalties that a customer of yours incurs for an error in tax preparation, you will reimburse us.

**4.10 Assistance Fee in the Event of Death or Incapacity.** 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.

**4.11 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 other fees and costs 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 and costs to us.

**4.12 Fees to Third Parties.** You will reimburse us for any third-party charges we may incur on your behalf. You are solely responsible for all fees and expenses to third parties required to operate your Franchised Business.

**4.13 Credit Card Processing Fee.** You will pay the then-current credit card processing fee charged by third-party credit card processors for any fee that you pay to us by credit card at the time of the transaction, unless prohibited by law.

**4.15 Payment Period and Method.** You will pay the Royalty Fee as set forth in Section 4.2 of this Agreement. You will pay all other recurring fees by the 5th of the month which was incurred or accrued in the prior month. You must pay to us all other fees when incurred. We reserve the right to modify the payment methods and schedule in our Operations Manual. Additionally, if we receive funds on your behalf, we may apply those funds to any amounts due.

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 or our affiliates. 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 this Agreement.

## **5. OBLIGATIONS OF FRANCHISOR**

**5.1. Initial Training.** We provide you with an Initial Training program; currently one week in Virginia Beach, Virginia, another location we designate, or online, at our choosing.

### **5.2 Site Selection and Build Out.**

**(a) Site Selection.** We provide to you criteria to help you select a site. We must approve any site you select before you sign a lease for that location. We do not select the site. We will typically approve or disapprove a proposed site within 14 days of your submission to us of the information required by us on the proposed site.



If you do not locate a site of which we approve within 120 days of the date of the Franchise Agreement, we can terminate the Franchise Agreement without any refund to you, or allow you more time.

**(b) Plans and Layout.** We will furnish to you a sample site layout plan.

**(c) Lease.** Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

**(d) Relocation Review.** We will evaluate locations you propose to us to relocate your Franchised Business. We will typically approve or disapprove a relocation site within 14 days of your submission to us of the information required by us on the proposed site. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

**(e) Signs.** Your plans and buildout must include proper signage. You must purchase signage pursuant to our specifications, which may include a vendor designation. Specifications are included in our Operations Manual and are posted on our Marketing and Brand Standard guidelines that we disseminate. A proof of your proposed signage must be submitted to the marketing department via email at [marketing@atax.com](mailto:marketing@atax.com) along with your request for approval. We will typically approve proposed signage or provide you with appropriate guidance within 2-5 business days of your e-mail.

**5.3 Assistance to Hire and Train Employees.** We provide guidance on how to hire and train employees.

**5.4 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.

**5.5 Operations Manual.** We provide you access to our proprietary and confidential Operations Manual, as well as any other manuals and writings prepared by us for your use in operating a Franchised Business (“Manual”). We may disseminate the Manual electronically. We may revise the Manual from time to time to adjust for legal or technological changes, competition, or attempts to improve in the marketplace.

**5.6 Operational Support.** We provide support to you in operational problems and issues that you may encounter in the operation of your Franchised Business.

**5.7 Computer Hardware and Software.** We specify computer hardware and software to assist in the operation of your Franchised Business.

**5.8 Additional Training or Seminars.** We may elect to offer and require you to attend, either live or electronically, additional training or seminars that we may offer.

## 6. OBLIGATIONS OF FRANCHISEE

**6.1 Training.** You must successfully complete our Initial Training within three (3) months of the Effective Date of this Agreement and before you may operate the Franchised Business.

**6.2 Site Selection and Build Out.**

**(a) Site Selection.** You must select a site for operation of your Franchised Business pursuant to our guidelines. You will obtain our written approval for your proposed site. You may operate the Franchised Business only at the accepted site.

**(b) Buildout.** It is your responsibility to conform the premises to federal, state or local ordinances, building codes, licensing requirements and obtain any required permits.

**(c) Plans and Layout.** You are required to submit the layout and have it approved by us. We will typically approve or disapprove a proposed layout within 14 days of your submission to us. Once approved by us, it is your responsibility to remodel the premises and install the furniture, fixtures and equipment accordingly. We have the right to inspect your buildout and require adjustments so that the buildout is in a good and workmanlike manner and conforms to the plans and layout and not open for business until we have approved of the buildout and workmanship.

**(d) Lease.** Before you sign a lease, sublet a space, purchase space or make any binding to commitment to do so, we must approve, in writing your proposed lease or purchase agreement.

**(e) Relocation Review.** You must obtain our approval if you wish to relocate. We will evaluate locations you propose to us to relocate your Franchised Business. You must submit to us a site selection proposal containing reasonable items required by us to evaluate the site.

**(f) Signs.** You must obtain our approval for signage by submitting a proof of your proposed signage to the marketing department via email at [marketing@atax.com](mailto:marketing@atax.com) along with your request for approval. We will typically approve proposed signage or provide you with appropriate guidance within 2-5 business days of your e-mail.

**6.3 Starting Date.** You will be operational within six (6) months of the Effective Date of this Agreement, if you are not we may terminate the Agreement.

**6.4 Operations Manual.** You will operate the Franchised Business according to the then-current Operations Manual as well as information bulletins and guidance that we disseminate electronically.

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

You must designate a 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. If you are an individual, then you must serve as Business Manager. Your Business Manager must have complete decision-making authority with regard to your ATAX 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.

Some of your personnel designated by the Manual must be proficient in both English and Spanish.

You and any designated Business Manager must pass a background check.

All owners of this Franchise must guarantee the obligations under the Franchise Agreement.

You will 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.

**6.6 Authorized Products and Services Only.** You may offer for sale through your Franchised Business only an income tax preparation service and ancillary business services 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.

We reserve the right to negotiate purchase arrangements with suppliers, including preferred pricing arrangements, which we reasonably believe are for the benefit of our franchisees. Further, we reserve the right to receive payments from approved suppliers with respect to your purchases and utilize any such funds received in our sole judgment.

**6.7 Customer Service.** You shall serve customers patronizing your Franchised Business in a professional and respectful businesslike manner and diligently fulfill your obligations to them when they desire to purchase your goods or services.

**6.8 Employee Training.** You shall train your employees to competently and professionally carry out their duties and offer excellent customer service. You shall ensure that your employees have any training, licenses, or certifications required by applicable law. You are solely responsible for hiring, firing, compensating, paying applicable payroll taxes and day-to-day supervision and control over your employees.

**6.9 Insurance.** You are required to have insurance as may be required by your state laws and as we may specify in the Operations Manual. You must name us and all our officers, directors, members and agents and others as their interest may appear on a primary, noncontributory basis as an additional insured on these policies and send proof of same to us. Certificates of insurance must be sent in upon annual expiration date. So long as your Franchised Business is not substantially destroyed by fire or other casualty, if you suffer a loss to your Franchise, such as fire or theft, you are required to use the insurance proceeds to replace or repair the premises or property damaged or lost.

**6.10 Furniture, Fixtures, Equipment, Inventory, and Supplies.** You will use furniture, fixtures, equipment, inventory, and supplies as we specify, which may include a vendor designation, to operate the franchise.

**6.11 Computer Hardware and Software Systems.** You are required to purchase or use such computer hardware and software systems to operate your Franchised Business as we may specify.

**6.12 Telephone Number.** You will maintain a dedicated telephone number for your Franchised Business.

**6.13 Licenses and Permits.** You must obtain such state and local business and other licenses and permits as your state and local law may require.

**6.14 Brand Image and Remodeling.** You will present your Franchised Business in a clean and well-maintained manner in order to uphold the image and goodwill of our Franchise System. We may require you to remodel your business once every ten (10) years and you will do so pursuant to our guidelines.

**6.15 Minimum Days and Hours.** You will be open for business, at a minimum, the days and hours that we specify in the Operations Manual.

**6.16 Laws and Regulations.** You will comply with all federal, state, and local laws, and regulations.

**6.17 Minimum Requirements.** Not Applicable.

## 7. ADVERTISING

**7.1 Use of our Marks.** We allow and require you to use our Marks to hold out your Franchised 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 Operations Manual.

**7.2 Grand Opening Advertising.** You will pay us \$5,000 for your Grand Opening Advertising which includes local advertising and promotion of your ATAX Business.

**7.3 Local Advertising and Promotions.** Your advertising and promotions shall conform to the following requirements:

- a) You will advertise and promote only in a manner that will reflect favorably on us.
- b) You will participate in all promotional programs and that we create, offer or advertise.
- c) Your advertising must comply with federal, state, and local laws.
- d) You will spend a minimum of \$1,200 per year on local advertising, pursuant to our guidelines.
- e) You will pay to us an Unauthorized Advertising Fee of \$1,000 if you use unapproved advertising.

**7.4 Advertising Fee and Fund.** You will 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.

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.

**7.5 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.

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

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.

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.

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

**7.6 Use of Your Own Advertising Material.** You will use our advertising templates or, if you wish to use your own advertising materials, you may do so 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.

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.

**7.7 Entity Name Requirements.** You may not use the word “ATAX” or any confusingly similar words, as any part of the name of a corporation, LLC or other entity. However, “ATAX” followed by your entity number, or such other designation as we shall specify, shall 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.”

**7.8 No Confusingly Similar Marks.** You will not use any Marks that could be confused with our Marks.

**7.9 Update to 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.

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

**7.11 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.

## **8. CONFIDENTIALITY AND INTELLECTUAL PROPERTY RIGHTS**

**8.1 Definition.** “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, Customer Data, 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.

**8.2 Confidentiality.** You will not directly or indirectly disclose, publish, disseminate or use our Confidential Information except as authorized herein. You may use our Confidential Information to perform your obligations under this Agreement, but in doing so will only allow dissemination of our Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information.

