COURT OF APPEAL

ON APPEAL FROM the order of Madam Justice Fitzpatrick of the Supreme Court of British Columbia pronounced on the 31st day of October, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

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SCHEDULE "A"

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

1. LT Holdco, LLC
2. LT Intermediate Holdco, LLC
3. SiempreTax+ LLC
4. JTH Tax LLC
5. Liberty Tax Holding Corporation
6. Liberty Tax Service, Inc.
7. JTH Financial, LLC
8. JTH Properties 1632, LLC
9. Liberty Credit Repair, LLC
10. Wefile LLC
11. JTH Tax Office Properties, LLC
12. LTS Software LLC
13. JTH Court Plaza, LLC
14. 360 Accounting Solutions, LLC
15. LTS Properties, LLC

Community Tax Entities

1. CTAX Acquisition LLC
2. Community Tax Puerto Rico LLC
3. Community Tax LLC

Loan Me Entities

1. NPLM Holdco LLC

2. MMS Servicing LLC
3. LoanMe, LLC
4. LoanMe Funding, LLC
5. LM Retention Holdings, LLC
6. LoanMe Stores LLC
7. LM BP Holdings, LLC
8. InsightsLogic LLC
9. LM 2020 CM I SPE, LLC

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No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION
APPROVAL AND VESTING ORDER

BEFORE	THE HONOURABLE MADAM JUSTICE FITZPATRICK	October 31, 2023

ON THE APPLICATION of the Petitioners coming on for hearing at 800 Smithe Street, Vancouver, BC V6Z 2E1 on this date and on hearing Jeffrey D. Bradshaw, Samantha Arbor and Lydia Huang, articled student, and those other counsel listed on Schedule "B" hereto; AND UPON READING the material filed, including the first affidavit of Peter Kravitz sworn July 25, 2023, the fourth affidavit of Peter Kravitz sworn October 24, 2023 (the "**Kravitz Affidavit**") and the Fourth Report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as monitor (the "**Monitor**") dated October 27, 2023; AND PURSUANT TO the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), the British Columbia *Supreme Court Civil Rules*, BC Reg 168/2009, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES that:

SERVICE AND DEFINITIONS

1. The time for service of the Notice of Application for this order and the supporting materials is hereby abridged such that this application is properly returnable today and the need for further service of the Application and supporting materials is hereby dispensed with.

2. Capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them in the Sale and Investment Solicitation Process approved by Order of this Honourable Court on July 25, 2023 (the "**SISP**"), the Second Amended and

Restated Initial Order of this Court dated October 13, 2023 (the "**Initial Order**"), or the Transaction Agreement appended as Exhibit "A" to the Kravitz Affidavit (as may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "**Transaction Agreement**").

APPROVAL AND VESTING

3. The Transaction Agreement and the transactions contemplated therein (collectively, the "**Transactions**"), including the Implementation Steps, for the acquisition of LT Holdco, LLC, LT Intermediate Holdco, LLC, SiempreTax+ LLC, JTH Tax, LLC, JTH Financial, LLC, JTH Properties 1632, LLC, JTH Tax Office Properties, LLC, Wefile LLC, Liberty Credit Repair, LLC, LTS Properties, LLC, 360 Accounting Solutions, LLC, Liberty Tax Holding Corporation, Liberty Tax Service Inc., JTH Court Plaza, LLC, LTS Software LLC, CTAX Acquisition LLC, Community Tax LLC, and Community Tax Puerto Rico LLC (collectively, the "**Acquired Entities**") are hereby approved. The execution of the Transaction Agreement by NextPoint and the Acquired Entities (collectively, the "**NP Entities**") is hereby authorized and approved, with such minor amendments as the NP Entities and the Purchaser may deem necessary, with the approval of the Monitor and subject to the terms of the Support Agreement, or as may be required by the Purchaser pursuant to the terms of the Transaction Agreement. The Petitioners are hereby authorized and directed to perform their obligations under the Transaction Agreement, and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions.

4. This Order shall constitute the only authorization required by the Petitioners to proceed with the Transactions and no shareholder or other approval shall be required in connection therewith.

5. As of the Effective Time (as defined in the Monitor's Certificate):

   (a) 1000694777 Ontario Limited ("**Residual Co. 1**") and 1000694777 USA LLC ("**Residual Co. 2**") shall be companies to which the CCAA applies; and

   (b) Residual Co. 1 and Residual Co. 2 shall be added as Petitioners in these CCAA proceedings and all references in any Order of this Court in respect of these CCAA proceedings to (i) a "Petitioner" or the "Petitioners" shall refer to and include Residual Co. 1 and Residual Co. 2, *mutatis mutandis*, and (ii) "Property" shall include the current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, of Residual Co. 1 and Residual Co. 2, as applicable, including the Excluded Assets (the "**Residual Co. Property**"), and, for greater certainty, each of the Charges (excluding the Directors' Charge, which shall be terminated, released and discharged and be of no further force or effect, without the need for any further act of formality, as of the Effective Time) shall constitute charges on the Residual Co. Property.

6. Upon delivery of the Monitor's certificate (the **"Monitor's Certificate"**) to the Purchaser, substantially in the form attached as **Schedule "C"** hereto, the following shall occur and shall be deemed to have occurred, subject to the terms of the Implementation Steps:

(a) as of the Effective Time:

(i) with respect to the Acquired Entities which were not formed or incorporated under the laws of the United States (the "**Non-US Acquired Entities**"), all of the Non-US Acquired Entities' right, title and interest in and to their respective Excluded Assets shall vest absolutely and exclusively in Residual Co. 1;

(ii) with respect to the Acquired Entities formed or incorporated under the laws of the United States (the "**US Acquired Entities**"), all of the US Acquired Entities' right, title and interest in and to their respective Excluded Assets shall vest absolutely and exclusively in Residual Co. 2; and

(iii) in each case, all applicable Claims and Encumbrances shall continue to attach to such Excluded Assets with the same nature and priority as they had immediately prior to their transfer;

(b) all Excluded Contracts and Excluded Liabilities (which, for certainty includes all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) of the Non-US Acquired Entities and the US Acquired Entities (in each case, other than the Assumed Liabilities) shall be transferred to, assumed by and vest absolutely and exclusively in Residual Co. 1 and Residual Co. 2, respectively, such that all Excluded Contracts and Excluded Liabilities shall become obligations of Residual Co. 1 and Residual Co. 2, as applicable, and shall no longer be obligations of the Acquired Entities, and the Acquired Entities and all of their remaining assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate (collectively, the "**Retained Assets**") shall be and are hereby forever released and discharged from all Excluded Contracts and Excluded Liabilities, and all related Claims and Encumbrances, other than the permitted encumbrances, easements and restrictive covenants affecting or relating to the Retained Assets listed on Schedule "1.1(b)" of the Transaction Agreement (the "**Permitted Encumbrances**"), are hereby expunged and discharged as against the Retained Assets;

(c) all right, title and interest in and to the Purchased Interests acquired by the Purchaser shall vest absolutely and exclusively in the Purchaser free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual,

statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (x) any encumbrances or charges created by the Initial Order, the SISP Order, or any other Order of this Court, and (y) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (British Columbia) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the Permitted Encumbrances) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Interests are hereby expunged and discharged as against the Purchased Interests;

(d) all equity interests of the Acquired Entities existing prior to the commencement of the Implementation Steps (for greater certainty, other than the Purchased Interests and any issued equity interests owned by any other Acquired Entity or Acquired Entities), as well as all options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (as hereinafter defined) and are convertible or exchangeable for any securities of any of the Acquired Entities, or which require the issuance, sale or transfer by any NP Entity of any shares or other securities of any NP Entity, or which otherwise evidence a right to acquire the Purchased Interests and/or the share capital of any Acquired Entity or otherwise relate thereto, shall be deemed terminated and cancelled or redeemed as provided in the Implementation Steps, as applicable; and

(e) the Acquired Entities shall and shall be deemed to cease to be Petitioners in this CCAA proceeding, and the Acquired Entities shall be deemed to be released from the purview of the Initial Order and all other Orders of this Court granted in respect of these CCAA proceedings, save and except for this Order, the provisions of which (as they related to the Acquired Entities) shall continue to apply in all respects.

7. The Monitor is to (a) provide a copy of the Monitor's Certificate to the parties to the Transaction Agreement; and (b) file with this Court a copy of the Monitor's Certificate forthwith after delivery thereof in connection with the Transactions as well as a copy of the final form of Transaction Agreement, all related schedules and the Implementation Steps.

8. The Monitor may rely on written notice from NextPoint and the Purchaser regarding the satisfaction or waiver of conditions to closing under the Transaction Agreement and shall have no liability with respect to delivery of the Monitor's Certificate.

9. For the purposes of determining the nature and priority of Claims, from and after the Effective Time, all Claims and Encumbrances released, expunged and discharged

pursuant to paragraph 6, including as against the Acquired Entities, the Retained Assets and the Purchased Interests, shall attach to the Excluded Assets with the same priority as they had immediately prior to the Transactions, as if the Transactions had not occurred.

10. Pursuant to Section 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act* or Section 18(1)(o) of the *Personal Information Protection Act of British Columbia*, the Petitioners are hereby authorized, permitted and directed to, at the Effective Time, disclose and transfer to the Purchaser all human resources and payroll information in the Acquired Entities' records pertaining to past and current employees of the Acquired Entities. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Acquired Entity prior to the Effective Time.

11. At the Effective Time and without limiting the provisions of paragraph 6 hereof, the Purchaser and the Acquired Entities shall be deemed released from any and all claims, liabilities (direct, indirect, absolute or contingent) or obligations with respect to any Taxes (including penalties and interest thereon) of, or that relate to, the Petitioners (provided, as it relates to the Purchaser and the Acquired Entities, such release shall not apply to (a) Taxes in respect of the business and operations conducted by the Acquired Entities after the Effective Time; or (b) Taxes expressly assumed as Assumed Liabilities pursuant to the Transaction Agreement), including, without limiting the generality of the foregoing, all Taxes that could be assessed against the Purchaser or the Acquired Entities (including its affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act* (Canada) (the "**Tax Act**"), or proposed section 160.01 of the Tax Act, including as a result of any future amendments or proposed amendments to such provisions or related provisions, or any provincial equivalent, in connection with the Petitioners.

12. Except to the extent expressly contemplated by the Transaction Agreement, all Continuing Contracts to which any of the Acquired Entities are a party upon delivery of the Monitor's Certificate will be and remain in full force and effect upon and following delivery of the Monitor's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:

    (a) any event that occurred on or prior to the Effective Time and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of any Petitioner);

    (b) the insolvency of any Petitioner or the fact that the Petitioners sought or obtained relief under the CCAA;

(c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the Transaction Agreement, the Transactions or the provisions of this Order, or any other Order of this Court in these CCAA proceedings; or

(d) any transfer or assignment, or any change of control of an Acquired Entity arising from the implementation of the Transaction Agreement, the Transactions or the provisions of this Order.

13. For greater certainty, (a) nothing in paragraph 12 hereof shall waive, compromise or discharge any obligations of the Acquired Entities or the Purchaser in respect of any Assumed Liabilities; (b) the designation of any Claim as an Assumed Liability is without prejudice to the Acquired Entities' and the Purchaser's right to dispute the existence, validity or quantum of any such Assumed Liability; and (c) nothing in this Order or the Transaction Agreement shall affect or waive the Acquired Entities' or Purchaser's rights and defences, both legal and equitable, with respect to any Assumed Liability, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments against such Assumed Liability.

14. From and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of any Petitioner then existing or previously committed by any Petitioner, or caused by any Petitioner, directly or indirectly, or noncompliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition or obligations, expressed or implied, in any Continuing Contract, existing between such Person and any Acquired Entity directly or indirectly from the filing by the Petitioners under the CCAA and the implementation of the Transactions, including without limitation any of the matters or events listed in paragraph 12 hereof, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a Continuing Contract shall be deemed to have been rescinded and of no further force or effect; provided that, nothing herein shall be deemed to excuse the Purchaser or the Petitioners from performing their obligations under, or be a waiver of defaults by the Purchaser or the Petitioners under, the Transaction Agreement and the related agreements and documents, or affect the validity of the Implementation Steps.

15. From and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessment, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Purchaser or the Acquired Entities relating in any way to or in respect of any Excluded Assets, Excluded Contracts or Excluded Liabilities and any other claims, obligations and other matters which are waived, released, expunged or discharged pursuant to this Order; provided that, nothing herein shall affect the validity of the Implementation Steps.

16. From and after the Effective Time:

(a) the nature of the Assumed Liabilities assumed by the Purchaser or retained by the Acquired Entities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transactions or this Order;

(b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to Residual Co. 1 or Residual Co. 2, as applicable;

(c) any Person that prior to the Effective Time had a valid right or claim against the Acquired Entities under or in respect of any Excluded Contract or Excluded Liability (each an "**Excluded Liability Claim**") shall no longer have such right or claim against the Acquired Entities but will have an equivalent Excluded Liability Claim against Residual Co. 1 or Residual Co. 2, as applicable, in respect of the Excluded Contract and Excluded Liability from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against Residual Co. 1 or Residual Co. 2, as applicable; and

(d) the Excluded Liability Claim of any Person against Residual Co. 1 or Residual Co. 2, as applicable, following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the applicable Acquired Entities prior to the Effective Time.

PRE-CLOSING REORGANIZATION

17. In completing the transactions contemplated in the Implementation Steps, the Petitioners be and are hereby authorized:

(a) to execute and deliver any documents and assurances governing or giving effect to the Implementation Steps as the Petitioners and the Purchaser, in their discretion, may deem to be reasonably necessary or advisable to conclude the Implementation Steps, including the execution of such deeds, contracts or documents, as may be contemplated in the Transaction Agreement and all such deeds, contracts or documents are hereby ratified, approved and confirmed; and

(b) to take such steps as are, in the opinion of the Petitioners and the Purchaser, necessary or incidental to the implementation of the Implementation Steps.

18. The Petitioners be and are hereby permitted to execute and file notices of alteration, articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Implementation Steps and that such articles, documents or other instruments shall be deemed to be duly authorized, valid and effective notwithstanding any requirement under

federal or provincial law to obtain director or shareholder approval with respect to such actions or to deliver any statutory declarations that may otherwise be required under corporate law to effect the Implementation Steps.

19. This Order shall constitute the only authorization required by the Petitioners to proceed with the Implementation Steps and no director, shareholder or regulatory approval shall be required in connection with any of the steps contemplated pursuant to the Implementation Steps save for those authorizations contemplated in the Transaction Agreement.

20. The Registrar of Companies appointed pursuant to the British Columbia *Business Corporations Act* is hereby authorized and directed to accept and receive any articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Implementation Steps contemplated in the Transaction Agreement, filed by either the Petitioners, Residual Co. 1 or Residual Co. 2, as the case may be.

RELEASES

21. Effective as of the Effective Time, (a) the current and former directors, officers, employees, legal counsel and advisors of the Acquired Entities; (b) the Monitor and its legal counsel; (c) the CRO; and (d) the DIP Lenders, the Purchaser and their respective affiliates, and each of their respective current and former directors, officers, employees, legal counsel and advisors (in such capacities, collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released by the Releasing Parties (as hereinafter defined) and discharged from any and all present and future claims (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Time (and, with respect to the current or former directors or officers of the Acquired Entities, on and after July 25, 2023), or undertaken or completed in connection with or pursuant to the terms of this Order, in respect of, relating to, or arising out of (x) the Petitioners, the business, operations, assets, property and affairs of the Petitioners wherever or however conducted or governed, the administration and/or management of the Petitioners, these CCAA proceedings and/or the U.S. Proceedings, or (y) the Transaction Agreement, the Support Agreement, any agreement, document, instrument, matter or transaction involving the Petitioners arising in connection with or pursuant to any of the foregoing, and/or the consummation of the Transactions (collectively, subject to the excluded matters below, the "**Released Claims**"), which Released Claims shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties.

22. Nothing in this paragraph or paragraph 21 shall waive, discharge, release, cancel or bar (A) any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA or claim with respect to any act or omission that is determined by a court of competent jurisdiction to have constituted actual fraud, willful misconduct, or gross negligence, or (B) any obligations of any of the Released Parties under or in connection with the Transaction Agreement, the Support Agreement and/or any agreement, document, instrument, matter or transaction involving the Petitioners arising in connection with or pursuant to any of the foregoing. "**Releasing Parties**" means any and all Persons (besides the Petitioners and their respective current and former affiliates), and their current and former affiliates' current and former members, directors, managers, officers, investment committee members, special committee members, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, assigns, participants, subsidiaries, affiliates, partners, limited partners, general partners, affiliated investment funds or investment vehicles, managed accounts or funds, and each of their respective current and former members, equity holders, officers, directors, managers, principals, members, management companies, advisor board members, investment fund advisors or managers, employees, agents, trustees, investment managers, financial advisors, partners, legal counsel, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

23. Effective as of the Effective Time, the Released Parties shall be deemed to be forever irrevocably released by each of the Petitioners and their respective current and former affiliates, and discharged from, any and all Released Claims held by the Petitioners and such current and former affiliates as of the Effective Time, which Released Claims shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, subject to the limitations set forth in paragraph 22(A) and (B).

24. Without affecting or limiting the releases set forth in paragraphs 21 through 23 hereof, effective as of the Effective Time, none of (a) the current and former directors, officers, employees, legal counsel and advisors of the Acquired Entities; (b) the Monitor and its legal counsel; (c) the CRO; and (d) the DIP Lenders, the Purchaser and their respective affiliates, and their respective current and former directors, officers, employees, legal counsel and advisors (in such capacities, collectively, the "**Exculpated Parties**"), shall have or incur, and each Exculpated Party is exculpated from, any Causes of Action (as hereinafter defined) against such Exculpated Party for any act or omission in respect of, relating to, or arising out of the Transaction Agreement, the Support Agreement and/or the consummation of the Transactions, these CCAA proceedings, the U.S. Proceedings, the formulation, preparation, dissemination, negotiation, filing or consummation of the Transaction Agreement, the Support Agreement and all related agreements and documents, any transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Transactions, the pursuit of approval and consummation of the Transactions or the recognition thereof in the United States, and/or the transfer of assets and liabilities pursuant to this Order, except for causes

of action related to any act or omission that is determined by a court of competent jurisdiction to have constituted actual fraud, willful misconduct, or gross negligence..

25. All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all claims or causes of actions released pursuant to this Order (including but not limited to the Released Claims), from (a) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties or Exculpated Parties; (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or Exculpated Parties or their respective property; (c) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties or Exculpated Parties; (d) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against the Released Parties or Exculpated Parties or their respective property; or (e) taking any actions to interfere with the consummation of the Transactions; and any such proceedings will be deemed to have no further effect against such parties and will be released, discharged or vacated without cost.

26. Without affecting or limiting the releases set forth in paragraphs 21 through 23 hereof, effective as of the Effective Time, each Consenting Party (as hereinafter defined) shall be deemed to have consented and agreed to paragraphs 21 through 25 hereof. "**Consenting Parties**" means any Person who is, at the Effective Time, a party to the Support Agreement.

27. Notwithstanding:

(a) these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the Petitioners, Residual Co. 1 or Residual Co. 2, and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made by or in respect of any of the Petitioners or Residual Co. 1 or Residual Co. 2;

the Transaction Agreement and the Transactions (including without limitation the transfer and vesting of the Excluded Assets, the Excluded Contracts and the Excluded Liabilities in Residual Co. 1 and Residual Co. 2, the transfer and vesting of the Purchased Interests in and to the Purchaser authorized herein or pursuant to the Transaction Agreement and

the Implementation Steps) shall be binding on any trustee in bankruptcy that may be appointed in respect of any of the Petitioners and/or Residual Co. 1 and/or Residual Co. 2, as applicable, and shall not be void or voidable by creditors of the Petitioners or Residual Co. 1 or Residual Co. 2, nor shall they constitute nor be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the CCAA, the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

28. Nothing in this Order, including the release of the Acquired Entities from the purview of the CCAA proceedings pursuant to paragraph 5(e) hereof and the addition of Residual Co. 1 and Residual Co. 2 as Petitioners in these CCAA proceedings, shall affect, vary, derogate from, limit or amend, and FTI shall continue to have the benefit of, any and all rights and approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, this Order, any other Orders in these CCAA proceedings or otherwise, including all approvals, protections and stays of proceedings in favour of FTI in its capacity as Monitor, all of which are expressly continued and confirmed.

GENERAL

29. Having been advised of the provisions of Multilateral Instrument 61-101 "Protection of Minority Security Holders in Special Transactions" relating to the requirement for "minority" shareholder approval in certain circumstances, no meeting of shareholders or other holders of Equity Claims (as defined in the CCAA) in the Petitioners is required to be held in respect of the Transactions and accordingly, there is no requirement to send any disclosure document related to the Transactions to such holders.

30. Following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances (other than the Permitted Encumbrances) as against the Purchased Interests, the Acquired Entities and the Retained Assets.

31. Following the Effective Time, the title of these proceedings shall be hereby changed by removing the current Petitioners that are not Excluded Entities and adding Residual Co. 1 and Residual Co. 2.

32. Endorsement of this order by counsels other than counsel for the Petitioners is hereby dispensed with.

33. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body, wherever located, to give effect to this Order and to assist the Petitioners and their agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners as may be necessary or

desirable to give effect to this Order or to assist the Petitioners and its agents in carrying out the terms of this Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of ☑ lawyer for the Petitioners
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)

BY THE COURT

REGISTRAR

Schedule "A"

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

1. LT Holdco, LLC
2. LT Intermediate Holdco, LLC
3. SiempreTax+ LLC
4. JTH Tax LLC
5. Liberty Tax Holding Corporation
6. Liberty Tax Service, Inc.
7. JTH Financial, LLC
8. JTH Properties 1632, LLC
9. Liberty Credit Repair, LLC
10. Wefile LLC
11. JTH Tax Office Properties, LLC
12. LTS Software LLC
13. JTH Court Plaza, LLC
14. 360 Accounting Solutions, LLC
15. LTS Properties, LLC

Community Tax Entities

1. CTAX Acquisition LLC
2. Community Tax Puerto Rico LLC
3. Community Tax LLC

Loan Me Entities

1. NPLM Holdco LLC
2. MMS Servicing LLC
3. LoanMe, LLC
4. LoanMe Funding, LLC

5. LM Retention Holdings, LLC
6. LoanMe Stores LLC
7. LM BP Holdings, LLC
8. InsightsLogic LLC
9. LM 2020 CM I SPE, LLC

Schedule "B" – List of Counsel

Name of Counsel	Party Representing
Lisa Hiebert	The Monitor
Mary Buttery, KC ~~Marc Wasserman~~ Dave Rosenblat	BasePoint
Lance Williams	First Century Bank, N.A.
Martin Sennott	Drake Enterprises Ltd.
David Gruber	TMI Trust Company
Kieran Siddall	Chilmark

Schedule "C" – Monitor's Certificate

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

MONITOR'S CERTIFICATE

A. Pursuant to an Initial Order of the Honourable Madam Justice Fitzpatrick of the British Columbia Supreme Court (the "**Court**") dated July 25, 2023, the Petitioners were granted protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-46, as amended (as amended, the "**CCAA**"), and FTI Consulting Canada Inc. was appointed as the monitor (the "**Monitor**").

B. Pursuant to an Approval and Vesting Order of the Court dated October 31, 2023 (the "**Order**"), the Court approved the transactions (collectively, the "**Transactions**") contemplated by the Transaction Agreement (as amended in the form attached as Exhibit ● hereto, the "**Transaction Agreement**") and ordered, *inter alia*, (a) that all of the Acquired Entities' right, title and interest in and to the Excluded Assets, the Excluded Contracts and the Excluded Liabilities shall vest absolutely and exclusively in and to Residual Co. 1 and Residual Co. 2, as applicable; and (b) the vesting of all of the right, title and interest in and to the Purchased Interests absolutely and exclusively in and to the Purchaser, free and clear of any Encumbrances.

C. Capitalized terms used but not defined herein have the meanings ascribed to them in the Order.

THE MONITOR CERTIFIES the following:

1. The Monitor has received written confirmation from the Purchaser and NextPoint, in form and substance satisfactory to the Monitor, that all conditions to closing have been satisfied or waived by the parties to the Transaction Agreement.

2. This Monitor's Certificate was delivered by the Monitor at _____ on _____, 2023 (the "**Effective Time**").

FTI CONSULTING CANADA INC., in its capacity as Monitor of the Petitioners, and not in its personal capacity

By: _____

Name:

Title:

No. [S- 235288]
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A'

PETITIONERS

PRE-FILING REPORT OF THE PROPOSED MONITOR

July 25, 2023

FTI CONSULTING

PRE-FILING REPORT OF THE PROPOSED MONITOR

Table of Contents

INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") has been advised that NextPoint Financial, Inc. and those 29 other petitioners listed in attached Appendix "**A**" (collectively, "**NextPoint**" or the "**Petitioners**") intend to make an application for an initial order (the "**Initial Order**") to commence proceedings (the "**CCAA Proceedings**") under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") and establish an initial stay of proceedings (the "**Stay of Proceedings**") in favour of the Petitioners.

2. The Proposed Monitor understands that NextPoint also plans to seek recognition and approval of the CCAA Proceedings as a foreign main proceeding under Chapter 15 of the United States Bankruptcy Code (the "**Chapter 15 Proceedings**").

PURPOSE

3. The purpose of this report is to provide this Honourable Court and the Petitioners' stakeholders with information with respect to the following:

    a. the background of the Petitioners and the causes of their insolvency;

    b. the qualifications of FTI to act as Monitor in the CCAA Proceedings, if appointed;

    c. an overview of the Petitioners' cash management system;

    d. the appointment of Peter Kravitz of Province Fiduciary Services, LLC as NextPoint's Chief Restructuring Officer ("**CRO**");

    e. the terms of an interim financing facility (the "**Interim Facility**") to fund the continuation of NextPoint's businesses and preserve its assets through the anticipated duration of the CCAA Proceedings;

f. a cash flow statement (the "**Cash Flow Statement**") for the 13-week period ending October 20, 2023 (the "**Forecast Period**") as well as the key assumptions on which the Cash Flow Statement is based;

g. the amount and priority of the proposed Court-ordered charges;

h. the planned Chapter 15 Proceedings; and

i. the Proposed Monitor's conclusions and recommendations.

TERMS OF REFERENCE

4. In preparing this report, the Proposed Monitor has relied upon certain information (the "**Information**") including the Petitioners' unaudited financial information, books and records and discussions with senior management and advisors of NextPoint (collectively, "**Management**").

5. Except as described in this report, the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

6. The Proposed Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

7. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Petitioners' primary reporting currency.

OVERVIEW OF NEXTPOINT AND CAUSES OF INSOLVENCY

9. NextPoint Financial, Inc., the ultimate parent of NextPoint, is a publicly listed company incorporated pursuant to the laws of British Columbia and with a registered office in Vancouver, British Columbia. It has direct and indirect ownership of 30 subsidiaries spanning several jurisdictions in Canada and the United States.

Operations

10. NextPoint provides financial and tax services for small businesses and consumers under three primary business lines:

    a. a tax preparation and settlement business ("**Liberty Tax**");

    b. a tax debt resolution service ("**Community Tax**"); and

    c. a lending and loan marketing business which has been winding down operations since June 2022 ("**LoanMe**").

11. Liberty Tax operates over 250 locations in Canada and 2,300 locations in the United States. The majority of its locations are franchises with a limited number of company-owned locations. Its business is highly seasonal, with the majority of its business conducted during the tax season of December 15 to April 30.

12. Community Tax represents customers requiring help with delinquent debt owed to the United States Internal Revenue Service ("**IRS**") including negotiating with the IRS to reduce a customer's debt, secure more time to repay the debt or establish a favourable installment plan.

13. LoanMe is a personal and small business loan lender in the United States which conducts its business entirely over the internet, by telephone or by facsimile. While LoanMe

continues to administer outstanding loans, it ceased all loan originations in June 2022 and is expected to be wound down.

Debt Structure

14. NextPoint has reported secured debt obligations totaling approximately $271.1 million as of July 14, 2023 including:

    a. $211.1 million owed to BP Commercial Funding Trust ("**BPC**") including:

        i. a $125.7 million revolving line of credit;

        ii. $75.4 million term loan from Liberty Tax; and

        iii. $10.0 million note payable from Community Tax;

    b. $45.0 million owed to Drake Enterprises Ltd. for a note payable from Community Tax; and

    c. $15.0 million owed to Frontier Capital Group for a note payable from Community Tax.

15. NextPoint's capital structure is described in detail in the Affidavit of P. Kravitz dated July 25, 2023 (the "**Kravitz Affidavit**").

Causes of Insolvency

16. The three primary causes of NextPoint's financial difficulties are as follows:

    a. an unstainable capital structure;

    b. a decline in tax enforcement steps taken by tax authorities in response to COVID-19 resulting in lower revenues for both Liberty Tax and Community Tax; and

c. the depletion of NextPoint's cash reserves and significant debt obligations incurred in respect of the purchase of LoanMe.

17. The business and affairs of the Petitioners and the causes of their insolvency are described in further detail in the Kravitz Affidavit.

