

## FRANCHISE DISCLOSURE DOCUMENT- AREA REPRESENTATIVE

The Inspection Boys®



The Inspection Boys Franchise USA LLC  
d/b/a The Inspection Boys®,  
a Virginia Limited Liability Company  
780 Lynnhaven Parkway  
Suite 240  
Virginia Beach, VA 23452  
(800) 819-4403  
<https://inspectionboys.com>

We offer a franchise opportunity to you as an Area Representative to solicit, recruit, and service franchises on our behalf for a specified territory pursuant to the Area Representative Agreement. The franchise offered is for the establishment and operation of an entity for commercial and residential inspection services under the trade name “The Inspection Boys®” (the “Franchise Business”).

The total investment necessary to begin operations of **The Inspection Boys®** Area Representative Franchise Business is \$155,250-\$313,000. This includes is \$150,000-\$300,000. that must be paid to the Franchisor or affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact: Matthew Rivera, 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia, 23452, (800) 819-4403.

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 (FTC). 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 14, 2023

## How to Use This Franchise Disclosure Document

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

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

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

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

**Business model can change.** The Area Representative 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 Area Representative 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 Area Representative Agreement grants you a Territory, the Franchisor may have the right to compete with you in your Territory.

**Renewal.** Your Area Representative 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 Area Representative Agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### **Some States Require Registration**

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

Your state also may have laws that require special disclosures or amendments be made to your Area Representative 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 Area Representative 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. **Minimum Sales Performance.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
5. **Litigation History.** The litigation history of certain members of the management team may increase the risk of your investment. You may wish to further review this litigation history whether or not it has been required to be disclosed in this FDD.

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

## TABLE OF CONTENTS

<b>Table of Contents .....</b>	<b>0</b>
<b>ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES .....</b>	<b>1</b>
<b>ITEM 2. BUSINESS EXPERIENCE .....</b>	<b>6</b>
<b>ITEM 3. LITIGATION .....</b>	<b>7</b>
<b>ITEM 4. BANKRUPTCY .....</b>	<b>13</b>
<b>ITEM 5. INITIAL FEES .....</b>	<b>14</b>
<b>ITEM 6. OTHER FEES.....</b>	<b>15</b>
<b>ITEM 7. ESTIMATED INITIAL INVESTMENT .....</b>	<b>17</b>
<b>ITEM 8. RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS.....</b>	<b>19</b>
<b>ITEM 9. FRANCHISEE’S OBLIGATIONS.....</b>	<b>21</b>
<b>ITEM 10. FINANCING.....</b>	<b>22</b>
<b>ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....</b>	<b>24</b>
<b>ITEM 12. TERRITORY .....</b>	<b>28</b>
<b>ITEM 13. TRADEMARKS .....</b>	<b>30</b>
<b>ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....</b>	<b>32</b>
<b>ITEM 15. OBLIGATION TO PARTICIPATE .....</b>	<b>33</b>
<b>ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....</b>	<b>34</b>
<b>ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....</b>	<b>35</b>
<b>ITEM 18. PUBLIC FIGURES .....</b>	<b>39</b>
<b>ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS .....</b>	<b>40</b>
<b>ITEM 20. OUTLETS AND FRANCHISEE INFORMATION .....</b>	<b>41</b>
<b>ITEM 21. FINANCIAL STATEMENTS.....</b>	<b>43</b>
<b>ITEM 22. CONTRACTS .....</b>	<b>44</b>
<b>ITEM 23. RECEIPTS.....</b>	<b>45</b>

Exhibit	Description
A	State Addenda
B	Area Representative Agreement
C	List of State Administrators and Registered Agents
D	Table of Contents-Manual
E-1	List of Franchisees
E-2	List of Former Franchisees
F	Financial Statements
G	State Effective Dates
H	Receipts

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

### **1. *The Franchisor***

To simplify the language in this disclosure document (the "Disclosure Document"), “we”, “us”, or “our” means The Inspection Boys Franchise USA LLC, trading as The Inspection Boys®, the Franchisor. The terms “You” and “your” refer to the person or entity who buys this franchise. If you are a corporation, limited liability company, or other entity then “you” will also include your owners.

We are a Virginia Limited Liability Corporation formed on November 19, 2020 as a Virginia Limited Liability Company. Our principal place of business is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. We do business under the name of The Inspection Boys®. Our agent for service of process in Virginia is John Allen Waldrop, III whose principal place of business is 780 Lynnhaven Parkway, Suite 400, Virginia Beach, Virginia 23452. Our agents for service of process in other states which vary by state are identified in Exhibit C to this Disclosure Document.

We do not engage in any other business activity. We have not operated a franchise business of the type you are being offered.

### **2. *Parent***

Loyalty Franchising LLC is our parent company. Loyalty Franchising LLC was formed on September 23, 2020 as a Virginia Limited Liability Company. Loyalty Franchising LLC’s principal place of business is also located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Loyalty Franchising LLC does not offer products or services to our franchisees or offer franchises in any line of business.

Loyalty, LLC is the parent company of Loyalty Franchising LLC. Loyalty, LLC was formed on November 6, 2017 as a Virginia Limited Liability Company. Loyalty, LLC’s principal place of business is also located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, Virginia 23452. Loyalty, LLC does not offer products or services to our franchisees or offer franchises in any line of business.

### **3. *Predecessor***

On December 8, 2020, we purchased all of the assets of our predecessor, The Inspection Boys Franchise, Inc., a Pennsylvania Corporation which had purchased the franchise business from The Inspection Boys Franchising, Inc. a New Jersey corporation on January 1, 2018.

### **4. *Affiliates***

We have an affiliate, ATAX LLC d/b/a ATAX, formed on February 20, 2019, with a principal business address of 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. ATAX has offered a franchise opportunity for franchisees to operate a retail tax, bookkeeping and payroll office within a defined territory since 2019. ATAX has never offered franchises in any other line of business and does not offer products or services to

our franchisees. As of December 31, 2022, ATAX had a total of 99 franchised unit outlets in operation.

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 has offered a franchise opportunity for franchisees to operate a business delivering temporary staffing services within a defined territory since 2012. Jomsom has never offered franchises in any other line of business and does not offer products or services to our franchisees. As of December 31, 2022, Jomsom had a total of 7 unit outlets in operation.

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 has offered a franchise opportunity for franchisees to operate a business brokerage within a defined territory since 2022. Loyalty Business Brokers has never offered franchises in any other line of business and does not offer products or services to our franchisees. As of December 31, 2022, Loyalty Brokers had a total of 3 unit outlets in operation.

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 has offered a franchise opportunity for franchisees to operate a business that provides compliance, advisory and tax services within a defined territory since 2020. Loyalty Business Services LLC has never offered franchises in any other line of business and does not offer products or services to our franchisees. As of December 31, 2022, Loyalty Business Services LLC had a total of 8 unit outlets in operation.

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 has offered a franchise agreement for the development and operation of a business providing 2 curriculum-based educational programs that focus on medicine, science and the benefits of good health for children ages four to fourteen years old within a protected territory since 2014. As of December 31, 2022, LMS Franchising, LLC had a total of 39 unit outlets in operation.

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 offered a franchise opportunity for franchisees to operate a business offering, selling, and performing roofing and remodeling services for commercial and residential customers within a defined territory since 2022. CR3 American Exteriors has never offered franchises in any other line of business and does not offer products or services to our franchisees. As of December 31, 2022, CR3 American Exteriors had a total of 5 unit outlets in operation.

We have an affiliate, Zoomin Groomin USA LLC d/b/a Zoomin Groomin, formed September 23, 2020, with a principal place of business at 780 Lynnhaven Pkwy, Suite 240, Virginia Beach, VA 23452. Zoomin Groomin has offered a franchise opportunity for franchisees to operate one or more mobile pet grooming service vehicles as outlets within a defined territory since 2021. Zoomin Groomin has never offered franchises in any other line of business and does not offer products or services to our franchisees. As of December 31, 2022, Zoomin Groomin had a total of 16 unit outlets in operation.

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

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

In addition, certain states have laws governing the sale of franchises and the relationship between Franchisors and franchisees. In general, as to state franchise sales laws, we must engage in truthful advertising and avoid making false claims or financial performance representations except as stated in the Franchise Disclosure Document.

Typically, state relationship laws mandate fair dealing between a Franchisor and franchisee, require that a franchisee not be terminated or otherwise lose rights as a franchisee absent good cause, and require that reasonable standards be applied in determining whether to approve the sale or transfer of an existing franchise to a new franchise owner.

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

In order to close your purchase of the Area Representative Agreement, you must provide to us a completed Biographical Information Sheet. See Schedule 6A to the Area Representative Agreement. Additionally, we may require you to provide to us updated biographical information each year.

Many states have laws that regulate individuals conducting building inspections and/or other requirements that in some way regulate building inspection businesses. These regulations often require some form of certification, licensing, or registration to offer or conduct services as a building inspector and/or to establish and operate a building inspection business. This means Unit franchisees and their staff, in your Territory may be required to meet education levels, complete training and apprentice programs, have inspection experience, complete a recognized exam, and engage in continuing education programs to offer our Services. Every Unit franchisee will be responsible for researching



and meeting the licensure, certification, and/or registration requirements for businesses and home inspectors in your local jurisdiction, including all associated costs.

You should consult with your attorney concerning these and other local laws and ordinances that may affect your operation of the Franchise Business.

## **6. *The Business We Offer***

We offer the opportunity to operate a business (“Franchise Business”), using The Inspection Boys® model (“System”) which involves delivering commercial and residential inspection services (collectively “Services”) in accordance with prescribed processes which are defined in writing (“Manual”). A Franchise Business operates under the trade name “The Inspection Boys®” and other such trademarks as we may designate for use from time to time which we refer to as the “Marks.”

We offer franchises to find, solicit and recruit prospective franchisees on our behalf using The Inspection Boys® model in a specific agreed territory and then support them through marketing and operating assistance as Area Representatives. The Inspection Boys® offices serve all customers. We will determine whether to accept each prospect as a franchisee, and if so, we will enter into a franchise agreement with the prospect and may pay you a portion of that franchisee’s Initial Franchise Fee as further detailed in Item 5.

We offer and sell franchise rights to develop and operate The Inspection Boys® System through our unit franchise program. We have and maintain a separate unit franchise Disclosure Document that you will use to disclose prospective franchisees in your Territory. You may not solicit franchisees in a franchise registration state until such time as we are effectively registered in that state.

Your continuing support obligations to franchisees who sign franchise agreements with us will include marketing and operating assistance. See Item 15 for a full list of your support obligations.

## **7. *Description of the Franchise***

We offer the opportunity to operate a business (“Franchise Business”), using The Inspection Boys® model (“System”) which involves delivering residential and commercial facility inspection services (collectively “Services”) in accordance with prescribed processes which are defined in writing (“Manual”). A Franchise Business operates under the trade name “The Inspection Boys®” and other such trademarks as we may designate for use from time to time which we refer to as the “Marks.”

## **8. *Market and Competition.***

The target market for Services consists of residential and commercial clients seeking affordable inspection services. The business model is operated from a home office location or small commercial office location which typically is centrally located in your market and you will drive to customers and provide our services onsite at their location. You will be reviewing and analyzing properties for a variety of reasons including sales, purchases, or assessments being done on properties. You will be performing assessments and developing

the written reports from your home office location. These inspection services are not seasonal.

The general market for any home inspection service is highly developed and very competitive. Our customers are primarily individuals and families who buy a home.