**8.3 Return of Information.** Upon termination or expiration of this Agreement, you will return to us all of our Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources that contain or reflect any such Confidential Information. Notwithstanding the foregoing, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

**8.4 Customer Data.** We retain all right, title, and interest in and to the Customer Data during and after the term of this Agreement, provided that you use the Customer Data during the Term of this Agreement as permitted by this Agreement or our Manual, and in accordance with law. “Customer Data” means any and all information about customers that may be collected in connection with their use of your franchise services, including, but not limited to, name, telephone number, address and email address.

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

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

**8.7 Performance Data.** You acknowledge that we may share performance data from your Franchised Business between our employees, franchisees and their employees. You will keep such performance data confidential.

**9. REPORTS AND REVIEW**

**9.1 Reports.** You must send us such reports in the time and manner we may specify in the Operations Manual. At present, you must send to us the following reports during the following time frames:

Name of Report	When Due
Annual Budget	May 31 of each year

Annual Profit & Loss Statement	By May 31 of each year as to income and expenses incurred in the prior year
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**9.2 Reviews.** 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. This includes the right to send in secret shoppers. And this also includes the right to inspect and copy all tax returns and bank statements that may show revenues from the Franchised Business. We also have the right to require that you implement a plan to resolve issues that we discern from any review we conduct.

**9.3 Time Frame to Furnish Documents.** If, as part of a review of your business operations, we request a copy of any business records related to the Franchised Business, you must send us at your expense these records within five (5) business days of receiving our request.

**9.4 Independent Access to Information.** You acknowledge that we have and that you will 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.

## 10. TERMINATION

**10.1 Termination by You.** You may terminate this Agreement by not renewing; that is by notifying us in writing of your desire to not renew at least 180 days prior to the expiration of this Agreement. If you terminate pursuant to this paragraph, you must still comply with all of the provisions of this Agreement that require performance post-termination.

**10.2 Termination by Us.** We may terminate this Agreement without notice and the opportunity to cure for any of the following reasons:

- a) If you do not pass our Initial Training in accordance with our passing standards;
- b) If you fail to obtain our approval of a site or open on time;
- c) If you become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- d) If you commit a material violation of any law, ordinance, rule, or regulation of a governmental agency or department reasonably associated with the operation of the Franchised Business or if you are convicted of, or plead guilty or no contest to a felony;
- e) 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;



- f) If you include a materially false representation or omission of fact in your Confidential Franchise Application to us;
- g) If you or your principals commit any fraud or misrepresentation in the operation of the Franchised Business;
- h) If you or your principals materially breach any other agreement with us or any of our affiliates, or threaten any material breach of any such agreement, and fail to cure such breach within any permitted period for cure;
- i) You fail to pay suppliers an amount exceeding \$3,000 for more than 60 days;
- j) You fail to permit us to inspect or audit your franchise; or
- k) If you commit three or more breaches of this Agreement, the Operations Manual, or any other agreement with us, in any 12-month period regardless of whether such breaches were cured after notice.

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

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

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

## **11. POST TERMINATION OBLIGATIONS**

If this Agreement expires, is not renewed, or is terminated for any reason by any party, including a sale of the Franchised Business, you must immediately:

- a) Cease to operate the Franchised Business and discontinue using any of our Marks or any marks which are likely to be confused with our Marks;
- b) Deliver to us the original and all copies, both paper and electronic, of the business records of your Franchised Business (retaining only such copies as you need for legal or tax purposes);
- c) Pay to us all amounts owing to us;
- d) At our request, cancel or assign to us all telephone numbers under your ownership used in the Franchised Business;
- e) Reimburse customers for any fees paid for services not yet rendered;

- f) At our option, and upon our request, use your best efforts to assist in our taking over the lease of the location of your Franchised Business, whether it be through a new lease or assignment;
- g) At our option, offer to us the right to purchase your furniture, equipment, signage, fixtures, and supplies within 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;
- h) Deliver to us any paper and electronic copies of the Operations Manual and any Confidential Information;
- i) Cancel all fictitious name or other listings which you have filed for use of any of the Marks;
- j) Adhere to the provisions of the post-term covenants not to compete and not to solicit;
- k) Abide by any other covenant in this Agreement that requires performance by you after you are no longer a franchisee; and
- l) Execute, from time to time, any necessary papers, documents, and assurances to effectuate the intent of this Section 11.

## 12. NON-COMPETE AND NO SOLICITATION.

### 12.1 Non-Compete.

- a) **In-Term.** You will not, during the Term of this Agreement, in the United States or its Territories, directly or indirectly, offer income tax preparation, bookkeeping, payroll, or incorporation services.
- b) **Post-Term.** You will not, directly or indirectly, for a 2-year period after the termination, expiration, or non-renewal of this Agreement, including a sale of the franchise or your interest in it, offer income tax preparation, bookkeeping, payroll, or incorporation services in the Territory or within 25 miles of the boundaries of the Territory, or within 25 miles of any other ATAX outlet of ours or a franchisee of ours in operation at the time.

**12.2 Waiver of Bond.** If we bring suit to enforce Sections 11 or 12.1 above, you will waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**12.4 Severability.** If any covenant or provision of Section 12.1 or 12.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either party to this Agreement against the other, whether based

upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

### **13. ADDITIONAL IN-TERM AND POST-TERM COVENANTS**

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

**13.2 Independent Contractor.** You and we are independent contractors to each other. Neither you nor we is an agent, fiduciary, partner, employee, or a participant in a joint venture, and neither you nor we has the authority to hold out as such to third parties. You do not have any authority to bind or obligate us. We are not and will not be liable for any act, omission, debt, or other obligation of yours.

**13.3 Indemnity.** You are responsible for all loss or damage and for all contractual liability to third parties originating in or in connection with the operation of the Franchised Business and for all claims or demands for damage directly or indirectly related. You will defend, indemnify, and hold harmless us and our employees, officers, directors, and members with respect to any such claim, loss, or damage, including our costs and attorney fees. You will not be required to indemnify us for any liability of ours resulting from our gross negligence or willful misconduct.

### **14. TRANSFER**

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

**14.2 Transfer by You.** You may transfer this Franchise Agreement, any interest under this Agreement, or substantially all the assets of the Franchised Business only if we approve, and you comply with the provisions in this Section 14. We shall not unreasonably withhold approval. 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.

**14.3 Transfer to a Controlled Entity.** A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a Controlled Entity shall not trigger the Right of First Refusal, described in Section 14.6 below. 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. We do not charge a Transfer Fee for this change.

**14.4 Transfer Within an Entity.** A transfer of interest within an entity shall not trigger the Right of First Refusal described in Section 14.6 below if only the percentage ownership, rather than the identity of the owners, is changing. Prior to the time of the desired transfer of interest within an entity, you must notify us in writing of the name and address of each officer, director, shareholder,

member, partner or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the then-current amendment and release forms and/or Franchise Agreement as required by us, and you shall pay to us the applicable Transfer Fee specified in Section 4 above.

**14.5 Conditions for Approval of Transfer.** We may condition our approval of any proposed sale or transfer of the franchised business or of your interest in this Agreement upon satisfaction of the following occurrences:

- a) You are current in all monetary obligations to us, our affiliates, and our designated/approved suppliers and vendors;
- b) You are in full compliance with this Agreement;
- c) You execute any transfer, amendment, or release forms that we may require;
- d) You or the transferee will provide to us a copy of the proposed documents as we may request to evidence the transfer;

**For a transfer under Section 14.2 above, the following conditions also apply:**

- a) The transferee must be approved by us and demonstrate to our satisfaction that s/he meets our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement;
- b) The transferee must execute our then-current Franchise Agreement;
- c) You or the transferee must pay to us the Transfer Fee specified in Section 4 above;
- d) The transferee must satisfactorily complete our Initial Training program at the transferee's expense within the time frame we establish;
- e) You must comply with the post-termination provisions of this Agreement;
- f) The transferee must obtain within the time limits set by us and maintain thereafter, all permits and licenses required for operation of the Franchised Business;
- g) To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

- h) The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
- i) 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 and performance under its Franchise Agreement;
- j) You must request that we provide the prospective transferee with our current Franchise Disclosure Document;
- k) Our approval of the transfer will not constitute a waiver of any Claims we may have against the transferring party;
- l) We will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning the Franchised Business as you have supplied us hereunder; and
- m) In any event, we may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

**14.6 Right of First Refusal.** If you have received and desire to accept a signed, bona fide offer to purchase or otherwise transfer the Franchise Agreement, any interest in it, or substantially all the assets of the Franchised Business, you shall grant us the option (the "Right of First Refusal") to purchase the Franchised Business as provided here:

- a) Within fourteen (14) days of receipt of the offer, you shall offer the Right of First Refusal to us by notice in writing, including a copy of the signed offer to purchase which you received ("Notice"). We shall have the right to purchase the Franchised Business or interest in the Franchised Business at and for the price and upon the terms set out in the Notice, except that we may substitute cash for any non-cash form of payment proposed and we shall have 60 days after the exercise of our Right of First Refusal to close the said purchase. Should we wish to exercise our Right of First Refusal, we will notify you in writing within 15 days from its receipt of the Notice. Upon the giving of such notice by us, there shall immediately arise between us and you, or its owners, a binding contract of purchase and sale at the price and upon the terms contained in the Notice.
- b) If we do not exercise our Rights of First Refusal, you may transfer the Franchised Business or ownership interest therein according to the terms set forth in the Notice, provided that you satisfy the conditions in Section 14.5 above and complete the sale within 90 days from the day on which we received the Notice. If you do not conclude the proposed sale transaction within the 90-day period, the Right of First Refusal granted to us shall continue in full force and effect.