PROPOSED MONITOR

18. FTI is a trustee within the meaning of section 2 of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as Monitor of NextPoint pursuant to section 11.7 (2) of the CCAA.

19. The senior FTI personnel with carriage of the matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees and have experience acting in restructuring matters of this nature and scale.

20. Since being engaged by NextPoint, FTI has become familiar with the business and operations of the Petitioners and the key stakeholders in the proposed CCAA Proceedings and is in a position to immediately act as Monitor if appointed by this Court.

CASH MANAGEMENT SYSTEM

21. NextPoint currently maintains a centralized cash management system including accounts at seven chartered banks in Canada and the United States to consolidate and administer the funds generated by it operating divisions, as described more fully in the Kravitz Affidavit.

22. Maintaining the Petitioners' existing cash management systems will facilitate the continuation of NextPoint's businesses and operations, the Proposed Monitor supports their continued use during these CCAA Proceedings.

APPOINTMENT OF THE CRO

23. In May 2023, the Board of Directors of NextPoint retained Province, LLC to assist NextPoint with its financial affairs, assess it operations and evaluate potential restructuring alternatives. It was subsequently determined that the engagement of a CRO would enhance the Petitioners' prospects of a successful restructuring and supplement the Management team following the departure of NextPoint's Chief Financial Officer in July 2023.

24. On July 1, 2023, NextPoint entered into an agreement (the "**CRO Agreement**") with Province Fiduciary Services, LLC (together with Province LLC, "**Province**") to retain Mr. Peter Kravitz as CRO of NextPoint with the support of additional professional resources provided by Province. A copy of the CRO Agreement is attached as Appendix "**B**".

25. The key services to be provided by the CRO are as follows:

    a. directing, in collaboration with Management, the operations of the business of NextPoint as they relate to the restructuring including, without limitation, being designated as the responsible person, foreign representative, and/or an authorized signatory on any matters, including bank accounts of NextPoint;

    b. directing the preparation of up to date critical financial information;

    c. approving all material cash disbursements, including capital expenditures, as and if reasonably needed, in order to preserve NextPoint's assets;

    d. assisting with and overseeing the sale of NextPoint's assets, including any marketing process relating thereto;

e. supervising and directing the management of vendor, supplier, lender, employee and customer communications, receivables, payables and relationships as needed to maintain NextPoint's value;

f. retaining or terminating employees or contractors;

g. retaining or terminating professionals subject to the direction of the Board, including the retention and/or termination of counsel;

h. participating in meetings with third parties and their respective representatives on all material matters related to NextPoint's business;

i. communicating with counsel in respect of pending or future legal matters in which NextPoint is a party in interest and negotiating a resolution of any such matters, solely as directed by the Board;

j. assisting NextPoint in the execution of the restructuring of NextPoint's capital structure;

k. assisting in the investigation of claims or potential claims or defences available to NextPoint;

l. communicating with governmental bodies relative to the activities of NextPoint and its affiliates;

m. communicating with the Proposed Monitor, Trustee or other court-appointed third party in connection with insolvency proceedings in Canada or the United States;

n. acting as the foreign representative in connection with Chapter 15 Proceedings;

o. assisting with the consummation of borrowing, lending or other financing or refinancing of NextPoint or its assets, including the pledging of NextPoint's assets relative thereto; and

p. taking such actions as may be required pursuant to this Court's orders.

26. The CRO Agreement provides for the following fees to be paid to Province in respect of the engagement:

a. a monthly fee of $80,000 plus expenses (the "**Monthly Fee**");

b. transaction fees at the discretion of the Board of Directors upon a successful restructuring transaction (the "**Transaction Fee**"); and

c. the hourly fees and expenses of the supporting professionals.

27. In aggregate, the Petitioners are forecasting to incur fees payable to Province of approximately $700,000 per month during the Forecast Period.

28. The Initial Order provides for, among other things, the following in respect of the CRO:

a. confirmation of the CRO appointment, approval of the CRO Agreement and approval of the fees and expenses contemplated therein, with the Transaction Fee subject to further approval by this Court;

b. a declaration that Province and the CRO shall not incur any liability in respect of its appointment, save and except for any gross negligence or willful misconduct;

c. a declaration that no action shall be commenced against or in respect of the CRO without written consent of the CRO or with leave of this Court;

d. a declaration that the obligations of the Petitioners to Province and the CRO pursuant to the CRO Agreement, are not claims that can be compromised in any restructuring of NextPoint; and

e. a charge to the benefit of the Province and the CRO (the "**CRO Charge**"), which shall not exceed C$500,000, to secure the Monthly Fee and other amounts payable to Province and the CRO under the CRO Agreement, other than the Transaction Fee.

29. The Proposed Monitor has reviewed the terms of the CRO Agreement and supports the confirmation of the appointment of the CRO to continue to provide NextPoint with the necessary expertise to manage a complex restructuring in the context of the CCAA Proceedings to the benefit of all stakeholders.

INTERIM FACILITY

30. As reflected in the Cash Flow Statement, the Petitioners are unable to pay current and ongoing restructuring expenses without a significant cash infusion in the coming weeks. Accordingly, the Petitioners, in conjunction with the CRO, have arranged for the Interim Facility to fund the continuation of NextPoint's businesses and preserve its assets through the anticipated duration of the CCAA Proceedings.

31. While the Petitioners and the CRO have had discussions with alternative parties regarding the provision of interim financing, BPC and Drake (collectively, the "**Interim Lenders**") are existing secured lenders to the Petitioners and are the most practical parties to provide the required short-term financing.

32. The key commercial terms of the proposed Interim Facility are as follows:

a. NPI Holdco LLC as borrower (the "**Borrower**") will borrow up to $25.0 million and an entity appointed by BPC will act as administrative agent (in such capacity, the "**Interim Agent**");

b. BPC shall have an initial commitment of $15.8 million and Drake shall have an initial commitment of $9.2 million;

c. the individual Petitioners will guarantee the obligation of the Borrower;

d. the Interim Facility will be advanced as a senior secured, fully funded, superpriority, debtor-in-possession, interim, non-revolving credit facility;

e. the Interim Facility shall be deposited into a deposit account under the exclusive domain and control of the Interim Agent and may be drawn by way of multiple advances, each in the principal amount of not less than $500,000;

f. the Interim Facility is conditional upon, among other things, the granting of a charge on the Petitioners' collateral as security for all obligations under the Interim Facility (the "**Interim Lender's Charge**");

g. upon entry of the Initial Order, the Interim Agent shall make an initial advance to the Borrower, to be deposited in a segregated escrow bank account;

h. interest shall be payable on the Facility Amount at a rate equal to the Secured Overnight Financing Rate then in effect on such day plus 6.5% per annum, compounded monthly. All overdue amounts shall bear interest plus 2% per annum;

i. each of BPC and Drake shall receive a commitment fee of 1% of their respective commitments, payable at the initial advance date or as a net funded amount from the initial advance;

j. when the Interim Facility is terminated, the Borrower shall pay to each of BPC and Drake an exit fee of 1% of their respective initial commitments;

k. upon entry of an Amended Initial Order in the CCAA Proceedings, the Interim Agent shall make an advance to the Borrower, to be deposited in a segregated escrow bank account, in an amount of approximately $13.9 million, to be held in trust for the benefit of the professional persons included in the DIP Budget (as subsequently defined);

l. the Interim Facility shall be due and repayable in full on the earlier of:

   i. the occurrence of any event of default which is continuing and has not been cured;

   ii. the completion of a restructuring transaction;

   iii. the closing of a successful bid under the sale and investment solicitation process that the Petitioners are planning to undertake in the context of the CCAA Proceedings;

   iv. the sale of all or substantially all of the Petitioners' collateral; and

   v. the outside date of November 30, 2023;

m. the borrower is to deliver cash flow variance reporting against an agreed summary budget (the "**DIP Budget**") by Friday of every second week, setting forth the actual receipts and disbursements for the preceding two weeks (each, a "**Testing Period**"). The Petitioners' actual cash flows must comply with the DIP Budget, subject to permitted adverse variances of not more than negative 10% in respect of cumulative receipts and positive 10% in respect of cumulative aggregate disbursements of the actual cash flow against the DIP Budget for any Testing Period.

33. The Proposed Monitor has considered NextPoint's application for approval of the Interim Facility and Interim Agent's Charge and has the following comments:

a. the Petitioners are in urgent need of funding to support their ordinary course operations and the restructuring costs associated with the CCAA Proceedings and Chapter 15 Proceedings;

b. absent interim financing, the Petitioners will be unable to carry on their business operations which would result in a deterioration of the value of their operations and businesses;

c. the Interim Facility will provide sufficient liquidity for NextPoint to pursue its restructuring initiatives as set out in the Kravitz Affidavit;

d. the interest and fees payable to the Interim Lenders under the Interim Facility have been heavily negotiated by the CRO on behalf of the Petitioners and are within the range of market comparable transactions for debtor-in-possession interim financings in recent CCAA Proceedings; and

e. as set out in the Cash Flow Statement, the Petitioners require an advance of $4.0 million during the first ten days of the CCAA Proceedings which is required to fund a net cash shortfall of approximately $2.0 million for the period ending August 4, 2023 and an employee payroll to be funded early the following week of approximately $1.7 million in order to avoid disruption to the Petitioners' operations.

34. Overall, it is the Proposed Monitor's view that the Interim Facility is necessary for the funding of the Petitioners' operations and restructuring costs in the near term and will enhance the Petitioners' prospects of achieving a successful restructuring. Accordingly, the Proposed Monitor supports NextPoint's application for approval of the Interim Facility.

AMOUNT AND PRIORITY OF COURT ORDERED CHARGES

35. The Initial Order provides for certain Court-ordered charges to rank in priority to all other charges and security interests against the Petitioners. The proposed charges include:

    a. an administration charge (the "**Administration Charge**");

    b. the CRO Charge;

    c. a charge to secure the Interim Facility (the "**Interim Lender's Charge**");

    d. a directors' and officers' charge (the "**Directors' Charge**"); and

    e. an intercompany charge (the "**Intercompany Charge**").

Administration Charge

36. The proposed Initial Order provides for an Administration Charge to secure the fees and disbursements incurred by counsel to the Petitioners, the Proposed Monitor and the Proposed Monitor's counsel in connection with services rendered to the Petitioners before and after the commencement of the CCAA Proceedings. The Administration Charge will not exceed C$1.0 million and will rank *pari passu* with the CRO Charge described below.

37. The Proposed Monitor believes it is appropriate for the beneficiaries to be afforded the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

38. The Proposed Monitor has reviewed the underlying assumptions upon which the Petitioners have based the quantum of the proposed Administration Charge, the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge during the first ten days of the CCAA

Proceedings and is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.

CRO Charge

39. The proposed CRO Charge provides that Province and the CRO be entitled to the CRO Charge to secure the Monthly Fee and other amounts payable to Province and the CRO, other than the Transaction Fee. The CRO Charge will not exceed C$500,000 and will rank *pari passu* with the Administration Charge.

40. The Proposed Monitor believes it is appropriate and necessary for Province and the CRO to be afforded the CRO Charge and that the quantum of the CRO Charge is reasonable in consideration of the fees forecast to be incurred by Province during the first ten days of the CCAA Proceedings.

Interim Lender's Charge

41. The proposed Initial Order provides for a charge securing borrowing under the Interim Facility to rank subordinate to the Administration Charge and CRO Charge.

42. The Proposed Monitor has considered the terms and the need for the proposed interim financing and understands that the Interim Lenders are not prepared to advance funds under the Interim Facility without the benefit of the Interim Lender's Charge. Without the funds from the Interim Facility, NextPoint would be unable to undertake an organized restructuring in these CCAA Proceedings, which would be to the detriment of all stakeholders. Accordingly, the Proposed Monitor is of the view that the Applicants' request for the Interim Lender's Charge is reasonable and appropriate in the circumstances.

Directors' Charge

43. The Initial Order provides for the Directors' Charge over the property of NextPoint in favour of the directors and officers of the Petitioners as security for the indemnity contained in the Initial Order in respect of specified obligations and liabilities that the directors may incur after commencement of the CCAA Proceedings. The Directors' Charge will not exceed C$500,000 and will rank subordinate to the Administration Charge, CRO Charge, and the Interim Lender's Charge.

44. As described in the Kravitz Affidavit, the Petitioners maintain certain insurance coverage for the directors, but the current coverage levels appear modest for an enterprise of this size and complexity and may not fully cover the potential statutory or other liabilities of the beneficiaries of the Directors' Charge. The Proposed Monitor notes that the directors will only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any existing insurance policy, or to the extent that such coverage is insufficient to pay amounts for which the directors are entitled to be indemnified pursuant to the provisions of the proposed Initial Order.

45. It is the Proposed Monitor's view that the continued support of the directors and officers of the Petitioners during the CCAA Proceedings will be beneficial to the Petitioners' efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings. The Proposed Monitor has considered the existing insurance coverage and risk profile of the Petitioners while operating a cross-border enterprise in a potentially litigious sector and is of the view that the quantum and priority of the Directors' Charge are reasonable and appropriate in the circumstances.

Intercompany Charge

46. The Initial Order provides that to the extent that any Petitioner (an "**Intercompany Lender**") after the date of the Initial Order makes any payment to or on behalf of, or incurs any obligation on behalf of, or discharges any obligation of, another Petitioner (the "**Debtor Petitioner**"), such Intercompany Lender is to be granted an Intercompany Charge over the property of the Debtor Petitioner in the amount of such payment,

obligation or transfer. The Intercompany Charge shall be subordinate to the Administration Charge, CRO Charge, Interim Lender's Charge and Directors' Charge.

47. The Intercompany Charge will allow the Petitioners to make intercompany payments and incur obligations on behalf of other Petitioners where necessary while protecting the separate stakeholder constituencies of each of the Petitioners. Accordingly, the Proposed Monitor is of the view that such a charge is necessary and reasonable in the circumstances.

CASH FLOW STATEMENT

48. The Petitioners have prepared the Cash Flow Statement to set out the liquidity requirements of NextPoint during the Forecast Period of the 13 weeks ending October 20, 2023. A copy of the Cash Flow Statement is attached as Appendix "**C**".

49. The Cash Flow Statement is summarized in the following table:

NextPoint Cash Flow Statement *(USD$ thousands)*	Initial Stay Period Weeks 1-2 Forecast	Weeks 3-13 Forecast	Weeks 1-13 Total
Operating Receipts			
Community Tax Operating Receipts	$ 976	$ 6,304	$ **7,279**
Liberty Operating Receipts	711	3,766	**4,477**
Total Operating Receipts	**1,686**	**10,070**	**11,756**
Operating Disbursements			
Community Tax Operating Disbursements	(586)	(2,955)	**(3,541)**
Liberty Operating Disbursements	(3,146)	(6,685)	**(9,832)**
NextPoint Operating Disbursements	(460)	(1,734)	**(2,194)**
LoanMe Operating Disbursements	(2)	(5)	**(7)**
Employee Compensation	(1,830)	(9,966)	**(11,796)**
Total Operating Disbursements	**(6,025)**	**(21,345)**	**(27,370)**
Net Change in Cash from Operations	**(4,338)**	**(11,275)**	**(15,613)**
Non-Operating Items			
Non-Operating Receipts	-	3,100	**3,100**
Restructuring Professional Fees	(1,958)	(7,332)	**(9,290)**
Net Change in Cash from Non-Operating Items	**(1,958)**	**(4,232)**	**(6,190)**
Financing			
Intercompany Receipts / (Disbursements)	4,000	21,000	**25,000**
Other Financing	(296)	(479)	**(776)**
Net Change in Cash from Financing	**3,704**	**20,521**	**24,224**
Net Change in Cash	(2,593)	5,014	**2,421**
Opening Cash	4,791	2,198	**4,791**
Ending Cash	$ **2,198**	$ **7,212**	$ **7,212**

50. The Cash Flow Statement is based on the following key assumptions:

    a. operating receipts and disbursements are assumed to be largely consistent with recent performance and typical seasonality for the applicable business lines, with assumptions listed in greater detail in Appendix "**C**";

    b. non-operating receipts are assumed to include a $2 million receipt from the sale of a minority interest granted as consideration in the sale of Trilogy Software Inc., in addition to a $1.1 million litigation settlement;

c. an advance under the Interim Facility of $4.0 million is required during the first ten days of the CCAA Proceedings to fund a net cash shortfall of approximately $2.0 million and an employee payroll to be funded immediately following the 10 day period of approximately $1.7 million in order to avoid disruption to the Petitioners' operations;

d. restructuring professional fees include the CRO, the Petitioners' legal counsel; the Monitor, the Monitor's legal counsel, the Interim Lenders' advisors and legal counsel and other professionals; and

e. ending cash includes amounts that may be advanced under the Interim Facility and held in a segregated, escrow bank account in support of professional fees as provided for under the Interim Facility terms.

51. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports as follows:

a. the Cash Flow Statement has been prepared by Management for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in notes 1 to 12 thereof;

b. the Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by Management and employees of the Petitioners. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement;

c. based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe that, in all material respects:

i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

ii. as at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

iii. the Cash Flow Statement does not reflect the probable and hypothetical assumptions;

d. since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Proposed Monitor in preparing this Report; and

e. the Cash Flow Statement has been prepared solely for the purposes described in the notes to the Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

CHAPTER 15 PROCEEDINGS

52. The proposed Initial Order authorizes and empowers each of the Petitioners and the Monitor to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of the Initial Order and for assistance in carrying out the terms of the Initial Order. It further authorizes the CRO to act as a representative for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the Petitioners in respect of the Chapter 15 Proceedings.

53. The Petitioners are planning to commence the Chapter 15 Proceedings as soon as possible, which the Proposed Monitor agrees is necessary to preserve the going concern value of NextPoint's businesses.

54. The Proposed Monitor has reviewed the Petitioners' circumstances, including facts set out in the Kravitz Affidavit, and agrees that Canada is the centre of main interest for NextPoint.

CONCLUSIONS AND RECOMMENDATIONS

55. The Initial Order, in conjunction with the anticipated Chapter 15 Proceedings, will provide the Petitioners with stability and, through the Interim Facility, the required liquidity to preserve value while they implement a restructuring strategy.

56. As described in the Kravitz Affidavit, the Petitioners plan to seek various relief at a subsequent hearing in the coming weeks, including the approval of a sale and investment solicitation process and a stalking horse purchase agreement. If appointed, the Proposed Monitor plans to provide comments on this relief in a further report.

*****

All of which is respectfully submitted this July 25, 2023.

FTI Consulting Canada Inc.
in its capacity as Proposed Monitor of NextPoint

Tom Powell
Senior Managing Director

Craig Munro
Managing Director

Appendix A

List of Petitioners

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

3. LT Holdco, LLC
4. LT Intermediate Holdco, LLC
5. SiempreTax+ LLC
6. JTH Tax LLC
7. Liberty Tax Holding Corporation
8. Liberty Tax Service, Inc.
9. JTH Financial, LLC
10. JTH Properties 1632, LLC
11. Liberty Credit Repair, LLC
12. Wefile LLC
13. JTH Tax Office Properties, LLC
14. LTS Software LLC
15. JTH Court Plaza, LLC
16. 360 Accounting Solutions, LLC
17. LTS Properties, LLC

Community Tax Entities

18. CTAX Acquisition LLC
19. Community Tax Puerto Rico LLC
20. Community Tax LLC

LoanMe Entities

21. NPLM Holdco LLC
22. MMS Servicing LLC
23. LoanMe, LLC
24. LoanMe Funding, LLC
25. LM Retention Holdings, LLC
26. LoanMe Trust Prime 2018-1
27. LoanMe Trust SBL 2019-1
28. LoanMe Stores LLC
29. InsightsLogic LLC
30. LM 2020 CM I SPE, LLC

Appendix B

CRO Engagement Letter

PROVINCE FIDUCIARY SERVICES, LLC, a subsidiary of
PROVINCE

PRIVATE AND CONFIDENTIAL

July 1, 2023

VIA EMAIL ONLY

Scott Terrell
Interim Chief Executive Officer
NextPoint Financial Inc.
500 Grapevine HYW, Suite 402
Hurst, Texas 76054

In re: Engagement of Peter Kravitz of Province Fiduciary Services (CRO Engagement)

Dear Mr. Terrell:

This letter (the "Agreement") sets forth the terms and conditions regarding the engagement of Province Fiduciary Services, LLC, a Nevada limited liabilty company ("Province") by NextPoint Financial Inc., f/k/a NextPoint Acquisition Corp., along with each of its direct and indirect controlled affiliates (jointly and severally, the "Company[1]" or "You"), including the scope of the services to be performed and the basis of compensation for those services, all on the terms and conditions stated herein. This Agreement shall, subject to the terms and conditions stated herein, be effective for all purposes as of the date indicated above (the "Effective Date").

Pursuant hereto, Province shall supply the Company with a Chief Restructuring Officer (a "CRO") who shall serve at the direction of the Company's board as directed from time to time, who shall utilize supporting personnel (the "Support Staff") of Province, LLC pursuant to that certain Engagement Agreement by and between the Company and Province, LLC dated as of May 23, 2023 (the "Province FA Engagement Letter") which shall remain in full force and effect pursuant to its terms) in his role as CRO. Province professional Peter Kravitz is hereby designated by Province to fill the role of CRO during the remainder of the term hereof or until his resignation, whichever first occurs (collectively, the "Services").

1. Scope of Services and Company Duties: Province's responsibilities will be to provide You with the CRO who will provide the Services as outlined in this Agreement and work

[1] The definition of the Company shall include, but not be limited to, NextPoint Holdco LLC, NPLM Holdco LLC, LoanMe, LLC, LoanMe Funding, LLC, LM Retention Holdings LLC, LoanMe Trust SBL 2019-1, LM BP Holdings LLC, InsightsLogic LLC, LM 2016 NLP SPE LLC, LM 2014 BP III SPE LLC, LM 2017 MP I SPE LLC, LM 2014 HC SPE LLC, LM 2020 CM I SPE LLC, LM 2015 NLP SPE LLC, LM 2014 BP SPE LLC, LM 2014 BP II SPE LLC, LM 2015 BP I SPE LLC, LT Holdco LLC, LT Holdco Intermediate LLC, SiempreTax LLC, JTH Tax LLC, JTH Financial, LLC, JTH Properties 1632, LLC, Wefile, LLC, Liberty Credit Repair LLC, JTH Tax Office Properties LLC, LTS Software LLC, JTH Court Plaza LLC, LTS Properties LLC, Liberty Tax Service Inc. Canada, CTAX Acquisition LLC, Community Tax Puerto Rico LLC, and Community Tax LLC.

collaboratively with the Support Staff, members of the senior management team and the Company's advisors. Province will keep You reasonably informed of the progress of the matters we are handling and reasonably respond to Your inquiries. You understand the need for truthful, complete and accurate information. You also understand the need to cooperate and to keep us informed on a timely basis of any developments that may impact the Services.

The Services to be provided by the CRO and Support Staff at Province, LLC during the term hereof shall include, among other things, the following: reviewing and analyzing the value of the Company's non-cash assets and operations; fomulating and advising on strategies to preserve and maximize the value of the Company's assets and operations; assisting with the formulation of a communication strategy with the Company's stakeholders, including creditors and shareholders; communicating and assisting in negotiations with various stakeholders, including creditors and other parties as necessary; preparing financial models for underlying assets and assessment of cash requirements; assisting with the development of a cash flow budget and variance analysis; assisting with the preparation of insolvency filings in both the US and Canada, reports, and schedules, if required; attending meetings with the Company, its counsel, and other stakeholders as required; analyzing any merger, divestiture, joint venture, sale, or investment transaction, including the proposed structure and form thereof; analyzing any new debt or equity capital, including advice on the nature and terms of new securities; assisting the Company in developing, evaluating, structuring, and negotiating the terms and conditions of a restructuring, plan of reorganization, or sale transaction; preparing financial analysis on recovery alternatives to all stakeholders; providing expert testimony, litigation support, and/or affidavit evidence to support insolvency filings in both the US and Canada; and providing general oversight of any restructuring. The Services, which shall be performed by Mr. Kravitz and the Support Staff working collaboratively with members of the senior management team of the Company and the Company's advisors, may include the following additional nonexhaustive itemization of Services, powers and duties:

- directing, in collaboration with the members of the senior management team, the operations of the business of the Company as they relate to the restructuring including, without limitation, being designated by the board of directors of the Company as the responsible person, foreign representative and/or an authorized signatory on any matters, including bank accounts of the Company;

- directing the preparation of financial information relative to the Company;

- approving all material cash disbursements, including capital expenditures, as and if reasonably needed, in order to maximize, protect and preserve the assets of the Company;

- assisting with and overseeing the sale of assets of the Company, including any marketing process relating thereto, which may be a Material Transaction (as defined below);

- supervising and directing management of vendor, supplier, lender, employee and customer communications, receivables, payables and relationships as needed to maintain Company's value;

- retaining or terminating any employees or contractors of the Company;

- retaining or terminating any professionals of the Company solely at the direction of the board of directors of the Company, including the retention and/or termination of counsel;
- participating in meetings with third parties and their respective representatives on all material matters related to Company's business;
- communicating with counsel in respect of any pending or future legal matters in which the Company is a party in interest and negotiating a resolution of any such matters, solely as directed by the board of directors of the Company;
- taking any and all actions necessary to fulfill the responsibilities set forth above, including executing all necessary documentation on behalf of Company to effectuate same;
- communicating with any steering, *ad hoc* or other creditor/equity committees, investor groups, creditors, lenders, and the like, related to the Company;
- assisting the Company in the execution of any restructuring of the capital stack of the Company;
- assisting in the investigation of any claims or potential claims or defenses available to the Company;
- communicating with any governmental bodies relative to the activities of the Company and its affiliates;
- communicating with any Monitor, Trustee or other court-appointed third party in connection insolvency proceedings in the US or Canada;
- acting as the foreign representative in connection with foreign non-main proceeding under Chapter 15 of Title 11 of the United States Code (the "Bankruptcy Code") commenced by the Company in the US to support a foreign main proceeding commenced by the Company under the *Companies Creditors Arrangement Act* (the "CCAA") in Canada; and
- assisting with the consummation of any borrowing, lending or other financing or refinancing of the Company or its assets, including the pledging of the assets of the Company relative thereto.

2. Fees and Billing Practices: All payments as described in this letter, shall be made via wire transfer or via check and become the property of Province immediately upon receipt by Province and may be used by Province at any time without restriction.

For this engagement, the Company will compensate Province for its Services as follows:

a. *Hourly Fees.* Province, LLC shall continue to invoice for and receive fees for the services rendered and to be rendered by Support Staff pursuant to the Province FA Engagement Letter; *provided, however*, as of the Effective Date Peter Kravitz shall no longer bill any hourly time pursuant to said Province FA Engagement Letter, as

all of his individual efforts in support of the Company shall be compensated pursuant to the Monthly Fees and Transaction Fee described below.

b. *Monthly Fees*. Upon the Effective Date, and on each monthly anniversary of the Effective Date (or the next business day if such date would fall on a public holiday or weekend) during the term of this Agreement, the Company shall pay Province in advance, without notice or invoice, a nonrefundable cash fee of $80,000.00 (each a "Monthly Fee"). If this Agreement is terminated as provided herein, the Company agrees to pay to Province, on the effective date of such termination, the unpaid amount of the Monthly Fees, if any, due as of the termination date as prorated for any partial month.

c. *Transaction Fee*. In addition to any other fees provided for herein, the Company may, in the Board's discretion and based upon the CRO's performance hereunder, award Province a restructuring transaction fee (a "Transaction Fee") upon the consummation by the Company of any Transaction.

As used herein, the term "Transaction" shall mean any one or more of the following, whether or not on an out-of-court basis or on an in-court basis (whether in any Canadian, United States, or foreign jurisdiction) pursuant to a plan of reorganization or a similar legal concept under any foreign legal insolvency proceeding of the Company (a "Plan") confirmed, sanctioned, or otherwise approved in connection with any case or cases commenced by or against the Company, any of its subsidiaries, its parent company(ies), or any combination thereof, whether individually or on a consolidated basis and whether proposed by the Company or any other party: (a) any merger, acquisition (via credit bid or otherwise), consolidation, reorganization, recapitalization, financing, refinancing, business combination, directly or indirectly, or other transaction wherein the assets, equities or value in the Company (or a material portion thereof, whether by asset sale or otherwise) is acquired by, or combined with, any person, group of persons, partnership, corporation or other entity, whether in a single transaction, multiple transactions or a series of transactions; (b) any restructuring, reorganization, equitization, exchange offer, tender offer, amend and extend, refinancing, repayment, cancellation or similar transaction, whether or not pursuant to a Plan, related to the Company; or (c) any other transaction similar to any of the foregoing that materially involves either the Company or a material portion of the Company's assets or equities. For the avoidance of doubt, a Transaction includes any transaction or series of transactions consummated in or out of court that results in any of clauses (a), (b), or (c) outlined above.

3. [Intentionally Omitted]

4. Costs and Other Charges: In general, Province will incur various costs and expenses in the normal course of performing under this Agreement. Costs and expenses commonly include, but are not limited to: reasonable lodging, travel costs, postage, meals, parking, research service fees, legal fees, photocopying and other reproduction and binding costs, messenger and other delivery fees, express mail, information retrieval services, temporary clerical assistance and other similar items. All such costs and expenses will be itemized and charged to the Company at Province's actual cost.