In some jurisdictions, you will need a “home inspection” license or similar governmental permit. You should inquire with your local state, county and city regulators as to specific regulations that may exist related to home inspection service operations.

As a The Inspection Boys®, you will compete with other home inspection companies and individual home inspectors. The industry is highly competitive. You will compete against national chains, regional chains, and independent owners. Some of these competitors are franchised.

**9. *Prior Business Experience***

Our predecessor, Inspection Boys Franchising, LLC had offered franchises since 2017.

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## ITEM 2. BUSINESS EXPERIENCE

### **Matthew Rivera: Chief Executive Officer**

Matthew Rivera has served as our Chief Executive Officer since December 2020. From December 2017 through November 2020, he served as the founder and Chief Operating Officer of our predecessor, The Inspection Boys Franchising, Inc., in Farmingville, New York. He is also the owner of The Inspection Boys Inc., which has operated a home inspection business under The Inspection Boys mark in Farmingville, New York, since April 2017. Mr. Rivera has been a licensed home inspector in New York State since 2015 and has been approved in New York State to provide qualifying home inspection courses through his management of the Long Island division of NY Home Inspector School since 2017. Mr. Rivera previously owned MJM Home Inspections Inc., in Farmingville, New York from 2015 through April 2017.

### **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, in Virginia Beach, Virginia since September 2017.

### **Mark Johnson: Chief Executive Officer of Loyalty Franchising LLC**

Mark Johnson has served as the Chief Executive Officer of our parent company, Loyalty Franchising, LLC in Virginia Beach, Virginia, since its formation in September 2020. Mr. Johnson has served as the Chief Executive Officer of FranchiseThis, LLC, in Virginia Beach, Virginia since its formation in May 2008.

### **Tonya McLane: President of Business Development for Loyalty, LLC**

Tonya McLane has served as the President of Business Development for Loyalty, LLC in Virginia Beach, Virginia, since June 2020. She previously served in this role from April through June of 2019. She also served as Chief Executive Officer for Loyalty Trade Exchange in Virginia Beach, Virginia from June 2019 to June 2020. Previously, Ms. McLane served as Assistant Vice President, Commercial Lender, for NWSB Bank, in Taneytown, Maryland from April 2018 to November 2018.

### ITEM 3. LITIGATION

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

**Pending Actions:**

*There are no pending actions.*

**Concluded Actions:**

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

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

and then further information on this case is reported below under the caption *In Re: Liberty Tax, Inc., Securities Litigation* Case No. 27 CV 07327 (E.D.N.Y.).

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

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

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

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

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

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

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

*Erie County Employees Retirement. System, on behalf of Liberty Tax, Inc. v. John T. Hewitt*.

Defendant, and Liberty Tax, Inc. Nominal Defendant, Case No. 2017-0914, was filed the Court of Chancery of the State of Delaware on December 22, 2017. Plaintiff also alleged that Hewitt breached his fiduciary duties as an officer based upon certain allegations of misconduct on his part. The Plaintiff also alleged breach of fiduciary duty against Hewitt in his capacity as a director of LT Inc. The Complaint sought to enjoin Hewitt from managing LT's business operations and seeks compensatory damages and attorney's fees. On December 27, 2017, this action was consolidated with another action into *In Re: Liberty Tax, Inc. Stockholder Litigation* (*see below*).

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

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

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

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

#### **Governmental Actions Against 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.

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**ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this item.

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## ITEM 5. INITIAL FEES

The Initial Franchise Fee is approximately \$10,000 per undeveloped Single Unit Territory in your Area Representative Territory. Typically, an Area Representative will purchase 15-30 undeveloped Single Unit Territories for a total Initial Franchise Fee of approximately \$150,000 - \$300,000.

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

You must submit the Initial Franchise Fee to us before attending Initial Area Representative Training. We will refund to you the Initial Franchise Fee if we do not approve your application or if you do not pass our Initial Area Representative Training in accordance with our current passing standards for training provided that you return to us all materials which we distributed to you during training.

The Initial Fees are uniformly imposed and non-refundable once paid.

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## ITEM 6. OTHER FEES

Type of Fee (Note <sup>1</sup> )	Amount	Due Date	Remarks
Fee for Franchisee Prospects (Note <sup>2</sup> )	\$1,000 per month. Typically, \$100 - \$150/ per lead.	As incurred	Help with lead generation
Late Fees	Lesser of 1.5% per month or the highest rate allowable by law of the state where you are located.	As incurred	Apply to amounts owed to us that are five (5) days past due.
Internal Sales Fee	\$5,000 per Single Unit Franchise	At the time of sale	If our internal franchise sales staff or representative assists in the sale of a Unit Franchise for you, you pay this fee to us.
Transfer Fee (Note <sup>3</sup> )	\$15,000	Prior to acceptance of transferee	Payable at closing
Franchise Broker Fee (Note <sup>4</sup> )	A proportional amount of the Broker's commission based on the percent of the Initial Franchise Fee you receive on a new unit franchise sale.	At the time of sale	Shared expense
Indemnification	Will vary under circumstances	As incurred	Payable if we incur on your behalf.
Attorney Fees and Costs	Will vary under circumstances	As incurred	Prevailing party pays litigation cost of the other party.

### Notes:

<sup>1</sup> **Fees**-All of the listed fees are uniformly imposed payable to us unless otherwise noted and are non-refundable. We reserve the right to set off amounts owed to use against amounts owed to you.

<sup>2</sup> **Lead Generation**-We may generate leads and offer them to you but you are under no obligation to purchase them. The cost will vary depending upon cost and difficulty of obtaining the prospects.

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<sup>3</sup> **Transfer Note** - For the protection of both buyer and seller, we will serve as the settlement agent on transfers of ownership. If you transfer your Area Representative Territory to an entity in which you are the majority owner, or if you transfer the outlet to your child, parent, sibling, or spouse. In addition, prior to transfer, all outstanding amounts due to us must be paid.

<sup>4</sup> **Broker Fees**-If a franchise broker assists in a Single Unit sale of yours, then you absorb a proportional amount of the Broker's commission based on the percent of the Initial Franchise Fee you receive on a new Single Unit Franchise sale.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure*	Estimated Amount (Low)	Estimated Amount (High)	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee (Note 1)	\$150,000	\$300,000	Check or Wire Transfer	At Signing of Area Representative Agreement	Us
Cost of Travel, Food and Lodging for Training (Note 2)	\$200	\$2,000	As Incurred	During Training	Airlines, Lodging & Ground Transportation
Rent (Note 3)	\$0	\$3,000	As Arranged	As necessary	Lessor, utilities
Computer Equipment Services & Software (Note 4)	\$750	\$1,500	As Arranged	Before Beginning Operations	Suppliers
Insurance (Note 5)	\$1,000	\$2,000	As Arranged	Before Beginning Operations	Insurance Company
Professional Fees- Legal & Accounting (Note 6)	\$300	\$1,500	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds-3 Months (Note 7)	\$3,000	\$3,000	As Arranged	As Necessary	Us, Employees, Utilities, Lessor & Suppliers
<b>TOTAL</b>	<b>\$155,250</b>	<b>\$313,000</b>			

\*All fees are uniformly imposed payable to us unless otherwise noted and are nonrefundable.

#### **Notes:**

**Note 1: Franchise Fee-**Depending on your creditworthiness, we may extend financing to you. See Item 10.

**Note 2: Initial Training-**You must pay for the travel, lodging, meals, and wages of attendees at Initial Training if not offered via videoconference. Your costs will vary.

**Note 3: Rent-**You may operate out of your home or lease an office. Rent varies depending upon office size, location and market conditions in your area. If you make improvements to the property, you will incur additional expense for these items.

**Note 4: Technology-** You must comply with our computer hardware, software, and network services specifications which we set forth in detail in Item 11 of this disclosure document.

**Note 5: Insurance-** You may obtain insurance to cover any risk associated with your activity. These insurance costs vary by state and can change over time based on your risk management skill.

**Note 6: Professional Fees-** You may incur professional fees like legal and accounting expenses to assist with this franchise purchase, your entity set up, licensing, and other legal and accounting issues.

**Note 7: Additional Funds-** As with starting any business, it is recommended to have additional funds available for unforeseen expenses. The estimate of additional funds for the initial phase of your Area Representative Territory 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.

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

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

#### Franchise Disclosure Documents.

You must use the Franchise Disclosure Documents we provide when recruiting franchisees. We will provide an electronic link or copy free of charge. You may also purchase additional paper or disk copies from any copy service.

#### Prospects.

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

#### Advertising and Marketing.

You must use advertising material from us, a vendor that we designate, or we must approve the advertising in writing prior to its use.

#### Computer Hardware, Software, and Network Services

We require you to use such computer hardware, software, and network services as we specify in the Manual which may include vendor designations.

#### Insurance.

You may obtain insurance to cover any risk associated with your activity. These insurance costs vary by state and can change over time based on your risk management skill.

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

#### Advertising and Marketing

We are an approved supplier of Advertising and Marketing material, Franchise Disclosure Documents, and leads. We are the only approved supplier of Franchise Disclosure Documents though you may make additional copies through any vendor.

#### Alternative Suppliers

You may contract with alternative suppliers if they meet our criteria as defined in the Manual, if any. However, you must use the Franchise Disclosure Document that we provide or make available to you to use.

There is no fee to propose another supplier. If you wish to propose another supplier, you must do so in writing. We will review the supplier to determine whether to consider adding the supplier to our list of approved vendors. We will notify you within thirty (30) days if we approve or disapprove of an alternative supplier. If we have not responded to a written request for approval of an alternate supplier within thirty (30) days, then the request is approved if they meet the requirements as specified in the Manual, if any. If we revoke approval for a supplier, we will provide written notice to you.

#### Issuance and Modification of Specifications

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



Supplier Payments to Us

We currently do not receive payments from suppliers as a result of purchases or leases by our Area Representatives; however, we may do so in the future. For the fiscal year ended December 31, 2022, we did not derive revenue or other material consideration from required purchases or leases by Area Representatives.

Purchasing or Distribution Cooperatives

There currently are no purchasing or distribution cooperatives.

Purchase Arrangements

We do not presently, but may in the future, negotiate purchase arrangements with suppliers, including price terms on behalf of one or more Area Representatives.

Material Benefits to you

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

Officer Interest in Suppliers

John Hewitt and Matthew Rivera, own an interest in us.

Required Purchases as a Proportion of Costs

We estimate that your required purchases of goods and services will be approximately 1-5% in establishing the Franchised Business and 5%-10% in operating the Franchised Business.