## 15. DEATH OR INCAPACITY

In the event of your death or incapacity, you, or your estate, as the case may be, must actively begin the process to seek a transfer of your rights under this Agreement within 60 days and must complete the transfer within 6 months of your death or incapacity. If you or your estate fails in either respect, then we may terminate this Agreement. The new franchisee must pay the Transfer Fee specified above, meet our qualifications, complete Initial Training, and enter into a new Franchise Agreement. And we are entitled to reimbursement from you or your estate for any reasonable expenses incurred continuing Services from the date of your death or incapacity until transfer or termination, plus 10% of Gross Revenues for the period in which we operate or assist in the operation of the Franchised Business. The term “incapacity” means a condition that prevents you from reasonably carrying out your duties under this Agreement.

## **16. MODIFICATION**

No modifications to this Agreement will have any effect unless such modification is in writing and signed by you and by our authorized officer. We may, however, modify the provisions of the Manual, without your consent, as discussed in Section 5.

## **17. NON-WAIVER OF BREACH**

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

## **18. FULL UNDERSTANDING**

This Agreement, including the schedules, is the entire agreement between the Parties. This Agreement supersedes all other prior oral and written agreements and understandings between you and us with respect to the subject matter of this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document we furnished to you.

## **19. GOVERNING LAW**

**19.1 Choice of Law.** This Agreement is effective upon its acceptance in Virginia by our authorized officer. Except as to claims governed by federal law, Virginia law governs all claims that in any way relates to or arises out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between Franchisor and franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this paragraph.

**19.2 Jurisdiction and Venue.** Venue and jurisdiction for any Claims will be proper solely in arbitration before the American Arbitration Association (“AAA”) in the city or county where our corporate headquarters are located, provided that, nothing in this clause shall bar us from seeking injunctive relief for Claims which may cause irreparable harm including, but not limited to, the infringement of our trademarks or dissemination of confidential or customer information, in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, Virginia.

**19.3 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.

**19.4 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.

**19.5 Punitive Damages Waiver.** As to any Claims, you and we will waive our rights, if any, to seek or recover punitive damages.

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

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

**19.8 Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 19.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

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

**19.10 Arbitration.** If the Claim cannot be resolved through Mediation, then you must submit the Claim to arbitration with the AAA in accordance with the Commercial Arbitration Rules of the AAA then in effect. The proceedings will be held by a single arbitrator. You must include in your demand for arbitration an estimate for legal fees (“Budget”) necessary to establish liability and damages. The Budget

will include the maximum number of: a) witnesses, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator, before conducting any discovery, or hearings. The Arbitrator must approve any increases in the Budget. Each Party will bear their own costs, including attorney's fees and expert witness fees related to the resolution of the Claim. Other than the filing fees, the cost of the Arbitrator will be shared equally among the parties. The decision of the arbitrator will be final and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction.

**19.11 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.

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

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

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

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

**19.16 Area Representatives.** If you are or become in a territory under an Area Representative, you will not bring any Claims against the Area Representative. If you breach this clause, you will reimburse us or the Area Representative for any legal fees and costs incurred in defending such Claims.

## **20. RELEASE OF PRIOR CLAIMS**

By executing this Agreement, the undersigned entity, if any, and individuals, on behalf of yourselves and your heirs, legal representatives, successors and assigns, and each assignee of this Agreement, forever releases and discharges us, our past and present employees, agents, members, officers, and directors, including any of our parent, subsidiary and affiliated entities, their respective past and present employees, agents, members, officers, and directors, from any and all Claims relating to or arising out of any Franchise Agreement between the parties executed prior to the date of this Agreement, and all other Claims relating to any dealings between any of the parties. However, this release does not apply to any Claim you may have arising from representations in our Franchise Disclosure Document, or its exhibits or amendments.



## 21. NOTICES

You shall give any required notice or request in writing by mail or courier, postage fully prepaid, delivered personally, to our CEO, at our corporate office, presently 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Telephone: (888) 268-0321. We may also give any such notice to you in the same manner at the address indicated below your signature on this Agreement, such other more current address as we may have for you, or by e-mail.

## 22. ACKNOWLEDGMENTS

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

## 23. GUARANTY

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

In addition, the signatures of all individuals below, in any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Paragraphs 11-13 above**, the obligation to make specified payments, and pay any other debts due to us. All Signators below waive any right to presentment, demand, notice of non-performance, or the right to require us to proceed against the other Signators.

[Signature Page Follows]

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 Business Entity: \_\_\_\_\_

	<b>ATAX LLC</b>	<b>Franchisee Business Entity</b>
Signature		
Name		
Title		
Address		
Date		

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

**SCHEDULE 1 TO THE FRANCHISE AGREEMENT  
TERRITORY**

Your Territory shall be as follows:

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**SCHEDULE 2 TO THE FRANCHISE AGREEMENT**  
**AUTOMATIC BANK DRAFT AUTHORIZATION**

**ACH Origination Authorization**

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

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

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

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

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

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

I hereby authorize ATAX LLC 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 ATAX 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 3 days before my account is scheduled to be charged. I can have the amount of an erroneous charge immediately credited to my account for up to 15 days following issuance of my statement by the above-referenced financial institution or up to 60 days after deposit, whichever occurs first.

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

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

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

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

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

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

**SCHEDULE 3 TO THE FRANCHISE AGREEMENT**  
**TELEPHONE NUMBER ASSIGNMENT AGREEMENT**

**THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT** is made between ATAX LLC (“Franchisor,” “we,” “us,” or “our”) and the franchisee named below (“Franchisee”, “you”, or “your”).

**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.

**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 agrees to pay all amounts owed in connection with the Listings, and to immediately at Franchisor’s request, (i) take any other action as may be necessary to transfer the Listings to Franchisor or Franchisor’s designated agent, (ii) 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; (iii) disconnect the Listings; and/or (iv) cooperate with Franchisor or its designated agent in the removal or relisting of the Listings

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

**DURABLE POWER OF ATTORNEY**

**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.

**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.

**FRANCHISEE:**

**FRANCHISOR:**

ATAX LLC

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

## SCHEDULE 4 TO THE FRANCHISE AGREEMENT

### LEASE RIDER

Landlord	
Landlord Name:	
Landlord Address:	
Landlord Phone Number:	

Franchisor	
Franchisor Name:	ATAX LLC d/b/a ATAX
Franchisor Address:	780 Lynnhaven Pkwy., Suite 240, Virginia Beach, VA 23452
Franchisor Phone Number:	(888) 268-0321

Tenant	
Tenant Name:	
Address of Leased Premises:	
Date of Lease:	

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of an ATAX 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.

Executed by:

LANDLORD:

\_\_\_\_\_

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

TENANT:

\_\_\_\_\_

By: \_\_\_\_\_

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

Title: \_\_\_\_\_

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

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



## SCHEDULE 5

### PROMISSORY NOTE

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

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

The Maker may prepay this Note, in whole or in part, without penalty, at any time. TIME IS OF THE ESSENCE regarding the payment of any amounts due under this Note.

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

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

Any of the following will constitute an event of default by Maker under this Note: (1) Failure to pay of any installment of principal or interest when due; (2) Failure any other provision in this Note; (3) Uncured default in any other agreement between Maker and Holder; (4) Death or disability of any Maker; (5) Insolvency of Maker, involving failure to pay debts as they become due or makes an assignment for the benefit of creditors; (6) Maker files or becomes the subject of any petition for relief under the Federal bankruptcy laws or any state insolvency statute; (7) Attachment, levy or garnishment of Collateral by a creditor of Maker; (8) Material change in Maker's creditworthiness; or (9) Sale or termination of Maker's ownership rights in the business to which this Note relates.

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

This Note will be construed in all respects and enforced according to the laws of Virginia. If any term of this Note is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or render unenforceable such term in any other jurisdiction. The failure of Holder to enforce any one or more of the terms or conditions of this Note will not be deemed a waiver of such terms or conditions or of Holder's rights to enforce any term and condition of this Note. The Maker will pay all reasonable attorneys' fees and other expenses that Holder may incur in connection with the collection or enforcement of this Note or the preservation or disposition of any Collateral. Maker waives the right to a trial by jury in any action in connection with this Note. This waiver is knowingly, willingly and voluntarily made by each Maker. Maker warrants that no representations of fact or opinion have been made by any individual to induce this waiver. Maker represents that Maker had the opportunity to be represented by independent legal counsel selected of Maker's own free will, and that Maker has had the opportunity to discuss this waiver with Maker's counsel.

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

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

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

signature will be consistent with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”), Title 15, United States Code, Sections 7001 et seq., the Uniform Electronic Transaction Act (“UETA”) and any applicable state law.

Intending to be bound by this Note, both Makers affix the signatures, intending to be bound below to signify acceptance on this day\_\_\_\_\_.

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

**Maker:** \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Guarantors:**

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Signature of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

Home Address:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Home Address:  
\_\_\_\_\_  
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\_\_\_\_\_  
Signature of Guarantor

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Signature of Guarantor

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Printed Name of Guarantor

\_\_\_\_\_  
Printed Name of Guarantor

Home Address:  
\_\_\_\_\_  
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Home Address:  
\_\_\_\_\_  
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\_\_\_\_\_

**SCHEDULE 6**  
**STATE ADDENDA TO THE FRANCHISE AGREEMENT**

**CALIFORNIA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

Sections 10.2 and 10.3 are deleted and in their place are substituted the following:

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

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

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

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

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

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

(f) The franchisee, after curing any failure in accordance with Section 10.3 engages in the same noncompliance whether or not such noncompliance is corrected after notice;

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

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

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

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

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

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

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

FRANCHISEE:

FRANCHISOR:  
ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

**HAWAII ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

1. The Franchise Agreement is modified to also provide that we defer the payment of all initial fees paid by you to us until we have performed all pre-opening obligations and you are open for business.