5. Conflicts: Because Province and its affiliates and subsidiaries comprise a consulting firm that serves clients on an international basis in numerous cases, both in and out of court, it is possible that Province may have rendered or will render services to, or have business associations with, other entities or people which had or have or may have relationships with the Company, including creditors of the Company. Province shall not represent the interests of any person disclosed in writing by You as being adverse to the Company.

6. Discharge, Withdrawal, Termination: Province has the right to withdraw from this engagement, in whole or in part, with twenty-one (21) days written notice for any reason or no reason at all, which shall also constitute a withdrawal and termination of the Province FA Engagement Letter. Reasons for Province's withdrawal may include, but are not limited to, Your breach of this Agreement, Your refusal to cooperate with or to follow advice or a representation of You that is unlawful or unethical. You shall have the right to terminate this engagement at any time by providing Province, care of Peter Kravitz, with twenty-one (21) days written notice of same.

7. Disclaimer of Guarantee: Nothing in this Agreement should be construed as a promise or guarantee about the outcome of any of our efforts. Our comments about the outcome or likely results of any effort are expressions of personal opinion only and are not representations or warranties and do not otherwise bind us.

8. Indemnification:

i. The Company agrees to indemnify and hold the Province, along with each of its direct and indirect parents and subsidiaries and each of their officers, managers, directors, employees and agents (each, an "Indemnified Party" and collectively, the "Indemnified Parties") harmless against any and all losses, claims, damages, liabilities, penalties, obligations, disbursements and expenses, including the cost (reasonable and documented fees and disbursements) for counsel or others (including employees or consultants of Province, based on their then current hourly billing rates) in investigating, preparing or defending any action or claim, whether or not in connection with litigation in which any Indemnified Party is a party, or enforcing the Agreement (including these indemnity provisions), as and when incurred, caused by, relating to, based upon or arising out of (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of their obligations under the Agreement; provided, however, such indemnity shall not apply to any such loss, claim, damage, liability or expense to the extent it is found by a court of competent jurisdiction to have resulted primarily from such Indemnified Party's bad faith, gross negligence or willful misconduct.

ii. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the Agreement of Province, except to the extent that any such liability for losses, claims, damages, liabilities or expenses that are found by a court of competent jurisdiction, pursuant to a final, non-appealable order or judgment, to have resulted primarily from such Indemnified Party's bad faith, gross negligence or willful misconduct. The Company further agrees that it will not, without the prior consent of an Indemnified Party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which such Indemnified Party seeks indemnification hereunder (whether or not such Indemnified Party

is an actual party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liabilities arising out of such claim, action, suit or proceeding.

iii. In the event that, at any time whether before or after termination of the Agreement, as a result of or in connection with the Agreement or Province's and its personnel's role under the Agreement, Province or any Indemnified Party is required to produce any of its personnel (including former employees or consultants) or is required to produce, review or organize any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal process, the Company will reimburse the Indemnified Party for its reasonable and properly documented out-of-pocket expenses, including the reasonable and documented fees and expenses of its counsel, and will compensate the Indemnified Party for the time expended by its personnel based on such personnel's then current hourly rate.

iv. The Indemnified Party will promptly provide notice to the Company of any pending action or proceeding that they become aware of, provided however, that any failure by such Indemnified Party to notify the Company will not relieve the Company from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the defense of such action.

v. The Company shall promptly pay expenses reasonably incurred by any Indemnified Party in defending, participating in, or settling any action, proceeding or investigation in which such Indemnified Party is a party or is threatened to be made a party or otherwise is participating in by reason of the Engagement under the Agreement, and which action, proceeding or investigation would otherwise be subject to the indemnification under this Agreement, upon submission of invoices thereof.

vi. The Company will be liable to pay the amount of any settlement of any claim against an Indemnified Party, when such settlement is made with the Company's written consent.

vii. Neither termination of the Agreement nor termination of Province's engagement shall affect these indemnification provisions, which shall hereafter survive in full force and effect.

9. Information. Company's management shall be responsible for providing the information necessary for Province's review and analysis. The accuracy and completeness of such information, upon which we rely and which will form the basis of any plan that we help prepare, are the responsibility of Company.

10. Governing Law; Venue: This Agreemnt shall be governed by the laws of the Province of Brisih Columbia and the federal laws of Canada applicable therein. During the pendency of any in-court insolvency proceeding, the Canadian court presiding over same shall have exclusive jurisdiction of any proceedings related to this Agreement by and between the parties.

11. Service Limitations: Company acknowledges and agrees that Province is not being requested to perform an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to the rules of the AICPA, SEC or other state or national professional or regulatory body. Additionally, while Mr. Kravitz is a lawyer, he shall not provide

any legal advice to the Company, and the Company shall rely on its own legal professionals for such legal advice.

12. No Third-Party Beneficiary: Company acknowledges that all advice (written or oral) provided by Province in connection with this engagement is intended solely for the benefit and use of Company in considering the matters to which this engagement relates. No such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without Province's prior approval (which shall not be unreasonably withheld), except as required by law.

13. Confidentiality: Province agrees to keep confidential all information obtained from the Company and not to disclose to any other person or entity (other than Province employees), or use for any purpose other than specified herein, any information pertaining to the Company or any affiliate thereof which is either non-public, confidential or proprietary in nature ("Information") that it obtains or is given access to during the performance of the services provided hereunder. The foregoing is not intended to nor shall be construed as prohibiting Province from disclosure pursuant to a valid subpoena or court order, which Province shall disclose to the Company as promptly as possible. If Province becomes legally compelled to disclose any confidential Information pursuant to a valid subpoena or court order, Provice shall furnish only that portion of the Information that is required to be disclosed as advised by counsel. Furthermore, Province may make reasonable and customary disclosures of Information in connection with discharging the responsibilities of a financial advisor or Chief Restructuring Officer, as applicable. In addition, Province will have the right to disclose to others in the normal course of business its involvement with the Company subject to applicable disclosure rules.

The Company acknowledges that all information (written or oral) generated by Province in connection herewith is intended solely for the benefit and use of the Company. The Company agrees that no such information shall be used for any other purpose or reproduced, disseminated, quoted or referred to with attribution to Province at any time in any manner or for any purpose other than accomplishing the tasks referred to herein, without Province's prior approval (which shall not be unreasonably withheld) except as required by law.

14. Insolvency Court Approvals: Within a reasonable time following the filing of any bankruptcy or insolvency matter, the Company shall apply to the court presiding thereover for:

a. an order confirming Peter Kravitz's appointment as CRO in the CCAA proceedings with the usual protections provided to CRO's appointed in similar CCAA proceedings, including using reasonable efforts to obtain priorioty charges for the fees set forth herein; and
b. appointment of Peter Kravitz as a "foreign representative" by the Company and authorized in the CCAA proceedings to administer the reorganization of the Company's assets and affairs and to act as a representative in connection with any foreign ancillary proceedings, including a Chapter 15 proceeding.

The Company shall supply Province with a draft of any such retention application and any proposed CRO related order in the CCAA authorizing Province's retention sufficiently in advance of the filing of such application and proposed order to enable Province and its counsel to review

and comment thereon. The retention application and the proposed final CRO related orders in Canada authorizing Province's retention must be acceptable to Province in its sole discretion.

15. Entire Agreement: Unless otherwise agreed in writing between us, all other matters referred to us by the Company for representation shall be governed by the terms of this Agreement, and any other attached scheduled or amendments. This Agreement contains all terms of the agreement between the parties and may not be modified except in writing signed by both of us.

16. Liability Limitation. No party hereunder shall be liable to the other for any special, consequential or punitive damages. Notwithstanding any other provision of this Agreement, no Indemnified Party shall be liable for any consequential damages resulting from any management decisions by Company.

If this letter accurately reflects our Agreement, please sign and return it to us. If you have any questions concerning the provisions of this Agreement, we invite your inquiries. We look forward to working with you.

Very truly yours,

DocuSigned by:
6B0G54C8C5564E0...
Peter Kravitz, *solely in his capacity as Principal of Province*

Accepted and Agreed by the Company:

NEXTPOINT FINANCIAL INC.

By: DocuSigned by:
Scott Ferrell
F25D875C3FEE8D47E...
Scott Ferrell, Interim Chief Executive Officer

Appendix C

Cash Flow Statement for the 13-week period ending October 20, 2023

NextPoint
Cash Flow Statement
For the 13-week period ending October 20, 2023

(USD$ thousands) Week Ending	Notes	Week 1 28-Jul-23 Forecast	Week 2 4-Aug-23 Forecast	Week 3 11-Aug-23 Forecast	Week 4 18-Aug-23 Forecast	Week 5 25-Aug-23 Forecast	Week 6 1-Sep-23 Forecast	Week 7 8-Sep-23 Forecast	Week 8 15-Sep-23 Forecast	Week 9 22-Sep-23 Forecast	Week 10 29-Sep-23 Forecast	Week 11 6-Oct-23 Forecast	Week 12 13-Oct-23 Forecast	Week 13 20-Oct-23 Forecast	Total
Operating Receipts															
Community Tax Operating Receipts	[1]	$ 490	$ 486	$ 364	$ 546	$ 486	$ 546	$ 591	$ 473	$ 710	$ 591	$ 665	$ 532	$ 798	$ 7,279
Liberty Operating Receipts	[2]	446	265	265	265	265	265	271	271	271	271	541	541	541	4,477
Total Operating Receipts		936	750	629	811	750	811	862	744	981	862	1,206	1,073	1,339	11,756
Operating Disbursements															
Community Tax Operating Disbursements	[3]	(343)	(243)	(201)	(201)	(201)	(285)	(311)	(269)	(269)	(331)	(323)	(281)	(281)	(3,541)
Liberty Operating Disbursements	[4]	(1,472)	(1,674)	(388)	(426)	(347)	(1,118)	(2,134)	(606)	(606)	1,222	(1,436)	(423)	(423)	(9,832)
NextPoint Operating Disbursements	[5]	(106)	(354)	(65)	(65)	(65)	(66)	(428)	(139)	(139)	(142)	(401)	(112)	(112)	(2,194)
LoanMe Operating Disbursements	[6]	-	(2)	-	-	-	-	(2)	-	-	-	(2)	-	-	(7)
Employee Compensation	[7]	(1,830)	-	(1,687)	-	(1,687)	-	(1,595)	-	(1,595)	-	(1,501)	-	(1,901)	(11,796)
Total Operating Disbursements		(3,751)	(2,274)	(2,341)	(692)	(2,300)	(1,469)	(4,471)	(1,014)	(2,610)	750	(3,664)	(817)	(2,717)	(27,370)
Net Change in Cash from Operations		(2,815)	(1,523)	(1,712)	120	(1,549)	(658)	(3,609)	(270)	(1,629)	1,612	(2,458)	257	(1,378)	(15,613)
Non-Operating Items															
Non-Operating Receipts	[8]	-	-	1,100	-	2,000	-	-	-	-	-	-	-	-	3,100
Restructuring Professional Fees	[9]	-	(1,958)	(598)	(598)	(598)	(598)	(663)	(663)	(663)	(663)	(663)	(963)	(663)	(9,290)
Net Change in Cash from Non-Operating Items		-	(1,958)	503	(598)	1,403	(598)	(663)	(663)	(663)	(663)	(663)	(963)	(663)	(6,190)
Financing															
Interim Financing	[10]	4,000	-	13,934	-	3,000	-	-	-	4,066	-	-	-	-	25,000
Interim Financing Fees and Interest	[11]	(250)	(46)	-	-	-	(240)	-	-	-	-	(240)	-	-	(776)
Net Change in Cash from Financing		3,750	(46)	13,934	-	3,000	(240)	-	-	4,066	-	(240)	-	-	24,224
Net Change in Cash		935	(3,528)	12,724	(478)	2,853	(1,495)	(4,272)	(933)	1,774	949	(3,360)	(706)	(2,041)	2,421
Opening Cash		4,791	5,726	2,198	14,922	14,444	17,298	15,802	11,530	10,597	12,371	13,320	9,959	9,253	4,791
Ending Cash	[12]	$ 5,726	$ 2,198	$ 14,922	$ 14,444	$ 17,298	$ 15,802	$ 11,530	$ 10,597	$ 12,371	$ 13,320	$ 9,959	$ 9,253	$ 7,212	$ 7,212

Peter Kravitz, Chief Restructuring Officer
Nextpoint Financial Inc.

Notes:
Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of NextPoint during the CCAA Proceedings.
The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

[1] Community Tax operating receipts are forecast based on 2022 actuals, adjusted for differences in Internal Revenue Service (IRS) activity in pursuing collections (with the accompanying impact on demand for debt resolution work).
[2] Liberty Tax operating receipts are primarily derived from collections relating to financial products and royalties from franchisees, and are assumed to be consistent with current run rates and seasonality.
[3] The most material component of Community Tax operating disbursements is advertising expenses which are critical to the Petitioners for customer relationship and revenue origination.
[4] Liberty Tax operating disbursements relates to software licenses, rent, utilities and general accounts payable.
[5] NextPoint operating disbursements are primarily comprised of corporate overhead costs, adjusted for recent restructuring initiatives.
[6] LoanMe operating disbursements are very limited as the entity is in the process of being wound down.
[7] Employee compensation consists of total payroll and benefits on a consolidated basis between the NextPoint, Liberty Tax, and Community Tax.
[8] Non-operating receipts are assumed to include a $2 million receipt from the sale of a minority interest granted as consideration in the sale of Trilogy Software Inc., in addition to a $1.1 million litigation settlement that is due by August 4th, 2023.
[9] Restructuring professional fees include the fees and disbursements of the Petitioners' legal counsel, Chief Restructuring Officer, the Monitor, the Monitor's legal counsel, and the financial advisor and legal counsel to the lending syndicate.
[10] Interim financing of $25.0m is anticipated to be advanced over the forecast period.
[11] Interim financing fees and interest include a commitment fee of 1% payable in full on the date of the initial advance, and interest of SOFR plus 6.5% per annum.
[12] Ending cash includes advanced amounts under the Interim Facility including amounts that may be held in a segregated, escrow bank account in support of professional fees.

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A'

PETITIONERS

FIRST REPORT OF THE MONITOR

August 2, 2023

FTI CONSULTING

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INTRODUCTION

1. On July 25, 2023, NextPoint Financial, Inc. and 29 other petitioners (collectively, "**NextPoint**" or the "**Petitioners**") were granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the Supreme Court of British Columbia Action No. S-235288, Vancouver Registry (the "**CCAA Proceedings**").

2. Under the Initial Order, among other things, the Petitioners were granted a stay of proceedings (the "**Stay of Proceedings**") until August 4, 2023, and FTI Consulting Canada Inc. was appointed Monitor of the Petitioners (the "**Monitor**").

3. On July 27, 2023, NextPoint obtained orders in the U.S. Bankruptcy Court for the District of Delaware under Chapter 15 of the United States Bankruptcy Code recognizing the CCAA Proceedings as a foreign main proceeding and granting certain additional provisional relief relating to the recognition of the Initial Order.

4. On July 27, 2023, the Petitioners filed a notice of application returnable August 3, 2023, for the following orders:

    a. an amended and restated Initial Order (the "**ARIO**") which, among other things:

        i. extends the Stay of Proceedings up to and including October 20, 2023 (the "**Stay Extension**");

        ii. increases the amounts of certain priority charges granted in the Initial Order (collectively, the "**Court-Ordered Charges**");

        iii. clarifies the priority of a charge granted on certain property of Liberty Tax in an amount equal to the value of the indebtedness, interest, fees, liabilities and obligations to First Century Bank N.A. incurred after the granting of the Initial Order (the "**Franchisee Lender Charge**"); and

iv. approves an increase in the amount of the interim financing facility (the "**Interim Facility**") to the maximum principal amount of $25.0 million and correspondingly increasing the amount of the charge on the Petitioners' property to secure the obligations under the Interim Facility (the "**Interim Lender's Charge**"); and

b. an order (the "**SISP Order**") approving a restructuring support agreement dated July 25, 2023 (the "**RSA**") and a sale and investment solicitation process (the "**SISP**"), including a stalking horse purchase agreement (the "**Stalking Horse Bid**") dated July 25, 2023 among the Petitioners and certain of their lenders (the "**Stalking Horse Bidder**") under a credit agreement defined as the BP NP-Liberty Credit Agreement.

PURPOSE

5. The purpose of this report is to provide this Honourable Court and the Petitioners' stakeholders with information with respect to the following:

a. the activities of the Monitor since the granting of the Initial Order;

b. the key commercial terms of the RSA among various wholly-owned funding trusts of Basepoint Capital (the "**BP Lenders**"), Drake Enterprises Ltd. ("**Drake**") and certain of the Petitioners (collectively with the BP Lenders and Drake, the "**RSA Parties**");

c. the components and timelines of the proposed SISP;

d. the key commercial terms of the proposed Stalking Horse Bid;

e. the proposed revisions to the amounts and priorities of the Court-Ordered Charges (including the increase to the Interim Facility);

f. NextPoint's application for the Stay Extension;

g. a letter received by the Board of Directors of NextPoint Financial, Inc. on July 25, 2023 from Cannell Capital LLC on behalf of certain holders of common shares of NextPoint (the "**Shareholder Letter**") and the reply letter by the Petitioners dated July 31, 2023 (the "**Reply Letter**"); and

h. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

6. In preparing this report, the Monitor has relied upon certain information (the "**Information**") including the Petitioners' unaudited financial information, books and records and discussions with CRO and senior management of NextPoint (collectively, "**Management**").

7. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

8. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

9. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

10. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Petitioners' primary reporting currency.

ACTIVITIES OF THE MONITOR

11. Up to and including the date of this First Report, the Monitor's activities have included, among other things, the following:

    a. retaining Fasken Martineau DuMoulin LLP to act as legal counsel to the Monitor;

    b. ongoing discussions with the Petitioners and their Chief Restructuring Officer ("**CRO**") regarding the Petitioners' businesses and financial affairs including, among other things, NextPoint's obligations under the Interim Facility, the Stalking Horse Bid and preparation for the SISP;

    c. attending meetings and video conferences with legal counsel to the BP Lenders and Drake to review various agreements including the RSA, Interim Facility, SISP, Stalking Horse Bid and related documents;

    d. attending on telephone discussions with stakeholders including legal counsel and financial advisors to the senior secured lenders and various unsecured creditors and other stakeholders;

    e. preparing and issuing notices required under the CCAA and Initial Order, including the following:

        i. notices to creditors as referenced in paragraph 55 of the Initial Order, which were mailed to known creditors on July 28, 2023;

        ii. a notice to creditors which was published in the Globe and Mail on July 28, 2023; and

        iii. Form 1 and Form 2 notices were issued to the Office of the Superintendent of Bankruptcy in the prescribed forms as required under section 23(1)(f) of the CCAA;

f. reviewing various cash flow statements and financial projections prepared by Management and the CRO; and

g. preparing this First Report.

RESTRUCTURING SUPPORT AGREEMENT

12. On July 25, 2023, the RSA Parties executed the RSA which sets out the terms on which the RSA Parties will undertake a series of transactions to effect a restructuring of NextPoint (the "**Restructuring**"). The RSA is described in greater detail in the affidavit of Peter Kravitz sworn July 25, 2023 (the "**Kravitz Affidavit**"). A copy of the RSA is attached to the Kravitz Affidavit as Exhibit "M".

13. The RSA establishes milestones for the remainder of the CCAA Proceedings and the Chapter 15 Proceedings, subject to Court availability and any other extensions that may be granted in accordance with the RSA.

14. Key milestones under the RSA are set out below (capitalized terms are as defined in the RSA and/or SISP):

Milestone	Date
Commence CCAA Proceedings	July 26, 2023
Foreign Representative shall have commenced Chapter 15 Proceedings	July 26, 2023
Application for the SISP Order	July 27, 2023
Foreign Representative shall file a motion with the U.S. Bankruptcy Court for the entry of an order	2 business days after entry of the Initial Order

recognizing and enforcing the Initial Order	
SISP Order granted	August 4, 2023 (subject to Court availability)
Foreign Representative shall file a motion with the U.S. Bankruptcy Court for the entry of an order recognizing and enforcing the SISP Order	2 business days after entry of the SISP Order
Foreign Representative shall obtain an order recognizing and enforcing the Initial Order	August 25, 2023
Foreign Representative shall obtain an order recognizing and enforcing the SISP Order	August 28, 2023
Obtain Vesting Order in CCAA Proceedings	September 15, 2023, if no LOIs are received by the LOI Deadline; or October 6, 2023, if no Qualified Bids are received by the Qualified Bid Deadline; or After completion of the Auction (subject to Court availability)
Foreign Representative shall file a motion with the U.S. Bankruptcy Court for the entry of an order recognizing and enforcing the Vesting Order	2 business days after entry of the Vesting Order

Foreign Representative shall obtain the Vesting Recognition Order	14 days after the entry of the Vesting Order
The Restructuring shall close, provided that to the extent the only condition to the closing of the Restructuring that remains outstanding is the receipt of regulatory approval(s), the Outside Date shall automatically be extended for another 60 days	14 days after the Vesting Recognition Order or such later dates as may be determined by Required Consenting BP Lenders

15. The RSA is the result of arm's-length negotiations and was prepared with the assistance of the CRO. The RSA is the basis for a consensual restructuring supported by the Petitioners and their primary secured creditors, facilitates the provision of the Interim Facility and the deferral of certain interest payments, and provides for stability and a going-concern transaction in connection with the SISP and the Stalking Horse Bid. The Monitor accordingly supports approval of the RSA in the circumstances.

16. The RSA can be terminated upon the occurrence of various events of default, including, among other things: (a) the Petitioners request, or the Court approves, modifications to the SISP Order that are not acceptable to the Required Consenting BP Lenders (as defined in the RSA), acting reasonably; (b) if the Petitioners proceed with an Alternative Restructuring Transaction (as defined in the RSA) or a Superior Proposal (which is not currently defined in the RSA, the SISP or related documents); or (c) the Stalking Horse Bid is not the successful bid under the SISP. Termination of the RSA is an event of default under the Interim Facility unless the RSA is terminated because the Stalking Horse Bid was not the successful bid under the SISP.

SALE AND INVESTMENT SOLICITATION PROCESS

17. One of the primary purposes of the CCAA Proceedings is to carry out the SISP in order to solicit offers for the purchase and sale of, or an investment in, the Petitioners' interests in the Liberty Tax and/or Community Tax business lines. Accordingly, the Petitioners are seeking the SISP Order approving the SISP and authorizing NextPoint, by its CRO and under the supervision of the Monitor, to take all steps described in the SISP.

18. The draft SISP is attached as Schedule "A" to the RSA. The following is a high-level summary of the SISP:

    a. the SISP shall be conducted by NextPoint with the oversight of the Monitor;

    b. the Petitioners, with input from the Monitor, will prepare a list of potential bidders who may have an interest in a transaction as well as an initial offering summary outlining the opportunity for potential bidders;

    c. NextPoint will set up a virtual data room containing due diligence materials and prepare a confidential information memorandum ("**CIM**") providing additional information about the opportunity, a template letter of intent and a form of purchase and sale agreement based on the Stalking Horse Bid;

    d. to gain access to the virtual data room, interested parties must execute a non-disclosure agreement;

    e. by September 4, 2023 (the "**LOI Deadline**"), interested parties must submit a letter of intent to bid that identifies the potential purchaser, a general description of the assets and/or business(es) of NextPoint that would be the subject of the bid and that reflects a reasonably likely prospect of culminating in a Qualified Bid (as those terms are defined below) by September 25, 2023 (the "**Qualified Bid Deadline**"), as determined by NextPoint, in consultation with the Monitor and the Consenting BP NP-Liberty Lenders (as defined in the RSA) (each, a "**LOI**");

f. if no LOI has been received by the LOI Deadline, the SISP will be terminated and the Stalking Horse Bid will be deemed the Successful Bid (as defined below);

g. in order to constitute a "**Qualified Bid**", each bid must be received by 11:59 p.m. EST on the Qualified Bid Deadline and include or provide for, among other things:

i. payment in full on closing of the Interim Facility, the Expense Reimbursement (as defined below) and the Break-up Fee (as defined below), plus additional cash consideration equal to at least $1.0 million (the "**Minimum Over Bid**");

ii. payment in full on closing of the BP NP-Liberty Claims (as defined in the RSA), along with any related interest, fees or other obligations, or the assumption of the BP NP-Liberty Claims on terms satisfactory to the Consenting BP NP-Liberty Lenders in their sole discretion;

iii. payment in full on closing of all amounts secured by each Intercompany Charge (as defined in the Initial Order and to be defined in the ARIO) in favour of each Intercompany Lender that is not acquired pursuant to the bid;

iv. payment in full on closing of any claims ranking in priority to the claims set forth in the subparagraphs above, unless otherwise agreed to by the applicable holders of such claims, in their sole discretion;

v. a detailed schedule of the cash sources and uses in respect of the bid;

vi. closing of the proposed transaction within 30 days after completion of the Auction (as defined below) if selected as the Successful Bid;

vii. duly executed binding transaction documents, a redline to the Stalking Horse Purchase Agreement (unless the bid is a plan of arrangement), evidence of authorization from the bidder's board of directors and such other information as may be reasonably requested by NextPoint;

viii. a letter stating that the bid is submitted in good faith and is binding and irrevocable until the selection of the Successful Bid;

ix. evidence of the bidder's ability to fully fund and consummate the transaction;

x. no conditions in respect of board of director approval, financing or further due diligence; and

xi. a cash deposit equal to 10% of the value of the consideration to be received; and

h. if one or more Qualified Bids are received by the Qualified Bid Deadline, NextPoint may proceed with an auction process to determine the successful bid(s) (the "**Auction**") to be conducted in accordance with the terms of the SISP. Any successful bid(s) selected within the Auction shall constitute a "**Successful Bid**".

19. For ease of reference, the key dates under the SISP are summarized as follows:

Event	**Date**
SISP to commence	August 4, 2023
LOI Deadline	September 4, 2023
Qualified Bid Deadline	September 25, 2023

Notification of whether bid is a Qualified Bid	September 26, 2023
Auction	September 27, 2023
Vesting Order or Implementation Order	September 15, 2023 – If no LOI is submitted, otherwise October 6, 2023

20. The Monitor's comments on the SISP are as follows:

a. the SISP procedures were developed with input from the CRO and Monitor, both of which have considerable experience in marketing businesses of the nature and scale of NextPoint;

b. the BP Lenders and Drake (together, the "**Lenders**") were involved in negotiating and drafting the SISP;

c. the timeframes to solicit purchasers or investors in the business are reasonable and appropriate in light of NextPoint's circumstances and the significant costs being incurred during the CCAA Proceedings;

d. the SISP provides adequate time for any party that may wish to submit a bid to perform appropriate due diligence, submit a bid and participate in the Auction, if applicable;

e. the Stalking Horse Bid is intended to either enhance the potential bid values or, in the event there are no LOIs received prior to the LOI Deadline, facilitate the expedited conclusion of a restructuring transaction. Further details and commentary in respect of the Stalking Horse Bid are set out in paragraphs 27 to 31 below;

f. the process for the preparation and distribution of information in the SISP, as well as consultation rights for certain affected stakeholders, are reasonable and preserve the confidentiality of such information where applicable; and

g. the SISP is a fair and transparent marketing process designed to identify the highest and best offers for NextPoint's assets and to maximize recoveries.

21. The Monitor and its legal counsel have had discussions with counsel for each of the Petitioners and the BP Lenders, as well as the CRO, regarding certain matters on which the Monitor sought clarification and reports as follows:

a. the amount that must be payable for a bid to constitute a Qualified Bid is a function of certain variables that are subject to fluctuation and variability, including the amount of the BP NP-Liberty Claims, the amount of the Intercompany Charge and, in the event that multiple bids are received for non-overlapping components of the Petitioners' Business and/or Property, a potential allocation of the Break-Fee and expense reimbursement amongst such bids. The Monitor understands that the Petitioners intend to provide details in a data room prior to the LOI Deadline (with sufficient time for bidders to structure their offers to account for such amounts) that set out a detailed break down and estimate of the amount of cash consideration that a potential bidder may be required to pay in order to provide a Qualified Bid at such time in light of the fluctuating nature of such items;

b. under the draft SISP, as contemplated by the Stalking Horse Bid, it is proposed that the entire amount outstanding under the Interim Facility is to be credit bid on account of the purchase price for the Community Tax assets and that the Revolving Credit Loans be credit bid on account of the purchase price for the Liberty Tax assets. The Monitor notes that the ultimate approval of the consideration under any purchase agreement remains within the discretion of the Court on the application for approval of any transaction;

c. the draft SISP entitles the BP Lenders to receive copies of LOIs or Qualified Bids received, along with information reasonably requested or related to material changes in relation to any such offers. Under the RSA, the Lenders are entitled to receive copies of LOIs that do not provide consideration greater than the total amount owing to the Lenders, a term which is acceptable to the Monitor. The Monitor understands that information sharing under the SISP will be consistent with the RSA; and

d. the draft SISP contemplates bidders submitting purchase agreements or proposing a plan of arrangement. The Monitor notes that under the Interim Facility, the Petitioners are not permitted to present a plan of arrangement.