## ITEM 9. FRANCHISEE’S OBLIGATIONS

**This table lists your principal obligations under the Area Representative 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. Review below for Section and Item Numbers.**

Franchisee’s Obligations	Section In Area Representative Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	4.3,	11
b. Pre-opening purchases/leases	3.5.C	7, 8
c. Site development and other pre-opening requirements	3.5	11
d. Initial and ongoing training	3.5.A3.5.B,3.3.2	11
e. Opening	3.3.1	11
f. Fees	2.2	5, 6, 7, 8, 11
g. Compliance with standards and policies/Manual	3.5.E	8, 11
h. Trademarks and proprietary information	1.8,6	13, 14
i. Restrictions on products/services offered	3.4.D	8, 16
j. Warranty and customer service requirements	3.4.F	6
k. Territorial development and sales quotas	1.6, 3.2, Schedule 2	12
l. Ongoing product/service purchases	2.2.B, 2.2.C, 2.2.D	8
m. Maintenance, appearance & remodeling requirements	Not Applicable	Not Applicable
n. Insurance	3.5.F	8
o. Advertising	1.8	8, 11
p. Indemnification	3.7	6
q. Owner’s participation/management/staffing	3.1	15
r. Records and reports	3.6	11
s. Inspections and Audits	3.6	11
t. Transfer	7	17
u. Renewal	1.2.B	17
v. Post-termination obligations	8.6	15, 16, 17
w. Non-competition covenants	8.8	15, 16, 17
x. Dispute resolution	9	17

## ITEM 10. FINANCING

We offer the following financing program:

Parameter	Initial Franchise Fee and for additional territories
Item Financed (Note 1)	Varies, up to 100% of the Initial Franchise Fee
Source of Financing (Note 2)	Us
Down Payment	Varies
Amount Financed	Up to 100%
Interest Rate/Finance Charge	12% per annum (including finance charges)*
Period of Repayment	36 months with repayment due on year anniversary each year
Security Required	Personal Guarantee
Whether a Person Other than the Franchisee Must Personally Guarantee the Debt (Note 3)	If the franchisee is an entity, its owners must personally guarantee the debt
Prepayment Penalty	None
Liability Upon Default	Accelerated obligation to pay the entire amount due, pay our court costs and attorney fees incurred in collecting the debt, and termination of the franchise.
Waiver of Defenses or Other Legal Rights	Waiver of right to jury trial; homestead and other exemptions; waiver of presentment, demand, protest, notice of dishonor.
Intent to Sell (Note 4)	There is no intent to sell, assign or factor the debt to a third party.
Consideration for placement of financing (Note 5)	None

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

## NOTES

- Note 1: **Discretionary**-We may in our sole discretion provide financing to you.
- Note 2: **Form**-Schedule 5 contains the form of Promissory Note that you must sign for us to extend financing to you.
- Note 3: **Corporate Guarantee**- If the Franchisee is a corporation, 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.
- Note 4: **Intent to Sell**-We do not have any past or present practice to sell, assign or discount to any third party, any note, contract or other instrument signed by you, but we reserve the right to do so.
- Note 5: **Commissions/Rebates**-We do not receive any direct or indirect payments or other consideration for placing financing.

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

Except as listed below, The Inspection Boys® is not required to provide you with any assistance.

### 1. Pre-Opening Obligations

#### 1.1. Initial Training.

We provide an Initial Training program in Virginia Beach or another designated training location or online such as Zoom. The topics covered in Initial Training are described in the chart below in this Item 11. (Area Representative Agreement, Section 3.5.A).

#### 1.2. Operations Manual.

We provide access to our Operations Manual ("Manual") to offer guidance in the operation of your Franchised Business. (Area Representative Agreement, Section 3.5.E).

#### 1.3. Length of Time Before Opening:

The typical length of time between the signing of the Area Representative Agreement and the opening of your Franchise Business is 3-4 months. You will begin operations and be open for business the sooner of 3 months from the time both parties execute the franchise agreement. If you do not, more time will be given, but you will remain subject to minimum requirements. Factors that can affect the time length in which to be open for business include: the time needed to (1) obtain licenses and permits and (2) obtain training.

### 2. During the Operation of the Franchise:

#### 2.1. Single Unit Training.

We offer Initial Training to Single Unit Franchisees periodically. You must attend a training session for the Single Unit Franchisees within twelve months of closing or within a month a Single Unit Franchise closes in your area. (Area Representative Agreement, Section 3.5A).

#### 2.2. Operational Support.

We offer assistance with operating problems and issues that you may encounter. (Area Representative Agreement, Section 4.5).

#### 2.3. Marketing Support.

We offer marketing assistance and support. (Area Representative Agreement, Section 4.7).

#### 2.4. Additional Training or Seminars.

We may elect to offer additional training or seminars. (Area Representative Agreement, Section 4.2).

### 3. Advertising Program and Fund:

#### 3.1. Grand Opening Advertising.

We do not require you to spend on Grand Opening Advertising

**3.2. Local Advertising.**

We do not require you to spend on Local Advertising.

**3.3. Advertising Fund.**

We do not require you to contribute to an advertising fund.

**3.4. 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. (Area Representative Agreement, Section 4.7).

**3.5. 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. (Area Representative Agreement, Sections 4.7 and 1.8.C).

**3.6. 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. (Area Representative Agreement, Section 4.7).

**3.7. Print Material.**

We supply you with templates of fliers, coupons, and other print material. (Area Representative Agreement, Section 4.7)

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

**4.1. Area Representative Created Collateral**

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 15 days from the date we received the material, the material is deemed disapproved. (Area Representative Agreement, Section 1.8.A).

**4.2. 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. (Area Representative Agreement, Section 1.8.D).

**5. Computer System:**

You must comply with our computer hardware, software, and POS specifications.

Hardware:

1 desktop computer and monitor  
 At least 1 printer/scanner  
 iPad or tablet with Wi-Fi capability  
 These items can be purchased for under \$1,000.

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 \$300.00.

**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 is 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.

**6. Operations Manual:**

Exhibit D contains the Table of Contents to the Operations Manual. The Manual contains approximately 33 pages.

**7. Initial Training Program:**

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>
<i>Franchise Overview</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Guiding Principles</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Confidential Information</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Image</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Client Service/Courtesy</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Corporate Mission</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Guiding Principles</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Providing World-Class Service</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>

<i>Marketing Plan Implementation</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Financial Forecast, Productivity Goals and Objectives</i>	<i>1</i>	<i>0</i>	<i>Virginia Beach</i>
<i>Operation Manual</i>	<i>2</i>	<i>0</i>	<i>Virginia Beach</i>
<b>Total</b>	<b>12</b>	<b>0</b>	

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

**Instructors:** Matthew Rivera and Brigitte Malik have 9 years of experience in the home inspection field. Robin Brown and Mark Johnson have over 9 years of experience in instructing franchises on how to operate a successful business. Training programs are conducted on an as-needed basis as determined by the Franchisor. Guest instructors may also present.

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

**Tuition:** 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.

**Successful Completion of 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 an area representative franchise. 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.

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## ITEM 12. TERRITORY

Your Territory is set forth in Schedule 1 of the Area Representative Agreement and will be defined by zip codes, political, or geographic boundaries. A typical territory will contain approximately 15-30 unit franchise territories. Each unit franchise territory will contain a population of approximately 150,000 people. We obtain population data from the U.S. Census Bureau or another service we deem reliable.

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

You recruit franchisees for the purpose of signing them up as a unit franchise owner.

You do not have rights of first refusal, or similar rights to acquire additional territories.

You will not receive an exclusive territory. You may face competition from other Area Representatives, from other channels of distribution, or competitive brands that we control. However, any prospect that is interesting in purchasing a franchise business in your Area Representative Territory will be assigned to your Area in your discretion. In addition, you may only recruit franchisees to locate a unit franchise in your Territory.

Continuation of your territorial rights depends on achieving a certain development goals, namely, Minimum Requirements specified in your Area Representative Agreement. If you fail to meet Minimum Requirements, we reserve the right to terminate your territorial rights under the Area Representative Agreement for the development of additional units. You will still maintain your rights, obligations and share in the Initial Franchise Fees and royalties for any existing franchise agreements for the term of the Area Representative Agreement; however, we may then freely sell and develop the terminated territory without sharing any of the Initial Franchise Fees or royalties. There are no other circumstances that permit us to modify your territorial rights.

We or an affiliate may make sales within your Territory using our principal trademarks, including through the use of other channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing sales.

We or an affiliate may make sales within your Territory using trademarks different from the ones you will use under the Area Representative Agreement including through the use of other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing sales.


If we establish another unit franchisee in your Territory, you will receive 50% of the net Initial Franchise Fees paid by the unit franchisee (the unit franchise fee less any broker or sales commission and any internal sales fee), and 50% of the royalties paid by the unit franchisee, just as if you sold the unit franchisee the territory yourself. However, you will retain the right to approve any candidate that we suggest.

Neither we nor an affiliate operates, franchises, or has plans to operate or franchise a business under a different trademark from the ones you will use which such business sells or will sell goods or services similar to those you will offer, but we reserve the right to do so.

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### ITEM 13. TRADEMARKS

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

Description of Mark	Registration Number	Principal or Supplemental Register of the USPTO	Registration Date
 <p>The color(s) teal, dark teal, and gray is/are claimed as a feature of the Mark. The Mark consists of the wording "THE INSPECTION BOYS" on three lines in stylized, teal uppercase lettering, with dark teal 3-D effect. There is a magnifying glass instead of the letter "O" in "BOYS". There is a teal, horizontal line with dark teal 3-D effect on either side of the word "BOYS". Around the top of the wording is the stylized outline of a house and roof in teal with dark teal 3-D effect. The entire mark has a gray shadow effect and is on a slight diagonal plane.</p>	5539862	Principal	8/14/2018
“We Inspect and Respect Your Home”	5539860	Principal	08/14/2018

We purchased the right to use the name and Marks in the United States from the predecessor on or about December 8, 2020. The owner and registrant executed a Trademark Assignment which was submitted to the United States Patent and Trademark office for registration for use by The Inspection Boys Franchise USA LLC.

Other than as mentioned in the preceding paragraph, all required affidavits and renewals have been filed. There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or any court; or any pending infringement, opposition, or cancellation proceeding in which we unsuccessfully sought to prevent registration

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

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

If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must promptly notify us. We are not required to take affirmative action when notified of these uses or claims. We have the sole right to control any administrative proceedings or litigation involving a trademark licensed by us to you. The Area Representative Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

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

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

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

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

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

We will protect our patent or copyrights as necessary. We will remain in control of any such litigation. We may modify or change the copyrighted materials and compel you to accept and adopt such modifications or changes at your expense. We know of no superior rights or infringing uses that could materially affect your use of the copyrighted materials. We claim proprietary rights in our Manual and business methods. You must use these items per the terms of your Area Representative Agreement.

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## **ITEM 15. OBLIGATION TO PARTICIPATE**

### **IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

You or a fully trained and qualified manager 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 the obligations under the Area Representative Agreement.

While you may designate a Business Manager to fulfill your obligations of day-to-day management, though you are still responsible. You must inform us in writing of the identity of your Business Manager, furnish information to us regarding the candidate's background, experience and credentials, and secure our advance written approval before you engage him or her. We will not unreasonably withhold or deny our approval.

Your Business Manager must have complete decision-making authority with regard to your Franchise Business and must have authority to act on your behalf in all respects under the Area Representative Agreement. Your Business Manager must successfully complete the Initial Training program, and complete ongoing advance training requirements.

All owners of the Franchise Business must guarantee the obligations under the Area Representative Agreement.

Franchisees and Business Managers are subject to a covenant not to compete along with confidentiality requirements.