FRANCHISEE:

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

**ILLINOIS ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

1. Illinois law governs the Franchise Agreement.

2. 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.

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

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

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

FRANCHISEE:

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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



**MARYLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

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

2. This 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.

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

4. All representations requiring prospective 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.

FRANCHISEE:

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

**MICHIGAN ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

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

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

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

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

**MINNESOTA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 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; and that consent to the transfer of the franchise will not be unreasonably withheld.
  
- Minnesota Statutes, Section 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 any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
  
- Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
  
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.
  
- Any limitations of claims must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

FRANCHISEE:

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_ By: \_\_\_\_\_

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

**RHODE ISLAND ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

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

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

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

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

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

FRANCHISEE:

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

**VIRGINIA ADDENDUM  
TO THE FRANCHISE AGREEMENT**

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

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

FRANCHISEE:

FRANCHISOR:

ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

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

**EXHIBIT B  
RELEASE**

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

1. Releasor and ATAX LLC d/b/a ATAX (Releasee) are parties to one or more 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 of Franchisee's guarantors, members, officers, directors, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge Releasee, its past and present agents, employees, officers, directors, members, 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 Franchisee 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.
  
7. Releasor agrees to comply with all of its applicable post-termination or post-transfer obligations (as the case may be) in the Franchise Agreement described above.

Releasor:

Franchisor: ATAX LLC d/b/a ATAX

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

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

Title: \_\_\_\_\_



**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

ATAX, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022



**ATAX, LLC**  
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## **Independent Auditor's Report**

To Members of  
ATAX, LLC  
Virginia Beach, Virginia

### **Opinion**

We have audited the accompanying financial statements of ATAX, LLC (a limited liability company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ATAX LLC as of December 31, 2023 and 2022, and its results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Report on Supplementary Information***

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

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

Greensboro, North Carolina  
April 12, 2024

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

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 1,137,214	\$ 181,469
Accounts receivable, net	60,776	23,537
Notes receivable, current	3,461,995	2,399,871
Prepaid expenses	1,423	-
Total Current Assets	<u>4,661,408</u>	<u>2,604,877</u>
Noncurrent Assets:		
Notes receivable, less current portion	2,612,926	3,877,259
Due from related parties	3,135,548	2,784,353
Goodwill, net	284,820	336,216
Intangible assets, net	220,399	309,119
Total Noncurrent Assets	<u>6,253,693</u>	<u>7,306,947</u>
Total Assets	<u><u>\$ 10,915,101</u></u>	<u><u>\$ 9,911,824</u></u>
 <b><u>Liabilities and Members' Equity</u></b>  		
Current Liabilities:		
Accounts payable	\$ -	\$ 41,988
Accrued expenses	69,764	67,490
Due to franchisees	108,621	111,211
Paycheck protection program loan, current	-	8,684
Due to related parties	1,349,440	318,300
Deferred revenue, current	993,158	875,042
Total Current Liabilities	<u>2,520,983</u>	<u>1,422,715</u>
Non-Current Liabilities:		
Accrued expenses, less current portion	128,000	192,000
Deferred revenue, less current portion	6,519,657	6,339,306
Total Non-Current Liabilities	<u>6,647,657</u>	<u>6,531,306</u>
Total Liabilities	<u>9,168,640</u>	<u>7,954,021</u>
Members' Equity:		
Members' equity	1,746,461	1,957,803
Total Members' Equity	<u>1,746,461</u>	<u>1,957,803</u>
Total Liabilities and Members' Equity	<u><u>\$ 10,915,101</u></u>	<u><u>\$ 9,911,824</u></u>

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

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	<u>2023</u>	<u>2022</u>
Revenue:		
Royalty fees	\$ 1,367,864	\$ 1,084,390
Franchise fees and area representative sales	1,038,760	770,046
Referral fees	172,816	205,673
Other income	114,043	2,392
Total revenue	<u>2,693,483</u>	<u>2,062,501</u>
Operating expenses:		
Selling, general and administrative	3,198,552	2,335,818
Amortization	140,116	140,116
Total operating expenses	<u>3,338,668</u>	<u>2,475,934</u>
Other (income) expense:		
Interest income	(815,090)	(383,417)
Interest expense	612	1,379
Other expenses	-	97,077
Total other (income) expense	<u>(814,478)</u>	<u>(284,961)</u>
Net income (loss)	<u>\$ 169,293</u>	<u>\$ (128,472)</u>

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

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Members' equity, January 1, 2022	\$ 2,086,275
Net loss	<u>(128,472)</u>
Members' equity, December 31, 2022	1,957,803
Adoption of Topic 326	<b>(380,635)</b>
Net income	<u><b>169,293</b></u>
Members' equity, December 31, 2023	<u><u><b>\$ 1,746,461</b></u></u>



**ATAX, 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 income (loss)	\$ 169,293	\$ (128,472)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Amortization expense	140,116	140,116
Accrued interest income	(670,742)	(383,417)
Change in allowance for credit losses	566,003	319,580
(Increase) decrease in:		
Accounts receivable	(128,051)	26,463
Prepaid expenses	(1,423)	-
Other assets	-	6,500
Increase (decrease) in:		
Accounts payable	(41,988)	41,988
Accrued expenses	(61,726)	(63,176)
Due to franchisees	(2,590)	(10,807)
Deferred revenue	298,467	(525,262)
Net cash provided by (used in) operating activities	<u>267,359</u>	<u>(576,487)</u>
Cash flows from investing activities:		
(Advances to) borrowings from related parties	679,945	(593,040)
Repayments of notes receivables, net	17,125	398,229
Net cash provided by (used in) investing activities	<u>697,070</u>	<u>(194,811)</u>
Cash flows from financing activities:		
Proceeds (payments) for paycheck protection program loan	(8,684)	(113,176)
Net cash used in financing activities	<u>(8,684)</u>	<u>(113,176)</u>
Net increase (decrease) in cash	955,745	(884,474)
Cash and cash equivalents, beginning of year	181,469	1,065,943
Cash and cash equivalents, end of year	<u>\$ 1,137,214</u>	<u>\$ 181,469</u>
Supplemental disclosure of noncash investing and financing activities:		
Issuance of notes receivable for area rep and franchise purchases	<u>\$ 1,215,715</u>	<u>\$ 1,675,907</u>

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

ATAX LLC ("ATAX" or the "Company") is a limited liability company, organized by the Commonwealth of Virginia on October 30, 2019. The Company is primarily engaged in the business of franchising ATAX Tax Preparation and Business Services, which provides Latino tax services and related Hispanic support. The Company franchises the intellectual property, which are the basic attributes of the franchised operations.

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

**Basis of Accounting**

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

**Adoption of New Accounting Standard**

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 a company 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 \$380,635 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.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. The Company estimates its allowance for credit losses by considering a number of factors, including the length of time accounts receivable are due, previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited against credit loss expense. Management has determined the allowance for credit losses related to accounts receivable was \$90,812 as of December 31, 2023.

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

**Goodwill and Intangible Assets**

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

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

**Revenue Recognition**

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

The Company offers Franchise Agreements and Area Representative Sales Agreements ("ARA's") for the right to operate an ATAX outlet or to develop ATAX locations in a designated area. The Company recognizes revenue from the sale of franchise and ADA's agreements over time upon satisfaction of applicable performance obligations over the life of the agreement which is typically 10 years.

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

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

**Income Tax Status**

The Company is taxed as a limited liability company for federal and state income tax purposes. Accordingly, no provision for income tax is reflected in the financial statements, as it is the responsibility of the members to report their respective share of income or loss and other tax attributes on their income tax returns.

**ATAX, LLC**  
**Notes to Financial Statement**

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

**Income Tax Status (Continued)**

It is the Company's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2023 or 2022.

**Advertising Costs**

The Company expenses advertising costs as they are incurred.

**Use of Estimates**

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

**Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through April 12, 2024, which is the date the financial statements were available to be issued.

NOTE 2 - GOODWILL AND INTANGIBLE ASSETS

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	\$ 513,961	\$ 229,141	\$ 284,820
Franchise contract rights (7 years)	\$ 586,039	\$ 393,348	\$ 192,691
Non-compete agreements (2 years)	150,000	150,000	-
Trademarks (10 years)	50,000	22,292	27,708
	<u>\$ 786,039</u>	<u>\$ 565,640</u>	<u>\$ 220,399</u>

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

**ATAX, LLC**  
**Notes to Financial Statement**

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NOTE 2 - GOODWILL AND INTANGIBLE ASSETS (Continued)

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

	<u>Goodwill</u>	<u>Intangible Assets</u>	<u>Net Carrying Total</u>
2024	\$ 51,396	\$ 88,720	\$ 140,116
2025	51,396	88,720	140,116
2026	51,396	30,252	81,648
2027	51,396	5,000	56,396
2028	51,396	5,000	56,396
Thereafter	27,840	2,707	30,547
	<u>\$ 284,820</u>	<u>\$ 220,399</u>	<u>\$ 505,219</u>

NOTE 3 - NOTES RECEIVABLE

The Company enters into notes receivable with its area representatives and franchisees in order to fund their initial purchase as well as provide them with working capital loans. Promissory notes bear interest up to 12% and are due in various periods through April 2032.