22. Overall, and subject to the foregoing comments, it is the Monitor's view that the SISP terms and timelines are reasonable in the circumstances and afford the Petitioners an opportunity to achieve a successful restructuring transaction within the constraints of available interim financing. The Monitor accordingly supports approval of the SISP in the circumstances.

INTERIM FINANCING FACILITY

23. The Interim Facility is to be provided pursuant to a term sheet dated July 25, 2023 between the Lenders and the Petitioners (the "**Term Sheet**"). The Term Sheet is attached as Schedule C to the RSA (which can be found at Exhibit "M" to the Kravitz Affidavit).

24. The Initial Order authorized and empowered the Petitioners to borrow funds under the Interim Facility, provided that such borrowings did not exceed C$5.27 million unless permitted by further order of the Court. The proposed ARIO seeks to increase the amount the Petitioners are authorized to borrow under the Interim Facility to $25.0 million.

25. The Monitor provided comments on the Interim Facility, including a summary of the key commercial terms thereof, at paragraphs 30 to 34 of the Pre-Filing Report dated July 25, 2023 (the "**Pre-Filing Report**"), which are not repeated in this Report. The Monitor has

considered the Petitioners' application for approval of the increased borrowing and has the following comments:

a. the Petitioners require the incremental borrowings under the Interim Facility to fund their ongoing operations and the restructuring costs associated with the CCAA and Chapter 15 Proceedings through the anticipated timelines under the SISP. Absent interim financing, the Petitioners will be unable to run the SISP to its conclusion which would result in a deterioration of the going concern value of their operations and businesses;

b. the Interim Facility is to be fully funded into an account under the control of the Interim Agent (as defined in the Term Sheet). The Term Sheet provides for advance requests (in principal amounts of not less than $500,000) and for the timing of advances to be determined based on the DIP Budget (as defined in the Term Sheet);

c. upon entry of the ARIO, the Interim Agent will advance approximately $13.9 million to NPI Holdco LLC (the borrower under the Term Sheet) to be deposited into a segregated bank account. Pursuant to the Term Sheet, such funds are to be held in trust and used to pay the professional fees anticipated to be incurred by the Petitioners during the CCAA and Chapter 15 Proceedings, and which are included in the DIP Budget (as defined in the Term Sheet). The Monitor's view is that this arrangement does not prejudice any stakeholder, but rather segregates the proceeds of the Interim Facility to align with their intended use;

d. the DIP Budget provides that, over the period of the Cash Flow Statement attached as Appendix C to the Pre-Filing Report, approximately $2.5 million of the Interim Facility will be used to pay costs and interest on the LT Term Loan (as defined in paragraph 55 of the Kravitz Affidavit) (the "**Term Loan Interest Payments**"). Due to a misalignment in the definitions of the terms of the Initial Order, the Monitor is advised that the Petitioners are seeking as part of the ARIO to revise paragraph 9(d) to correct the definition that is used to provide for the

authorization of these payments. The Monitor is further advised that, in light of the intended definition correction, the Petitioners and the BP Lenders have agreed that a payment due on August 1, 2023 in the amount of approximately $844,000 will be paid after the ARIO is granted. The Monitor is supportive of the Petitioners making the Term Loan Interest Payments as they are a requirement under the Interim Facility and were a factor in the Petitioners obtaining the support of the BP Lenders and Drake under the RSA, and are the result of extensive negotiations among the parties; and

e. section 34 of the Term Sheet provides that the Interim Lender Majority (as defined in the Term Sheet) is permitted to credit bid up to the amount then outstanding under the Interim Facility, and that such credit bid may be applied at the Interim Lender Majority's sole discretion as against the acquisition of any one or more of the Petitioners or their respective assets, and that no rule of marshalling shall apply in connection with any credit bid. As noted above, the Petitioners intend to provide details in a data room that set out a detailed break down and estimate of the amount of cash consideration that a potential bidder may be required to pay in order to submit a Qualified Bid.

26. The full amount of the Interim Facility is required to fund the Petitioners' operations and restructuring costs and will enhance the prospects of the Petitioners achieving a successful restructuring. The interest and fees payable to the Interim Lenders, the funding mechanisms, escrow provisions and other material terms of the Interim Facility have been heavily negotiated by the CRO on behalf of the Petitioners. Accordingly, the Monitor supports the Petitioners' application to increase the amount they are authorized to borrow under the Interim Facility.

STALKING HORSE BID

27. The SISP contemplates Court approval of the Stalking Horse Bid, which the Petitioners and Lenders believe will help generate interest in the SISP and allows for a transparent,

fair and efficient process that will result in the best price for NextPoint's assets. A copy of the Stalking Horse Bid is attached as Schedule E to the RSA.

28. The key commercial terms of the Stalking Horse Bid are as follows:

    a. the Stalking Horse Bidder will provide a credit bid in the amount of $75 million outstanding under the Revolving Credit Loans (as defined in the BP NP-Liberty Credit Agreement) and $25 million for the amounts outstanding under the Interim Facility for:

        i. all of the equity of LT Holdco and all or substantially all of the assets of SiempreTax+ LLC, JTH Tax LLX, Wefile LLC and such other vendors that are subsidiaries of LT Holdco as the BP Lenders may designate (the "**Compromised LT Entities**");

        ii. if elected by the Stalking Horse Bidder, all of the equity of LT Intermediate Holdco, LLC and all or substantially all of the assets of the Compromised LT Entities, subject to the condition that the equity in such entities be transferred to LT Holdco prior to the completion of the foregoing, in each case with the entity acquiring the applicable non-equity assets becoming a secured guarantor of the LT Term Loan (the acquired equity described in paragraph (i) above or, if elected, this paragraph (ii), being the "**Purchased Interests**"); and

        iii. the assets used by the Compromised LT Entities (the "**Purchased LT Assets**", and together with the Purchased Interests, the "**LT Acquisition**");

    b. in the event the Purchased Interests are acquired pursuant to the election described above, the Petitioners will effect a pre-closing re-organization. At this time, no details are available regarding this re-organization;

c. a credit bid in respect of the portion of the Interim Facility allocated to the assets of Community Tax for all or substantially all of the assets of Community Tax (the "**Purchased CTAX Assets**" and the transaction, the "**CTAX Transaction**");

d. certain debts will be assumed, including amounts owing on the Liberty Term Loan (as defined in the Stalking Horse Bid);

e. excluded liabilities include taxes and amounts owing to Frontier;

f. the completion of the purchase and sale of LT Acquisition will not be conditional on the completion of the CTAX Transaction (but the CTAX Transaction is conditional on the LT Acquisition being a Successful Bid under the SISP);

g. LoanMe will not be acquired and, in the event a purchaser of LoanMe is not identified within the SISP, it will be wound down within the CCAA Proceedings on terms consistent with the RSA;

h. the anticipated closing date of the Stalking Horse Bid is no later than five business days after the conditions of the Stalking Horse Purchase Agreement have been satisfied or waived; and

i. the Stalking Horse Bid provides that, in the event the Stalking Horse Bid is not the Successful Bid, NPI Holdco and various of its subsidiaries will pay $700,000 (the "**Break Fee**") from the proceeds of any superior alternative bid and will reimburse the Stalking Horse Bidder's reasonable and documented expenses (the "**Expense Reimbursement**") incurred in connection with the transaction contemplated by the Stalking Horse Bid.

29. In summary, the amounts bid in respect of the Liberty Tax and Community Tax businesses are as follows:

a. approximately $150 million for Liberty Tax consisting of a credit bid of $75 million of the debt owing under and the BP NP-Liberty Credit Agreement and assumption of the Liberty Term Loan in the amount of $75 million; and

b. approximately $25 million for Community Tax consisting of a credit bid of the amount of the Interim Facility.

30. The Stalking Horse Bid is structured as a credit bid, including amounts owing in respect of a pre-filing facility. The Monitor has not yet completed an independent assessment of the loan and security documents, but has instructed its Canadian counsel to do so and will retain US counsel to do so. At this time, no material issues or concerns have been brought to the Monitor's attention regarding the Stalking Horse Bidder's debt or security. The Monitor also notes that, based on the information provided by the Lenders, the Lenders have not bid the full amount owing on the pre-filing facilities and there is no restriction on the Lenders revising their offer in the context of the Auction.

31. The Monitor's comments with respect to the Stalking Horse Bid are as follows:

a. it sets a baseline price that may result in superior bids under the SISP;

b. the Stalking Horse Bid will provide a level of reassurance to stakeholder groups (including suppliers, employees and other creditors) as to a going concern sale in respect of the Petitioners' business;

c. substantially all ongoing obligations to suppliers, employees and other creditors are to be assumed by the Stalking Horse Bidder, and any residual assets will be wound-down;

d. the Stalking Horse Bidder spent considerable time, resources and legal costs in performing diligence on the potential transaction as well as drafting and negotiating the Stalking Horse Bid and related transactions. The payment of the Break Fee and Expense Reimbursement are justified in the circumstances;

e. the Monitor has assessed break fees and expense reimbursements approved in comparable proceedings and transactions and determined that the Break Fee and Expense Reimbursement provisions of the Stalking Horse Bid are in line with comparable transactions and are commercially reasonable in the circumstances; and

f. overall, the Stalking Horse Bid provides a reasonable potential for a going concern restructuring transaction and sets price expectations for prospective bidders, which will assist with the efficiency of the SISP. The SISP provides a reasonable opportunity for alternative bidders to come forward with a superior offer and reimburse the Stalking Horse Bidder for certain fees and offering bid protections should a superior bid be selected in accordance with the SISP. The Monitor is of the view that the Stalking Horse Bid is reasonable in the circumstances and will be accretive to the SISP.

COURT-ORDERED CHARGES

32. The Initial Order provides for the Court-Ordered Charges to rank in priority to all other charges and security interest in the assets of the Petitioners and are summarized as follows:

First – the Administration Charge (to the maximum amount of C$1.0 million) and the CRO Charge (to the maximum amount of C$500,000), on a *pari passu* basis;

Second – Interim Lender's Charge and the Franchisee Lender Charge, on a *pari passu* basis;

Third – Directors' Charge (to the maximum amount of C$500,000); and

Fourth – Intercompany Charge.

33. The Petitioners, with the support of NextPoint's primary secured lenders, are seeking to increase the amounts of certain of the charges and clarify certain priorities as summarized below.

Administration Charge

34. The proposed ARIO provides for an increase in the Administration Charge from C$1.0 million to C$2.0 million.

35. The Monitor has reviewed the underlying assumptions upon which the Petitioners have based the quantum of the proposed Administration Charge, including the anticipated monthly fees. In consideration of the foregoing, and the cross-border nature and complexity of these CCAA Proceedings as well as the services to be provided by the beneficiaries of the Administration Charge, the Monitor is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances. As described in the Pre-Filing Report, the Monitor continues to believe that it is appropriate for the beneficiaries to be afforded the Administration Charge to ensure the Petitioners have access to necessary and integral services to conduct these proceedings.

CRO Charge

36. The proposed ARIO provides for an increase in the CRO Charge from C$500,000 to C$1.0 million.

37. The Monitor believes that the proposed increase in the amount of the CRO Charge is reasonable in consideration of the fees forecast to be incurred by the CRO during the CCAA Proceedings. As described in the Pre-Filing Report, the Monitor continues to believe that it is appropriate for the CRO to be afforded a charge to ensure the Petitioners have access to these services and support throughout these proceedings.

Interim Lender's Charge

38. The proposed ARIO provides for an increase in the amount of the approved Interim Facility from C$5.3 to $25.0 million and a corresponding charge for the increased principal amount, plus interest and costs.

39. The charge is a condition of the Interim Facility which is required to ensure that the Petitioners can continue to fund operations and restructuring costs through the planned restructuring. As described in the Pre-filing Report, and described above, the costs and terms of the Interim Facility are reasonable and consistent in comparable circumstances and proceedings.

Franchisee Lender Charge

40. Subsequent to the issuance of the Pre-filing Report of the Proposed Monitor, the Petitioners entered into an accommodation agreement (the "**Accommodation Agreement**") with First Century Bank ("**FCB**") with respect to a credit agreement (the "**FCB Facility Agreement**") between FCB and the Petitioners. A copy of the Accommodation Agreement is attached as Exhibit "A" to the Affidavit of Wen-Shih Yang made July 25, 2023.

41. The FCB Facility Agreement was established to assist the Petitioners' franchisees with managing the seasonal fluctuations in their cash flow. Under the terms of the FCB Facility Agreement, JTH Tax, LLC ("**JTH Tax**", a Liberty Tax entity) is able to borrow funds (the "**FCB Facility**") which it uses to provide loans to its qualifying franchisees in amounts ranging from $1,000 to $1.25 million.

42. The FCB Facility is subject to a maximum limit intended to mirror the seasonality of the Petitioners' business, each period being referred to as a Program Period. The maximum borrowing limit during the anticipated period for these CCAA Proceedings is $20 million.

43. The terms of the FCB Facility include a minimum required interest amount (the "**Minimum Required Interest**") and a cap on foreign exchange exposure (the "**Foreign Exchange Cost**").

44. The Accommodation Agreement increased the Minimum Required Interest and removed the cap on the Foreign Exchange Cost.

45. In addition, the Petitioners agreed to reimburse FCB for the fees of its counsel incurred in negotiating the Accommodation Agreement and dealing with these CCAA Proceedings.

46. The Monitor discussed the implications of the Accommodation Agreement with the CRO and notes the following:

    a. JTH Tax charges the same rate of interest to its franchisees as it is charged under the FCB Facility Agreement;

    b. a calculation is performed each year in May comparing the actual interest paid by JTH Tax to the Minimum Required Interest at which point any shortfall to the Minimum Required Interest is payable;

    c. the Foreign Exchange Costs only arise on loans to Canadian franchisees which aren't material until January and February;

    d. the CRO has experience with several franchisee loan agreements and believes the revised terms in the Accommodation Agreement are consistent with market; and

    e. the cost of replacing the program with an alternate lender and the disruption to the Petitioners' business would outweigh the additional costs associated with the Accommodation Agreement.

47. Given that the increase in the Minimum Required Interest and the increase in the Foreign Exchange Costs are likely to become due subsequent to the expected completion of these CCAA Proceedings and the increased cost of FCB's legal fees is not considered to materially affect the cash flow, as well as the importance of this program to the Petitioners' business, the Monitor supports the Accommodation Agreement.

48. The Accommodation Agreement was conditional upon the Franchisee Lender Charge being granted by the Court to secure post-filing obligations to FCB. Such charge was granted under the Initial Order.

49. The ARIO clarifies that the Franchisee Lender Charge benefits from second-ranking priority, subordinate only to the Administration Charge and the CRO Charge, against the assets of NextPoint Financial Inc., NPI Holdco LLP and the Liberty Tax group of companies, on a *pari passu* basis with the Interim Lender's Charge.

50. The Franchisee Lender Charge is not secured against the assets of the Community Tax group of companies or the LoanMe group of companies.

51. The Monitor understands that this clarification is consistent with the agreement among the parties and the beneficiary of the Franchisee Lender Charge consents to the clarification and reflects what was approved in the Initial Order as the Franchisee Lender Charge was defined therein as being specific to the assets listed in paragraph 50, above.

52. The Monitor has considered the Franchisee Lender Charge and is of the view that a charge to secure the value of the indebtedness, interest, fees, liabilities and obligations to FCB incurred in respect of loans entered into after the granting of the Initial Order under and pursuant to the FCB Facility Agreement is appropriate in the circumstances and necessary to continue the normal operations of the Petitioners' Liberty Tax business.

Directors' Charge

53. The proposed ARIO provides for an increase in the D&O Charge from $500,000 to $3.0 million.

54. The Monitor has considered the existing insurance coverage and risk profile of the Petitioners while operating a cross-border enterprise in a potentially litigious sector and is of the view that the amended quantum and priority of the Directors' Charge are reasonable and appropriate in the circumstances. As described in the Pre-Filing Report, the Monitor continues to believe that the support of the Petitioners' directors and officers will be beneficial to the process.

STAY EXTENSION

55. The Monitor's comments with respect to the Petitioners' application for the Stay Extension are as follows:

    a. the Cash Flow Statement included in Appendix C of the Pre-Filing Report forecasts that the anticipated proceeds of the Interim Facility will provide the Petitioners with sufficient liquidity during the term of the proposed Stay Extension;

    b. the Stay Extension will allow the Petitioners and CRO to undertake the SISP;

    c. there will be no material prejudice to the Petitioners' creditors and other stakeholders as a result of the Stay Extension;

    d. the Petitioners are acting in good faith and with due diligence; and

    e. NextPoint's overall prospects of effecting a viable restructuring will be enhanced by the Stay Extension.

SHAREHOLDER LETTER

56. On July 25, 2023, the Board of Directors of NextPoint Financial, Inc. received the Shareholder Letter from Cannell Capital, LLC on behalf of Tonga Partners, L.P. ("**Tonga**"); Tristan Partners, L.P. ("**Tristan**"); and Tristan Offshore Fund, Ltd. requesting that the directors of the Company call forthwith a special meeting of the holders of Shares prior to November 25, 2023 to consider:

    a. a special resolution to consider, and if thought appropriate, to remove the current Board of Directors in its entirety; and

    b. an ordinary resolution to add six directors to fill the resulting vacancies.

57. A copy of the Shareholder Letter is attached as Appendix "**B**".

58. On July 31, 2023, the Petitioners' counsel sent the Reply Letter advising that, among other things:

    a. it is not in the interest of NextPoint or any of its stakeholders for NextPoint to be engaged in a disruptive or potentially costly proxy contest, particularly as NextPoint has recently commenced the CCAA Proceedings and Chapter 15 Proceedings;

    b. NextPoint is planning to engage in the SISP which may be disrupted by such a proxy contest;

    c. it is important to maintain continuity in Management and operations during debtor-in-possession restructuring proceedings; and

    d. the SISP is anticipated to be complete prior to the expiry of the outside date for the requested meeting of November 25, 2023.

59. A copy of the Reply Letter is attached as Appendix "**C**".

60. The Monitor shares NextPoint's view that it is not in the best interests of NextPoint and its stakeholders to hold a shareholder meeting at this time.

CONCLUSIONS AND RECOMMENDATIONS

61. The RSA, SISP and Stalking Horse provide a comprehensive restructuring plan for the Petitioners and will, with oversight from the CRO and Monitor, provide a fair and transparent process for identifying a restructuring transaction, subject to Court approval.

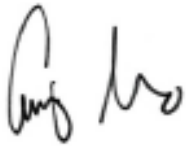
62. The Interim Facility will allow the Petitioners to advance the SISP and complete the successful transaction to maximize the benefit for all stakeholders.

63. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the ARIO and the SISP Order.

*****

All of which is respectfully submitted this August 2, 2023.

FTI Consulting Canada Inc.
in its capacity as Monitor of NextPoint



Tom Powell
Senior Managing Director

Craig Munro
Managing Director

Appendix A

List of Petitioners

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

3. LT Holdco, LLC
4. LT Intermediate Holdco, LLC
5. SiempreTax+ LLC
6. JTH Tax LLC
7. Liberty Tax Holding Corporation
8. Liberty Tax Service, Inc.
9. JTH Financial, LLC
10. JTH Properties 1632, LLC
11. Liberty Credit Repair, LLC
12. Wefile LLC
13. JTH Tax Office Properties, LLC
14. LTS Software LLC
15. JTH Court Plaza, LLC
16. 360 Accounting Solutions, LLC
17. LTS Properties, LLC

Community Tax Entities

18. CTAX Acquisition LLC
19. Community Tax Puerto Rico LLC
20. Community Tax LLC

LoanMe Entities

21. NPLM Holdco LLC
22. MMS Servicing LLC
23. LoanMe, LLC
24. LoanMe Funding, LLC
25. LM Retention Holdings, LLC
26. LoanMe Trust Prime 2018-1
27. LoanMe Trust SBL 2019-1
28. LoanMe Stores LLC
29. InsightsLogic LLC
30. LM 2020 CM I SPE, LLC

Appendix B

Letter from Cannell Capital LLC to
DLA Piper (Canada) LLP dated July 25, 2023

CANNELL CAPITAL LLC
245 Meriwether Circle
Alta, WY 83414

Tel (307) 733-2284 **Fax** (307) 264-0600
info@cannellcap.com

July 25, 2023

The Board of Directors of NextPoint Financial, Inc.
666 Burrard Street, Suite 2800
Vancouver, British Columbia V6C 2Z7
Canada

Attention: Don Turkleson, Chairman of the Board

Dear Mr. Turkleson,

As of July 25, 2023, Tonga Partners, L.P. ("Tonga"); Tristan Partners, L.P. ("Tristan"); and Tristan Offshore Fund, Ltd. ("Tristan Offshore", and together, "Shareholders") collectively being the registered holders of not less than 1/20 of the common shares ("Common Shares") and proportionate voting shares ("Proportionate Voting Shares" and together with the Common Shares, the "Shares") of NextPoint Financial, Inc. ("NPF" or "Company"), being the classes that, at the date of the deposit of this requisition, carries the right to vote at the meeting hereinafter referred to, hereby requisition the directors of the Company to call forthwith a special meeting of the holders of Shares to consider the business set out below, such meeting to be held prior to November 25, 2023.

The purpose of this special meeting is to pass the resolutions specified below:

1. A special resolution to consider, and if thought appropriate:

> *to remove the current NextPoint Financial, Inc. ("NPF") board of directors in its entirety, namely: Don Turkleson; Nik Ajagu; Maryann Bruce; William Minner; Alicia Morga; Logan Powell, and any other director appointed by the board prior to consideration of this resolution, from office as directors of NPF;*

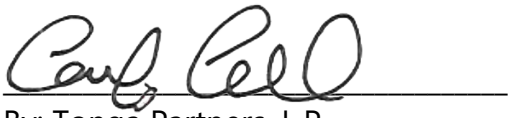
2. An ordinary resolution:

to elect directors to fill the vacancies created thereby and that that the following persons be elected to the Board of Directors of the Company to fill the vacancies on the Board of Directors:

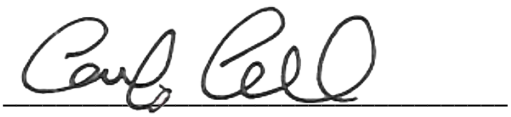
1. *Charles M. Gillman;*
2. *J. Douglas Schick;*
3. *Howard Winston;*
4. *Walter M. Schenker;*
5. *David W. Pointer; and*
6. *Jerald A. Hammann.*

If you have any questions about this letter, you may contact the Shareholders through Nichole Rousseau-McAllister at (415) 835-8315 or nrm@cannellcap.com.

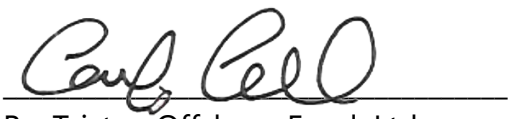
Sincerely,



By: Tonga Partners, L.P.
Name: J. Carlo Cannell
Title: Managing Member of Cannell Capital LLC, General Partner of Tonga Partners, LP
Address: 245 Meriwether Circle, Alta, WY, 83414, USA



By: Tristan Partners, L.P.
Name: J. Carlo Cannell
Title: Managing Member of Cannell Capital LLC, General Partner of Tristan Partners, LP
Address: 245 Meriwether Circle, Alta, WY, 83414, USA



By: Tristan Offshore Fund, Ltd.
Name: J. Carlo Cannell
Title: Managing Member of Cannell Capital LLC, Investment Adviser of Tristan Offshore Fund, Ltd.
Address: PO Box 897, Windward 1, Regatta Office Park, Grand Cayman, KY1-1103, Caymans Islands

CC The Board of Directors of NextPoint Financial, Inc.
595 Burrard Street, Suite 2600
Three Bentall Centre
Vancouver, British Columbia V7X 1L3
Canada

The Board of Directors of NextPoint Financial, Inc.
500 Grapevine HWY, Suite 402
Hurst, Texas 76054

Janan Paskaran, Torys LLP

Appendix C

Letter from DLA Piper (Canada) LLP dated July 31, 2023

DLA Piper (Canada) LLP
1133 Melville St, Suite 2700
Vancouver BC V6E 4E5
www.dlapiper.com

Jeffrey D. Bradshaw
jeffrey.bradshaw@dlapiper.com
T +1 604.643.2941
F +1 604.605.3714

July 31, 2023

DELIVERED BY EMAIL

J. Carlo Cannell
Cannell Capital LLC
245 Meriwhether Circle
Alta WY 83414

Dear Mr. Cannell:

Re: NextPoint Financial, Inc.

We are restructuring counsel to NextPoint Financial, Inc. ("**NextPoint**"). Your letter dated July 25, 2023 (the "**Demand Letter**") sent to the directors of Nextpoint has been directed to us for reply.

Pursuant to an Order of the British Columbia Supreme Court (the "**Court**") dated July 25, 2023, NextPoint has entered into creditor protection under the Canadian *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36 (the "**CCAA**"). A copy of the Order of Justice Fitzpatrick (the "**Initial Order**") is attached for your reference.

The Court appointed Peter Kravitz, of Province, LLC and Province Fiduciary Services, LLC as the Chief Restructuring Officer for NextPoint (the "**CRO**") with the powers set out in sections 19 and 20 of the Initial Order. FTI Consulting Inc. was appointed to be the court-appointed Monitor (the "**Monitor**").

The Court also issued a stay of any proceedings in respect of the Petitioners, the Monitor, the Business and the Property, all as defined in the Initial Order, and stayed and suspended all rights and remedies of any individuals in respect of the Petitioners, the Monitor, the Business and the Property. Claims against directors of the Petitioners are also stayed pursuant to section 29 of the Initial Order.

Further information about the CCAA proceedings can be found at FTI's website, found here: http://cfcanada.fticonsulting.com/NextPoint/.

NextPoint has also filed for relief under Chapter 15 of the U.S. Bankruptcy Code and those proceedings are before the Honorable Thomas M. Horan in the U.S. Bankruptcy Court. Details about those proceedings, including the reciprocal stay of proceedings directly applicable to U.S. residents, can be found here: https://cases.stretto.com/nextpoint

NextPoint has considered the Demand Letter and sought the views of the CRO and the Monitor. It is the view of NextPoint, the CRO and the Monitor, that:

DLA PIPER

1. It is not in the interests of NextPoint or any of its stakeholders for NextPoint to be engaged in a disruptive and potentially costly proxy contest, particularly as NextPoint has just entered insolvency proceedings.

2. The Court has conferred specific powers on the CRO and the Monitor - both officers of the Court, and will report on NextPoint's activities in the CCAA proceedings.

3. There is well-established precedent about the importance of maintaining continuity in management and operations during a debtor-in-possession proceeding.

4. As you have indicated in your letter, assuming that the request for the meeting is compliant with the requirements for calling such a meeting (which has not been determined and NextPoint reserves all rights to make that assessment) the outside date for a meeting is November 25, 2023, and the current court processes contemplate the sales process being complete prior to that date.

5. With the assistance of the CRO and the Monitor, NextPoint is engaging in a strategic process within the CCAA proceeding, which would be potentially disrupted by any such proxy contest.

6. By the time called, any such meeting would be moot and an outlay of significant resources and attention at a time when both are required elsewhere for the restructuring.

As a result, NextPoint is of the view that it is not in the best interests of NextPoint and its stakeholders to hold a shareholder meeting at this critical time for NextPoint. Given the existence of the stay of proceedings in both Canada and the United States, if you take issue with this decision by NextPoint, on the advice of its CRO and the Monitor, you are free to raise it with Justice Fitzpatrick in British Columbia in the CCAA proceeding.

Given that the Demand Letter was delivered prior to NextPoint's announcement of the Initial Order, we anticipate that you may want to retract the request in any event and would request that you confirm that the individuals you have proposed as potential directors still wish to join the board of NextPoint in light of the CCAA and Chapter 15 proceedings.

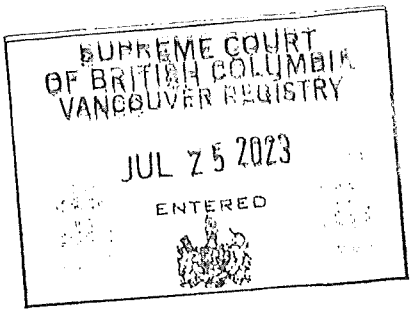
Sincerely,
DLA Piper (Canada) LLP
Per:

Jeffrey Bradshaw

Jeffrey D. Bradshaw

JDB

CAN: 44783926.2



No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION

BEFORE THE HONOURABLE)
) July 25, 2023
JUSTICE FITZPATRICK)

THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 25th day of July, 2023 (the "**Order Date**"); AND ON HEARING Jeffrey D. Bradshaw, Samantha Arbor, and Parker Fogler, Articled Student, counsel for the Petitioners and those other counsel listed on Schedule "B" hereto; AND UPON READING the material filed, including the First Affidavit of Peter Kravitz sworn July 25, 2023 (the "**Kravitz Affidavit**") and the consent of FTI Consulting Inc. to act as Monitor; AND UPON BEING ADVISED that the secured creditors who are likely to be affected by the charges created herein here given notice; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "**CCAA**"), the British Columbia Supreme Court Civil Rules and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

SERVICE

1. Service of the materials filed in support of this Application by the Petitioners shall be deemed good and valid and, further, shall be and is hereby abridged, such that the service of such application materials is deemed to be timely and sufficient.