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

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

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

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

### THE FRANCHISE RELATIONSHIP

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

Provision	Section In Area Representative Agreement	Summary
a. Length of the franchise term	1.2.A	10 years.
b. Renewal or extension of the term	1.2.B	Can be renewed for successive terms if you are in compliance with your Area Representative Agreement (“Agreement”).
c. Requirements for you to renew or extend	1.2.B	Renewing your Area Representative Agreement means that you are able to continue your operations for an additional term. You must notify us in writing at least 120 days before the expiration, sign a new Area Representative Agreement along with a general release of claims, any pay a renewal fee (if any). Currently, there is no renewal fee. The new Area Representative Agreement may contain materially different terms and conditions than your original contract.
d. Termination by franchisee	8.1	You may terminate the Agreement if you sell the Franchise Business pursuant to the terms of the Area Representative Agreement or do not renew.
e. Termination by Franchisor without cause	None	Not applicable
f. Termination by Franchisor with cause	8.3, 8.4	We can terminate only if you default.
g. “Cause” defined – curable defaults	8.4	Violate the Agreement, Manual, any other agreement with us, or owe monies to us more than 30 days past due, and do not cure such breach within 30 days after notice.
h. “Cause” defined – non-curable defaults	8.3	Do not pass Initial Training, become insolvent, commit a material violation of law, abandon the Franchised Business, submit a materially



Provision	Section In Area Representative Agreement	Summary
		false Franchise Application, conviction of a felony or serious misdemeanor, fail to pay bills in the ordinary course when they are due; fail to permit us to inspect or audit your franchise.
i. Franchisee’s obligations on termination/renewal	8.6	Cease operations and stop using our Marks; deliver to us business records; pay debts due to us; cancel or assign telephone numbers to us; assist in lease transfer and our purchase of your assets, at our option; return Manual and Confidential Information to us; cancel fictitious names; adhere to other post term duties; execute any necessary documents.
j. Assignment of contract by Franchisor	7.1	We may assign to a successor an interest who remains bound by terms of Agreement.
k. “Transfer” by franchisee - defined	7.2	Includes transfer of Area Representative Agreement, any interest of the Area Representative Agreement, or substantially all of the assets of the Franchised Business.
l. Franchisor’s approval of transfer by franchisee	7.2.3	We have the right to approve all transfers.
m. Conditions for Franchisor’s approval of transfer	7.7.C	<p>You must be:</p> <ul style="list-style-type: none"> <li>-current in monetary obligations;</li> <li>-in compliance with the Area Representative 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 Area Representative 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> </ul>

Provision	Section In Area Representative Agreement	Summary
		<p>-the transfer must be made in compliance with any laws that apply to the transfer;</p> <p>-you must request that we provide the prospective transferee with our current franchise Disclosure Document.</p>
n. Franchisor's right of first refusal to acquire franchisee's business	7.6	We have a right of first refusal to match any purchase offer for your franchise, any interest in the franchise, or substantially all the assets of the Franchised Business.
o. Reserved to preserve formatting.		
p. Death or disability by franchisee	7.7	Transfer must be commenced within 60 days, completed within 6 months; we must approve the transferee, transferee must attend and successfully complete training, and sign our current Agreement.
q. Non-competition covenants during the term of the franchise	8.8.A	No competition allowed in the United States and its territories.
r. Non-competition covenants after the franchise is terminated or expires	8.8.B	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	10.2	No modifications except to Operations Manual. Revisions to the Manual will not unreasonably affect the franchisee's obligations, including economic requirements, under the Agreement.
t. Integration/merger clause	10.1	Only the terms in the Area Representative Agreement are binding (subject to federal or state law). Any representations or promises made outside the Disclosure Document and Area Representative Agreement may not be enforceable. No claim in any Area Representative Agreement(s) is intended to disclaim the express representations made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	9.2,9.3	You must first attempt to resolve claims against us through mediation.

Provision	Section In Area Representative Agreement	Summary
v. Choice of forum	9.10	Venue and jurisdiction for any Claims will be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Virginia Beach, VA. However, if you are an Illinois or Maryland resident or your Area Representative Territory is located in Illinois or Maryland, you will bring any Claims, if at all, solely in arbitration before the American Arbitration Association in the city or county where our corporate headquarters are located.
w. Choice of Law	9.9	Virginia law governs (subject to applicable state law).

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**ITEM 18. PUBLIC FIGURES**

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

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## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised Outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Outlet; however, we may provide you with the actual records of that Outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Matthew Rivera at (800) 819-4403, 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 2020 to 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of Year</b>	<b>Outlets at the End of Year</b>	<b>Net Change</b>
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	1	+1
Company Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Outlets	2020	0	0	0
	2021	0	0	0
	2022	0	1	+1

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than Franchisor)  
For Years 2020 to 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
All States	2020	0
	2021	0
	2022	0

**Table No. 3  
Status of Franchise Outlets  
For Years 2020 to 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations - Other Reasons</b>	<b>Outlets at End of Year</b>
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	1	1	0	0	0	0	1
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	1	1	0	0	0	0	1

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Re-acquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
All States	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Total	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

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

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Virginia	0	1	0
Texas	0	1	0
<b>TOTALS</b>	0	2	0

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

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

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

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

## **ITEM 21. FINANCIAL STATEMENTS**

Exhibit G contains our audited financial statements for the period ending December 31, 2022 and 2021.

We have not been in business three years yet and cannot include all financial statements required by the Franchise Rule.

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## ITEM 22. CONTRACTS

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

### Exhibit B- Area Representative Agreement

- Schedule 1-Territory
- Schedule 2-Minimum Opening Requirement
- Schedule 3-Automatic Bank Draft Authorization
- Schedule 4-Telephone Number Assignment
- Schedule 5-Promissory Note
- Schedule 5A-Personal Guarantee
- Schedule 6-Release
- Schedule 6A-Biographical Information

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.

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## **ITEM 23. RECEIPTS**

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

You must sign and date both, keep one copy, and deliver one copy to us for our records.

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

The following modifications are to The Inspection Boys Franchise USA LLC d/b/a The Inspection Boys® Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Area Representative Agreement dated \_\_\_\_\_, 20\_\_.

The provisions of this State Law Addendum to Franchise Disclosure Document and Area Representative Agreement (“State Addendum”) apply only to those persons residing or operating The Inspection Boys® in the following states:

## MICHIGAN

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

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

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor;
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations;
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

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

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

## CALIFORNIA

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

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

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

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

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

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

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

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

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

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

OUR WEBSITE AT [www.inspectionboys.com](http://www.inspectionboys.com) 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 [www.dfpi.gov](http://www.dfpi.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 has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.”

**No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee’s investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.**

## ILLINOIS

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

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

Item 5 of the Franchise Disclosure Document and Section 2.1 of the Franchise Agreement are modified with the addition of the following language: “Payment of the initial franchise fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business. The Illinois Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.”



## MARYLAND

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

- a. Item 17.b. of the FDD and Section 1.2 of the ARA is modified to also provide,  
“The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- b. Item 17.u. of the FDD and Section 9.3 of the ARA is modified to also provide,  
“This Area Representative Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.”
- c. Item 17.v. of the FDD and Section 9.7 of the ARA is modified to also provide,  
“Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”
- d. Item 5 of the Franchise Disclosure Document and Section 2.1 of the Area Representative Agreement are modified with the addition of the following language:  
  
“The franchisor defers the collection of all initial fees from Maryland franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. The Maryland Attorney General’s Office imposed this deferral requirement due to Franchisor’s financial condition.”
- e. The Franchisee Questionnaire is amended to provide,  
  
“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.”
- f. The provision in the ARA which provides for termination upon bankruptcy of the franchisee may not be enforceable under the federal bankruptcy law (11 U.S.C. Section 1010 et seq.).

**This Addendum must be executed simultaneously with the Area Representative Agreement by signing the State-Specific Addendum Acknowledgment.**

## MINNESOTA

As to franchises governed by The Minnesota Franchise Act,, if any of the terms of the Franchise Disclosure Document (“FDD”) and Area Representative Agreement (“ARA”) are inconsistent with the terms below, the terms below control.

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

**FDD:** Item 17

**ARA:** Section 9.10

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

**FDD:** Item 17

**ARA:** Section 8

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

**FDD:** Item 17

**ARA:** Section 1.2

4. Minn. Rule 2860.4400J prohibits termination penalties.

**FDD:** Item 17

**ARA:** Section 8

5. Pursuant to Minn. Stat. Sec. 80C.17, Subd.5, no action may be commenced pursuant to this section more than three years after the cause of action accrues.

**FDD:** Item 17

**ARA:** Section 9.5.A

6. Franchisor defers the collection of the Initial Fee until the opening of the franchised business.

**FDD:** Item 5 and Item 7 are modified to provide: “The Minnesota Department of Commerce requires us to defer payment of the initial franchise fee owed by franchisees to the franchisor until the franchisee has opened the franchised business.”

**ARA:** Section 2.2 is amended to provide, “Payment of the Initial Fee is deferred until you have opened the franchised business.”

## NEW YORK

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

### 1. *Cover Page*

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, N.Y. 10005; 212-416-8236.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE SET THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

### 2. *Item 3*

The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- a 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. Item 4**

The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

- a filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- b obtained a discharge of its debts under the bankruptcy code; or
- c was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

### **4. Item 5**

a The following is added to the end of Item 5:

b The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

### **5. Item 17(c)**

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.

### **6. Item 17(d)**

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.

### **7. Item 17(j)**

The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Area Representative Agreement.

**8. *Item 17(v) and Item 17(w)***

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.**

## RHODE ISLAND

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

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

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

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

Rhode Island law applies.

## VIRGINIA

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

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

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

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

Item 5 of the Disclosure Document is modified to also provide: “The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.”



## WASHINGTON

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

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

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

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

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

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

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

## WISCONSIN

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

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

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

FDD: Item 17

FA: Sections 9

2. Item 17 of the Franchise Disclosure Document and Section 8 of the Area Representative Agreement permit Franchisor to terminate, cancel, not renew or make a substantial change in competitive circumstances in the Area Representative Agreement, without cause under certain circumstances. These provisions are prohibited by the Wisconsin Fair Dealership Law, § 135.04. Accordingly, Item 17 of the Franchise Disclosure Document and Section 7 of the Area Representative Agreement are hereby amended to prevent the termination, cancellation, non-renewal or substantial change in competitive circumstances of the Area Representative Agreement without good cause.

FDD: Item 17

FA: Section 8

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

termination, cancellation or non-renewal or substantial change in competitive circumstances is nonpayment of sums due under the Area Representative Agreement, Franchisee shall still be entitled to (90) days written notice, as referenced above, however, Franchisee shall only have ten (10) days in which to remedy such default from the date of delivery or post of such notice.

FDD:           Item 17

FA:             Section 8

**ACKNOWLEDGMENT:**

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

DATED this day \_\_\_\_\_.

**FRANCHISOR:**

The Inspection Boys Franchise USA LLC

DBA The Inspection Boys®

\_\_\_\_\_

By:

Title:

**AREA REPRESENTATIVE:**

\_\_\_\_\_

By:

Title:

**EXHIBIT B- AREA REPRESENTATIVE AGREEMENT**

# AREA REPRESENTATIVE AGREEMENT



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

## **Area Representative Agreement**

This contract (“Agreement”) is between The Inspection Boys Franchise USA LLC d/b/a “The Inspection Boys®” (collectively “we”, “us”, or “our”) and entity and all Signators identified on the signature page, in your personal capacity, (collectively “Area Representative”, “Franchisee”, “you”, or “your”).

### **Recitals**

The Inspection Boys® has developed a system (“Franchise System”) to deliver commercial and residential inspection services using the The Inspection Boys® system. The Franchise System utilizes prescribed marketing techniques and operating procedures to deliver outstanding service to businesses (“Clients”).

Area Representative desires to identify and recruit qualified candidates (“Candidates”) willing to own and operate one or more single units (“Franchise”).

The Inspection Boys® will compensate Area Representative for identifying and recruiting Candidates while also provide continuing support (collectively “Services”) on our behalf to Candidates that purchase a Franchise (“Franchisee”).