Amounts due as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Notes receivable - Principal	\$ 6,260,005	\$ 5,763,848
Notes receivable - Accrued interest	670,742	513,282
	<u>6,930,747</u>	6,277,130
Allowance for credit losses	(855,826)	-
	<u>\$ 6,074,921</u>	<u>\$ 6,277,130</u>

NOTE 4 - 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	380,635
Change in allowance for credit losses	566,003
Balance, December 31, 2023	<u>\$ 946,638</u>

**ATAX, LLC**  
**Notes to Financial Statement**

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**NOTE 5 - RELATED PARTY TRANSACTIONS**

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

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

	<u>2023</u>	<u>2022</u>
<u>Due from related parties</u>		
Loyalty LLC	\$ 2,753,828	\$ 2,382,813
Loyalty Franchising	84,540	73,540
Zoomin Groomin	-	162,000
Loyalty Business Services, LLC	294,180	155,000
Others	3,000	11,000
	<u>\$ 3,135,548</u>	<u>\$ 2,784,353</u>
	<u>2023</u>	<u>2022</u>
<u>Due to related parties</u>		
Loyalty Franchising	\$ -	\$ 31,000
Loyalty Opportunity Zone Incorporated	38,000	88,300
Zoomin Groomin	1,288,000	190,000
Tax Support	22,440	-
Others	1,000	9,000
	<u>\$ 1,349,440</u>	<u>\$ 318,300</u>

**NOTE 6 - DEFERRED LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT LIABILITIES)**

In accordance with ASC 606, an initial franchise and area representative 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. Deferred fee income and expenses as of December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Deferred initial franchise fees	\$ 993,158	\$ 925,854
Deferred area representative fees	6,519,657	6,288,494
	<u>\$ 7,512,815</u>	<u>\$ 7,214,348</u>

**NOTE 7 - UNIT OPTION PLAN**

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

**NOTE 8 - CONCENTRATIONS OF CREDIT RISK**

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

**NOTE 9 - SETTLEMENT AGREEMENT**

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

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

	<u>2023</u>	<u>2022</u>
Payroll and related costs	\$ 646,925	\$ 476,119
Legal and settlement expense	-	94,793
Advertising and promotion	504,994	246,902
Corporate overhead expense	751,639	623,445
Repairs	-	5,137
Connectivity and technology	158,195	145,238
Consultants	134,814	139,692
Professional fees	33,054	64,378
Rent	-	10,750
Travel	41,485	60,273
Puerto Rico expense	36,000	25,044
Albany expense	21,085	-
Vancouver expense	6,184	-
Insurance	(590)	9,514
Office and meeting expense	32,008	35,375
Meals and entertainment	11,077	20,973
Other operating expenses	839	2,956
Bad debt expense	807,021	319,580
Annual convention	665	40,345
Referral fees	13,157	15,304
Total selling, general and administrative expenses	<u>\$ 3,198,552</u>	<u>\$ 2,335,818</u>



ATAX, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021



**ATAX, LLC**  
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## **Independent Auditor's Report**

To Members of  
ATAX, LLC  
Virginia Beach, Virginia

### **Opinion**

We have audited the accompanying financial statements of ATAX, LLC (a limited liability company), which comprise the balance sheets as of December 31, 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 ATAX LLC as of December 31, 2022 and 2021, and its results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our 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 ATAX LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Report on Supplementary Information***

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

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

Greensboro, North Carolina  
March 29, 2023

**ATAX, LLC**  
**Balance Sheets**  
**December 31, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 181,469	\$ 1,065,943
Accounts receivable	23,537	50,000
Notes receivable, current	2,399,871	1,707,283
Total Current Assets	<u>2,604,877</u>	<u>2,823,226</u>
Noncurrent Assets:		
Notes receivable, less current portion	3,877,259	3,977,132
Due from related parties	2,784,353	2,120,647
Goodwill, net	336,216	387,612
Intangible assets, net	309,119	397,839
Other assets	-	6,500
Total Noncurrent Assets	<u>7,306,947</u>	<u>6,889,730</u>
Total Assets	<u>\$ 9,911,824</u>	<u>\$ 9,712,956</u>
 <b><u>Liabilities and Members' Equity</u></b>  		
Current Liabilities:		
Accounts payable	\$ 41,988	\$ -
Accrued expenses	67,490	66,666
Due to franchisees	111,211	108,151
Paycheck protection program loan, current	8,684	121,860
Due to related parties	318,300	247,634
Deferred revenue, current	875,042	751,727
Total Current Liabilities	<u>1,422,715</u>	<u>1,296,038</u>
Non-Current Liabilities:		
Accrued expenses, less current portion	192,000	256,000
Deferred revenue, less current portion	6,339,306	6,074,643
Total Non-Current Liabilities	<u>6,531,306</u>	<u>6,330,643</u>
Total Liabilities	<u>7,954,021</u>	<u>7,626,681</u>
Members' Equity:		
Members' equity	1,957,803	2,086,275
Total Members' Equity	<u>1,957,803</u>	<u>2,086,275</u>
Total Liabilities and Members' Equity	<u>\$ 9,911,824</u>	<u>\$ 9,712,956</u>

**ATAX, LLC**  
**Statements of Operations**  
**For the Years Ended December 31, 2022 and 2021**

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	<u>2022</u>	<u>2021</u>
Revenue:		
Royalty fees	\$ 1,084,390	\$ 860,477
Franchise fees and area representative sales	770,046	770,657
Referral fees	205,673	96,666
Other income	2,392	-
Total revenue	<u>2,062,501</u>	<u>1,727,800</u>
Operating expenses:		
Selling, general and administrative	2,335,818	2,940,651
Amortization	140,116	180,741
Total operating expenses	<u>2,475,934</u>	<u>3,121,392</u>
Other (income) expense:		
Interest income	(383,417)	(303,745)
Interest expense	1,379	2,915
Other income	-	(23,661)
Other expenses	97,077	30
Total other (income) expense	<u>(284,961)</u>	<u>(324,461)</u>
Net loss	<u>\$ (128,472)</u>	<u>\$ (1,069,131)</u>

**ATAX, LLC**  
**Statements of Changes in Members' Equity**  
**For the Years Ended December 31, 2022 and 2021**

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Members' deficit, January 1, 2021	\$ (844,594)
Contributions	4,000,000
Net loss	<u>(1,069,131)</u>
Members' equity, December 31, 2021	2,086,275
Net loss	<u>(128,472)</u>
Members' equity, December 31, 2022	<u><u>\$ 1,957,803</u></u>

**ATAX, LLC**  
**Statements of Cash Flow**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net loss	\$ (128,472)	\$ (1,069,131)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense		
Amortization expense	140,116	180,741
Accrued interest income	(383,417)	(303,745)
Bad debt expense	319,580	(314,999)
(Increase) decrease in:		
Accounts receivable	26,463	(19,044)
Other assets	6,500	-
Increase (decrease) in:		
Accounts payable	41,988	-
Accrued expenses	(63,176)	299,838
Due to franchisees	(10,807)	102,923
Deferred revenue	(525,262)	(448,560)
Net cash used in operating activities	<u>(576,487)</u>	<u>(1,571,977)</u>
Cash flows from investing activities:		
(Advances to) borrowings from related parties	(593,040)	(2,052,770)
Repayments of notes receivables	398,229	726,012
Net cash used in investing activities	<u>(194,811)</u>	<u>(1,326,758)</u>
Cash flows from financing activities:		
Proceeds (payments) for paycheck protection program loan	(113,176)	(57,740)
Member contributions	-	4,000,000
Net cash provided by (used in) financing activities	<u>(113,176)</u>	<u>3,942,260</u>
Net increase (decrease) in cash	(884,474)	1,043,525
Cash and cash equivalents, beginning of year	1,065,943	22,418
Cash and cash equivalents, end of year	<u>\$ 181,469</u>	<u>\$ 1,065,943</u>
Supplemental disclosure of noncash investing and financing activities:		
Issuance of notes receivable for area rep and franchise purchases	<u>\$ 1,675,907</u>	<u>\$ 2,183,564</u>



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

**Nature of Activities**

ATAX LLC ("ATAX" or the "Company") is a limited liability company, organized by the Commonwealth of Virginia on October 30, 2019. The Company is primarily engaged in the business of franchising ATAX Tax Preparation and Business Services, which provides Latino tax services and related Hispanic support. The Company franchises the intellectual property, which are the basic attributes of the franchised operations.

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

**Basis of 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.

**Accounts Receivable**

Accounts receivable are uncollateralized, non-interest-bearing obligations due under the terms of franchising agreements and requiring payment within 30 days. 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 the 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. Management has determined all accounts receivable are collectible and therefore there is no allowance for doubtful accounts as of December 31, 2022 and 2021.

**Goodwill and Intangible Assets**

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

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

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

**Revenue Recognition**

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

The Company offers Franchise Agreements and Area Representative Sales Agreements ("ARA's") for the right to operate an ATAX outlet or to develop ATAX locations in a designated area. The Company recognizes revenue from the sale of franchise and ADA's agreements over time upon satisfaction of applicable performance obligations over the life of the agreement which is typically 10 years.

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

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

**Income Tax Status**

The Company is taxed as a limited liability company for federal and state income tax purposes. Accordingly, no provision for income tax is reflected in the financial statements, as it is the responsibility of the members to report their respective share of income or loss and other tax attributes on their income tax returns.

It is the Company's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2022 or 2021.

**Advertising Costs**

The Company expenses advertising costs as they are incurred.

**Use of Estimates**

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

**ATAX, LLC**  
**Notes to Financial Statement**

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

**Subsequent Events**

The Company has evaluated events and transactions for potential recognition or disclosure through March 29, 2023, which is the date the financial statements were available to be issued.