JURISDICTION

2. The Petitioners are companies to which the CCAA applies. For greater certainty, the companies set out in Schedule "A" to this Order shall enjoy the benefits of the protections provided herein, and shall be subject to the same restrictions hereunder.

DEFINED TERMS

3. Capitalized terms that are used in this Order shall have the meanings ascribed to them in the Kravitz Affidavit if they are not otherwise defined herein.

SUBSEQUENT HEARING DATE

4. The hearing of the Petitioners' application for an extension of the Stay Period (as defined in paragraph 21 of this Order) and for any ancillary relief shall be held at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at 9 a.m. on ~~August~~ THURSDAY, the 3 day of August, 2023 or such other date as this Court may order.

POSSESSION OF PROPERTY AND OPERATIONS

5. Subject to this Order and any further Order of this Court, the Petitioners shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), and continue to carry on its business (the "**Business**") in the ordinary course and in a manner consistent with the preservation of the Business and the Property. The Petitioners shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.

6. The Petitioners shall be entitled to continue to utilize the central cash management system currently in place as described in the Kravitz Affidavit, or, with the consent of the Interim Lender (as hereinafter defined), replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Petitioners of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Petitioners, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash

Management System, an unaffected creditor under any plan of compromise and arrangement (a "**Plan**") with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. The Petitioners shall be entitled, but not required, to pay the following expenses which may have been incurred prior to the Order Date:

(a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (but excluding severance pay) payable before or after the Order Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively "**Wages**"); and

(b) the fees and disbursements of any Assistants retained or employed by the Petitioners which are related to the Petitioners' restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioners, whenever and wherever incurred, in respect of:

(i) these proceedings or any other similar proceedings in other jurisdictions in which the Petitioners or any subsidiaries or affiliated companies of the Petitioners are domiciled;

(ii) any litigation in which the Petitioners are named as a party or is otherwise involved, whether commenced before or after the Order Date; and

(iii) any related corporate matters.

8. Except as otherwise provided herein, and subject to the terms of the Definitive Documents, the Petitioners shall be entitled to pay all expenses reasonably incurred by the Petitioners in carrying on the Business in the ordinary course following the Order Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services, provided that any capital expenditure exceeding **$500,000** shall be approved by the Monitor;

(b) all obligations incurred by the Petitioners after the Order Date, including without limitation, with respect to goods and services actually supplied to the Petitioners following the Order Date (including those under purchase orders outstanding at the Order Date but excluding any interest on the Petitioners' obligations incurred prior to the Order Date); and

(c) fees and disbursements of the kind referred to in paragraph 7(b) which may be incurred after the Order Date.

9. The Petitioners are authorized to remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes or any such claims which are to be paid pursuant to Section 6(3) of the CCAA;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioners in connection with the sale of goods and services by the Petitioners, but only where such Sales Taxes accrue or are collected after the Order Date, or where such Sales Taxes accrued or were collected prior to the Order Date but not required to be remitted until on or after the Order Date;

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors; and

(d) all interest and fees payable from time to time pursuant to and in accordance with the NextPoint Revolver Facility Agreement.

10. Until such time as a real property lease is disclaimed in accordance with the CCAA, the Petitioners shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated between the Petitioners and the landlord from time to time ("**Rent**"), for the period commencing from and including the Order Date, twice-monthly in equal payments on the first and fifteenth day of the month in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including Order Date shall also be paid.

11. Except as specifically permitted herein, the Petitioners are hereby directed, until further Order of this Court:

(a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioners to any of their creditors as of the Order Date except as authorized by this Order;

(b) to make no payments in respect of any financing leases which create security interests;

(c) to grant no security interests, trust, mortgages, liens, charges or encumbrances upon or in respect of any of their Property, nor become a guarantor or surety, nor otherwise become liable in any manner with respect to any other person or entity except as authorized by this Order;

(d) to not grant credit except in the ordinary course of the Business only to its customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioners to such customers as of the Order Date; and

(e) to not incur liabilities except in the ordinary course of Business.

FINANCIAL ARRANGEMENTS

12. The Petitioners are hereby authorized and empowered to borrow, repay and reborrow from Republic pursuant and subject to the terms of the Republic Facility Agreement.

13. The Petitioners are hereby authorized and empowered to borrow, repay and reborrow from FCB pursuant and subject to the terms of the FCB Facility Agreement, subject to the terms of the Accommodation Agreement and the Definitive Documents.

14. FCB shall be entitled to and is hereby granted a charge (the "**Franchisee Lender Charge**") on the Property of the Liberty Tax group of companies in an amount equal to the value of the indebtedness, interest, fees, liabilities and obligations to FCB incurred after the granting of this Order under and pursuant to the FCB Facility Agreement.

RESTRUCTURING

15. Subject to such requirements as are imposed by the CCAA, the Petitioners shall have the right to:

(a) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

(b) pursue all avenues of refinancing for its Business or Property, in whole or part;

all of the foregoing to permit the Petitioners to proceed with an orderly restructuring of the Business (the "**Restructuring**").

16. The Petitioners shall provide each of the relevant landlords with notice of the Petitioners' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Petitioners' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors who claim a security interest in the fixtures, such landlord and the Petitioners, or by further Order of this Court upon application by the Petitioners, the landlord or the applicable secured creditors on at least two (2) clear days' notice to the other parties. If the Petitioners disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any dispute concerning such fixtures (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Petitioners' claim to the fixtures in dispute.

17. If a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours on giving the Petitioners and the Monitor 24 hours' prior written notice; and (b) at the effective time of the disclaimer, the landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims the landlord may have against the Petitioners, or any other rights the landlord might have, in respect of such lease or leased premises and the landlord shall be entitled to notify the Petitioners of the basis on which it is taking possession and gain possession of and re-lease such leased premises to any third party or parties on such terms as the landlord considers advisable, provided that nothing herein shall relieve the landlord of its obligation to mitigate any damages claimed in connection therewith.

18. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the "**Relevant Enactment**"), the Petitioners, in the course of these proceedings, is permitted to, and hereby shall, disclose personal information of identifiable individuals in its possession or control to stakeholders, its advisors, prospective investors, financiers, buyers or strategic partners (collectively, "**Third Parties**"), but only to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement any Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate or complete the Restructuring or to prepare and implement any Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioners or destroy it. If the Third Parties acquire personal information as part of the Restructuring or the preparation and implementation of any Plan or transactions in furtherance

thereof, such Third Parties may, subject to this paragraph and any Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners.

APPOINTMENT OF CHIEF RESTRUCTURING OFFICER

19. A chief restructuring officer shall be appointed on the following terms:

(a) the agreement dated as of July 1, 2023, pursuant to which the Petitioners have engaged Province, LLC and Province Fiduciary Services, LLC (collectively "**Province**") to provide the services of Peter Kravitz to act as chief restructuring officer to the Petitioners (the "**CRO**") and other supporting personnel of Province, LLC (the "**Supporting Personnel**"), a copy of which is attached as Exhibit "**S**" to the Kravitz Affidavit (the "**CRO Engagement Letter**"), and the appointment of the CRO pursuant to the terms thereof is hereby approved, including, without limitation, payment of the Monthly Fees (as defined in the CRO Engagement Letter, with the Transaction Fee (as defined in the CRO Engagement Letter) subject to further approval by this Court;

(b) the CRO shall perform the functions set out in the CRO Engagement Letter. The CRO shall provide timely updates to the Monitor in respect of their activities;

(c) in addition to the rights and protections afforded the CRO as an officer of this Court, the CRO shall not be or be deemed to be a director, *de facto* director, or employee of any entity of the Petitioners;

(d) nothing in this Order shall be construed as resulting in Province (or any director, officer or employee thereof) or the CRO being an employer, successor employer, a responsible person, operator or person with apparent authority within the meaning of any statute, regulation or rule of law, or equity (including any Environmental Legislation, each as defined below) for any purpose whatsoever;

(e) none of Province, its officers, directors, or employees, nor the CRO shall, as a result of the performance of their respective obligations and duties in accordance with the terms of the CRO Engagement Letter, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation; provided however, if Province or the CRO is nevertheless found to be in Possession of any Property under Environmental Legislation, then Province or the CRO, as the case may be, shall be entitled to the benefits and protections in relation to the Petitioners and such Property as are provided to a monitor under section 11.8(3) of the CCAA; provided further however, that nothing in this subparagraph shall exempt Province or the CRO from any duty to report or make disclosure imposed by a law and incorporated by reference in section 11.8(4) of the CCAA;

(f) Province and the CRO shall not incur any liability or obligation as a result of the appointment or carrying out duties as CRO, whether before or after the granting of this Order, save and except for any gross negligence or wilful misconduct, provided that any liability of Province and the CRO with respect to carrying out duties as CRO shall in no event exceed the quantum of the fees paid under the CRO Agreement;

(g) no action or other proceeding shall be commenced in relation to NextPoint directly, or by way of counterclaim, third party claim or otherwise, against or in respect of Province, its officers, directors, employees, or the CRO, and all rights and remedies of any Person against or in respect of them are hereby stayed and suspended, except with the written consent of the CRO or with leave of this Court on notice to the Petitioners, the Monitor, and the CRO, provided, however, that nothing in this order, including this subparagraph 19(g) shall affect such investigations, actions, suits or proceedings by a regulatory body that are permitted by section 11.1 of the CCAA. Notice of any such motion seeking leave of this Court shall be served upon the Petitioners, the Monitor, and the CRO at least seven (7) days prior to the return date of any such motion for leave;

(h) the obligations of the Petitioners to Province (and any director, officer or employee thereof) and the CRO pursuant to the CRO Engagement Letter, are not claims that may be compromised pursuant to any Plan, any proposal under the *Bankruptcy and Insolvency Act* or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to Province (and any director, officer or employee thereof) and the CRO pursuant to the terms of the CRO Engagement Letter; and

(i) for the purpose of carrying out the functions and duties set out in the CRO Engagement Letter, the CRO (i) shall have full and complete access to the property of the Petitioners, including the premises, books, records, data (including data in electronic format) and other financial documents of the Petitioners, and (ii) is hereby authorized to meet with any employee, director, representative or agent of the Petitioners. The employees, directors, representatives, and agents of the Petitioners are hereby directed to fully cooperate with the CRO in connection with the functions and duties set out in the CRO Engagement Letter.

20. Province and the CRO shall be entitled to the benefit of and are hereby granted a charge on the Property (the "**CRO Charge**"), which shall not exceed an aggregate amount of **$500,000**, to secure the Monthly Fees (as defined in the CRO Engagement Letter) and other amounts payable to Province (and any director, officer or employee thereof) and the CRO under the CRO Engagement Letter, other than the Transaction Fee (as defined in the CRO Engagement Letter). The CRO Charge shall have the priority set out in paragraphs 49 and 52 hereof.

STAY OF PROCEEDINGS, RIGHTS AND REMEDIES

21. Until and including AUGUST 3, or such later date as this Court may order (the "**Stay Period**"), no action, suit or proceeding in any court or tribunal (each, a "**Proceeding**") against or in respect of the Petitioners or the Monitor, or affecting the Business or the Property, shall be commenced or continued except with the written consent of the Petitioners and the Monitor or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioners or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

22. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Petitioners or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioners and the Monitor or leave of this Court.

23. During the Stay Period, no Proceeding shall be commenced or continued against or in respect of any of the Petitioners' franchisees (collectively, the "**Franchisees**"), or any of their current and future assets, business, undertaking and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Franchisee Property**", and together with the Franchisees' business, the "**Franchisee Business and Property**") including, without limitation, terminating, making any demand, accelerating, amending or declaring in default or taking any enforcement steps under any agreement or agreements, and no default or event of default shall have occurred or be deemed to have occurred under any such agreement or agreements, by reason of:

(a) The insolvency of the Petitioners;

(b) Any of the Petitioners having made a petition to this Court under the CCAA;

(c) Any of the Petitioners being party to these proceedings;

(d) Any of the Petitioners taking any step related to these proceedings; or

(e) Any default or cross-default arising from the matters set out in subparagraphs (a), (b), (c) or (d) above (collectively, the "**Franchisee Default Events**").

24. During the Stay Period, all rights and remedies of any Person against or in respect of the Franchisees, or affecting the Franchisee Property and Business, as a result of a Franchisee Default Event, are hereby stayed and suspended except with the written consent of the Petitioners and the Monitor or leave of this Court.

25. Nothing in this Order, including paragraphs 21 and 22, shall: (i) empower the Petitioners to carry on any business which the Petitioners are not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 39 of the CCAA relating to the priority of statutory Crown securities); or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioners.

NO INTERFERENCE WITH RIGHTS

26. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioners, except with the written consent of the Petitioners and the Monitor or leave of this Court.

CONTINUATION OF SERVICES

27. During the Stay Period, all Persons having oral or written agreements with the Petitioners or mandates under an enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioners, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Petitioners, and that the Petitioners shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Petitioners in accordance with normal payment practices of the Petitioners or such other practices as may be agreed upon by the supplier or service provider and the Petitioners and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

28. Notwithstanding any provision in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the Order Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any credit to the Petitioners on or after the Order Date. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

29. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against the directors or officers of the Petitioners with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Petitioners whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Petitioners, if one is filed, is sanctioned by this Court or is refused by the creditors of the Petitioners or this Court. Nothing in this Order, including in this paragraph, shall prevent the commencement of a Proceeding to preserve any claim against a director or officer of the Petitioners that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such Proceeding except for service of the initiating documentation on the applicable director or officer.

DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE

30. The Petitioners shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Petitioners after the commencement of the within proceedings, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

31. The directors and officers of the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $500,000 as security for the indemnity provided in paragraph 30 of this Order. The Directors' Charge shall have the priority set out in paragraphs 49 and 52 herein.

32. Notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Petitioners' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 30 of this Order.

APPOINTMENT OF MONITOR

33. FTI Consulting Canada Inc. ("**FTI**") is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Petitioners with the powers and obligations set out in the CCAA or set forth herein, and that the Petitioners and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Petitioners pursuant to this Order, and shall co-operate fully with the Monitor

in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

34. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Petitioners' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) assist the Petitioner, to the extent required by the Petitioner, in its dissemination, to the Interim Lender (as hereinafter defined) and its counsel on a monthly basis of financial and other information as agreed to between the Petitioner and the Interim Lender which may be used in these proceedings including reporting on a basis to be agreed with the Interim Lender;

(d) advise the Petitioners in their preparation of the Petitioners' cash flow statements and reporting required by the Interim Lender, which information shall be reviewed with the Monitor and delivered to the Interim Lender and its counsel on a periodic basis, but not less than monthly, or as otherwise agreed to by the Interim Lender;

(e) monitor all payments, obligations or transfers as between the Petitioners for purposes of determining the amounts subject to the Intercompany Charges (as defined below);

(f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioners, to the extent that is necessary to adequately assess the Petitioners' business and financial affairs or to perform its duties arising under this Order;

(g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(h) perform such other duties as are required by this Order or by this Court from time to time.

35. The Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or

performance of duties under this Order, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or a successor employer, within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

36. Nothing herein contained shall require or allow the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Fisheries Act*, the British Columbia *Environmental Management Act*, the British Columbia *Fish Protection Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. For greater certainty, the Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

37. The Monitor shall provide any creditor of the Petitioners and the Interim Lender with information provided by the Petitioners in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioners is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Petitioners may agree.

38. In addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the rights and protections afforded the Monitor by the CCAA or any applicable legislation.

FEES AND DISBURSEMENTS

39. The Monitor, counsel to the Monitor, counsel to the BP Lenders (as defined in the Kravitz Affidavit) and counsel to the Petitioners shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioners as part of the cost of these proceedings, whether incurred prior to, on, or subsequent to the date of this Order. The Petitioners are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, counsel to the BP Lenders and counsel to the Petitioners on a **[weekly]** basis and, in addition, the Petitioners are hereby authorized to pay to the Monitor, counsel to the Monitor, and

counsel to the Petitioners, retainers in the amount of USD $100,000, USD $50,000 and USD $200,000 respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

40. The Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the British Columbia Supreme Court who may determine the manner in which such accounts are to be passed, including by hearing the matter on a summary basis or referring the matter to a Registrar of this Court.

ADMINISTRATION CHARGE

41. The Monitor, counsel to the Monitor, and counsel to the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $1,000,000, as security for their respective fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 49 and 52 hereof.

INTERCOMPANY CHARGE

42. To the extent that any Petitioner (an "**Intercompany Lender**") after the date of this Order makes any payment to or on behalf of, or incurs any obligation on behalf of, or discharges any obligation of, a Petitioner (other than itself) (the "**Debtor Petitioner**"), such Intercompany Lender is hereby granted a charge (each, an "**Intercompany Charge**") on all of the Property of such Debtor Petitioner in the amount of such payment, obligation or transfer. The Intercompany Charge shall have the priority set out in paragraphs 49 and 52 hereof.

INTERIM FINANCING

43. The Petitioner is hereby authorized and empowered to obtain and borrow under a credit facility from Drake and BasePoint (the "**Interim Lender**") in order to finance the continuation of the Business and preservation of the Property, provided that borrowings under such credit facility shall not exceed $5.27 million unless permitted by further Order of this Court.

44. Such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Petitioner and the Interim Lender dated as of July 25, 2023 (the "**Commitment Letter**"), filed.

45. The Petitioner is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively and together with the Commitment Letter, the "**Definitive**

Documents", which, for the avoidance of doubt, includes the DIP Budget), as are contemplated by the Commitment Letter or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Petitioner is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

46. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Interim Lender's Charge**") on the Property. The Interim Lender's Charge shall not secure an obligation that exists before this Order is made. The Interim Lender's Charge shall have the priority set out in paragraphs 49 and 52 hereof.

47. Notwithstanding any other provision of this Order:

(a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under any of the Definitive Documents or the Interim Lender's Charge, the Interim Lender, upon 5 days' notice to the Petitioner and the Monitor, may exercise any and all of its rights and remedies against the Petitioner or the Property under or pursuant to the Commitment Letter, Definitive Documents and the Interim Lender's Charge, including without limitation, to cease making advances to the Petitioner and set off and/or consolidate any amounts owing by the Interim Lender to the Petitioner against the obligations of the Petitioner to the Interim Lender under the Commitment Letter, the Definitive Documents or the Interim Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Petitioner or the Property under or pursuant to the Definitive Documents and the Interim Lender's Charge, including without limitation, for the appointment of a trustee in bankruptcy of the Petitioner; and

(c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Petitioner or the Property.

48. The Interim Lender, in such capacity, shall be treated as unaffected in any plan of arrangement or compromise filed by the Petitioner under the CCAA, or any proposal filed by the Petitioner under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

49. The priorities of the Administration Charge, the CRO Charge, the Directors' Charge, each Intercompany Charge, and the Interim Lender's Charge as among them, shall be as follows:

First – Administration Charge (to the maximum amount of **$1,000,000**) and the CRO Charge (to the maximum amount of **$500,000**), on a *pari passu* basis;

Second – Interim Lender's Charge and the Franchisee Lender Charge, on a *pari passu* basis;

Third – Directors' Charge (to the maximum amount of **$500,000**); and

Fourth – Intercompany Charge.

50. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge, the CRO Charge, the Interim Lender's Charge, the Franchisee Lender Charge and the Directors' Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect any such Charges.

51. Each of the Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person, save and except those claims contemplated by section 11.8(8) of the CCAA.

52. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioners shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Petitioners obtain the prior written consent of the Monitor and the beneficiaries of the Charges.

53. The Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer

to lease or other agreement (collectively, an "**Agreement**") which binds any of the Petitioners; and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the other Definitive Documents shall create or be deemed to constitute a breach by any of the Petitioners of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges or the execution, delivery or performance of the Definitive Documents; and

(c) the payments made by the Petitioners pursuant to this Order, the Commitment Letter or the other Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

54. Any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Petitioners' interest in such real property leases.

SERVICE AND NOTICE

55. The Monitor shall (i) without delay, publish in one national newspaper a notice containing the information prescribed under the CCAA, (ii) within five days after Order Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioners of more than $1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of the individuals who are creditors publicly available.

56. The Petitioners and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Petitioners' creditors or other interested parties at their respective addresses as last shown on the records of the Petitioners and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

57. Any Person that wishes to be served with any application and other materials in these proceedings must deliver to the Monitor by way of ordinary mail, courier, personal delivery or electronic transmission a request to be added to a service list (the "**Service List**") to be maintained by the Monitor. The Monitor shall post and maintain an up to date form of the Service List on its website at: http://cfcanada.fticonsulting.com/nextpoint (the "**Monitor's Website**").

58. Any party to these proceedings may serve any court materials in these proceedings by emailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor shall post a copy of all prescribed materials on the Monitor's Website.

59. Notwithstanding paragraphs 62 and 63 of this Order, service of the Petition, the Notice of Hearing of Petition, any affidavits filed in support of the Petition and this Order shall be made on the Federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the Federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

GENERAL

60. The Petitioners or the Monitor may from time to time apply to this Court for directions in the discharge of its powers and duties hereunder.

61. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or Licensed Insolvency Trustee of the Petitioners, the Business or the Property.

62. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Petitioners and the Monitor and their respective agents in carrying out the terms of this Order.

63. Each of the Petitioners and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and the CRO, acting as the authorized officer for Petitioner, NextPoint Financial Inc. as a foreign representative, duly and hereby appointed, is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the

Petitioners to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.

64. The Petitioners may (subject to the provisions of the CCAA and the BIA) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioners determine that such a filing is appropriate.

65. The Petitioners are hereby at liberty to apply for such further interim or interlocutory relief as it deems advisable within the time limited for Persons to file and serve Responses to the Petition.

66. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.

67. Any interested party (including the Petitioners and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

68. Endorsement of this Order by counsel appearing on this application is hereby dispensed with.

69. This Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time on the Order Date.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of
☐ Party ☑ Lawyer for the Petitioners
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)

BY THE COURT

REGISTRAR

CHECKED

Schedule "A"

1. NextPoint Financial, Inc.

2. NPI Holdco LLC

Liberty Tax Entities

1. LT Holdco, LLC

2. LT Intermediate Holdco, LLC

3. SiempreTax+ LLC

4. JTH Tax LLC

5. Liberty Tax Holding Corporation

6. Liberty Tax Service, Inc.

7. JTH Financial, LLC

8. JTH Properties 1632, LLC

9. Liberty Credit Repair, LLC

10. Wefile LLC

11. JTH Tax Office Properties, LLC

12. LTS Software LLC

13. JTH Court Plaza, LLC

14. 360 Accounting Solutions, LLC

15. LTS Properties, LLC

Community Tax Entities

16. CTAX Acquisition LLC

17. Community Tax Puerto Rico LLC

18. Community Tax LLC

LoanMe Entities

19. NPLM Holdco LLC

20. MMS Servicing LLC
21. LoanMe, LLC
22. LoanMe Funding, LLC
23. LM Retention Holdings, LLC
24. LoanMe Trust Prime 2018-1
25. LoanMe Trust SBL 2019-1
26. LoanMe Stores LLC
27. InsightsLogic LLC
28. LM 2020 CM I SPE, LLC

Schedule "B"

NAME OF COUNSEL	PARTY REPRESENTING

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A'

PETITIONERS

SECOND REPORT OF THE MONITOR

September 18, 2023

Table of Contents

INTRODUCTION

1. On July 25, 2023, NextPoint Financial, Inc. ("**NPI**") and 29 other petitioners (collectively, the "**Petitioners**") were granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the Supreme Court of British Columbia Action No. S-235288, Vancouver Registry (the "**CCAA Proceedings**").

2. The Initial Order provided for, among other things:

    a. a stay of proceedings (the "**Stay of Proceedings**") against the Petitioners until August 4, 2023;

    b. the appointment of FTI Consulting Canada Inc. as Monitor of the Petitioners (the "**Monitor**"); and

    c. the appointment of Peter Kravitz of Province Fiduciary Services, LLC (together with Province LLC, "**Province**") as the Petitioners' Chief Restructuring Officer ("**CRO**").

3. On July 27, 2023, the Petitioners obtained orders in the U.S. Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") under Chapter 15 of the United States Bankruptcy Code recognizing the CCAA Proceedings as a foreign main proceeding and granting certain additional provisional relief relating to the recognition of the Initial Order.

4. On August 3, 2023, this Honourable Court granted the following orders:

    a. an amended and restated Initial Order (the "**ARIO**") which, among other things:

        i. extended the Stay of Proceedings up to and including October 20, 2023;

ii. increased the amounts of certain priority charges granted in the Initial Order;

iii. clarified the priority of a charge granted on certain property of Liberty Tax in an amount equal to the value of the indebtedness, interest, fees, liabilities and obligations to First Century Bank N.A. incurred after the granting of the Initial Order; and

iv. approved an increase in the amount of the interim financing facility (the "**Interim Facility**") to the maximum principal amount of $25.0 million and correspondingly increasing the amount of the charge on the Petitioners' property to secure the obligations under the Interim Facility; and

b. an order (the "**SISP Order**") approving a restructuring support agreement dated July 25, 2023 among the Petitioners and certain secured creditors (the "**RSA**") and a sales and investment solicitation process (the "**SISP**"). The SISP included a stalking horse purchase agreement (the "**Stalking Horse Bid**") among certain of the Petitioners and certain of their lenders (the collectively, the "**Purchaser**").

5. On August 16, 2023, the US Bankruptcy Court entered an order recognizing and approving, among other relief, the SISP Order and ARIO.

6. On September 13, 2023, the Petitioners filed a notice of application returnable September 19, 2023, for an order:

a. approving a transaction fee payable to the CRO (the "**Transaction Fee**") based on a calculation approved by the Board of Directors of NPI (the "**Success Fee Calculation**");

b. removing LoanMe Trust Prime 2018-1 and LoanMe Trust SBL 2019-1 (together, the "**LM Income Trusts**") as Petitioners in these CCAA Proceedings; and

c. adding LM BP Holdings, LLC as a Petitioner in these CCAA Proceedings.

PURPOSE

7. The purpose of this report is to provide this Honourable Court and the Petitioners' stakeholders with information with respect to:

   a. an update on the SISP;

   b. the Transaction Fee and Success Fee Calculation;

   c. the proposed removal of the LM Income Trusts as Petitioners in the CCAA Proceedings;

   d. the proposed addition of LM BP Holdings, LLC as a Petitioner in the CCAA Proceedings;

   e. a Disclaimer Notice issued in respect of Community Tax LLC's head office lease in Chicago, Illinois;

   f. the Petitioners' actual cash receipts and disbursements for the 6-week period ended September 1, 2023 (the "**Reporting Period**"), as compared to the cash flow statement included in the First Report of the Monitor dated August 2, 2023 (the "**Cash Flow Statement**"); and

   g. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

8. In preparing this report, the Monitor has relied upon certain information (the "**Information**") including the Petitioners' unaudited financial information, books and records and discussions with the CRO and management of the Petitioners (collectively, "**Management**").

9. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

10. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

11. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

12. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Petitioners' primary reporting currency.

UPDATE ON THE SISP

13. The Petitioners, with the assistance of the CRO and under the supervision of the Monitor, have been marketing the Petitioners' interests in the Liberty Tax and/or Community Tax business lines in accordance with the SISP. The detailed timelines and procedures of the SISP are described in the First Report of the Monitor dated August 2, 2023, and are not repeated herein.

14. The Petitioners, under the direction of the CRO and in consultation with the Monitor, and the BP Lenders (as defined in the First Affidavit of Peter Kravitz made July 25, 2023 (the "**First Affidavit**"), determined that neither of the indications of interest received had a reasonable prospect of culminating in a Qualified Bid and that they were not considered "LOIs" as defined in the SISP. As a result, the Petitioners terminated the SISP and, on September 11, 2023, notified the bidders and the Service List in the CCAA Proceedings of the termination.

15. The Petitioners anticipate a further application in respect of the transaction contemplated by the Stalking Horse Bid to be brought forward in the coming weeks. The Monitor plans to file a further report in respect of such an application. The Monitor understands that the sale approval timelines under the RSA have been extended by consent.

TRANSACTION FEE

16. As described in the Pre-filing Report of the Proposed Monitor dated July 25, 2023, on July 1, 2023, NPI entered into an agreement with Province (the "**CRO Agreement**") to retain Mr. Peter Kravitz as CRO of NPI and its subsidiaries with the support of additional Province professionals. The CRO Agreement was attached as Appendix B to the Pre-Filing Report.

17. The CRO Agreement provides for various fees to be paid to Province in respect of the engagement which, for ease of reference, are summarized as follows:

    a. a monthly fee of $80,000 plus expenses;

    b. a Transaction Fee (as defined in the CRO Agreement) at the discretion of the Board of Directors upon a successful transaction; and

    c. the hourly fees and expenses of the supporting professionals.

18. The Initial Order approved the appointment of the CRO pursuant to the terms of the CRO Agreement, with the Transaction Fee being subject to further approval by this Honourable Court.