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

#### **1. Scope**

##### **1.1. Grant of Franchise**

The Inspection Boys® grants to you the right to operate an Area Representative franchise (“Area Representative Territory”) using our System and our Marks to recruit Franchisees to locate a Unit Franchise in your Territory.

##### **1.2. Term and Renewal**

###### **A. Term.**

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

###### **B. Renewal.**

Upon the completion of the Term, if you are in compliance with all material terms and conditions in this Agreement, then you may enter into a new Agreement, on the then-current form, for an additional ten-year Term. We will not make material changes to your Agreement including your Territory or the Area Representative commissions in your renewals. If you wish to renew this Agreement, you must:

- 1. notify us in writing at least one hundred twenty (120) days before the expiration of this Agreement, and**
- 2. execute a general release of all claims you may have against us similar to the one in Schedule 6;**

### C. Subsequent Renewals

You may renew future Area Representative Agreements if you are in compliance with its terms and qualify for renewal.

#### **1.3. Territory**

Schedule 1 defines the “Territory” by zip codes, political, or geographic boundaries. However, you may only recruit Franchisees to locate a Unit Franchise in your Territory.

#### **1.4. Office Location**

You may work out of your home or any office location. You are not required to obtain our approval if you relocate your Franchise Business.

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

You do not have rights of first refusal or similar rights to acquire additional Territories.

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

Area Representative will provide The Inspection Boys® with a minimum number of Candidates each year that open Franchise Territories with an active The Inspection Boys® location in operation, as described in Schedule 2 (the “Minimum Requirements”). For this purpose, a year will include each calendar year ending on December 30. If Area Representative does not meet the Minimum Requirement, then within ninety (90) days after the end of the year in which the Minimum Requirement was not met, The Inspection Boys® may notify Area Representative that it desires to delete from the Territory up to the number of Franchise Territories by which Area Representative failed to meet the Minimum Requirement for that year. The notice will designate which of the territories it desires to delete from the Area Representative Territory, and The Inspection Boys® shall have the sole discretion to determine which then unassigned (meaning unsold) Territories it chooses to delete.

Those Franchise Territories will be deemed deleted from the Area Representative Territory effective upon The Inspection Boys® notice, and Area Representative will thereafter not be entitled to any share of Franchise Fees and Royalties paid with respect to Franchisees appointed within those Franchise Territories (“The Inspection Boys® Franchisees”) and The Inspection Boys® Franchisees will not be deemed Franchisees for the purposes of this Agreement. This deletion is The Inspection Boys® sole remedy for failure to meet Minimum Requirements.

The Inspection Boys®'s notice will be accompanied by a credit to amounts owed by Area Representative to The Inspection Boys® or a payment to Area Representative as The Inspection Boys® selects. The amount of the credit or payment will equal the prorated amount actually received by The Inspection Boys® for the respective Territory. For example, if The Inspection Boys® received \$150,000 cash from Area Representative for 15 undeveloped Territories, then The Inspection Boys® would issue a credit or payment of \$10,000 per undeveloped Territory that was deleted from the Area Representative Territory.

You will still maintain your obligations and rights including the right to share in the initial Franchisee Fees and Royalties for any existing Single Unit Franchises in the Territory that



you sold or developed during the Term. However, we may freely sell and develop the deleted Territory without sharing any of the initial Franchise Fees or Royalties.

There are no other circumstances that permit us to modify your Territorial Rights.

### **1.7. Dual Distribution**

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

### **1.8. Advertising and Trademarks**

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

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

#### **B. Business cards.**

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

#### **C. Social Media.**

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

#### **D. Private Websites.**

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

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

You may not use the words “The Inspection Boys®” or any confusingly similar words as any part of the name of a corporation, LLC, or other entity.

F. No Confusingly Similar Marks.

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

G. Changes to the Marks

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

H. Infringement Claims.

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

I. Control of Proceedings.

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

J. 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.

K. Name and Likeness.

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

## **2. Fees.**

### **2.1. Paid by The Inspection Boys® (“Commissions”)**

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

A. Initial Franchise Fee.

We will pay you 50% of the net initial Franchise Fee we receive from a Franchisee who buys a Single Unit Franchise with a designated area within your Territory. The split of the initial Franchise Fee will be after reduction for any broker fees or referral fees incurred by us. If we choose to finance any part of the initial Franchise Fee for a Territory in your Area Representative Territory, then we will split any interest collected on such initial Franchise Fee financing during the Term.

B. Franchise Royalties.

We will pay you an amount equal to **50%** of all ongoing Royalties received by us, if any, from any The Inspection Boys® Franchised Units located in your Territory except for Royalties which were already due and owing before the Effective Date of this Agreement.

C. Exclusions.

We may, in our discretion, require Franchisees to pay fees for other services including, but not limited to, advertising fees, transfer fees, and renewal fees. These fees are not subject to split with you.

D. Pay When Paid

Fees paid to you will be paid only as funds are received. For example, in the case of a financed initial Franchise Fee, the distribution would only be after the funds were actually received by us. You will be entitled to your share of initial Franchise Fees and Royalties only with respect to amounts actually collected, and we will be entitled to take credits against previous payments to you to the extent that any payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of your share of Franchise Fees or Royalties will be accompanied by information in sufficient detail to allow you to determine the basis on which your share of the Franchise Fees and Royalties was calculated as well as deductions made for monies owed to us.

E. Payment Terms.

We pay to you the Commissions that we owe you by the 28th of each month as to Commissions earned the prior month, less any monies you owe to us, via electronic transfer or other method that we designate.

**2.2. Paid by You**

A. Initial Area Representative Fee.

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

B. Fee for Franchisee Prospects.

You must spend \$1,000 per month with a source of your choosing on leads for Candidates interested in buying one of the Unit Franchises within the Territory. From time to time, we may provide to you leads for Candidates interested in buying one of our Unit Franchises within the Territory. If we provide you leads, we will set and publish fees based upon the cost and the difficulty of acquiring the leads. You are under no obligation to purchase these leads. We will offer to you, without cost, any lead in your Territory provided by a franchise broker, however a broker fee may apply if the Candidate converts to a Unit Franchisee.

C. Internal Sales Fee.

If our staff or a designated agent assists you with the selling process for a Unit Franchisee who buys a unit within your Territory, you will pay us \$5,000 per unit sold. If that Unit Franchisee purchases multiple units, then you will pay us \$5,000 for each unit sold in your Territory.

D. Brokers and Agents

We may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees. If a franchise broker generates a Candidate who

becomes a Unit Franchisee in your Territory, you will pay a proportionate share of the broker's fee.

For example, if a broker charges us \$10,000 for a Candidate who becomes a Franchisee, who pays an initial Franchise Fee of \$35,000, then we will each receive 50% after paying the broker fee, or \$12,500. Area Representative = (Franchise Fee) \* 50%

E. Renewal Fee.

You are not required to pay a Renewal Fee to enter into a further Area Representative Agreement with us at the expiration of the Term of this Agreement.

F. Transfer Fee.

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

G. Third Party Charges.

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

H. Sales, Excise, or Gross Receipts Tax.

You must reimburse us if we pay any tax on any fee related to this Agreement.

I. Payment Terms.

We will bill you by the 15th of the month for amounts incurred in the prior month.

J. Monthly Reconciliation

We reserve the right to deduct monies that you owe to us from Commissions that we pay to you and pay you the net amount owed to you or charge you any net amount you may owe to us. You will execute an Automatic Bank Draft Authorization and agree that we may withdraw fees and other monies you owe to us pursuant to the Authorization from your bank account, and also electronically deposit monies owed to you in the same bank account.

K. Late Fees.

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

L. Demand for Payment.

Except upon our prior written consent, you will not demand any payment due from a Franchisee of ours or any other person or entity to us.

### **3. Duties of Area Representative**

#### **3.1. Involvement.**

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

### **3.2. Sales.**

#### **A. Candidate.**

You will use best efforts to recruit Candidates interested in operating a Franchise within the Territory. Upon your determination that a Candidate may have the characteristics of a potential franchisee (“Candidate”), you will identify such Candidate in writing to us for our consideration.

#### **B. Minimum Requirements**

As described in more detail in Section 1.6 entitled Minimum Requirements, you must achieve a certain sales volume, namely, the Minimum Requirements specified in Schedule 2.

#### **C. Franchise Sales Representations.**

##### **1. Disclosure.**

You will comply with all federal and state franchise disclosure laws applicable to the solicitation of franchisees. This includes providing the Unit Franchise Disclosure Document to all Candidates at the time required by law. Most jurisdictions require that it must be provided fourteen (14) calendar days before the Candidate signs a binding agreement with us or makes any payment to us. We will prepare and provide the Unit Franchise Disclosure Document to you. Should you make any electronic or other disclosure to Candidates, you will ensure that such disclosure complies with the applicable franchise disclosure laws. You must provide our most current Unit Franchise Disclosure Document approved for use.

##### **2. Financial Performance Representations.**

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

##### **3. Improper Representations.**

You will make no representations to any Candidate that conflicts with our current Area Representative Agreement or Unit Disclosure Document.

##### **4. Laws and Regulations.**

You will comply with all federal, state, and local laws, and regulations. You will secure all necessary permits, certificates, and licenses to operate your business.

##### **5. Biographical Information**

You will accurately complete and return in the time frame we specify such Biographical Information forms as we request of you.

### **3.3. Support.**

You will provide Unit Franchisees with support including:

#### **1. launching the Franchise,**

2. **training,**
3. **on-going operational support, and**
4. **marketing assistance.**

### **3.4. Limitations of Authority**

- A. No Authority to Approve Marketing.

You do not have any authority to approve or disapprove Franchisee marketing or advertising.

- B. No Authority to Modify Manual.

You do not have authority to modify or grant waivers to the Unit Franchisee Operations Manual.

- C. No Legal Claims versus Unit Franchisees.

You will not assert any legal claim against a Franchisee to enforce any right arising out of or related to the Unit Franchise without our written permission.

- D. Limitation of Services.

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

- E. Independent Contractors.

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

- F. No Unauthorized Commitments.

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

### **3.5. Operations**

- A. Initial Training.

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

- B. Advanced Training.

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

C. Computer Systems, Equipment and Supplies.

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

D. Starting Date.

You will be operational within 30 days of the Effective Date of this Agreement.

E. Area Representative Manual.

You must operate the Area Representative Territory according to the then current Manual. We may modify the Manual to adjust for competitive changes, technological advancements, legal requirements, and continuous improvement.

F. Insurance.

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

**3.6. Reports and Reviews**

A. Reports.

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

B. Independent Access to Information.

You will allow us to have independent access to the information that will be generated or stored in your computer system arising out of or related to the Area Representative Territory which includes prospect, financial, and operational information.

C. Reviews.

We reserve the right to review your business operations, in person, by mail, or electronically.

D. Timely Access to Records

If we request a copy of any business records related to the Area Representative Territory, then you must send us or grant electronic access, at your expense, these records within five (5) business days of receiving our request.

E. Corrective Action Plan

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

### **3.7. Indemnity**

Both Parties (“Indemnitor”) will indemnify, hold harmless and defend the other Party along with their respective affiliates, officers, directors, members, partners, employees, and agents (the “Indemnified Parties”) from any claim, cause of action, lawsuit, or demand (collectively “Claim”) for damage, liability, cost, or expense including reasonable attorney fees (collectively “Damages”) to the extent cause by the Indemnitor’s:

1. **negligence,**
2. **willful misconduct,**
3. **breach of applicable law,**
4. **breach of Section 3 of this Agreement by Area Representative, or breach of Section 4.6 by The Inspection Boys®.**

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

### **3.8. Enforcement**

#### A. Compliance with the Franchise System

During the Term, you will assist us in monitoring and enforcing all contracts (“Franchise Documents”) related to awarding a Franchise to a Candidate to ensure Unit Franchise performance and adherence to our Franchise System.