NOTE 2 - GOODWILL AND INTANGIBLE ASSETS

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

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	\$ 513,961	\$ 177,745	\$ 336,216
Franchise contract rights (7 years)	\$ 586,039	\$ 309,628	\$ 276,411
Non-compete agreements (2 years)	150,000	150,000	-
Trademarks (10 years)	50,000	17,292	32,708
	<u>\$ 786,039</u>	<u>\$ 476,920</u>	<u>\$ 309,119</u>

Amortization expenses related to intangible assets was \$140,116 and \$180,741 for the years ended December 31, 2022 and 2021, respectively.

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

	Goodwill	Intangible Assets	Net Carrying Total
2023	\$ 51,396	\$ 88,720	\$ 140,116
2024	51,396	88,720	140,116
2025	51,396	88,720	140,116
2026	51,396	30,252	81,648
2027	51,396	5,000	56,396
Thereafter	79,236	7,707	86,943
	<u>\$ 336,216</u>	<u>\$ 309,119</u>	<u>\$ 645,335</u>

NOTE 3 - NOTES RECEIVABLE

The Company enters into notes receivable with its area representatives and franchisees in order to fund their initial purchase as well as provide them with working capital loans. Promissory notes bear interest up to 12% and are due in various periods through April 2032.

**ATAX, LLC**  
**Notes to Financial Statement**

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NOTE 3 - NOTES RECEIVABLE (Continued)

Amounts due as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Notes receivable, current	<b>\$ 1,886,589</b>	\$ 1,570,047
Accrued interest, current	<b>513,282</b>	137,236
	<b>2,399,871</b>	1,707,283
Notes receivable, noncurrent	<b>3,877,259</b>	3,977,132
	<b><u>\$ 6,277,130</u></b>	<b><u>\$ 5,684,415</u></b>

NOTE 4 - PAYCHECK PROTECTION PROGRAM LOAN

On April 22, 2020, the Company obtained an unsecured promissory note for \$179,600 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration. Monthly payments totaling \$10,109, including interest at 1% per annum, are due until maturity at which time all unpaid principal and all accrued interest are due. The balance due of \$8,684 is shown as a current liability in the accompany balance sheets as of December 31, 2022.

NOTE 5 - RELATED PARTY TRANSACTIONS

In prior years, the Company sold area representative rights to Loyalty Opportunity Zone Incorporated ("Loyalty Zone"), a related party under common control, in the amount of \$1,050,000, which provide for area representative rights to eighty territories for a term of 10 years. Franchise fees and area representative sales for the years ended December 31, 2022 and 2021 include approximately \$105,000 and \$85,000, respectively, for all rights related to Loyalty Zone. As of December 31, 2022 and 2021, deferred revenue includes approximately \$764,000 and \$869,000, respectively, related to all sales of area representative rights to Loyalty Zone.

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

	<u>2022</u>	<u>2021</u>
<u>Due from related parties</u>		
Loyalty LLC	<b>\$ 2,382,813</b>	\$ 1,990,647
Loyalty Franchising	<b>73,540</b>	60,000
Zoomin Groomin	<b>162,000</b>	20,000
Loyalty Business Services, LLC	<b>155,000</b>	50,000
Others	<b>11,000</b>	-
	<b><u>\$ 2,784,353</u></b>	<b><u>\$ 2,120,647</u></b>

**ATAX, LLC**  
**Notes to Financial Statement**

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NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	<u>2022</u>	<u>2021</u>
<u>Due to related parties</u>		
Loyalty LLC	\$ -	\$ 107,634
Loyalty Franchising	<b>31,000</b>	-
Loyalty Opportunity Zone Incorporated	<b>88,300</b>	20,000
Zoomin Groomin	<b>190,000</b>	120,000
Others	<b>9,000</b>	
	<u><b>\$ 318,300</b></u>	<u><b>\$ 247,634</b></u>

NOTE 6 - DEFERRED LICENSE AND FRANCHISE FEES AND COSTS (CONTRACT LIABILITIES)

In accordance with ASC 606, an initial franchise and area representative 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. Deferred fee income and expenses as of December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Deferred initial franchise fees	<b>\$ 925,854</b>	\$ 803,925
Deferred area representative fees	<b>6,288,494</b>	6,022,445
	<u><b>\$ 7,214,348</b></u>	<u><b>\$ 6,826,370</b></u>

NOTE 7 - UNIT OPTION PLAN

The Company's operating agreement provides for the adoption of a Unit Option Plan (the "Plan") upon approval by the Company's Board of Directors. The Plan, once adopted, provides for the issuance of up to 125,000 options at the discretion of the Board of Directors and subject to the execution of an agreement between the Company and the award recipient. As of December 31, 2022, the Company has approved 40,000 options to be issued upon approval of the Plan. These options, once issued, have a 10-year life and will vest over a five-year period from the date of grant. The Company has not recorded compensation expense related to these conditional awards during the years ended December 31, 2022 and 2021.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 9 - SETTLEMENT AGREEMENT

The Company was involved in legal proceedings which were settled as of December 31, 2021. Terms of the settlement agreement required the Company to close certain ATAX locations as well as pay the Plaintiff a total of \$545,000, with \$225,000 being paid by December 31, 2021 and \$64,000 annually through December 31, 2026. As of December 31, 2022 and 2021, the balance due under the settlement agreement was \$256,000 and \$320,000, respectively, which is recorded in accrued expenses in the accompanying balance sheets.

**ATAX, LLC****Schedules of Selling, General and Administrative Expenses  
For the Years Ended December 31, 2021 and 2020**

	<u>2022</u>	<u>2021</u>
Payroll and related costs	\$ 476,119	\$ 447,092
Legal and settlement expense	94,793	795,427
Advertising and promotion	246,902	580,047
Corporate overhead expense	623,445	-
Repairs	5,137	-
Connectivity and technology	145,238	261,852
Consultants	139,692	142,920
Professional fees	64,378	157,299
Rent	10,750	39,000
Travel	60,273	61,357
Puerto Rico expense	25,044	-
Insurance	9,514	45,012
Office and meeting expense	35,375	19,316
Meals and entertainment	20,973	13,469
Other operating expenses	2,956	4,743
Bad debt expense	319,580	314,999
Annual convention	40,345	44,118
Referral fees	15,304	14,000
Total selling, general and administrative expenses	<u>\$ 2,335,818</u>	<u>\$ 2,940,651</u>

**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process</b>
<b>California</b>	<p>Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013</p> <p>2101 Arena Boulevard Sacramento, CA 95834 (866) 275-2677</p> <p><a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a></p>	<p>Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013</p> <p><a href="http://www.dfpi.ca.gov">www.dfpi.ca.gov</a> <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a></p>
<b>Connecticut</b>	<p>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299</p>	<p>The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299</p>
<b>Hawaii</b>	<p>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</p>	<p>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</p>
<b>Illinois</b>	<p>Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706 (217) 782-4465</p>	<p>Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Charlottesville, IL 62706</p>
<b>Indiana</b>	<p>Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>Secretary of State, Securities Division West Washington Street, Room E-111 Indianapolis, IN 46204</p>
<b>Kentucky</b>	<p>Kentucky Attorney General 700 Capitol Avenue</p>	



	Frankfort, Kentucky 40601-3449 (502) 696-5300	
<b>Maryland</b>	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
<b>Michigan</b>	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
<b>Minnesota</b>	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
<b>Nebraska</b>	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
<b>New York</b>	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8222 Phone	Secretary of State 99 Washington Avenue Albany, New York 12231 (518) 473-2492 Phone
<b>North Dakota</b>	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
<b>Rhode Island</b>	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

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

**STATE ADDENDA TO THE DISCLOSURE DOCUMENT**

**CALIFORNIA ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

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

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

Neither we nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

Item 5 of the Disclosure Document is amended by adding the following sentence:

We will offer a discount of 50% on the Initial Franchise Fee in California until September 30, 2023.

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

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

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

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

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

The franchise agreement requires application of the laws of Virginia. This provision may not be enforceable under California law.

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

YOU MUST SIGN A GENERAL RELEASE OF CLAIM IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

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

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

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

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

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.

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

**HAWAII ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

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

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

Items 5 and 7 of the Disclosure Document are modified to also provide that we defer the payment of all initial fees paid to us until we have performed all of our pre-opening obligations and you are open for business.

## **ILLINOIS ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

1. Illinois law governs the Franchise Agreement.
2. 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.
3. 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.
4. 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.
5. Item 5 of the Disclosure Document is modified to also provide that we defer collection of all initial fees until we have satisfied our pre-opening obligations to you and you have commenced doing business under the Franchise Agreement. The Illinois Attorney General's Office imposed this deferral requirement due to our financial condition.

**MARYLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

1. Item 17.b. is modified to also provide, “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17.u. 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.”

3. Item 17.v. is modified to also provide, “Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

## **MINNESOTA ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

Item 6 of the Franchise Disclosure Document is amended as follows: According to Minnesota Statute 604.113, the Insufficient Funds Fee is capped at \$30.00.

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 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; and that consent to the transfer of the franchise will not be unreasonably withheld.

- Minnesota Statutes, Section 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 any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. Also, a court will determine if a bond is required.

- Any limitations of claims must comply with Minnesota Statutes, Section 80C.17, Subd. 5.



## **NEW YORK ADDENDUM TO THE DISCLOSURE DOCUMENT**

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

### 1. Cover Page

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

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

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

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

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

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

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

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

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

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

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

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

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

execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**RHODE ISLAND ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

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

Section 19-28.1-14 of the Rhode Island Franchise Investment Act prohibits 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.