19. The Petitioners and Province, in consultation with the Monitor, have agreed to calculate the Transaction Fee as follows:

    a. the greater of $500,000 or 0.3% of the credit bid by the Purchaser (the "**Credit Bid**"); or

b. 0.4% of the total consideration pursuant to a Successful Bid, as defined in the SISP (other than the Credit Bid);

subject to a maximum payment of $1,000,000

(the "**Success Fee Calculation**")

20. The Monitor's comments with respect to the Success Fee Calculation are as follows:

a. it was negotiated between Province and the Petitioners in consultation with the Monitor and has been approved by NPI's Board of Directors;

b. Province has overseen the SISP and marketed the Petitioners' assets efficiently and in a coordinated manner without unwarranted duplication of roles;

c. the secured creditors likely to be affected by the Transaction Fee were consulted in the determination of the Success Fee Calculation and are supportive of the Success Fee Calculation; and

d. overall, the Monitor is of the view the Success Fee Calculation will result in a Transaction Fee that is within the range of transactions fees paid in other formal restructuring proceedings of a similar nature and scale and is reasonable in the circumstances.

LM BP HOLDINGS, LLC

21. LM BP Holdings, LLC is a subsidiary of NPI in the LoanMe business line that is not a Petitioner in the CCAA Proceedings.

22. The Petitioners have advised the Monitor that the terms of an agreement involving the BP Lenders (as defined in the Kravitz Affidavit) prevented LM BP Holdings, LLC from seeking relief under the CCAA without the consent of the BP Lenders.

23. The Petitioners advise that the BP Lenders have provided the necessary consent and, accordingly, the Petitioners seek to add LM BP Holdings, LLC as a Petitioner so that it can be wound down along with the rest of the LoanMe business line. The Petitioners also seek to amend the style of cause to reflect the change.

24. The Petitioners have advised the Monitor that they will deliver a further affidavit with additional information regarding this proposed change.

25. Based on the information provided by the Petitioners, the Monitor is supportive of the addition of LM BP Holdings, LLC to allow for an orderly wind-down of the LoanMe business line.

LM INCOME TRUSTS

26. The Petitioners have advised the Monitor that the LM Income Trusts are managed by "Owner Trustees" and hold portfolios of loans and pay out regular distributions to unitholders.

27. LM Retention Holdings, LLC (one of the Petitioners) holds all of the units of LoanMe Trust SBL 2019-1 and a portion of the LoanMe Trust SBL 2018-1 units along with six third-party unitholders.

28. The Monitor is advised by the Petitioners that the LM Income Trusts were included as Petitioners in the CCAA Proceedings inadvertently and without notice to their respective Owner Trustees. Accordingly, the Petitioners are seeking to remove them as Petitioners in the CCAA Proceedings.

29. The draft order attached to the Notice of Application seeks a Stay of Proceedings against the LM Income Trusts and their property to protect the interests of LM Retention Holdings, LLC and the LM Income Trusts from any adverse consequences arising as a result of: (i) the LM Income Trusts having been included as Petitioners in these CCAA

Proceedings; and (ii) the initiation of these CCAA Proceedings generally, including specifically:

a. the insolvency of the Petitioners;

b. any of the Petitioners having sought protection under the CCAA;

c. any of the Petitioners being party to these CCAA Proceedings;

d. any of the Petitioners taking any step related to these CCAA Proceedings; or

e. any default or cross-default arising from the matters set out in subparagraphs a-d above.

30. The Monitor has no concerns with respect to the extension of the Stay of Proceedings to the LM Income Trusts to protect against actions by any Persons due to the inadvertent inclusion of the LM Income Trusts as Petitioners. In the Monitor's view, such relief ensures the maintenance of the status quo prior to the commencement of these proceedings.

31. With respect to the extension of the Stay of Proceedings to the LM Income Trusts as third parties based on the fact that the (other) Petitioners are subject to these CCAA Proceedings, the BP Lenders have advised the Monitor that their rationale for such relief includes, among other things, that:

a. the insolvency of an affiliate can result in defaults under commercial agreements;

b. the Petitioners' interest in the trusts may represent sufficient control to meet the definition of "affiliate" under such agreements;

c. a default resulting from the insolvency of the Petitioners could cause an erosion of value for the estate; and

d. there would not be prejudice to any stakeholders in the event that the concerns with respect to such potential defaults are unjustified.

32. The Monitor has also been advised by counsel for the Petitioners that they have communicated with a representative of Wilmington Trust Company, the trustee of LoanMe Trust SBL 2018-1, who has expressed their support for an order that trust be subject to the Stay of Proceedings generally.

33. The Monitor has further been advised that counsel for the Petitioners sought to contact representatives of Delaware Trust to advise them of these CCAA Proceedings and the relief being sought but had not received a response at the time of this Monitor's report.

34. While the Monitor appreciates the basis and rationale for the Petitioners' application to extend the Stay of Proceedings to prevent steps being taken by any Person as a result of the non-LM Income Trust Petitioners having obtained protection under the CCAA, the Monitor has not been provided with sufficient information or documentation to enable it to evaluate or comment on the necessity of such relief at this time.

35. In the event the Court considers granting an order extending the Stay of Proceedings to the LM Income Trusts to prevent steps being taken by any Person as a result of the non-LM Income Trust Petitioners having obtained protection under the CCAA, the Monitor suggests that such order be limited in duration to allow the Petitioners additional time to return to the Court with evidence to support a continuation of such relief.

DISCLAIMER NOTICE

36. In August 2023, Community Tax vacated its head office premises in Chicago, Illinois. Efforts to sublease the space over the prior two years had been unsuccessful.

37. In order to conserve estate assets and enhance the prospects of a viable sale of the Community Tax business line, the Petitioners in consultation with the Monitor,

determined that it was necessary to issue a Disclaimer Notice to the landlord, Marc Realty, in respect of the lease.

38. The Petitioners advised the Monitor that Marc Realty was a large full service real estate company that owns, manages, and leases over six million square feet of commercial real estate in the Chicago metropolitan area and that the proposed disclaimer was not likely to cause them significant financial hardship.

39. Accordingly, the Monitor approved the Disclaimer Notice which was served on the landlord on August 31, 2023, and will become effective on September 30, 2023.

CASH FLOW VARIANCE ANALYSIS

40. The Monitor has undertaken weekly reviews of the Petitioners' actual cash flows in comparison to those contained in the Cash Flow Statement. The Petitioners' actual cash receipts and disbursements as compared to the Cash Flow Statement for the period of July 25, 2023 to September 1, 2023, are summarized below:

NextPoint Cash Flow Variance Analysis Six Week Period Ended September 1, 2023 *(USD$ thousands)*	Actual	Forecast	Variance
Operating Receipts			
Community Tax Operating Receipts	$ 2,797	$ 2,918	$ (122)
Liberty Operating Receipts	3,051	1,770	1,281
Total Operating Receipts	**5,848**	**4,688**	**1,160**
Operating Disbursements			
Community Tax Operating Disbursements	(1,398)	(1,475)	77
Liberty Operating Disbursements	(8,295)	(5,425)	(2,871)
NextPoint Operating Disbursements	(532)	(720)	188
LoanMe Operating Disbursements	36	(2)	39
Employee Compensation	(4,146)	(5,203)	1,057
Total Operating Disbursements	**(14,336)**	**(12,826)**	**(1,510)**
Net Change in Cash from Operations	**(8,488)**	**(8,138)**	**(350)**
Non-Operating Items			
Non-Operating Receipts	1,100	3,100	(2,000)
Restructuring Professional Fees	(1,201)	(4,348)	3,147
Net Change in Cash from Non-Operating Items	**(101)**	**(1,248)**	**1,147**
Financing			
Interim Financing	20,934	20,934	-
Interim Financing Fees and Interest	(366)	(536)	170
Net Change in Cash from Financing	**20,567**	**20,398**	**170**
Net Change in Cash	11,978	11,012	967
Opening Cash	4,791	4,791	-
Ending Cash	**$ 16,769**	**$ 15,802**	**$ 967**

41. Overall, the Petitioners realized a favourable net cash flow variance of approximately $1.0 million. The key components of the variance are as follows:

    a. operating receipts were higher than forecast as a result of initiatives to accelerate collection of accounts receivable;

    b. operating disbursements were higher than forecast, primarily as a result of timing differences relating to the costs of an annual conference for Liberty Tax franchisees hosted by NPI, partially offset by lower employee compensation than forecast due to attrition and bonuses that were not achieved in the current year;

c. non-operating receipts were $2.0 million lower than forecast due to a timing difference in respect of the collection of proceeds from the sale of a minority interest in Trilogy Software Inc. This delay caused an aggregate adverse variance in total cumulative receipts of greater than the 10% permitted under the Interim Facility. However, the breach has been waived by the interim lenders due to the nature of the variance;

d. restructuring professional fees were approximately $3.1 million lower than forecast as a result of timing differences that are expected to reverse in the coming weeks; and

e. a summary of the professional fee disbursements made in the CCAA Proceedings to date is set out in the table below:

Professional Fee Summary **Six Week Period Ended September 1, 2023** ***(USD thousands)***					
Firm	**Role**	**Fees**	**Disbursements**	**Taxes**	**Total**
Province	Financial Advisor / CRO	$ 295	$ 0	$ -	**$ 295**
DLA Piper LLP	Counsel to NextPoint	501	7	-	**508**
FTI	Monitor	159	0	8	**168**
Fasken	Monitor's Counsel	87	1	11	**99**
Portage	Lender Financial Advisor	94	-	-	**94**
Cole Schotz	Lender Counsel	36	0	-	**36**
Other	Chapter 15 Proceedings	2	-	-	**2**
Total		**$ 1,175**	**$ 8**	**$ 19**	**$ 1,201**

42. Overall, the Petitioners have drawn $20.9 million under the Interim Facility and are holding a cash balance of approximately $16.8 million.

CONCLUSIONS AND RECOMMENDATIONS

43. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant an order:

a. approving the Transaction Fee payable to the CRO calculated pursuant to the Success Fee Calculation;

b. removing the LM Income Trusts as Petitioners in the CCAA Proceedings; and

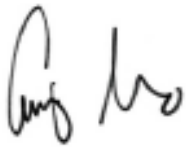
c. adding LM BP Holdings, LLC as a Petitioner in the CCAA Proceedings.

*****

All of which is respectfully submitted this September 18, 2023.

FTI Consulting Canada Inc.
in its capacity as Monitor of the Petitioners

Tom Powell
Senior Managing Director



Craig Munro
Managing Director

Appendix A

List of Petitioners

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

3. LT Holdco, LLC
4. LT Intermediate Holdco, LLC
5. SiempreTax+ LLC
6. JTH Tax LLC
7. Liberty Tax Holding Corporation
8. Liberty Tax Service, Inc.
9. JTH Financial, LLC
10. JTH Properties 1632, LLC
11. Liberty Credit Repair, LLC
12. Wefile LLC
13. JTH Tax Office Properties, LLC
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Community Tax Entities

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30. LM 2020 CM I SPE, LLC

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A'

PETITIONERS

THIRD REPORT OF THE MONITOR

October 11, 2023

FTI CONSULTING

Table of Contents

INTRODUCTION

1. On July 25, 2023, NextPoint Financial, Inc. ("**NPI**") and 29 other petitioners were granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the Supreme Court of British Columbia Action No. S-235288, Vancouver Registry (the "**CCAA Proceedings**").

2. The Initial Order provided for, among other things:

    a. a stay of proceedings (the "**Stay of Proceedings**") against the Petitioners until August 3, 2023;

    b. the appointment of FTI Consulting Canada Inc. as Monitor of the Petitioners (the "**Monitor**"); and

    c. the appointment of Peter Kravitz of Province Fiduciary Services, LLC (together with Province LLC, "**Province**") as the Petitioners' Chief Restructuring Officer ("**CRO**").

3. On July 27, 2023, the Petitioners obtained orders in the U.S. Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") under Chapter 15 of the United States Bankruptcy Code recognizing the CCAA Proceedings as a foreign main proceeding and granting certain additional provisional relief relating to the recognition of the Initial Order.

4. On August 3, 2023, this Honourable Court granted the following orders:

    a. an amended and restated Initial Order (the "**ARIO**") which, among other things:

        i. extended the Stay of Proceedings up to and including October 20, 2023;

ii. increased the amounts of certain priority charges granted in the Initial Order;

iii. clarified the priority of a charge granted on certain property of Liberty Tax in an amount equal to the value of the indebtedness, interest, fees, liabilities and obligations to First Century Bank N.A. incurred after the granting of the Initial Order; and

iv. approved an increase in the amount of the interim financing facility (the "**Interim Facility**") to the maximum principal amount of $25.0 million and increasing the amount of the charge on the Petitioners' property to secure the obligations under the Interim Facility; and

b. an order (the "**SISP Order**") approving a restructuring support agreement dated July 25, 2023 (the "**RSA**") among the Petitioners and certain secured creditors and a sales and investment solicitation process (the "**SISP**"). The SISP included a stalking horse purchase agreement among certain of the Petitioners and certain of their lenders.

5. On August 16, 2023, the US Bankruptcy Court entered an order recognizing and approving, among other relief, the SISP Order and ARIO.

6. On September 19, 2023, this Honourable Court granted an order:

a. removing LoanMe Trust Prime 2018-1 and LoanMe Trust SBL 2019-1 (together, the "**LoanMe Income Trusts**") as Petitioners in these CCAA Proceedings;

b. providing for a limited Stay of Proceedings against the LoanMe Income Trusts (the "**LoanMe Stay**"); and

c. adding LM BP Holdings, LLC as a Petitioner in these CCAA Proceedings.

7. On October 10, 2023, the Petitioners (as set out in Schedule A) filed a notice of application returnable October 13, 2023, for an order amending and restating the ARIO (the "**Second ARIO**"), which amends the ARIO as follows:

    a. extending the Stay of Proceedings up to and including November 20, 2023 (the "**Stay Extension**");

    b. extending the LoanMe Stay; and

    c. expanding the powers to be exercised by the CRO.

8. The Petitioners anticipate that the Petitioners will file a further application in respect of the transaction contemplated by the Stalking Horse Bid, as will be amended by the Petitioners and the BP Lenders (the "**Transaction Agreement**").

9. The Monitor intends to file a report in connection with the forthcoming sale approval application and outlining the details of the Transaction Agreement once they are finalized. The Monitor understands that the sale approval timelines under the RSA have been extended by consent.

PURPOSE

10. The purpose of this report is to provide this Honourable Court and the Petitioners' stakeholders with information with respect to:

    a. the Petitioners' application to enhance the powers of the CRO;

    b. the Petitioners' actual cash receipts and disbursements for the 10-week period that ended September 29, 2023 ("**Reporting Period**") as compared to the cash flow statement included in the First Report of the Monitor dated August 2, 2023;

c. an updated cash flow statement (the "**Second Cash Flow Statement**") for the 18-week period ending November 24, 2023, including the key assumptions on which the cash flow statement is based;

d. the Petitioners' application for the Stay Extension; and

e. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

11. In preparing this report, the Monitor has relied upon certain information (the "**Information**") including the Petitioners' unaudited financial information, books and records and discussions with the CRO and management of the Petitioners (collectively, "**Management**").

12. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

13. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

14. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

15. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Petitioners' primary reporting currency.

ENHANCED CRO'S POWERS

16. The Petitioners carry a directors and officers insurance policy (the "**D&O Policy**") that is scheduled to expire before the end of October, 2023. Management has advised the Monitor that the cost to obtain replacement insurance on equivalent terms in the current market is prohibitive.

17. As a result of the anticipated lapse in coverage, the Petitioners advise that NPI's directors have stated their intention to resign as directors prior to the expiry of the D&O Policy.

18. In order to provide for an orderly transition of governance following the resignation of the Directors, the Petitioners seek to enhance the CRO's powers including the ability to:

    a. take any and all actions and steps, and execute all documents and writings, on behalf of and in the name of the Petitioners, to facilitate the performance of their obligations; and

    b. exercise any powers which may be properly exercised by any board of directors of NPI or its subsidiaries.

19. The Monitor's comments with respect to the proposed expansion of the CRO's powers are as follows:

    a. it is an efficient and cost-effective way to allow for NPI and the Petitioners to complete their obligations under the Transaction Agreement and these CCAA Proceedings following the anticipated departure of the directors;

    b. the CRO has been working with the Petitioners prior to and during the CCAA Proceedings and its knowledge and familiarity with the Petitioners will allow it to assume the additional responsibilities in an efficient manner;

c. the expansion of the CRO's powers is supported by certain key stakeholder groups including the Petitioners' senior secured lenders;

d. no party will be prejudiced by the enhanced powers; and

e. overall, the enhanced powers afforded to the CRO in the Second ARIO are in the best interests of the Petitioners' stakeholders.

20. Based on the forgoing, the Monitor respectfully recommends that this Honourable Court grant the expansion of the CRO's powers provided for in the Second ARIO.

CASH FLOW VARIANCE ANALYSIS

21. The Monitor has undertaken weekly reviews of the Petitioners' actual cash flows in comparison to those contained in the Cash Flow Statement. The Petitioners' actual cash receipts and disbursements as compared to the Cash Flow Statement for the period of July 25, 2023 to September 29, 2023, are summarized below:

NextPoint Cash Flow Variance Analysis Ten Week Period Ended September 29, 2023 *(USD$ thousands)*	Actual	Forecast	Variance
Operating Receipts			
Community Tax Operating Receipts	$ 4,717	$ 5,284	$ (567)
Liberty Operating Receipts	4,482	2,853	$ 1,629
Total Operating Receipts	**9,199**	**8,137**	**1,062**
Operating Disbursements			
Community Tax Operating Disbursements	(2,307)	(2,655)	$ 348
Liberty Operating Disbursements	(10,827)	(7,549)	(3,278)
NextPoint Operating Disbursements	(617)	(1,568)	952
LoanMe Operating Disbursements	82	(5)	87
Employee Compensation	(6,482)	(8,394)	1,912
Total Operating Disbursements	**(20,151)**	**(20,172)**	**21**
Net Change in Cash from Operations	**(10,951)**	**(12,034)**	**1,083**
Non-Operating Items			
Non-Operating Receipts	1,100	3,100	(2,000)
Restructuring Professional Fees	(3,689)	(7,001)	3,311
Net Change in Cash from Non-Operating Items	**(2,589)**	**(3,901)**	**1,311**
Financing			
Interim Financing	25,000	25,000	-
Interim Financing Fees and Interest	(366)	(536)	170
Net Change in Cash from Financing	**24,634**	**24,464**	**170**
Net Change in Cash	11,093	8,529	2,564
Opening Cash	4,791	4,791	-
Ending Cash	**$ 15,884**	**$ 13,320**	**$ 2,564**

22. Overall, the Petitioners realized a favourable net cash flow variance of approximately $2.6 million. The key components of the variance are as follows:

    a. operating receipts were higher than forecast as a result of initiatives to accelerate the collection of Liberty Tax accounts receivable;

    b. operating disbursements were higher than forecast, primarily as a result of funding advanced to franchisees by NPI pending the planned reinstatement of a credit agreement (the "**FCB Facility Agreement**") with First Century Bank N.A.

("**FCB**"), partially offset by lower employee compensation than forecast and reduced non-restructuring professional fee disbursements at NPI;

c. non-operating receipts were $2.0 million lower than forecast due to a timing difference in respect of the collection of proceeds from the sale of a minority interest in Trilogy Software Inc.;

d. restructuring professional fees were approximately $3.3 million lower than forecast as a result of timing differences that are expected to reverse in the coming weeks. A summary of the restructuring professional fee disbursements made in the CCAA Proceedings to date is set out in the following table:

Professional Fee Summary **Ten Week Period Ended September 29, 2023** ***(USD thousands)***					
Firm	**Role**	**Fees**	**Disbursements**	**Taxes**	**Total**
Province	Financial Advisor / CRO	$ 1,135	$ 7	$ -	$ **1,142**
DLA Piper	Counsel to NextPoint	920	72	-	**991**
FTI	Monitor	262	2	13	**277**
Fasken	Monitor's Counsel	119	4	11	**134**
Kirkland	Lender Counsel	638	17	-	**656**
Osler	Lender Counsel	188	15	-	**203**
Portage	Lender Financial Advisor	160	-	-	**160**
Cole Schotz	Lender Counsel	51	1	-	**52**
Other	Other Restructuring Professionals	13	60	-	**73**
Total		**$ 3,487**	**$ 178**	**$ 24**	**$ 3,689**

23. Overall, the Petitioners have drawn $25.0 million under the Interim Facility and are holding a cash balance of approximately $15.9 million.

SECOND CASH FLOW STATEMENT

24. Management has prepared the Second Cash Flow Statement for the 28-week period ending November 24, 2023. A copy of the Second Cash Flow Statement is attached as Appendix "**B**".

25. A summary of the Second Cash Flow Statement is set out in the table below:

NextPoint Second Cash Flow Statement Twenty Eight Week Period Ended November 24, 2023 *(USD$ thousands)*	Weeks 1-10 Actual	Weeks 11-28 Forecast	Weeks 1-28 Total
Operating Receipts			
Community Tax Operating Receipts	$ 4,717	$ 5,136	$ 9,853
Liberty Operating Receipts	4,482	2,645	7,127
Total Operating Receipts	**9,199**	**7,780**	**16,980**
Operating Disbursements			
Community Tax Operating Disbursements	(2,307)	(2,359)	(4,666)
Liberty Operating Disbursements	(10,827)	(6,133)	(16,960)
NextPoint Operating Disbursements	(617)	(1,361)	(1,978)
LoanMe Operating Disbursements	82	(5)	78
Employee Compensation	(6,482)	(6,081)	(12,563)
Total Operating Disbursements	**(20,151)**	**(15,938)**	**(36,089)**
Net Change in Cash from Operations	**(10,951)**	**(8,158)**	**(19,110)**
Non-Operating Items			
Non-Operating Receipts	1,100	2,000	3,100
Restructuring Professional Fees	(3,689)	(7,333)	(11,022)
Net Change in Cash from Non-Operating Items	**(2,589)**	**(5,333)**	**(7,922)**
Financing			
Franchisee Financing Recapitalization	-	3,262	3,262
Interim Financing	25,000	-	25,000
Interim Financing Fees and Interest	(366)	(452)	(818)
Net Change in Cash from Financing	**24,634**	**2,810**	**27,444**
Net Change in Cash	11,093	(10,680)	413
Opening Cash	4,791	15,884	4,791
Ending Cash	**$ 15,884**	**$ 5,203**	**$ 5,203**

26. The Second Cash Flow Statement is based on the following key assumptions:

a. operating receipts and disbursements are assumed to be largely consistent with recent performance and typical seasonality for the applicable business lines, with assumptions listed in greater detail in Appendix "**B**";

b. non-operating receipts are assumed to include a $2.0 million receipt from the sale of a minority interest granted as consideration in the sale of Trilogy Software Inc. which represents a reversal of the timing difference references in the variance analysis above;

c. restructuring professional fees include the CRO, the Petitioners' legal counsel; the Monitor, the Monitor's legal counsel, the Interim Lenders' advisors and legal counsel and other professionals;

d. the reinstatement of the FCB Facility Agreement is projected to provide an additional $3.3 million of liquidity to the Petitioners as a result of the refinancing of certain loans by NPI to various franchisees; and

e. the ending cash includes amounts advanced under the Interim Facility and held in a segregated, escrow bank account in support of professional fees as provided for under the Interim Facility terms.

27. The Second Cash Flow Statement does not include any receipts or disbursements that may result from the closing of the Transaction Agreement which may occur during the period.

STAY EXTENSION

28. The Monitor's comments with respect to the Petitioners' application for the Stay Extension are as follows:

a. the Stay Extension will allow the Petitioners time to finalize the Transaction Agreement and apply for its approval and to develop a plan to facilitate the wind-down of the LoanMe entities;

b. the Second Cash Flow Statement forecasts that the Petitioners will have sufficient liquidity during the term of the proposed Stay Extension;

c. there will be no material prejudice to the Petitioners' creditors and other stakeholders as a result of the Stay Extension;

d. the Petitioners are acting in good faith and with due diligence; and

e. the Petitioners overall prospects of effecting a viable restructuring transaction will be enhanced by the Stay Extension.

29. Based on the forgoing, the Monitor respectfully recommends that this Honourable Court grant the Stay Extension.

*****

All of which is respectfully submitted this October 11, 2023.

FTI Consulting Canada Inc.
in its capacity as Monitor of the Petitioners

Tom Powell
Senior Managing Director

Craig Munro
Managing Director

Appendix A

List of Petitioners

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

3. LT Holdco, LLC
4. LT Intermediate Holdco, LLC
5. SiempreTax+ LLC
6. JTH Tax LLC
7. Liberty Tax Holding Corporation
8. Liberty Tax Service, Inc.
9. JTH Financial, LLC
10. JTH Properties 1632, LLC
11. Liberty Credit Repair, LLC
12. Wefile LLC
13. JTH Tax Office Properties, LLC
14. LTS Software LLC
15. JTH Court Plaza, LLC
16. 360 Accounting Solutions, LLC
17. LTS Properties, LLC

Community Tax Entities

18. CTAX Acquisition LLC
19. Community Tax Puerto Rico LLC
20. Community Tax LLC

LoanMe Entities

21. NPLM Holdco LLC
22. MMS Servicing LLC
23. LoanMe, LLC
24. LoanMe Funding, LLC
25. LM Retention Holdings, LLC
26. LoanMe Stores LLC
27. InsightsLogic LLC
28. LM 2020 CM I SPE, LLC
29. LM BP Holdings, LLC

Appendix B

Cash Flow Statement for the 18-week period ending November 24, 2023

NextPoint
Cash Flow Statement
For the 18-week period ending November 24, 2023

(USD$ thousands) Week Ending	Notes	Weeks 1-10 29-Sep-23 Actual	Week 11 6-Oct-23 Forecast	Week 12 13-Oct-23 Forecast	Week 13 20-Oct-23 Forecast	Week 14 27-Oct-23 Forecast	Week 15 3-Nov-23 Forecast	Week 16 10-Nov-23 Forecast	Week 17 17-Nov-23 Forecast	Week 18 24-Nov-23 Forecast	Total
Operating Receipts											
Community Tax Operating Receipts	[1]	$ 4,717	$ 665	$ 532	$ 798	$ 665	$ 619	$ 495	$ 743	$ 618	$ 9,853
Liberty Operating Receipts	[2]	4,482	310	310	310	310	351	351	351	351	7,127
Total Operating Receipts		**9,199**	**975**	**842**	**1,108**	**975**	**971**	**847**	**1,094**	**970**	**16,980**
Operating Disbursements											
Community Tax Operating Disbursements	[3]	(2,307)	(323)	(281)	(281)	(344)	(298)	(256)	(256)	(319)	**(4,666)**
Liberty Operating Disbursements	[4]	(10,827)	(1,393)	(362)	(399)	(849)	(1,495)	(395)	(395)	(845)	**(16,960)**
NextPoint Operating Disbursements	[5]	(617)	(401)	(112)	(112)	(114)	(372)	(83)	(83)	(84)	**(1,978)**
LoanMe Operating Disbursements	[6]	82	(2)	-	-	-	(2)	-	-	-	**78**
Employee Compensation	[7]	(6,482)	(1,418)	-	(1,843)	-	(1,410)	-	(1,410)	-	**(12,563)**
Total Operating Disbursements		**(20,151)**	**(3,538)**	**(755)**	**(2,636)**	**(1,307)**	**(3,577)**	**(734)**	**(2,144)**	**(1,248)**	**(36,089)**
Net Change in Cash from Operations		**(10,951)**	**(2,563)**	**87**	**(1,528)**	**(332)**	**(2,607)**	**113**	**(1,049)**	**(278)**	**(19,110)**
Non-Operating Items											
Non-Operating Receipts	[8]	1,100	-	-	-	2,000	-	-	-	-	**3,100**
Restructuring Professional Fees	[9]	(3,689)	(15)	(2,989)	(663)	(663)	(663)	(1,013)	(663)	(663)	**(11,022)**
Net Change in Cash from Non-Operating Items		**(2,589)**	**(15)**	**(2,989)**	**(663)**	**1,337**	**(663)**	**(1,013)**	**(663)**	**(663)**	**(7,922)**
Financing											
Franchisee Financing Recapitalization	[10]	-	-	3,262	-	-	-	-	-	-	**3,262**
Interim Financing	[11]	25,000	-	-	-	-	-	-	-	-	**25,000**
Interim Financing Fees and Interest	[12]	(366)	(212)	-	-	-	(240)	-	-	-	**(818)**
Net Change in Cash from Financing		**24,634**	**(212)**	**3,262**	**-**	**-**	**(240)**	**-**	**-**	**-**	**27,444**
Net Change in Cash		11,093	(2,790)	360	(2,191)	1,005	(3,509)	(900)	(1,712)	(941)	**413**
Opening Cash		4,791	15,884	13,093	13,453	11,262	12,267	8,757	7,857	6,145	**4,791**
Ending Cash	[13]	$ 15,884	$ 13,093	$ 13,453	$ 11,262	$ 12,267	$ 8,757	$ 7,857	$ 6,145	$ 5,203	$ 5,203

Peter Kravitz, Chief Restructuring Officer
Nextpoint Financial Inc.

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of NextPoint during the CCAA Proceedings.

The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

[1] Community Tax operating receipts are forecast based on 2022 actuals, adjusted for differences in Internal Revenue Service (IRS) activity in pursuing collections (with the accompanying impact on demand for debt resolution work).