#### B. Post Termination.

Upon termination or expiration of a Unit Franchise in the Territory, you will assist us in enforcing any “Post Termination Obligations” as set forth in its franchise agreement with that former franchisee.

#### C. Exclusions

However, you will have neither a duty nor the right to initiate a legal proceeding against a Unit Franchisee to enforce. See Section 3.4C entitled No Legal Claims versus Unit Franchisees.

## **4. Duties of Franchisor**

### **4.1. Initial Training.**

We will provide you an Initial Training course. The Initial Training course will cover fundamental skills necessary to perform the Services. We presently offer this training live in Virginia Beach, VA, but may offer it in other locations, or via interactive video conference or webinar. Successful completion of the Initial Training is mandatory. Single Unit training must be completed within 12 months or 1 month from the sale of the first Single Unit Territory in your Area. We do not charge for training, but you must pay any travel, transportation, lodging, and meal costs you incur to attend.

### **4.2. Advanced Training.**

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



**4.3. Site selection.**

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

**4.4. Area Representative Operations Manual.**

We will provide you a Manual to offer guidance in performing your development and support services.

**4.5. Operational Support.**

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

**4.6. Franchise Disclosure Document.**

We will provide or make available to you an electronic copy of our latest Single Unit Franchise Disclosure Document to use as part of your Development Services.

**4.7. Advertising and Marketing.**

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

**5. Intellectual Property**

**5.1. Ownership.**

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

**5.2. Suggestions.**

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

**6. Confidentiality**

**6.1. Definition.**

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

## **6.2. Confidentiality.**

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

## **6.3. Use**

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

## **6.4. Storage**

You will store Confidential Information in secure location whether physically or electronically. You must notify us if the Confidential Information is lost or stolen, regardless of fault.

## **6.5. Return**

Upon Termination or Expiration of this Agreement, you must return Confidential Information within ten (10) days or certify that the Confidential Information has otherwise been deleted or destroyed.

However, you may retain Confidential Information as needed solely for legal, tax, and insurance purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

## **7. Transfer**

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

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

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

You may transfer your interest in this Agreement or your ownership in the Area Representative Territory if:

1. **you are in full compliance with the Agreement,**
2. **current in all monies owed to us,**
3. **we approve of the individual or entity to which you are transferring (“Transferee”), which our consent will not be unreadably withheld;**
4. **transferee meets the requirements of Section 7.8**

### **7.3. Joint Tenancy**

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

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

A "Controlled Entity" is an entity in which you are the beneficial owner of 100% of each class of voting ownership interest. A transfer to a "Controlled Entity" will not trigger the

Right of First Refusal. At the time of the desired transfer of interest to a Controlled Entity, you must notify us in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such person of the Controlled Entity must sign the then current amendment and release forms or Area Representative Agreement as required by us. We do not charge a transfer fee for this change.

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

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

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

A. Third-Party Offer

If you receive and desire to accept a signed, bona fide offer to purchase or otherwise transfer this Agreement or any interest in it ("Third-Party Offer"), you will grant us the option (the "Right of First Refusal") to purchase the Area Representative Territory as provided in this Section.

B. Notice

Within fourteen (14) days of receipt of Third-Party Offer, you will offer the Right of First Refusal to us by notice in writing including a copy of the signed Third-Party Offer.

C. Option

We will have the right to purchase the Area Representative Territory or interest in the Area Representative Territory for the price and upon the terms in the Third-Party Offer. However, we may substitute cash for any non-cash form of payment proposed and we will have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase.

D. Acceptance

If we exercise our Right of First Refusal, then we will notify you in writing within fifteen (15) days from our receipt of the Third-Party Offer from you.

E. Binding

Upon the giving of such notice by us, there will immediately arise between us and you, or your owners, a binding contract of purchase and sale at the price and upon the terms contained in the Third-Party Offer.

If we do not exercise our Rights of First Refusal within fifteen (15) days, then you may transfer the Area Representative Territory or ownership interest according to the Third-Party Offer, provided that you:

1. **satisfy the conditions in Section 7.2 entitled Transfer by You.; and**
2. **complete the sale within one hundred twenty (120) days from the day on which you received the Third-Party Offer.**

If you do not conclude the proposed sale transaction within the 120-day period, the Right of First Refusal granted to us will continue in full force and effect.

### **7.7. Death or Incapacity**

#### A. Definition

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

#### B. Transfer

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

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

#### C. New Area Representative

The Transferee(s) must:

1. **meet the requirements of Section 7.8.**
2. **complete Initial Training, and**
3. **enter into a new Area Representative Agreement on the then-current form.**

#### D. Interim Services

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.

### **7.8. Transferee Requirements.**

Any proposed Transferee(s) must:

- A. complete our then-current Area Representative application and
- B. pass our application screening using our then current qualifications;
- C. and attend and successfully complete Initial Training.
- D. sign either, at our option,
  1. **an assignment of the rights remaining in your Area Representative Agreement, or**
  2. **our current Area Representative Agreement with the term adjusted to such length as remains on the Term of your Area Representative Agreement.**

## **8. Termination**

### **8.1. Termination by You.**

You may terminate this Agreement, for any reason, at any time by giving us written notice of termination. Termination will be effective upon our receipt of your termination notice.

### **8.2. Effect of Termination**

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

### **8.3. Termination by Us.**

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

- a If you do not attend and pass our Initial Training in accordance with our current passing standards;
- b If you violate any part of Section 3.2.C entitled Franchise Sales Representations. or Section 3.4 entitled Limitations of Authority.
- c If you are convicted of a felony or serious misdemeanor involving moral turpitude;
- d If you violate applicable laws, rules or regulations related to any franchise law, antitrust law, or securities law;
- e If you commit fraud, misappropriation, embezzlement, or unfair and deceptive practices;
- f If you make a material misstatement of fact or fail to disclose a material fact on a Biographical Information Form or in any requested form;
- g If you refuse to completely fill out a requested forms or tender supporting documentation upon reasonable request;
- h You become insolvent, meaning unable to pay your bills in the ordinary course as they become due;
- i If a final judgment of record against you or your Area Representative Territory remains unsatisfied for thirty (30) days or longer; or
- j If on your death or incapacity, the transfer process does not begin within sixty (60) days or remains incomplete after 6 months.

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

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

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

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

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

#### **8.6. Post Termination Obligations**

Upon termination or expiration of this Agreement, including a sale of the Area Representative Territory, you will:

1. **Discontinue using any of our “Marks”;**
2. **Pay to us all sums due;**
3. **If requested by us, transfer to us all telephone numbers used in relation to this Area Representative Territory and deliver to us written proof of transfer;**
4. **Return to us or certify destruction of any paper and electronic copies of the Manual and any Confidential Information;**
5. **Cancel all fictitious name filings which you use of any of our Marks; and**
6. **Adhere to the post-term duties stated in Section 8.6 entitled Post Termination Obligations and any other duties that require your performance after you are no longer an Area Representative.**

#### **8.7. Maintenance of Goodwill.**

You will not disparage us or our current and former employees, agents, members, directors, or franchisees.

During the term of this Agreement, you will not do any act harmful, prejudicial, or injurious to us.

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

##### **A. In-Term.**

During the Term of this Agreement, you will not, except as required by this Agreement, directly or indirectly except as required by this Agreement:

1. **recruit, search for, or solicit franchisees or prospective franchisees in the United States to engage in commercial and residential inspection services , or**
2. **aid or facilitate another person or entity (except our franchisees) in the United States to engage commercial and residential inspection services .**

##### **B. Post-Term.**

You will not, for a period of two (2) years after expiration or termination of this Agreement, including a sale of the Area Representative Territory or your interest in it, in the Territory or within twenty-five (25) miles of the boundaries of the Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in commercial and residential inspection services .

#### **8.9. Waiver of bond.**

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

### **8.10. Severability.**

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

Further, these obligations are considered independent of any other provision in this Agreement and the existence of any claim or cause of action by either Party to this Agreement against the other, whether based upon this Agreement or otherwise, will not constitute a defense to the enforcement of these obligations.

## **9. Dispute Resolution**

### **9.1. Internal Resolution**

Any issue that you may have arising out of or related to this Agreement (“Matter”) will be resolved as described in this Section 9. You must exhaust this internal dispute resolution procedure before you bring your Claim in Court.

#### **A. Notice**

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

The Notice must contain:

- 1. A description of the specific nature of the Claim,**
- 2. All relevant facts,**
- 3. All supporting evidence, and**
- 4. Either the specific dollar amount of Damages, or the action requested to resolve the Matter (“Cure”);**

#### **B. Response**

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

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

#### **C. Meeting**

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

### **9.2. Mediation**

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

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

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

### **9.3. Arbitration**

If a Matter cannot be resolved within ninety (90) days of the Response through Mediation, then you must submit the Matter to arbitration in accordance with the rules of the AAA. Your attorney must include in your demand for arbitration an estimate for legal fees (“Budget”) necessary to establish liability and damages. The Budget will include the maximum number of: a) witness, b) experts and c) documents. The Arbitrator will evaluate the Budget for proportionality to the Cure. The Budget must be approved by the Arbitrator, before conducting any discovery, or hearings. The Arbitrator must approve any increases in the Budget.

### **9.4. Enforceable**

In the event such Matter is resolved within the ninety (90) days following submission to arbitration, then the decision and award determined by such arbitration will be final and binding upon both parties, enforceable by any court of competent jurisdiction.

### **9.5. Costs**

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

### **9.6. Continued Performance**

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

### **9.7. 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.

### **9.8. Prior Notice of Claims.**

Before commencing an action for a Claim, you must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice will preclude any claim for damages.

### **9.9. Governing Law**

This Agreement is effective upon its acceptance in Virginia by our authorized officer.

Except as to claims governed by federal law, Virginia law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“Claims”).

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



**9.10. Jurisdiction and Venue.**

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

**9.11. Non-Waiver of Breach**

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

**9.12. 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.

**9.13. 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.

**9.14. Compensatory Damages.**

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

**9.15. 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.

**10. General**

**10.1. Entire Agreement**

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

**10.2. Modification**

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

**10.3. Third Party Beneficiaries.**

Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries.

**10.4. Survival.**

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

**10.5. Severability Clause.**

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

**10.6. Notices**

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

780 Lynnhaven Parkway, Suite 240  
Virginia Beach, VA 23452  
Phone (800) 819-4403

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

**10.7. Acknowledgements**

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

**10.8. Release of Prior Claims**

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

**10.9. Counterparts.**

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

**10.10. Signature**

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

**Area Representative Entity:** \_\_\_\_\_

	<b>The Inspection Boys Franchise USA LLC</b>	<b>Area Representative Entity</b>
Signature		
Name		
Title		
Address		
Date		

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

## **SCHEDULE 1-TERRITORY**

Your Territory will be defined here.

## SCHEDULE 2-MINIMUM REQUIREMENTS

The following table establishes the minimum performance metrics required.