**VIRGINIA ADDENDUM  
TO THE DISCLOSURE DOCUMENT**

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

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

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

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

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.”

## EXHIBIT F TO THE DISCLOSURE DOCUMENT

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:

Office Name	Franchise Owner	Office Phone	Address	City	State
ATAX - 19th Ave Phoenix, AZ	Donald Heckle	623 213 7733	8056 N 19th Ave	Phoenix	AZ
ATAX - Tucson, AZ (Estrella)	Will & Lenawee Peña	(520) 903-6932	698 West Irvington Road #7	Tucson	AZ
ATAX - Hemet, CA	Jim Claverie	951-925-8590	155 N. Cawston Ave Ste 210	Hemet	CA
ATAX - Highlands, CO	Enrique Medina	720-381-1306	2930 West 38th Ave	Denver	CO
ATAX - Northglenn, CO	Fernando Gutierrez	720-399-8829	11916 Washington Street	Northglenn	CO
ATAX - Thornton, CO	Guillermo Reyes-Nieves	720-531-5496	2150 East 88th Ave	Denver	CO
ATAX - Lincoln Park, CO	Diana Luna	(720) 240-4472	817 Santa Fe Dr	Denver	CO
ATAX - Westminster, CO	Zaira / Miguel Valles Cazares	720-598-8299	3049C W 74TH AVE	Westminster	CO
ATAX - Silverthorne, CO	Victor Mercado	9709142297	325 Blue River Parkway	Silverthorne	CO
ATAX - Olde Town Arvada	Louis Martinez	720-263-2310	8295 Ralston Rd Ste 114	Arvada	CO
ATAX - Commerce City, CO	Kim Baca	720.600.0700	7280 Magnolia Street	Commerce City	CO
ATAX - South Denver, CO	Miguel Fierro	720-508-3507	1500 S Sheridan Blvd	Denver	CO
ATAX - Fruitdale, CO	Enrique Medina	720-330-9779	10260 W 44TH AVE	WHEAT RIDGE	CO
ATAX - Sloan's Lake, CO	Diana Luna	720-307-2188	1815 Federal Blvd	Denver	CO
ATAX - Hartford, CT	Jaspreet Singh	860-308-2663	250 Main Street Ste E	Hartford	CT
ATAX - Barnum Ave Stratford, CT	David and Sue Fabrizi	203-256-1169	1345 Barnum Ave Unit 3	Stratford	CT
ATAX - Fairfield, CT	David and Sue Fabrizi	(475) 295-2829	585 Villa Ave	Fairfield	CT
ATAX - Oak Ridge, Orlando FL	Diomiro Montilla	407-982-8282	4027 West Oak Ridge Rd	Orlando	FL
ATAX - Ocala, FL	Agustin Morel	352-304-8966	6158 SW Highway 200, Ste 104	Ocala	FL
ATAX - Orlando, FL	Merky Calcano	407-956-4395	5665 Curry Ford Road	Orlando	FL
ATAX - West Palm Beach, FL	Albertina Cabrera	561-288-4794	6470 Lake Worth Road	Lake Worth	FL
ATAX - Kissimmee, FL	Yasual Vargas	407-338-3712	2332 Fortune Road	Kissimmee	FL

ATAX - Four Corners, FL	Reinaldo Cruz	352-329-1758	1714 Us-27 #18	Clermont	FL
ATAX - Cutler Bay, FL (Estrella)	Keanen and Yassi Michel-Minot	305-232-7690	20214 OLD CUTLER RD	Cutler Bay	FL
ATAX - Yulee, FL	Amanda Casper	(904) 432-8736	474268 E State Rd 200	Fernandina Beach	FL
ATAX - Island Park, FL	David and Sue Fabrizi	239-282-9911	6900 Daniels Parkway	Ft Myers	FL
ATAX - SW 24th ST, FL (Estrella)	Luis Rivera	305-444-8775	7255 SW 24Th St	Miami	FL
ATAX - Fort Pierce, FL	Strather/Jim/Alex DuPree / Durante / Reed	772-800-2829	4951 S US Hwy 1	Fort Pierce	FL
ATAX - Gatlin, FL	Strather/Jim/Alex DuPree / Durante / Reed	772-800-2829	1224 SW Gatlin Blvd	Port St Lucie	FL
ATAX - Wellington, FL	Tony Tropeano	561-530-3685	5500 South State Rd. 7 Suite 108	Wellington	FL
ATAX - Maple Station, GA	Rosa Graham	706-993-2092	101 Maple Drive, Suite 4	martinez	GA
ATAX - FT Stewart GA	Steve Nelson	912-332-7718	104 B West Hendry Street	Hinesville	GA
ATAX - McDonough, GA	Brandi Williams	678-782-3369	155 Westridge Parkway Suite 304	McDonough	GA
ATAX - Cermak, IL	Jazmin and Leo Sandoval & Miranda	708-608-3608	6308 W. Cermak Rd	Berwyn	IL
ATAX - Elgin IL	Marco and Pedro Arreaga and Rubio	(224) 238-3460	1350 E Chicago Street Unit 6	Elgin	IL
ATAX - Elgin South West, IL	Jason Alicea	847-483-8709	1070 Larkin Ave	Elgin	IL
ATAX - Belmont Cragin, IL	Ivan Rivera	773-945-1800	5343 W Diversey Ave	Chicago	IL
ATAX - Mooresville, IN	Sherry Stout	3172071242	408 S Indiana St	Mooresville	IN
ATAX - Rockville Rd, IN	Patrick Holloway	317-209-1888	8355 Rockville Rd, STE 130	Indianapolis	IN
ATAX - Lawrence, MA	Ernie Cintron Rosario	603.318.9116	60 Island St, ste 112	Lawrence	MA
ATAX - Main St Haverhill, MA	Ernie Cintron Rosario	603.318.9116	200 Main Street Suite B	Haverhill	MA
ATAX - New Bedford, MA	Elizabeth Medina	774.776.3233	1549 Acushnet Ave	New Bedford	MA
ATAX - Lincoln Park, MI	Ahmed Salman	313-960-4240	3263 Fort Street	Lincoln Park	MI
ATAX - Muskegon, MI	Jennifer & Grant Hoyt	2319034800	3355 Henry St Suite A2	Muskegon	MI
ATAX - Springfield, MO	Maria Maciel	417-708-4917	1125 E Battlefield St suite 200	Springfield	MO
ATAX - Gate City, NC	Eileen Reyes	336-792-6153	4411 w gate city blvd suite 103	Greensboro	NC
ATAX - Capital Blvd, Raleigh NC	Marcus Best	919-964-ATAX	3901 Capital Blvd	Raleigh	NC

ATAX - Brier Creek, NC	Christopher Reaves	919.322.0080	8609 Jersey Court Unit 1	Raleigh	NC
ATAX - Masonboro Commons, NC	Vincent Losito	(910)221-5444	6400 Carolina Beach Road, Suite #7	Wilmington	NC
ATAX - Elm Street Nashua, NH	Ernie Cintron Rosario	603.318.9116	27 Elm Street	Nashua	NH
ATAX - Water Street Nashua, NH	Ernie Cintron Rosario	603.318.9116	8 Water Street	Nashua	NH
ATAX - Chestnut Street Manchester, NH	Ernie Cintron Rosario	603.318.9116	735 Chestnut Street	Manchester	NH
ATAX - Passaic NJ	Juan Uceta	973-470-8061	393 Monroe St	Passaic	NJ
ATAX - Passaic River, NJ	Juan Uceta	973-996-8959	151 Passaic Street	Passaic	NJ
ATAX - Atlantic City, NJ	Holly Allen	609-246-3139	1706 Atlantic Ave	Atlantic City	NJ
ATAX - Cherry Hill, NJ	Jenny Wallace	856-259-5098	1900 Greentree Road, Ste 22	Cherry Hill	NJ
ATAX- West NY NJ	Arturo Martinez	201-614-2635	5525 Bergenline Ave	W New York	NJ
ATAX - Pennsauken, NJ	Maritza Alston	856-661-7580	5900 Westfield Ave	Pennsauken	NJ
ATAX - Greenwood Avenue, NJ	Mike Damelio	609-890-8455	1841 Greenwood Ave	Hamilton Township Trenton	NJ
ATAX - Palmyra, NJ	Purnell Wright	856-899-5703	1 West Broad Street	Palmyra	NJ
ATAX - South Las Vegas, NV	Vladimir Lagario	702-589-8773	9620 South Las Vegas Blvd E-2	Las Vegas	NV
ATAX - Henderson, NV	Eli Saavedra	(661) 728-7030	4350 E SUNSET RD Suite 201B	Henderson	NV
ATAX - Marble Hill, NY	Elani Alvarez	718-889-3100	5536 Broadway	Bronx	NY
ATAX - Ossining NY	Carmita Escandon	914-236-3300	97 Main Street, Ste 2	Ossining	NY
ATAX - Woodhaven, Queens NY	Roberto and Juan Loubriel	718-441-4138	88-16 Jamaica Ave	Woodhaven	NY
ATAX - Crotona Park, Bronx NY	Fabio Liriano	718-328-7645	1416 Fulton Ave	Bronx	NY
ATAX - Staten Island, NY	Luis Guerrero	718-477-0169	2035 A Victory Blvd	Staten Island	NY
ATAX - Middletown NY	Anthony Ordonez	845-699-5190	117 North Street	Middletown	NY
ATAX - Myrtle Ave, Glendale, NY	Danny Cordova	646) 440-3149	6511 Myrtle Ave	Glendale	NY
ATAX - Corona, NY	Pedro Evangelista	718-699-2829	106-04 Corona Ave	Queens	NY
ATAX - Jackson Heights, NY	Socorro Guerrero	718-561-8185	35-58 94th Street	Queens	NY
ATAX - Newburgh, NY	Olga Perez	8455622829	350 Broadway Ave	Newburgh	NY