[2] Liberty Tax operating receipts are primarily derived from collections relating to financial products and royalties from franchisees, and are assumed to be consistent with current run rates and seasonality.

[3] The most material component of Community Tax operating disbursements is advertising expenses which are critical to the Petitioners for customer relationship and revenue origination.

[4] Liberty Tax operating disbursements relates to software licenses, rent, utilities and general accounts payable.

[5] NextPoint operating disbursements are primarily comprised of corporate overhead costs, adjusted for recent restructuring initiatives.

[6] LoanMe operating disbursements are very limited as the entity is in the process of being wound down.

[7] Employee compensation consists of total payroll and benefits on a consolidated basis between the NextPoint, Liberty Tax, and Community Tax.

[8] Non-operating receipts are assumed to include a $2.0 million receipt from the sale of a minority interest granted as consideration in the sale of Trilogy Software Inc..

[9] Restructuring professional fees include the fees and disbursements of the Petitioners' legal counsel, Chief Restructuring Officer, the Monitor, the Monitor's legal counsel, and the financial advisor and legal counsel to the lending syndicate. The CRO Success Fee is not included in the Cash Flow Statement and is expected to be paid upon closing of an applicable transaction.

[10] The reinstatement of the FCB Franchisee Financing Agreement is projected to provide an additional ~$3.3 million in funds to the Debtors as a result of the refinancing of outstanding loans from Liberty to various franchisees.

[11] Interim financing of $25.0m is anticipated to be advanced over the forecast period.

[12] Interim financing fees and interest include a commitment fee of 1% payable in full on the date of the initial advance, and interest of SOFR plus 6.5% per annum.

[13] Ending cash includes advanced amounts under the Interim Facility including amounts that may be held in a segregated, escrow bank account in support of professional fees.

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON APPENDIX "A'

PETITIONERS

FOURTH REPORT OF THE MONITOR

October 27, 2023

FTI CONSULTING

Table of Contents

INTRODUCTION

1. On July 25, 2023, NextPoint Financial, Inc. ("**NPI**") and 29 other petitioners (collectively, the "**Petitioners**") were granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the Supreme Court of British Columbia Action No. S-235288, Vancouver Registry (the "**CCAA Proceedings**").

2. The Initial Order provided for, among other things:

    a. a stay of proceedings (the "**Stay of Proceedings**") against the Petitioners until August 3, 2023;

    b. the appointment of FTI Consulting Canada Inc. as Monitor of the Petitioners (the "**Monitor**"); and

    c. the appointment of Peter Kravitz of Province Fiduciary Services, LLC (together with Province LLC, "**Province**") as the Petitioners' Chief Restructuring Officer ("**CRO**").

3. On July 27, 2023, the Petitioners obtained orders in the U.S. Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") under Chapter 15 of the United States Bankruptcy Code (the "**Chapter 15 Proceedings**") recognizing the CCAA Proceedings as a foreign main proceeding and granting certain additional provisional relief relating to the recognition of the Initial Order.

4. On August 3, 2023, this Honourable Court granted the following orders:

    a. an amended and restated Initial Order (the "**ARIO**") which, among other things:

        i. extended the Stay of Proceedings up to and including October 20, 2023;

ii. increased the amounts of certain priority charges granted in the Initial Order;

iii. clarified the priority of a charge (the "**FCB Charge**") granted on certain property of Liberty Tax in an amount equal to the value of the indebtedness, interest, fees, liabilities and obligations to First Century Bank N.A. ("**FCB**") incurred after the granting of the Initial Order; and

iv. approved an increase in the amount of the interim financing facility (the "**Interim Facility**") to the maximum principal amount of $25.0 million and increasing the amount of the charge on the Petitioners' property to secure the obligations under the Interim Facility (the "**Interim Facility Charge**"); and

b. an order (the "**SISP Order**") approving a restructuring support agreement dated July 25, 2023 among the Petitioners and certain secured creditors (the "**RSA**") and a sales and investment solicitation process (the "**SISP**"). The SISP included a stalking horse purchase agreement (the "**SHPA**") among certain of the Petitioners and certain of their lenders (the collectively, the "**Purchasers**").

5. On August 16, 2023, the US Bankruptcy Court entered an order recognizing and approving, among other relief, the SISP Order and ARIO.

6. On September 19, 2023, granted an order (the "**September 19 Order**"):

a. removing LoanMe Trust Prime 2018-1 (the "**2018 Trust**") and LoanMe Trust SBL 2019-1 (the "**2019 Trust**" and together, the "**LoanMe Income Trusts**") as Petitioners in these CCAA Proceedings;

b. providing for a limited Stay of Proceedings against the LoanMe Income Trusts (the "**LoanMe Stay**"); and

c. adding LM BP Holdings, LLC as a Petitioner in these CCAA Proceedings.

7. On October 13, 2023, this Honourable Court granted an order amending and restating the ARIO (the "**Second ARIO**"), as follows:

   a. extending the Stay of Proceedings up to and including November 20, 2023;

   b. extending the LoanMe Stay; and

   c. expanding the powers to be exercised by the CRO.

8. On September 22, 2023, the Petitioners filed with the US Bankruptcy Court a notice consistent with the September 19 Order and Second ARIO in respect of the LoanMe Income Trusts and the LoanMe Stay.

9. On October 5, 2023, NPI filed a motion in the US Bankruptcy Court seeking recognition of LM BP Holdings, LLC as a Petitioner in these CCAA Proceedings and certain additional relief relating to the recognition of the Initial Order.

10. On October 24, 2023, the Petitioners filed a notice of application returnable October 31, 2023, for an order (the "**RVO**"), among other things:

    a. approving the transactions contemplated by a transaction agreement (the "**Transaction Agreement**") among NPI and certain subsidiaries (the "**NextPoint Entities**") and certain of its secured lenders (the "**Purchasers**");

    b. vesting in a Canadian residual company ("**Residual Co. 1**") all of the right, title and interest in and to certain assets (the "**Excluded Assets**") and liabilities (the "**Excluded Liabilities**") of the acquired entities which were not formed or incorporated in the United States (the "**Non-US Acquired Entities**"); and

c. vesting in a United States residual company ("**Residual Co. 2**") all of the right, title and interest in and to the Excluded Assets and Excluded Liabilities of the acquired entities which were formed or incorporated in the United States (the "**US Acquired Entities**" and together with the Non-US Acquired Entities, the "**Acquired Entities**").

PURPOSE

11. The purpose of this report is to provide this Honourable Court and the Petitioners' stakeholders with information with respect to:

    a. an independent review performed by the Monitor's legal counsel of the security held by BP Commercial Funding Trust, Series SPL-X (the "**BP Lenders**") and Drake Enterprises Ltd. ("**Drake**");

    b. the Transaction Agreement;

    c. the Petitioners' application for the RVO;

    d. Disclaimer Notices issued by the Petitioners in respect of certain real property leases and operating agreements; and

    e. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

12. In preparing this report, the Monitor has relied upon certain information (the "**Information**") including the Petitioners' unaudited financial information, books and records and discussions with the CRO and management of the Petitioners (collectively, "**Management**"). The Monitor has also consulted with the financial and legal advisors of the Petitioners.

13. Except as described in this report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

14. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

15. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

16. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Petitioners' primary reporting currency.

SECURITY OPINIONS

17. The Monitor's independent legal counsel, Fasken Martineau Dumoulin LLP, has coordinated security opinions (the "**Opinions**") in respect of the security held by each of the BP Lenders and Drake in Canada and the United States.

18. Subject to the standard qualifications and assumptions outlined in each of the Opinions, the Opinions reflect that:

    a. the documents that NPI HoldCo LLC, LT Holdco, LLC, NPI and certain subsidiary guarantors including LoanMe LLC are party to, including the security agreement dated as of July 2, 2021 (as amended and restated or otherwise modified prior to the date of the opinion, the "**NPI Security Agreement**"), constitute valid, binding and enforceable obligations of such parties, and the provisions of the NPI Security Agreement are effective to create, in favour of the

BP Lenders, a security interest over the collateral described in the NPI Security Agreement; and

b. the documents that CTAX Acquisition LLC and other subsidiary guarantors are a party to, including the security agreement dated June 29, 2022 (as amended and restated or otherwise modified prior to the date of the opinion, the "**CTax Security Agreement**"), constitute valid, binding and enforceable obligations of such parties, and the provisions of the Drake Security Agreement are effective to create, in favour of Drake, a security interest over the collateral described in the CTax Security Agreement.

SALES PROCESS AND TRANSACTION AGREEMENT

19. The Petitioners, with the assistance of the CRO and with the oversight of the Monitor, marketed the Petitioners' interests in the Liberty Tax and Community Tax business lines in accordance with the SISP. The detailed timelines and procedures of the Sales Process are described in the First Report of the Monitor dated August 2, 2023, and are not repeated herein.

20. Highlights of the Sales Process are as follows:

a. the CRO contacted 158 potentially interested parties, including 46 strategic and 112 private equity or other financial investors and provided them with a copy of a process summary non-confidential information letter;

b. 13 potential purchasers executed non-disclosure agreements and were provided with access to an electronic data room; and

c. two non-binding indications of interest ("**IOIs**") for the Petitioners interests in Liberty Tax and Community Tax were received by the CRO and the Monitor.

21. As described in the Second Report of the Monitor dated September 18, 2023, the Petitioners, under the direction of the CRO and in consultation with the Monitor and the BP Lenders, determined that neither of the IOIs had a reasonable prospect of culminating in a Qualified Bid and that they were not considered "LOIs" as defined in the SISP. As a result, the Petitioners terminated the SISP and, on September 11, 2023, notified the bidders and Service List in the CCAA Proceedings of the termination.

22. In consultation with the CRO and Monitor, the BP Lenders and Drake advised the CRO and Monitor that they would amend their bid (the "**Amended Bid**") to increase the purchase price through an increase to the credit bid of over $96.0 million.

23. The Petitioners and Purchasers are continuing to negotiate the Amended Bid. However, the Monitor understands that the key commercial terms of the Transaction Agreement are expected to include the following (with any capitalized terms not defined herein intending to bear their meanings as defined in the Transaction Agreement):

    a. the purchase price is equal to the sum of:

        i. a credit bid of $196.59 million of the Interim Facility and first-lien debt, including a $144.59 credit bid in respect of Liberty Tax (the "**LT Credit Bid Amount**") and a $52.0 million credit bid in respect of Community Tax (the "**CTAX Credit Bid Amount**"); plus

        ii. an amount to be determined with the NextPoint Entities which will be sufficient to pay any encumbrances on the assets of the NextPoint Entities that rank prior to the interests of the Purchasers' security interest in the assets of the NextPoint Entities, and are not otherwise an Assumed Liability, in an aggregate amount not exceeding $500,000 (the "**Closing Cash Payment**"); plus

        iii. the assumption of certain liabilities (the "**Assumed Liabilities**"), including:

1. the $75.0 million LT Term Loan;

2. the applicable taxes to be borne by the Acquired Entities; and

3. all other debts, liabilities and obligations under the Continuing Contracts that are not Excluded Contracts for the period from and after the Closing. These Continuing Contracts include the agreement (the "**FCB Agreement**") with First Century Bank N.A. ("**FCB**"), which is the subject of the Franchisee Lender Charge (as defined in the Amended and Restated Initial Order) with respect to applicable obligations;

b. the purchase price shall be satisfied as follows:

   i. by causing the release of the applicable NextPoint Entities from (a) $14.0 million of the amounts outstanding under the Interim Facility and (b) obligations owing pursuant to any and all revolving credit loans outstanding under the BP NP-Liberty Credit Agreement in an aggregate amount equal to the LT Credit Bid Amount;

   ii. by causing the release of the applicable NextPoint Entities from (a) $7.0 million of the amounts outstanding and obligations owing pursuant to the Interim Facility; and (b) the CTAX First Lien Debt, including the principal amount of such claims and interest and fees accrued as of the Closing Date, in an aggregate amount equal to the CTAX Credit Bid Amount; and

   iii. by payment of the Closing Cash Payment to NPI;

c. the remaining $4.0 million owing under the Interim Facility will remain unpaid following implementation of the transaction and will be secured by the DIP Charge against the assets of the remaining Petitioners (comprised of NextPoint Financial Inc., NPI Holdco LLC and the various LoanMe entities) and Residual

Co. 1 and Residual Co. 2, which are intended to be added as Petitioners following the Effective Time (collectively, the "**Post-Closing Petitioners**");

d. the Purchasers (or their designee) will directly or indirectly acquire all of the Acquired Entities in their entirety other than the Excluded Liabilities and the Excluded Assets which include, among other things, the following:

   i. cash for a wind-down of the CCAA Proceedings of $600,000 and for professional fee retainers held in the segregated escrow bank account set forth in the DIP Term Sheet (the "**Retained Cash**") (provided that any unused portion of the Retained Cash, after payment or reservation for all wind down expenses and professional fee retainers, as determined by the Monitor, shall be transferred by the Monitor or the CRO, as applicable, to the Acquired Entities after the Closing);

   ii. certain contracts of the NextPoint Entities as set out in the Disclosure Letter; and

   iii. equity interests or any other assets set forth in the Disclosure Letter, which may be modified as agreed upon by NextPoint and the Purchasers at least 3 days prior to closing;

e. the obligations and liabilities of the Acquired Entities will consist only of the Assumed Liabilities;

f. all Excluded Contracts and Excluded Liabilities of the Non-US Acquired Entities will be transferred to and vest in Residual Co. 1;

g. all Excluded Contracts and Excluded Liabilities of the US Acquired Entities will be transferred to and vest in Residual Co. 2;

h. unless the Parties otherwise agree in writing, the closing date will be no later than 5 business days after certain conditions precedent have been satisfied or waived, provided that no closing date is later than the Outside Date (as defined in the RSA); and

i. the Petitioners within the LoanMe business line will not be acquired.

24. The Monitor's comments with respect to the Transaction Agreement are as follows:

a. The business and assets of the Petitioners have been extensively marketed.

b. The SISP was fair and transparent and provided all participants with equal access to information and opportunity to submit an offer and was conducted with the oversight of the Monitor.

c. The secured lenders were consulted in respect of the SISP.

d. The Purchase Price and other terms of the Transaction Agreement are fair and reasonable in consideration of the market value of the purchased assets as determined through the SISP, including providing greater value than indicated in the IOIs received.

e. As noted above, under the terms of the Transaction Agreement there will be $4.0 million owing under the Interim Facility following closing, which will be secured by the DIP Charge against the assets of the Post-Closing Petitioners. Under the terms of the SHPA, it was contemplated that up to the full amount of the Interim Facility would have been credit bid and there would have been significant debt left owing to the BP Lenders under their pre-filing facility guaranteed by among others, LoanMe LLC. Based on the Monitor's review of the Petitioners' books and records and discussions with the CRO and Management, the Monitor understands that the only realizable assets within the Post-Closing Petitioners are the interest LM Retention Holdings, LLC ("**LM Retention**") holds in the 2018

Trust (which has a book value of approximately $2.2 million) and approximately $94,000 in cash held at LoanMe LLC. The Monitor understands that LM Retention no longer has an interest in the 2019 Trust. Management and the CRO have advised the Monitor that there are no creditors with claims against LM Retention. Accordingly, if the Interim Facility had been credit bid in full, if LM Retention received any proceeds, those would have been distributed to LoanMe LLC and been subject to the BP Lender's security interest at that entity. Accordingly, based on the information provided by the Petitioners and the CRO, there is no material prejudice arising from the revised transaction structure and notional allocation of the $4.0 million under the Interim Facility and corresponding Interim Facility Charge on the assets of the Post-Closing Petitioners. Counsel for Chilmark Administrative LLC ("**Chilmark**") has contacted the Monitor's counsel to advise that Chilmark has an interest in LoanMe entities. At the time this report was finalized, the Monitor had not received particulars of this interest or claim.

f. The CRO advises the Monitor that the maximum amount of the Closing Cash Payment will be sufficient to pay any encumbrances on the assets of the NextPoint Entities that rank prior to the interests of the Purchasers' security interest in the assets of the NextPoint Entities, and are not otherwise an Assumed Liability.

g. The only Assumed Liability with a priority claim to the pre-filing debt owing to the BP Lenders is under the FCB Agreement that is secured by the FCB Charge, which the Transaction Agreement contemplates will be assumed by the Purchaser on closing.

h. The Monitor notes that certain court-ordered charges will continue following conclusion of the transaction and, going forward, be secured against the Excluded Assets, including the LoanMe entities, in Residual Co. 1 and Residual Co. 2. The Monitor is advised by the CRO, Petitioners and the Purchaser that there will be no

amounts owing on such charges as of the closing date, and that the beneficiaries of such charges consent to the charges continuing against the Excluded Assets.

i. The target date of the Transaction Agreement will enable the Petitioners to complete a transaction within the liquidity runway afforded by the Interim Facility.

j. The timelines, conditions and other key terms of the Transaction Agreement are commercially reasonable in the circumstances, based on the Monitor's experience with similar transactions in the context of insolvency and restructuring proceedings.

k. The Transaction Agreement will provide for the continued operation of the Liberty Tax and Community Tax business lines, offering greater benefit than a forced liquidation.

25. Overall, the Transaction Agreement is the highest and best offer available for the business and assets of the Petitioners and is in the best interests of Petitioners' stakeholders.

REVERSE VESTING ORDER

26. The Transaction Agreement contemplates a RVO structure, as opposed to an asset purchase agreement as proposed in the original stalking horse purchase agreement dated July 25, 2023, for the following reasons:

a. the "Compromised LT Entities" that were to be transferred to the Purchasers hold Electronic Filing Identification Numbers ("**EFIN**"s) which were issued by the Internal Revenue Service ("**IRS**") and allow for the entities to file tax returns on behalf of customers and represent customers in connection with IRS investigations. The EFINs are non-transferrable and the Petitioners advise the Monitor that it could take several months to obtain new EFINs;

b. JTH, a Compromised LT Entity under the SHPA, has a registered Franchise Disclosure Document ("**FDD**") in the U.S. which allows it to operate the franchise business of Liberty Tax. The Petitioners advise the Monitor that the FDD is critical to the business, cannot be transferred and it could take several months to register a new FDD in its place;

c. the Compromised LT Entities are party to a large number of business-critical contracts which would require consent to an assignment in an asset purchase transaction which would be impractical in the circumstances; and

d. JTH operates a complex payroll system developed by ADP that is non-transferable and would take significant time and cost to replace.

27. The Monitor's comments with respect to the RVO structure of the Transaction Agreement are as follows:

a. the RVO is necessary since certain key components of the Petitioners' business are non-transferrable under a traditional asset sale transaction structure and, to the extent such components could be replaced, the steps required to do so would result in significant additional delays and costs, which would be reflected in the costs of these proceedings and/or the purchase price;

b. the RVO structure avoids potentially significant delays and costs associated with having to seek the consent to assignment from contract counterparties or, if such consents could not be obtained, orders assigning such contracts pursuant to section 11.3 of the CCAA;

c. no stakeholder is prejudiced by the RVO structure, as compared to an asset transaction. In particular, based on the transaction value and the amounts owing to secured creditors, there is no apparent prejudice to creditors whose claims will be Excluded Liabilities as their claims would not have been assumed and their unsecured claims would have received no recovery;

d. there has been broad notice of the CCAA proceedings, and the proposed transaction (structured as an asset transaction which, as noted above, would not result in recovery for unsecured creditors);

e. the stakeholder and transaction outcome under the RVO is at least as favourable as any alternative transaction since, in the circumstances, the Petitioners believe the RVO is the only viable transaction;

f. the RVO structure is a requirement of the Transaction Agreement which is the highest and best offer as determined by the SISP. Accordingly, and based on discussions with the Petitioners and the Purchaser, the Monitor understands that an asset transaction, as previously contemplated, is not a viable option for the sale of this business.

28. The Petitioners have not served all contract counterparties with the materials in connection with seeking approval of the RVO. However, the counterparties have all been served with notice of the CCAA Proceedings and none of the contract counterparties have requested to be added to the Service List in the CCAA Proceedings. The CRO also advises that contract counterparties were notified of the proposed transaction and upcoming application by mail sent on or before October 25, 2023. Various contract counterparties have since contacted the legal counsel to the Petitioners and the CRO to discuss the notice and have not raised any concerns. The Monitor agrees with the Petitioners view that the cost (estimated by the CRO to be approximately $245,000) and administrative burden of serving the materials on the contract counterparties are not justified in this case since there is no anticipated recovery for unsecured creditors.

29. The proposed RVO includes releases in favour of certain parties (collectively, the "**Released Parties**") including:

a. the current and former directors, officers, employees, legal counsel, and advisors of the Acquired Entities;

b. the Monitor and its legal counsel;

c. Drake, the Purchasers and their respective affiliates; and

d. the CRO and each of their current and former directors, officers, employees, legal counsel and advisors.

30. The Released Parties will be released from any and all present and future claims of any nature or kind whatsoever based in whole or in part on any act or omission, transaction or dealing or other occurrent existing or taking place on prior to the Effective Time (and, with respect to the current or former directors and officers of the Acquired Entities, on and after July 25, 2023) in respect of (i) the Petitioners and their business, operations and administration and the CCAA Proceedings and/or Chapter 15 Proceedings, or (ii) the Transaction Agreement and other related documents.

31. The proposed release does not release any claim against directors and officers that cannot be released pursuant to section 5.1(2) of the CCAA.

32. The Monitor is of the view that each of the Released Parties have made significant contributions to the successful going-concern restructuring transaction in respect of the Petitioners, including facilitating the ongoing operations and advancing the sale process, and that the proposed releases are reasonable in the circumstances.

DISCLAIMER NOTICES

33. In order to conserve estate assets and prepare for the anticipated completion of the Transaction Agreement, the Petitioners, in consultation with the Monitor, determined that it was necessary to issue disclaimer notices to certain landlords and counterparties to operating agreements.

34. The disclaimers relate to 44 real property leases for premises which the Petitioners desire to vacate and six operating agreements that were for services no longer in use or for

which the costs are not commensurate with the ongoing benefits. In each case, the Purchasers have confirmed that they do not wish to assume the applicable contract under the Transaction Agreement.

35. Accordingly, the Monitor approved the Disclaimer Notices that were served on the respective counterparties on October 20, 2023 and they will become effective on November 19, 2023.

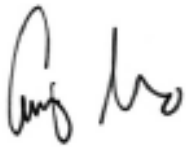
CONCLUSIONS AND RECOMMENDATIONS

36. Based on the forgoing, the Monitor respectfully recommends that this Honourable Court grant the RVO.

*****

All of which is respectfully submitted this October 27, 2023.

FTI Consulting Canada Inc.
in its capacity as Monitor of the Petitioners



Tom Powell
Senior Managing Director

Craig Munro
Managing Director

Appendix A

List of Petitioners

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

3. LT Holdco, LLC
4. LT Intermediate Holdco, LLC
5. SiempreTax+ LLC
6. JTH Tax LLC
7. Liberty Tax Holding Corporation
8. Liberty Tax Service, Inc.
9. JTH Financial, LLC
10. JTH Properties 1632, LLC
11. Liberty Credit Repair, LLC
12. Wefile LLC
13. JTH Tax Office Properties, LLC
14. LTS Software LLC
15. JTH Court Plaza, LLC
16. 360 Accounting Solutions, LLC
17. LTS Properties, LLC

Community Tax Entities

18. CTAX Acquisition LLC
19. Community Tax Puerto Rico LLC
20. Community Tax LLC

LoanMe Entities

21. NPLM Holdco LLC
22. MMS Servicing LLC
23. LoanMe, LLC
24. LoanMe Funding, LLC
25. LM Retention Holdings, LLC
26. LoanMe Stores LLC
27. InsightsLogic LLC
28. LM 2020 CM I SPE, LLC
29. LM BP Holdings, LLC

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON APPENDIX "A'

PETITIONERS

FIFTH REPORT OF THE MONITOR

November 16, 2023

FTI CONSULTING

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INTRODUCTION

1. On July 25, 2023, NextPoint Financial, Inc. ("**NPI**") and 29 other petitioners (collectively, the "**Petitioners**") were granted an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in the Supreme Court of British Columbia Action No. S-235288, Vancouver Registry (the "**CCAA Proceedings**").

2. The Initial Order provided for, among other things:

    a. a stay of proceedings (the "**Stay of Proceedings**") in respect of the Petitioners until August 3, 2023;

    b. the appointment of FTI Consulting Canada Inc. as Monitor of the Petitioners (in such capacity, the "**Monitor**"); and

    c. the appointment of Peter Kravitz of Province Fiduciary Services, LLC (together with Province LLC, "**Province**") as the Petitioners' Chief Restructuring Officer ("**CRO**").

3. On July 27, 2023, the Petitioners obtained orders in the United States Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") under Chapter 15 of the United States Bankruptcy Code (the "**Chapter 15 Proceedings**") recognizing the CCAA Proceedings as a foreign main proceeding and granting certain additional provisional relief relating to the recognition of the Initial Order.

4. On August 3, 2023, this Honourable Court granted the following orders:

    a. an amended and restated Initial Order (the "**ARIO**") which, among other things, extended the Stay of Proceedings up to and including October 20, 2023, increased the amounts of certain priority charges granted in the Initial Order, including securing the interim financing and approved an increase in the amount of the

interim financing facility (the "**Interim Facility**") to the maximum principal amount of $25.0 million; and

b. an order (the "**SISP Order**") approving a restructuring support agreement dated July 25, 2023, among the Petitioners and certain secured creditors and a sales and investment solicitation process, including a stalking horse purchase agreement among certain of the Petitioners and certain of their lenders.

5. On August 16, 2023, the US Bankruptcy Court entered an order recognizing the SISP Order and ARIO.

6. On September 19, 2023, this Honourable Court granted an order (the "**September Order**"):

a. removing LoanMe Trust Prime 2018-1 (the "**2018 Trust**") and LoanMe Trust SBL 2019-1 (the "**2019 Trust**" and together with the 2018 Trust, the "**LoanMe Income Trusts**") as Petitioners in these CCAA Proceedings;

b. providing for a stay of proceedings in respect of the LoanMe Income Trusts (the "**LoanMe Stay**"); and

c. adding LM BP Holdings, LLC as a Petitioner in these CCAA Proceedings.

7. On September 22, 2023, the Petitioners filed with the US Bankruptcy Court, a notice consistent with the September Order in respect of the LoanMe Income Trusts and the LoanMe Stay.

8. On October 5, 2023, NPI filed a motion in the US Bankruptcy Court seeking recognition of the addition of LM BP Holdings, LLC as a Petitioner in these CCAA Proceedings and certain additional relief relating to the recognition of the Initial Order. On November 2, 2023, the US Bankruptcy Court entered an order recognizing the September Order.

9. On October 13, 2023, this Honourable Court granted an order further amending and restating the ARIO (the "**Second ARIO**") which, among other things, extended the Stay of Proceedings up to and including November 20, 2023, extended the LoanMe Stay and expanded the CRO's powers.

10. On October 31, 2023, this Honourable Court granted the following:

    a. an order (the "**RVO**"), which among other things approved the transactions contemplated by a transaction agreement (the "**Transaction Agreement**") among NPI and certain subsidiaries (the "**NextPoint Entities**") and certain of its secured lenders (the "**Purchasers**") and vesting in a Canadian residual company all the right title and interest in and to excluded assets and liabilities for the acquired entities that were formed or incorporated in Canada, and vesting in a United States residual company ("**US ResidualCo**") all the right title and interest in and to excluded assets and liabilities for the acquired entities that were formed or incorporated in the United States, in each case on closing of the transaction in accordance with its terms; and

    b. an order causing all previous orders made in these proceedings to have no force and effect as against the 2019 Trust.

11. On November 6, 2023, the US Bankruptcy Court conducted an initial hearing on the Petitioners' application seeking recognition of the RVO. However, certain area developers of the Liberty Tax franchises (the "**Area Developers**") filed an objection to the recognition. Due to the lack of court availability, to allow sufficient time to argue the matter on its merits, the Petitioners continued the RVO recognition hearing to Monday, December 11, 2023.

12. On November 10, 2023, the Petitioners filed a notice of application returnable November 17, 2023, for the following:

a. an order (the "**Claims Process Order**") approving a procedure for the identification and adjudication of claims (the "**Claims Process**"), including requiring claims be submitted by December 15, 2023. The Claims Process was originally for claims against NPLM Holdco LLC, MMS Servicing LLC, LoanMe, LLC, LoanMe, Funding, LLC, LoanMe Stores LLC, LM Retention Holdings, LLC, LM BP Holdings, LLC, InsightsLogic LLC and LM 2020 CMI I SPE, LLC (collectively, "**LoanMe**"), but on November 14, 2023, the Petitioners delivered a further application and draft form of order to include claims against NPI and NPI Holdco LLC (with LoanMe, collectively, the "**Claims Process Entities**"); and

b. an order (the "**Stay Extension Order**") further extending the Stay of Proceedings to December 22, 2023 (the "**Stay Extension**").