Year	Single Unit Sales	Cumulative
1		
2		
3		
4		
5		

### SCHEDULE 3-AUTOMATIC BANK DRAFT AUTHORIZATION

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

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

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

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

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

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

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

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

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

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

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

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

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

## **SCHEDULE 4-TELEPHONE NUMBER ASSIGNMENT**

**THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT** is made between The Inspection Boys Franchise USA LLC doing business as The Inspection Boys® (“Franchisor”, “we”, “us”, or “our”) and the franchisee named below (“Franchisee”, “you”, or “your”).

### **1. BACKGROUND**

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

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

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

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

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

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

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

**4. Governing Law and Survival.**

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

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



## SCHEDULE 5-PROMISSORY NOTES

FOR VALUE RECEIVED, \_\_\_\_\_ (each a "Maker") promises to pay to the order of The Inspection Boys Franchise USA LLC d/b/a The Inspection Boys ["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 \_\_\_\_\_ and will continue on \_\_\_\_\_ 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 Area Representative 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.

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:  
\_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

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

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

**SCHEDULE 5A-  
PERSONAL GUARANTY**

This binding contract (“Guaranty”) is between:

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

In exchange for awarding certain franchise rights to the Beneficiary, pursuant to a Area Representative Agreement, along with other valuable consideration, Guarantor(s) jointly and severally personally guarantee the payment of any money and the performance of any obligation of the Beneficiary to Franchisor. Therefore, each Guarantor will pay the Franchisor, on demand and without offset, any sum due to the Franchisor by the Beneficiary arising out of or related to the Area Representative Agreement. Guarantor further will pay all costs of collection including reasonable attorney’s fees.

This Guaranty will be a continuing and irrevocable guaranty and indemnity for indebtedness of the Beneficiary. The Guarantor will, to the extent permitted by law, waive the Homestead exemption, notice of acceptance, notice of presentment, demand, non-payment, dishonor and protest, along with the right to require Franchisor to proceed against the Beneficiary. Furthermore, Guarantor consents to and waives notice of any modification, amendment or extension of the terms of any Agreement between Franchisor and Beneficiary. Guarantor authorizes Franchisor to obtain and use Consumer Reports from time to time on the Guarantor for the sole purpose of evaluating current and ongoing creditworthiness.

This Guaranty will not exceed five million dollars (\$5,000,000) and will remain in force for ten (10) years from date of execution of the Beneficiary’s Area Representative Agreement. Guarantor may revoke this Personal Guaranty only by providing Franchisor written notice via certified mail of its intent to revoke. Revocation will not relieve any obligations incurred prior to receipt of such notice subject to the limit set forth above. Subsequent agreements and credit applications will not serve to alter, supersede or otherwise modify this Personal Guaranty.

Guarantor consents to the use of electronic signatures consistent with Electronic Signatures in Global and National Commerce (ESIGN) Act, and the Uniform Electronic Transactions Act (UETA). Each Guarantor signifies the intent to be bound to the terms of this Guaranty by affixing their signatures in the space provided below.

_____ <b>Guarantor 1(Signature)</b>	_____ <b>Printed Name</b>	_____ <b>Date</b>
_____ <b>Guarantor 2(Signature)</b>	_____ <b>Printed Name</b>	_____ <b>Date</b>

**SCHEDULE 6-RELEASE**

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

- 1. Releasor and The Inspection Boys Franchise USA LLC doing business as The Inspection Boys® ("Releasee") are parties to one or more Area Representative Agreements.
- 2. The following consideration is given:

\_\_\_\_\_ the execution by Releasor of a successor Area Representative Agreement or other renewal documents renewing the franchise (the "Franchise"); or  
 \_\_\_\_\_ Releasor's consent to Releasee's transfer of its rights and duties under the Area Representative Agreement; or  
 \_\_\_\_\_ Releasor's consent to Releasee's assumption of rights and duties under the Area Representative Agreement; or

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

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

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

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

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

Approved and agreed to by:

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

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

## SCHEDULE 6A-BIOGRAPHICAL INFORMATION

1. Name: \_\_\_\_\_

2. Current Title/Position with Franchisor: **Area Representative**

3. Business Address:

\_\_\_\_\_

\_\_\_\_\_

4. Business Phone Number: \_\_\_\_\_

5. Beginning with the date you started the job you held six years ago, on the chart below please list your dates of employment, your employer(s), and your position(s) held from then to the present:

---

**\*Please make sure to include your current position with the Franchisor (including Area Representative, etc.) as well as any prior titles or positions you held with the Franchisor.**

**\*Please make sure to include all positions held even though not as an employee. For example, include positions held as “self-employed” or as a franchisee, consultant, or independent contractor.**

**\*Please print clearly and do not use abbreviations except where such abbreviation actually shows up in the name of a company (i.e., “Inc.”) and you may abbreviate the name of a state.**

<u>Company</u>	<u>City/State</u>	<u>Position Held</u>	<u>Start Date (Month and Year)</u>	<u>End Date (Month and Year)</u>

6. Have you been convicted of a felony or pleaded *nolo contendere* to a felony charge involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

7. Have you been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge involving a violation of franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

8. Have you been party to any civil action, administrative action, complaint or legal proceeding involving a violation of a franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations in the last ten years?

YES  NO

9. Are you a party to any proceeding, which could make you subject to, or are you subject to an injunction or restraining order brought by any public agency or department?

YES  NO

10. Have you been a party in any arbitration proceeding during the past ten years?

YES  NO

11. Have you filed in bankruptcy; been adjudicated a bankrupt; been reorganized due to insolvency; or been a principal, director, executive officer, trustee or general partner or any other entity that has filed in bankruptcy, been adjudicated a bankrupt, or been reorganized due to insolvency in the last ten years?

YES  NO



12. Are you subject to any currently effective order of any national securities association or national securities exchange suspending or expelling you from membership in such association or exchange?

YES  NO

13. If your answer to any of the above items is in the affirmative, please attach a separate sheet of paper and on that attached sheet please state the court, the date of conviction or judgment, if any; the current status of the matter; any penalty imposed or damages assessed; and the date, nature, and issue of any order, as well as any other explanatory information you think pertinent. Please also include a copy of any Complaints, Claims, Indictments or Charges against you and any Consent Decree, Settlement Agreement, or ruling of a Court or other body as to the disposition of such claims.

## II. SALESPERSON DISCLOSURE

If anyone other than you will be offering or selling franchises under this Area Representative Agreement, please write their name(s) below and what they will be doing.

<u>Name</u>	<u>What Will They Be Doing</u>
1. _____	_____
2. _____	_____
3. _____	_____

## III. LLC AND CORPORATIONS

If your Area Representative Agreement is held by a Limited Liability Company or Corporation, please also advise:

What is the name of the entity? \_\_\_\_\_

In what state is the entity formed? \_\_\_\_\_

What is your role in the entity? (For example, Managing Member, President, etc.):

\_\_\_\_\_

#### IV. TERRITORY

In what state(s) is your Area Representative Territory? \_\_\_\_\_

#### V. PROMISE TO UPDATE & CERTIFICATION

If at any time I become involved in litigation, convicted of a crime, or file bankruptcy, I promise to notify franchise counsel of these facts immediately. Further, I hereby certify that all the information I have provided above is true, complete and correct to the best of my information and belief.

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

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

## EXHIBIT C-LIST OF STATE ADMINISTRATORS AND REGISTERED AGENTS

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 2101 Arena Blvd Sacramento, CA 95834 1-866-275-2677 <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>	Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street Los Angeles, CA 90013 <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>
Connecticut	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299	The Banking Commissioner The Department of Banking, Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 Phone Number (860) 240-8299
Hawaii	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706
Indiana	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Secretary of State, Securities Division 302 West Washington Street, Room E-111 Indianapolis, IN 46204
Kentucky	Kentucky Attorney General 700 Capitol Avenue Frankfort, Kentucky 40601-3449 (502) 696-5300	
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020

Michigan	Department of Attorney General Consumer Protection Division – Franchise Unit 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913 (517) 373-7117	Department of Attorney General 525 W. Ottawa Street G. Mennen Building Lansing, MI 48913
Minnesota	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198
Nebraska	Nebraska Department of Banking and Finance 1200 N Street-Suite 311 Post Office Box 95006 Lincoln, Nebraska 68509 (402) 471-3445	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236	New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, New York 12231-0001 (518) 473-2492 Phone
North Dakota	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	Securities Commissioner North Dakota Securities Department 600 East Boulevard Avenue State Capital, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
Rhode Island	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Avenue, Bldg. 69-1 Cranston, RI 02920 (401) 462-9588
South Dakota	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-773-3563	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501
Texas	Secretary of State Statutory Document Section P.O. Box 12887 Austin, TX 78711 (512) 475-1769	

Utah	Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, Utah 84111-0804 (801) 530-6601	
Virginia	State Corporation Commission Division of Securities and Retail Franchising, 9 <sup>th</sup> Floor 1300 E. Main Street Richmond, VA 23219 (804) 371-9051	Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road SW Tumwater, WA 98501
Wisconsin	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703 (608) 266-8557	Wisconsin Department of Financial Institutions 345 West Washington Avenue Madison, WI 53703

## EXHIBIT D-TABLE OF CONTENTS -MANUAL

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

Please Note: The contents of this Manual are confidential and subject to the Confidentiality Clause in your Area Representative Agreement.

## EXHIBIT E-1 LIST OF FRANCHISEES

The following is a list of the names of all Single Unit Franchisees and the address and telephone number of each of their outlets as of the end of our most recently completed fiscal year.

Operational Outlets:

<b>Territory Location</b>	<b>Owners</b>	<b>Address</b>	<b>Phone</b>
New Jersey	John and Sabrina Giordano	67 Ball Road Mountain Lakes, NJ 07046	973-964-7491

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

None



## EXHIBIT F- FINANCIAL STATEMENTS

THE INSPECTION BOYS  
FRANCHISE USA LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE TWO YEARS ENDED DECEMBER 31, 2022

# THE INSPECTION BOYS FRANCHISE USA LLC

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## Table of Contents

	Page
Independent Auditor's Report.....	1-2
Balance Sheets .....	3
Statements of Operations .....	4
Statements of Changes in Members' Equity.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-10

# **DASH Business Solutions, LLC**

## ***Independent Auditor's Report***

To the Members of  
The Inspection Boys Franchise USA LLC

### ***Opinion***

We have audited the accompanying financial statements of The Inspection Boys Franchise USA LLC, which comprise the balance sheets as of December 31, 2022, and the related statements of operations, members' equity, and cash flows for the two 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 The Inspection Boys Franchise USA LLC as of December 31, 2022, and the results of its operations and its cash flows for the two years then ended, in accordance with the generally accepted accounting principles in the United States of America.

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

The audit was conducted 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 the Financial Statements section of our report. The auditor is required to be independent of The Inspection Boys Franchise USA LLC and meet other ethical responsibilities in accordance with the relevant ethical requirements relating to the 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 the financial statements in accordance with generally accepted accounting principles 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 The Inspection Boys Franchise USA 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

# DASH Business Solutions, LLC

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

In performing an audit in accordance with generally accepted auditing standards, 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 The Inspection Boys Franchise USA 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 The Inspection Boys Franchise USA 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 the auditor identified during the audit.