ATAX - Westchester Square, NY	Diego R. Toasa	347-903-3900	1442 Williamsbridge Road	Bronx	NY
ATAX - East Tremont, NY	Ismari Marte	718-655-6278	742 East Tremont Ave 2nd Floor	Bronx	NY
ATAX - Spring Valley, NY	Mindris Liriano	845-414-9434	175 Route 59	Spring Valley	NY
ATAX - West 37th St, NY	Arlenys Nunez	9179835195	500 7th Ave 8th Floor	New York City	NY
ATAX - South Ozone Park, NY	Juan Carlos Lopez	917-473-3401	131 - 17 Rockaway Blvd South Ozone Park NY 11420	Queens	NY
ATAX - Dongan Hill, NY	Melissa Villanueva	917-473-3328	259 Liberty Ave	Staten Island	NY
ATAX - Manhattanville, NY	Joel Burgos	917-473-3294	1508 Amsterdam Ave	New York City	NY
ATAX - Elmhurst, NY	Digna Cueto	917-473-3275	38-13 69th Street	Queens	NY
ATAX - East Harlem, NY	Sandra Perez	646.500.0326	500 E 119th Street	New York City	NY
ATAX - 125 Street, NY	Anik Islam	347-352-1399	2228 Adam Clayton Powell Blvd	New York City	NY
ATAX - Webster Ave	Anik Islam	347-349-2990	2499 Webster Ave	Bronx	NY
ATAX - Willis Ave, NY	Flor Paulino	347-352-1200	407 E 138th street	Bronx	NY
ATAX - Northern Blvd, Jackson Heights NY	Socorro Guerrero	3475072070	7919 Northern Blvd	Jackson Heights	NY
ATAX - Fordham Heights, NY	Alexis Romero	718-618-0759	2255 GRAND CONCOURSE STORE #4	Bronx	NY
ATAX - Hempstead NY	Oscar Osorio	516-464-7347	369 Peninsula Blvd	Hempstead	NY
ATAX - Washington Heights, NY	Diana and Albert Sabari & Torres	646-669-7175	4123 Broadway	New York	NY
ATAX - Sunrise Hwy Freeport, NY	Anthony Vargas	516-206-0077	132 W Sunrise Hwy	Freeport	NY
ATAX - Van Loon St, NY	Christian Ramos	7189891970	52-14 Vanloon street	Elmhurst	NY
ATAX - Smithtown, NY	Elizabeth & Brigitte Goldner & Malik	631.406.4099	47 W Main St	Smithtown	NY
ATAX - Bellmore NY	Bonnie & Peter Yam	516-596-8842	2596 Merrick Rd	Bellmore	NY
ATAX - Pelham Bay Park - Bronx, NY	Christina Narine	5854125434	3287 Westchester Ave	Bronx	NY
ATAX - White Plains - Bronx NY	Keisha F Middleton	9148259226	4108 White Plains Rd	Bronx	NY
ATAX - Bedford Park - Bronx NY	Arlenys Nunez	917-983-5195	2962 Jerome Ave	Bronx	NY
ATAX - Forest Ave - Queens, NY	Jaffer Hussain	347-315-1171	6242 Forest Ave	Ridgewood	NY

ATAX - Lynbrook, NY	Dr. Ophelia Grant	516-866-3600	96 Atlantic Ave	Lynbrook	NY
ATAX - Flushing, NY	Carlos Bustamante	718.353.3258	162-01 Sanford Ave	North Flushing	NY
ATAX - Elmont, NY	Michael Greenburg	516.357.5555	474 Hempstead Turnpike	Elmont	NY
ATAX - Allentown, PA	Deydri Canario	610.433.4547	12 N 8th Street	Allentown	PA
ATAX - Ponce, PR (Walmart PR)	Kate and Pedro Martinez	787.482.8824	333 PR-14, Coto Laurel	Ponce	PR
ATAX - San Juan, PR (Walmart PR)	Kate and Pedro Martinez	787-482-8821	701 Av Roberto H. Todd	San Juan	PR
ATAX - Walmart Cayey, PR	Kate and Pedro Martinez	787.482.3005	Plaza Cayey 102, 8000 Av. Jesús T. Piñero	Cayey	PR
ATAX - Walmart Manati, PR	Kate and Pedro Martinez	787-884-3400	Plaza Monte Real	Manati	PR
ATAX - Cranston, RI	Elizabeth Medina	401-369-9107	476 Wellington Ave	Cranston	RI
ATAX - Providence, RI	Miosotis Hernandez	401-383-9333	644 Elmwood Ave	Providence	RI
ATAX - Pawtucket, RI	Sahonny Nunez	401-475-9960	146 Broad Street	Pawtucket	RI
ATAX - Easley, SC	Ken Leese	864-671-6082	5119-F Calhoun Memorial Highway	Easley	SC
ATAX - Chattanooga, TN	Tiffany Robertson	423-417-1890	7794 East Brainerd RD Suite 118	Chattanooga	TN
ATAX - Josey Village, TX	Kathryn Tague & Stephanie Castellini	469-702-8902	2919 Forest Avenue Suite 200	Dallas	TX
ATAX - Fredericksburg, VA	Isaac Malcolm	540.919.9191	3343 Fall Hill Ave	Fredericksburg	VA

**Franchise Agreement Signed But Outlet Not Yet Open (as of 12/31/2023):**

ATAX Location	Franchise Owner	Office Phone	Address	City	State
ATAX - Phoenix AZ	Julie Hadsell	623.225.3507	NA	Phoenix	AZ
ATAX - North Bergen, NJ	Francisco Martinez	551.242.4619	Bergenline Ave	North Bergen	NJ
ATAX - 10240	Sajib Singha & Thomas Sim	214-934-6251	Dallas_TX_8	Prosper	TX
ATAX - 10246	Miguel Perez Carrero & Fernando Mora	469-468-5578	Dallas_TX_28	Dallas	TX
ATAX - 10221	Maritza Alston	856.668.0064	Alson-Camden3,NJ	Stockton	NJ
ATAX - 10222	Maritza Alston	856.668.0064	Alson-Camden2,NJ	Camden	NJ
ATAX - 10211	Michael Damelio	973.525.7206	Philadelphia_192	Chestnut Park	NJ
ATAX - 10212	Michael Damelio	973.525.7206	Philadelphia_191	Ewing	NJ

ATAX - 10213	Michael Damelio	973.525.7206	Philadelphia_174	S. Trenton	NJ
ATAX - 10274	Vincent & Kim Losito	(336) 209-1515	WILMGTON_NC-01	Wilmington	NC

## EXHIBIT G - TO THE DISCLOSURE DOCUMENT

### 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.

ATAX Location	Franchise Owner	Office Phone	City	State
ATAX - Albany, NY	TaxAttack Partners, Inc.	518.618-1333	Albany	NY
ATAX Rochester, NY	Ricardo Vilela & Norma Rodriguez	(585)770-7859	Rochester	NY
ATAX - Castlehill, NY	Christopher Gomez	347.352.1210	Bronx	NY
ATAX - Allerton Ave, NY	Anik Islam	347-352-2001	Bronx	NY
ATAX - Bellmawr, NJ	Yanira Quiles	833-766-2426	Bellmawr	NJ
ATAX - North Bergen, NJ	Annette Mercedes	201-654-0079	North Bergen	NJ
ATAX - South Broad Street - Trenton NJ	Mike Damelio	609-789-0794	Trenton	NJ

## EXHIBIT H

### TABLE OF CONTENTS OF OPERATIONS MANUAL

Section	Topic	Page Number	Pages
1	Introduction	7	5
2	Personnel Policies	12	4
3	Marketing Programs	16	5
4	Tax Office Policies	21	15
5	Administrative Procedures	36	7
6	Tax Preparation Procedures	43	25
7	Electronic Filing	68	14
8	Due Diligence	82	16
9	Employment Agreements, Testing, Training	98	20
10	Income Tax Office Additional Services	118	60
11	Income Tax Office Forms	178	12

**EXHIBIT I**  
**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	
Rhode Island	
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 J**  
**RECEIPT**

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

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

Issuance date: April 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 23452	(888) 268- 0321
Erik Klumpe (Loyalty Brands)	780 Lyynhaven Parkway, Suite 240	Virginia Beach, VA 23454	(833) 920- 0735
Gwendolyn DiFerndinando	6307 Thornblade Court	Greensboro, NC 27410	(336) 207 0071
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 17, 2024, that included the following

Exhibit A: Franchise Agreement and Schedules

Schedule 1-Territory

Schedule 2-Automatic Bank Draft Authorization

Schedule 3-Telephone Number Assignment

Schedule 4-Lease Rider

Schedule 5-Promissory Note

Schedule 6-State Addenda to the Franchise Agreement

Exhibit B: Release

Exhibit C: Financial Statements

Exhibit D: State Administrators/Agents for Service of Process

Exhibit E: State Addenda to the Disclosure Document

Exhibit F: List of Franchisees

Exhibit G: List of Former Franchisees

Exhibit H: Table of Contents of Operations Manual

Exhibit I: State Effective Dates

Exhibit J: Receipts

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

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

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

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



## 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.

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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.

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Exhibit H: Table of Contents of Operations Manual

Exhibit I: State Effective Dates

Exhibit J: Receipts

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

(Do not leave blank)

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

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

Please date, sign, and return this copy to us.