*DASH Business Solutions, LLC*

DASH Business Solutions, LLC  
Royal Palm Beach, FL  
April 13, 2023

# THE INSPECTION BOYS FRANCHISE USA LLC

## Balance Sheets December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 2,752	\$ 7,292
Accounts Receivable	1,840	-
Due From Affiliates	44,885	-
Total Current Assets	49,477	7,292
Other Assets		
Notes Receivable	50,000	-
Total Other Assets	50,000	-
<b>TOTAL ASSETS</b>	<b>\$ 99,477</b>	<b>\$ 7,292</b>
 <b>LIABILITIES &amp; EQUITY</b>		
Current Liabilities		
Accounts Payable	\$ -	\$ 508
Loans From Affiliates	61,327	87,829
Deferred Revenue - Current Portion	15,996	-
Total Current Liabilities	77,323	88,337
Long-Term Liabilities		
Deferred Revenue	138,338	-
Total Long-Term Liabilities	138,338	-
Total Liabilities	215,661	88,337
Members' Equity		
Retained Earnings	(116,184)	(81,045)
Members' Equity	(116,184)	(81,045)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 99,477</b>	<b>\$ 7,292</b>

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Statements of Operations For The Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Franchise Fees	\$ 666	\$ -
Marketing & Technology Revenue	574	-
Interest Income	1,840	-
Area Rep Sales Revenue	5,000	-
Royalty Revenue	7,240	1,321
<b>Total Revenues</b>	<u>15,320</u>	<u>1,321</u>
<b>Expenses</b>		
Advertising and Marketing	327	47,806
Bank Fees	533	20
Contract Labor	1,543	9,914
Dues and Subscriptions	67	637
Filing Fees	5,586	-
Insurance Expense	508	484
Legal and Professional	13,077	22,259
Licenses & Fees	50	50
Meal Expense	1,690	-
Meeting Expense	2,689	1,508
Office Supplies and Expense	1,711	505
Payroll Processing Fees	508	345
Payroll Taxes	736	3,364
Rent Expense	1,467	3,269
Salaries and Wages	5,736	30,462
Technology Expense	10,405	638
Telephone Expense	50	116
Travel Expense	3,374	51
Website Expense	402	938
<b>Total Expenses</b>	<u>50,459</u>	<u>122,366</u>
<b>Net Income (Loss)</b>	<u>\$ (35,139)</u>	<u>\$ (121,045)</u>

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Statements of Changes in Members' Equity For The Years Ended December 31, 2022 and 2021

Equity at January 1, 2021	\$ -
Member Contributions	40,000
Member Distributions	-
Net Income (Loss)	<u>(121,045)</u>
Equity at December 31, 2021	<u>\$ (81,045)</u>
Equity at January 1, 2022	\$ (81,045)
Member Contributions	-
Member Distributions	-
Net Income (Loss)	<u>(35,139)</u>
Equity at December 31, 2022	<u>\$ (116,184)</u>

See accompanying Notes to Financial Statements



# THE INSPECTION BOYS FRANCHISE USA LLC

## Statements of Cash Flows For The Years Ended December 31, 2022 and 2021

	2022	2021
<u>Cash Flows From Operating Activities:</u>		
Net Income (Loss)	\$ (35,139)	\$ (121,045)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation & Amortization	-	-
Changes in Assets and Liabilities		
(Increase) Decrease in Assets	(96,725)	-
Increase (Decrease) in Liabilities	127,324	88,337
Net Cash Provided by Operating Activities	(4,540)	(32,708)
<u>Cash Flows From Investing Activities:</u>		
Loan From Members	-	-
Net Cash Provided by Investing Activities	-	-
<u>Cash Flows From Financing Activities:</u>		
Members' Contributions (Distributions)	-	40,000
Net Cash Provided by Financing Activities	-	40,000
Net Change in Cash	(4,540)	7,292
Cash - Beginning of Period	7,292	-
Cash - End of Period	\$ 2,752	\$ 7,292
 <u>Supplementary Disclosures Of Cash Flows</u>		
Cash Paid For Interest	\$ -	\$ -
Cash Paid For Income Taxes	\$ -	\$ -

See accompanying Notes to Financial Statements

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements December 31, 2022 and 2021

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization and Nature of Business*

The Inspection Boys Franchise USA LLC (the “Company”) was formed on November 19, 2020 as a Virginia limited liability company for the purpose of offering franchise opportunities and support for entrepreneurs who want to own a franchise location of The Inspection Boys, a home inspection company.

#### *Basis of Accounting*

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

#### *Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online search system.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included with cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2022 and 2021, the Company had cash and cash equivalents of \$2,752 and \$7,292, respectively.

#### *Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and other revenues. These receivables are carried at original invoice amount less an estimate made for doubtful receivables, based on a review of outstanding amounts. As of December 31, 2022, the Company had accounts receivable of \$1,840 and management deemed all collectible. At December 31, 2021, the Company had no receivables and had no allowance for uncollectible accounts.

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements December 31, 2022 and 2021

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Revenue Recognition*

The Financial Accounting Standards Board (“FASB”) issued codification Topic 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the franchisor must determine if the pre-opening activities contain any distinct goods or services, known as performance obligations, and then allocate the initial franchise fees to those performance obligations using the stand-alone selling price of the goods or services. The Company has instituted ASC 606 using the full retrospective approach. The franchise fee revenue is recognized equally over a ten-year period, amortized monthly based on the contract signing date.

The Company’s revenues consist of fees from franchises such as initial franchise fees, royalties, and other fees. The franchise fees are initially deferred revenue and recognized monthly. If the contract is signed before the fifteenth day of the month, half of the monthly accrual amount is recognized. If the contract is signed on or after the fifteenth day of the month, the entire month of the accrual is recognized. The royalty revenue and other fees are recognized when earned and are based on a percentage of gross sales of each individual franchise according to the franchise contract and invoiced monthly. The Company is obligated to provide the franchisee with specific performances, including name and trademark use, as outlined in the franchise disclosure document. The initial franchise fee is not refundable, is typically collected upon contract signing, and future allocations of the initial franchise fees have no risk of impairment. When a franchise terminates the contract, the remainder of the initial franchise fee may be recognized in the year of termination.

#### *Income Taxes*

The entity is structured as a limited liability company under the laws of the State of Virginia, being taxed as a partnership. A partnership for federal and state income tax purposes includes the income or loss of the Company in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes. The Company follows the guidance under Accounting Standards Codification (“ASC”) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company’s financial statements. The Company intends to file IRS Form 8832 electing to be taxable as a corporation. The effects of this change are speculative and have not been addressed.

The Company’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021 and 2020 tax years were subject to examination based on the date of formation.

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements December 31, 2022 and 2021

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### *Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

#### *Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

#### *Subsequent Events*

Management has reviewed and evaluated subsequent events through April 13, 2023, the date on which the financial statements were issued.

### NOTE 2 - RELATED PARTY TRANSACTIONS

During the two years ending December 31, 2022, the Company has not incurred any operating expenses with related parties.

### NOTE 3 - COMMITMENTS AND CONTINGENCIES

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

### NOTE 4 - ROYALTY REVENUE

The Company's royalty revenue includes royalty income from franchises owned by the original Inspection Boys. The agreement between the parties is the royalties are collected by the current owner in exchange for a salary to the original owner plus \$467 each month for the rent expense.

# THE INSPECTION BOYS FRANCHISE USA LLC

## Notes to the Financial Statements December 31, 2022 and 2021

### NOTE 5 - LOANS TO AND FROM AFFILIATES

The Company has multiple loans to and from affiliates that are expected to be repaid during the subsequent year. The amounts represent operating expenses paid during the two years ended December 31, 2022 on behalf of the Company. There are no written terms of repayment and no interest charged. Any amounts outstanding after the subsequent twelve months will be included in a formal note with an imputed interest rate. The loans from affiliates are drawn similar to a line of credit. The affiliates will continue to financially support the Company until it is self-sustainable, which management projected will occur within the next twelve months.

### NOTE 6 - FRANCHISE AGREEMENT

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisees franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee and other fees as outlined in the agreement.
- D. All other terms of the Franchise Disclosure Document.

## EXHIBIT G-STATE EFFECTIVE DATES

### State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

<u>Effective Dates</u>	
California	PENDING
Hawaii	Not Applicable
Illinois	PENDING
Indiana	PENDING
Maryland	PENDING
Michigan	PENDING
Minnesota	PENDING
New York	PENDING
North Dakota	Not Applicable
Rhode Island	Not Applicable
South Dakota	Not Applicable
Virginia	PENDING
Washington	Not Applicable
Wisconsin	PENDING

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.

## SCHEDULE H-RECEIPT

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

If The Inspection Boys Franchise USA LLC doing business as The Inspection Boys® offers you a franchise, it must provide this Disclosure Document to you fourteen (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.

Under Illinois, Iowa, Maine, Nebraska, New York, Oklahoma, Rhode Island, or South Dakota law, if applicable, we must provide this Disclosure Document to you at your first personal meeting to discuss the franchise.

Michigan requires that we give you this Disclosure Document at least ten (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 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.

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 C.

The franchisor is The Inspection Boys®, and is located at 780 Lynnhaven Parkway, Suite 240, Virginia Beach, VA 23452. Its telephone number is **(800) 819-4403**.

Issuance date: April 14, 2023

The franchise seller for this offering is:

<b>Seller</b>	<b>Address</b>	<b>City, State Zip</b>	<b>Phone</b>
Matt Rivera	780 Lynnhaven Pkwy, STE 240	Virginia Beach, VA 23452	(888) 268-0321
John T. Hewitt	780 Lynnhaven Pkwy, STE 240	Virginia Beach, VA 23452	(888) 268-0321
Kelly Wyatt (Loyalty, LLC)	780 Lynnhaven Pkwy, STE 240	Virginia Beach, VA 23452	(888) 268-0321
Jess Corrick (Loyalty, LLC)	780 Lynnhaven Pkwy, STE 240	Virginia Beach, VA 23452	(888) 268-0321

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

I have received a Disclosure Document issued April 14, 2023, that included the following:

Received	Reference	Name
<input checked="" type="checkbox"/>	ITEM 1-ITEM 23	Franchise Disclosure Document
<input checked="" type="checkbox"/>	Exhibit A:	State Addenda
<input checked="" type="checkbox"/>	Exhibit B:	Area Representative Agreement and Schedules
<input checked="" type="checkbox"/>	Schedule 1	Territory
<input checked="" type="checkbox"/>	Schedule 2	Minimum Requirements
<input checked="" type="checkbox"/>	Schedule 3	Automatic Bank Draft Authorization
<input checked="" type="checkbox"/>	Schedule 4	Telephone Number Assignment
<input checked="" type="checkbox"/>	Schedule 5	Promissory Note-Sample Form
<input checked="" type="checkbox"/>	Schedule 5A	Personal Guarantee
<input checked="" type="checkbox"/>	Schedule 6	Release
<input checked="" type="checkbox"/>	Schedule 6a	Biographical Information
<input checked="" type="checkbox"/>	Exhibit C:	State Administrators/Agents for Service of Process
<input checked="" type="checkbox"/>	Exhibit D:	Table of Contents-Manual
<input checked="" type="checkbox"/>	Exhibit E-1:	List of Franchisees
<input checked="" type="checkbox"/>	Exhibit E-2:	List of Former Franchisee
<input checked="" type="checkbox"/>	Exhibit F:	Financial Statements
<input checked="" type="checkbox"/>	Exhibit G:	State Effective Dates
<input checked="" type="checkbox"/>	Exhibit H:	Receipts

Signature:
Name:
Date:

**Please sign this copy of the receipt, date your signature and return it to The Inspection Boys<sup>®</sup> at 780 Lynnhaven parkway, Suite 240, Virginia Beach, VA 23452.**



## SCHEDULE I-RECEIPT

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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 C.

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<input checked="" type="checkbox"/>	Schedule 6	Release
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Signature:
Name:
Date:

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