PURPOSE

13. The purpose of this report is to provide this Honourable Court and the Petitioners' stakeholders with information with respect to:

a. an update on the status of the transactions contemplated by the Transaction Agreement and RVO;

b. a description of the proposed Claims Process;

c. the Petitioners' actual cash receipts and disbursements for the 14-week period that ended October 27, 2023 ("**Reporting Period**"), as compared to the cash flow statement included in the Third Report of the Monitor dated October 11, 2023;

d. an updated cash flow statement (the "**Third Cash Flow Statement**") for the period ending December 22, 2023 (the "**Forecast Period**"), including the key assumptions on which the cash flow statement is based;

e. an update on disclaimer notices issued by the Petitioners;

f. the proposed Stay Extension; and

g. the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

14. In preparing this report, the Monitor has relied upon certain information (the "**Information**") including the Petitioners' unaudited financial information, books and records and discussions with the CRO and management of the Petitioners (collectively, "**Management**"). The Monitor has also consulted with the financial and legal advisors of the Petitioners.

15. Except as described in this report, the Monitor has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.

16. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

17. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.

18. Unless otherwise stated, all monetary amounts contained herein are expressed in United States dollars to be consistent with the Petitioners' primary reporting currency.

STATUS OF THE TRANSACTION AGREEMENT

19. The Transaction Agreement is subject to certain conditions precedent including, among other things, the recognition of the RVO by the US Bankruptcy Court.

20. As described above, the Petitioners' recognition hearing was continued to December 11, 2023. Accordingly, the Petitioners have not yet concluded the transactions contemplated by the Transaction Agreement and RVO.

CLAIMS PROCESS

21. The Petitioners intend to implement the wind-up of LoanMe and/or the Claims Process Entities through a plan of compromise and arrangement. To facilitate this, the Petitioners seek the Claims Process Order to establish a process for determining the nature and amounts of claims against the Claims Process Entities. Any capitalized terms used and not defined are as defined in the Claims Process Order.

22. Province and the CRO advise the Monitor that the Claim Process Entities' books and records are accurate and up-to-date. Accordingly, the Claims Process Order primarily contemplates a negative assurance claims process to minimize professional costs, with most creditors receiving claim amount notices (the "**Negative Notice Creditors**") setting out the claim that each Negative Notice Creditor has against any, or all, of the Claim Process Entities based on the books and records. A Negative Notice Creditor will not be required to file proofs of claim unless they disagree with the assessment of its claim. Negative Notice Creditors that disagree with their claim amount must submit a Proof of Claim including the amount, status and documentation for their claim.

23. For Negative Notice Creditors, the completed Proof of Claim must be received before the Claims Bar Date, or such later date as the Monitor may agree to in writing, or the creditor will be deemed to have accepted the claim as set forth in the Claim Amount Notice, without further ability to dispute the claims or otherwise assert claims against the Claims Process Entities.

24. Any creditors, or potential creditors, that do not receive a Claim Amount Notice, but wish to assert a claim, must submit a Proof of Claim before the Claims Bar Date, or such later date as the Monitor may agree to in writing. Parties that fail to submit a Proof of Claim

by the Claims Bar Date, or such later date as the Monitor may agree to in writing, will be barred from asserting claims against the Claims Process Entities.

25. Where a Proof of Claim is disputed in whole or in part, the Monitor may issue a Notice of Revision or Disallowance advising the creditor of the reasons for that decision.

26. If a creditor objects to the Notice of Revision or Disallowance, the creditor must deliver a Notice of Dispute to the Monitor within ten days of the Notice of Revision or Disallowance and within 15 days of the Notice of Dispute, file with this Honourable Court and serve on the Claims Process Entities and the Monitor a Notice of Application to have their claim determined[1].

27. The key aspects and timelines of the Claims Process are set out in the below table:

Event	**Applicable Dates/Timing**
Delivery of Claims Packages to Negative Notice Creditors and other creditors	After the Claims Process Order is made, and no later than Friday, November 24, 2023
Post to the Monitor's website a copy of the Claims Process Order, the Claim Process Instruction Letter and other relevant materials	Within 2 business days of the Claims Process Order is made (on or before Tuesday, November 21)
Publish a notice in the Wall Street Journal	Within 5 business days of the Claims Process Order (on or before Friday, November 24)
Claims Bar Date	5:00 p.m. (Vancouver time) on Friday, December 15, 2023
Adjudication of claims by the Monitor	Following receipt of proofs of claim

[1] The Monitor understands that the Petitioners intend for such applications to be heard as a hearing *de novo*.

Notice of Dispute to the Notice of Revision or Disallowance by a Creditor	Within 10 days after the Notice of Revision or Disallowance
File and serve on the applicable Claims Process Entity and the Monitor a Notice of Application to have their claim determined	Within 15 days after the Notice of Dispute

28. The Monitor is to supervise the delivery and receipt of the various forms and notices and, with Claims Process Entities, review the claims submitted by creditors. The Monitor, in accordance with the Claims Process, may also, at any time:

    a. refer a claim to this Honourable Court for resolution where, in the Monitor's discretion, that referral is preferable or necessary for the resolution or the valuation of the claim;

    b. accept the amount of claim for voting purposes (without prejudice to the Claims Process Entities' ability to later contest the validity or amount of the claim); and

    c. settle and resolve any Disputed Claims.

29. The Monitor's comments on the proposed Claims Process Order are as follows:

    a. the Claims Process allows for the determination of claims against the Claims Process Entities in a fair, transparent, comprehensive, and expeditious manner;

    b. with the assistance of Province, the Claims Process Entities have conducted a thorough review of their books and records to support the Claim Amount Notices for Negative Notice Creditors;

    c. any creditor that does not receive a Claim Amount Notice, or disagrees with the Claim Amount Notice received, is required to file a Proof of Claim;

d. the Claims Bar Date provides sufficient time for potential claimants to evaluate and submit any Proof of Claim;

e. the Claim Process provides a prescribed structure for Disputed Claims;

f. conducting a Claims Process is necessary to facilitate a potential wind-up plan for the Claims Process Entities;

g. in the event of a plan, the proposed timeline allows time to resolve Disputed Claims prior to any meeting of creditors; and

h. overall, the Monitor is of the view that the Claims Process Order and applicable timelines are fair and reasonable and is appropriate in the circumstances.

CASH FLOW VARIANCE ANALYSIS

30. The Monitor has undertaken weekly reviews of the Petitioners' actual cash flows in comparison to those contained in the Second Cash Flow Statement. The Petitioners' actual cash receipts and disbursements as compared to the Second Cash Flow Statement for the period of July 25, 2023 to October 27, 2023, are summarized below:

NextPoint Cash Flow Variance Analysis Fourteen Week Period Ended October 27, 2023 *(USD$ thousands)*	Actual	Forecast	Variance
Operating Receipts			
Community Tax Operating Receipts	$ 6,598	$ 7,377	$ (779)
Liberty Operating Receipts	6,644	5,721	$ 923
Total Operating Receipts	**13,242**	**13,098**	**144**
Operating Disbursements			
Community Tax Operating Disbursements	(3,353)	(3,537)	$ 184
Liberty Operating Disbursements	(11,258)	(10,568)	(691)
NextPoint Operating Disbursements	(698)	(1,356)	658
LoanMe Operating Disbursements	80	80	0
Employee Compensation	(9,412)	(9,743)	331
Total Operating Disbursements	**(24,641)**	**(25,124)**	**483**
Net Change in Cash from Operations	**(11,399)**	**(12,026)**	**627**
Non-Operating Items			
Non-Operating Receipts	2,600	3,100	(500)
Restructuring Professional Fees	(4,526)	(8,019)	3,494
Net Change in Cash from Non-Operating Items	**(1,926)**	**(4,919)**	**2,994**
Financing			
Interim Financing	25,000	25,000	-
Interim Financing Fees and Interest	(578)	(579)	1
Net Change in Cash from Financing	**24,422**	**24,421**	**1**
Net Change in Cash	11,098	7,476	3,622
Opening Cash	4,791	4,791	-
Ending Cash	**$ 15,889**	**$ 12,267**	**$ 3,622**

31. Overall, the Petitioners realized a favourable net cash flow variance of approximately $3.6 million. The key components of the variance are as follows:

    a. operating receipts were higher than forecast as a result of initiatives to accelerate the collection of Liberty Tax accounts receivable, partially offset by lower than forecast receipts at Community Tax;

    b. operating disbursements were lower than forecast, primarily as a result of lower employee compensation than forecast and reduced non-restructuring professional fee disbursements at NPI, partially offset by franchisee funding disbursements at Liberty Tax;

c. non-operating receipts were $0.5 million lower than forecast due to a timing difference in respect of the collection of proceeds from the sale of a minority interest in Trilogy Software Inc., partially offset by the receipt of the first installment of the initial service fee from Republic Bank & Trust Company related to Liberty Tax's refund-based loans product, and pursuant to the Republic Facility Agreement as defined in the affidavit of Peter Kravitz sworn July 25, 2023. The initial service fee is payment for services and deliverables provided by JTH Financial, LLC including, but not limited to, marketing, training materials, consumer applications, consumer settlement and disclosure documents;

d. restructuring professional fees were approximately $3.5 million lower than forecast as a result of timing differences that are expected to reverse in the coming weeks. A summary of the restructuring professional fee disbursements made in the CCAA Proceedings to date is set out in the following table:

Professional Fee Summary
Fourteen Week Period Ended October 27, 2023
(USD thousands)

Firm	Role	Fees	Disbursements	Taxes	Total
Province	Financial Advisor / CRO	$ 1,725	$ 10	$ -	**$ 1,735**
DLA Piper	Counsel to NextPoint	1,040	73	-	**1,113**
FTI	Monitor	378	2	19	**399**
Fasken	Monitor's Counsel	119	4	11	**134**
Kirkland	Lender Counsel	638	17	-	**656**
Osler	Lender Counsel	188	15	-	**203**
Portage	Lender Financial Advisor	160	-	-	**160**
Cole Schotz	Lender Counsel	51	1	-	**52**
Other	Other Restructuring Professionals	13	60	-	**73**
Total		**$ 4,312**	**$ 184**	**$ 30**	**$ 4,526**

e. overall, the Petitioners have drawn $25.0 million under the Interim Facility and are holding a cash balance of approximately $15.9 million.

THIRD CASH FLOW STATEMENT

32. Management has prepared the Third Cash Flow Statement for the 22-week period ending December 22, 2023. A copy of the Third Cash Flow Statement is attached as Appendix "**B**".

33. A summary of the Third Cash Flow Statement is set out in the table below:

NextPoint Third Cash Flow Statement Twenty Two Week Period Ending December 22, 2023 *(USD$ thousands)*	Weeks 1-14 Actual	Weeks 15-22 Forecast	Weeks 1-22 Total
Operating Receipts			
Community Tax Operating Receipts	$ 6,598	$ 4,693	$ 11,291
Liberty Operating Receipts	6,644	2,319	8,963
Total Operating Receipts	**13,242**	**7,012**	**20,254**
Operating Disbursements			
Community Tax Operating Disbursements	(3,353)	(2,284)	(5,637)
Liberty Operating Disbursements	(11,258)	(7,681)	(18,939)
NextPoint Operating Disbursements	(698)	(1,777)	(2,475)
LoanMe Operating Disbursements	80	-	80
Employee Compensation	(9,412)	(5,323)	(14,735)
Total Operating Disbursements	**(24,641)**	**(17,065)**	**(41,706)**
Net Change in Cash from Operations	**(11,399)**	**(10,053)**	**(21,452)**
Non-Operating Items			
Non-Operating Receipts	2,600	6,000	8,600
Restructuring Professional Fees	(4,526)	(8,070)	(12,596)
Net Change in Cash from Non-Operating Items	**(1,926)**	**(2,070)**	**(3,996)**
Financing			
Interim Financing	25,000	-	25,000
Interim Financing Fees and Interest	(578)	(492)	(1,070)
Net Change in Cash from Financing	**24,422**	**(492)**	**23,930**
Net Change in Cash	11,098	(12,615)	(1,517)
Opening Cash	4,791	15,889	4,791
Ending Cash	**$ 15,889**	**$ 3,274**	**$ 3,274**
Memo: Summary of Ending Cash by Bank Account Type			
Operating Bank Accounts	*$ 6,481*	*$ 1,936*	*$ 1,936*
Professional Fee Escrow Bank Accounts	*9,408*	*1,338*	*1,338*
Ending Cash	***$ 15,889***	***$ 3,274***	***$ 3,274***

34. The Third Cash Flow Statement is based on the following key assumptions:

a. operating receipts and disbursements are assumed to be largely consistent with recent performance and typical seasonality for the applicable business lines, with assumptions listed in greater detail in Appendix "**B**";

b. non-operating receipts are assumed to include $6.0 million of initial service fees from Republic Bank & Trust Company. The Petitioners may collect an additional $2.0 million during the Forecast Period relating to the sale of a minority interest in Trilogy Software Inc., which represents upside that is not reflected in the Third Cash Flow Statement;

c. restructuring professional fees include the CRO, the Petitioners' legal counsel, the Monitor, the Monitor's legal counsel, the Interim Lenders' advisors and legal counsel and other professionals. Approximately $3.0 million of the estimated professional fee disbursements relate to accrued but unpaid accounts; and

d. the ending cash balance includes approximately $1.3 million advanced under the Interim Facility and held in a segregated, escrow bank account in support of professional fees as provided for under the Interim Facility terms.

35. The Third Cash Flow Statement does not include any receipts or disbursements that may result from the closing of the Transaction Agreement which may occur during the period.

DISCLAIMER NOTICES

36. On October 27, 2023, the Petitioners, in consultation with the Monitor, determined that it was necessary and appropriate to issue disclaimer notices to the Area Developers in respect of 12 Area Developer Agreements ("**AD Agreements**"). The AD Agreements are excluded contracts under the Transaction Agreement and, pursuant to the RVO, will be transferred to US ResidualCo.

37. On November 14, 2023, US legal counsel, through a Canadian Agent, representing three Area Developers filed a notice of application (the "**AD Application**") for an order, among other things:

a. setting aside the Notices of Disclaimer in respect of four AD Agreements to which they are a party;

b. making a declaration that the subject AD Agreements have not been disclaimed or resiliated;

c. making a declaration that the subject AD Agreements and their respective franchise agreements are integrated transactions and that, to the extent the Petitioners retain the franchise agreements, the Petitioners must continue to perform their obligations under the corresponding AD Agreements; and

d. making a declaration that the subject Area Developers are entitled to continue to use certain intellectual property notwithstanding the disclaimer or resiliation of the AD Agreements.

38. The AD Application is currently returnable December 1, 2023, but counsel for the Petitioners advises that they have held discussions with the Canadian Agent as to timing for the hearing, and by agreement has submitted a request for a hearing the week of December 18th.

39. Counsel for the Petitioners advise that they will be filing response materials to the AD Application and that the Petitioners do not agree with the facts and positions asserted by the Area Developers.

40. The Monitor may issue a further report in respect of the disputed disclaimer notices in advance of the proposed hearing date.

STAY EXTENSION

41. The Monitor's comments with respect to the Petitioners' application for the Stay Extension are as follows:

a. the Stay Extension will allow the Petitioners time to work to close the transactions contemplated by the Transaction Agreement and RVO, advance the Claims Process and continue to develop its plan to wind-down the Claims Process Entities;

b. the Third Cash Flow Statement forecasts that the Petitioners will have sufficient liquidity and will not require a further increase to the Interim Facility during the proposed Stay Extension;

c. there will be no material prejudice to the Petitioners' creditors and other stakeholders as a result of the Stay Extension; and

d. the Petitioners are acting in good faith and with due diligence.

CONCLUSIONS AND RECOMMENDATIONS

42. Based on the forgoing, the Monitor respectfully recommends that this Honourable Court grant the Claims Process Order and Stay Extension Order.

*****

All of which is respectfully submitted this November 16, 2023.

FTI Consulting Canada Inc.
in its capacity as Monitor of the Petitioners

Tom Powell
Senior Managing Director

Craig Munro
Managing Director

Appendix A

List of Petitioners

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

3. LT Holdco, LLC
4. LT Intermediate Holdco, LLC
5. SiempreTax+ LLC
6. JTH Tax LLC
7. Liberty Tax Holding Corporation
8. Liberty Tax Service, Inc.
9. JTH Financial, LLC
10. JTH Properties 1632, LLC
11. Liberty Credit Repair, LLC
12. Wefile LLC
13. JTH Tax Office Properties, LLC
14. LTS Software LLC
15. JTH Court Plaza, LLC
16. 360 Accounting Solutions, LLC
17. LTS Properties, LLC

Community Tax Entities

18. CTAX Acquisition LLC
19. Community Tax Puerto Rico LLC
20. Community Tax LLC

LoanMe Entities

21. NPLM Holdco LLC
22. MMS Servicing LLC
23. LoanMe, LLC
24. LoanMe Funding, LLC
25. LM Retention Holdings, LLC
26. LoanMe Stores LLC
27. InsightsLogic LLC
28. LM 2020 CM I SPE, LLC
29. LM BP Holdings, LLC

Appendix B

Cash Flow Statement for the 22-week period ending December 22, 2023

NextPoint
Cash Flow Statement
For the 22-week period ending December 22, 2023

Week Ending *(USD$ thousands)*	Notes	Weeks 1-14 27-Oct-23 Actual	Week 15 3-Nov-23 Forecast	Week 16 10-Nov-23 Forecast	Week 17 17-Nov-23 Forecast	Week 18 24-Nov-23 Forecast	Week 19 1-Dec-23 Forecast	Week 20 8-Dec-23 Forecast	Week 21 15-Dec-23 Forecast	Week 22 22-Dec-23 Forecast	Total
Operating Receipts											
Community Tax Operating Receipts	[1]	$ 6,598	$ 619	$ 495	$ 743	$ 618	$ 585	$ 468	$ 702	$ 463	**$ 11,291**
Liberty Operating Receipts	[2]	6,644	351	351	351	351	228	228	228	228	**8,963**
Total Operating Receipts		**13,242**	**971**	**847**	**1,094**	**970**	**813**	**696**	**930**	**691**	**20,254**
Operating Disbursements											
Community Tax Operating Disbursements	[3]	(3,353)	(311)	(269)	(269)	(331)	(317)	(275)	(275)	(239)	**(5,637)**
Liberty Operating Disbursements	[4]	(11,258)	(1,495)	(395)	(395)	(845)	(1,404)	(799)	(799)	(1,549)	**(18,939)**
NextPoint Operating Disbursements	[5]	(698)	(796)	(83)	(506)	(84)	(163)	(27)	(90)	(28)	**(2,475)**
LoanMe Operating Disbursements	[6]	80	-	-	-	-	-	-	-	-	**80**
Employee Compensation	[7]	(9,412)	(869)	(560)	(850)	(560)	(1,000)	(35)	(1,414)	(35)	**(14,735)**
Total Operating Disbursements		**(24,641)**	**(3,470)**	**(1,306)**	**(2,020)**	**(1,820)**	**(2,883)**	**(1,137)**	**(2,578)**	**(1,851)**	**(41,706)**
Net Change in Cash from Operations		**(11,399)**	**(2,499)**	**(459)**	**(926)**	**(850)**	**(2,070)**	**(440)**	**(1,648)**	**(1,160)**	**(21,452)**
Non-Operating Items											
Non-Operating Receipts	[8]	2,600	1,500	-	1,500	-	1,500	-	1,500	-	**8,600**
Restructuring Professional Fees	[9]	(4,526)	(727)	(577)	(3,624)	(651)	(537)	(651)	(651)	(651)	**(12,596)**
Net Change in Cash from Non-Operating Items		**(1,926)**	**773**	**(577)**	**(2,124)**	**(651)**	**963**	**(651)**	**849**	**(651)**	**(3,996)**
Financing											
Interim Financing	[10]	25,000	-	-	-	-	-	-	-	-	**25,000**
Interim Financing Fees and Interest	[11]	(578)	(246)	-	-	-	(246)	-	-	-	**(1,070)**
Net Change in Cash from Financing		**24,422**	**(246)**	**-**	**-**	**-**	**(246)**	**-**	**-**	**-**	**23,930**
Net Change in Cash		11,098	(1,973)	(1,036)	(3,050)	(1,501)	(1,354)	(1,091)	(799)	(1,811)	**(1,517)**
Opening Cash		4,791	15,889	13,916	12,880	9,830	8,329	6,975	5,884	5,085	**4,791**
Ending Cash	[12]	**$ 15,889**	**$ 13,916**	**$ 12,880**	**$ 9,830**	**$ 8,329**	**$ 6,975**	**$ 5,884**	**$ 5,085**	**$ 3,274**	**$ 3,274**
Memo.: Operating Bank Accounts											
Opening Cash		***$ 4,791***	***$ 6,481***	***$ 5,235***	***$ 4,776***	***$ 5,350***	***$ 4,500***	***$ 3,684***	***$ 3,244***	***$ 3,096***	***$ 4,791***
Net Change in Cash		*14,519*	*(1,245)*	*(459)*	*574*	*(850)*	*(816)*	*(440)*	*(148)*	*(1,160)*	*9,974*
Transfer to Escrow Account		*(12,829)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(12,829)*
Ending Cash		***$ 6,481***	***$ 5,235***	***$ 4,776***	***$ 5,350***	***$ 4,500***	***$ 3,684***	***$ 3,244***	***$ 3,096***	***$ 1,936***	***$ 1,936***
Memo.: Professional Fee Escrow Bank Accounts											
Opening Cash		***$ -***	***$ 9,408***	***$ 8,681***	***$ 8,104***	***$ 4,480***	***$ 3,829***	***$ 3,291***	***$ 2,640***	***$ 1,989***	***$ -***
Net Change in Cash		*(3,421)*	*(727)*	*(577)*	*(3,624)*	*(651)*	*(537)*	*(651)*	*(651)*	*(651)*	*(11,491)*
Transfer from Operating Account		*12,829*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*12,829*
Ending Cash		***$ 9,408***	***$ 8,681***	***$ 8,104***	***$ 4,480***	***$ 3,829***	***$ 3,291***	***$ 2,640***	***$ 1,989***	***$ 1,338***	***$ 1,338***

Peter Kravitz, Chief Restructuring Officer
Nextpoint Financial Inc.

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of NextPoint during the CCAA Proceedings.
The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

[1] Community Tax operating receipts are forecast based on 2022 actuals, adjusted for differences in Internal Revenue Service (IRS) activity in pursuing collections, with the accompanying impact on demand for debt resolution work.
[2] Liberty Tax operating receipts are primarily derived from collections relating to financial products and royalties from franchisees, and are assumed to be consistent with current run rates and seasonality. The December/early January period forecasted is the low point in the year for Liberty Tax operating receipts.
[3] The most material component of Community Tax operating disbursements is advertising expenses which are critical to the Petitioners for customer relationship and revenue origination.
[4] Liberty Tax operating disbursements relates to software licenses, rent, utilities and general accounts payable.
[5] NextPoint operating disbursements are primarily comprised of corporate overhead costs, adjusted for recent restructuring initiatives.
[6] LoanMe operating disbursements are very limited as the entity is in the process of being wound down.
[7] Employee compensation consists of total payroll and benefits on a consolidated basis between the NextPoint, Liberty Tax, and Community Tax. Compensation is at its low point currently with the limited amount of temporary employees, but is expected to increase beginning in late December/early January.
[8] Non-operating receipts are assumed to include installment of the initial service fee from Republic Bank & Trust Company related to Liberty Tax's refund-based loans product, and pursuant to the Republic Facility Agreement as defined in the affidavit of Peter Kravitz sworn July 25, 2023.
[9] Restructuring professional fees include the fees and disbursements of the Petitioners' legal counsel, Chief Restructuring Officer, the Monitor, the Monitor's legal counsel, and the financial advisor and legal counsel to the lending syndicate.
[10] Interim financing of $25.0m has been advanced over the forecast period.
[11] Interim financing fees and interest include a commitment fee of 1% payable in full on the date of the initial advance, and interest of SOFR plus 6.5% per annum.
[12] Ending cash includes advanced amounts under the Interim Facility including amounts held in a segregated, escrow bank account in support of professional fees.

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

PETITIONERS

ORDER MADE AFTER APPLICATION
APPROVAL AND VESTING ORDER

BEFORE	THE HONOURABLE MADAM JUSTICE FITZPATRICK	October 31, 2023

ON THE APPLICATION of the Petitioners coming on for hearing at 800 Smithe Street, Vancouver, BC V6Z 2E1 on this date and on hearing Jeffrey D. Bradshaw, Samantha Arbor and Lydia Huang, articled student, and those other counsel listed on Schedule "B" hereto; AND UPON READING the material filed, including the first affidavit of Peter Kravitz sworn July 25, 2023, the fourth affidavit of Peter Kravitz sworn October 24, 2023 (the "**Kravitz Affidavit**") and the Fourth Report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as monitor (the "**Monitor**") dated October 27, 2023; AND PURSUANT TO the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), the British Columbia *Supreme Court Civil Rules*, BC Reg 168/2009, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES that:

SERVICE AND DEFINITIONS

1. The time for service of the Notice of Application for this order and the supporting materials is hereby abridged such that this application is properly returnable today and the need for further service of the Application and supporting materials is hereby dispensed with.

2. Capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them in the Sale and Investment Solicitation Process approved by Order of this Honourable Court on July 25, 2023 (the "**SISP**"), the Second Amended and

Restated Initial Order of this Court dated October 13, 2023 (the "**Initial Order**"), or the Transaction Agreement appended as Exhibit "A" to the Kravitz Affidavit (as may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof, the "**Transaction Agreement**").

APPROVAL AND VESTING

3. The Transaction Agreement and the transactions contemplated therein (collectively, the "**Transactions**"), including the Implementation Steps, for the acquisition of LT Holdco, LLC, LT Intermediate Holdco, LLC, SiempreTax+ LLC, JTH Tax, LLC, JTH Financial, LLC, JTH Properties 1632, LLC, JTH Tax Office Properties, LLC, Wefile LLC, Liberty Credit Repair, LLC, LTS Properties, LLC, 360 Accounting Solutions, LLC, Liberty Tax Holding Corporation, Liberty Tax Service Inc., JTH Court Plaza, LLC, LTS Software LLC, CTAX Acquisition LLC, Community Tax LLC, and Community Tax Puerto Rico LLC (collectively, the "**Acquired Entities**") are hereby approved. The execution of the Transaction Agreement by NextPoint and the Acquired Entities (collectively, the "**NP Entities**") is hereby authorized and approved, with such minor amendments as the NP Entities and the Purchaser may deem necessary, with the approval of the Monitor and subject to the terms of the Support Agreement, or as may be required by the Purchaser pursuant to the terms of the Transaction Agreement. The Petitioners are hereby authorized and directed to perform their obligations under the Transaction Agreement, and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions.

4. This Order shall constitute the only authorization required by the Petitioners to proceed with the Transactions and no shareholder or other approval shall be required in connection therewith.

5. As of the Effective Time (as defined in the Monitor's Certificate):

   (a) 1000694777 Ontario Limited ("**Residual Co. 1**") and 1000694777 USA LLC ("**Residual Co. 2**") shall be companies to which the CCAA applies; and

   (b) Residual Co. 1 and Residual Co. 2 shall be added as Petitioners in these CCAA proceedings and all references in any Order of this Court in respect of these CCAA proceedings to (i) a "Petitioner" or the "Petitioners" shall refer to and include Residual Co. 1 and Residual Co. 2, *mutatis mutandis*, and (ii) "Property" shall include the current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof, of Residual Co. 1 and Residual Co. 2, as applicable, including the Excluded Assets (the "**Residual Co. Property**"), and, for greater certainty, each of the Charges (excluding the Directors' Charge, which shall be terminated, released and discharged and be of no further force or effect, without the need for any further act of formality, as of the Effective Time) shall constitute charges on the Residual Co. Property.

6. Upon delivery of the Monitor's certificate (the **"Monitor's Certificate"**) to the Purchaser, substantially in the form attached as **Schedule "C"** hereto, the following shall occur and shall be deemed to have occurred, subject to the terms of the Implementation Steps:

(a) as of the Effective Time:

(i) with respect to the Acquired Entities which were not formed or incorporated under the laws of the United States (the "**Non-US Acquired Entities**"), all of the Non-US Acquired Entities' right, title and interest in and to their respective Excluded Assets shall vest absolutely and exclusively in Residual Co. 1;

(ii) with respect to the Acquired Entities formed or incorporated under the laws of the United States (the "**US Acquired Entities**"), all of the US Acquired Entities' right, title and interest in and to their respective Excluded Assets shall vest absolutely and exclusively in Residual Co. 2; and

(iii) in each case, all applicable Claims and Encumbrances shall continue to attach to such Excluded Assets with the same nature and priority as they had immediately prior to their transfer;

(b) all Excluded Contracts and Excluded Liabilities (which, for certainty includes all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) of the Non-US Acquired Entities and the US Acquired Entities (in each case, other than the Assumed Liabilities) shall be transferred to, assumed by and vest absolutely and exclusively in Residual Co. 1 and Residual Co. 2, respectively, such that all Excluded Contracts and Excluded Liabilities shall become obligations of Residual Co. 1 and Residual Co. 2, as applicable, and shall no longer be obligations of the Acquired Entities, and the Acquired Entities and all of their remaining assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate (collectively, the "**Retained Assets**") shall be and are hereby forever released and discharged from all Excluded Contracts and Excluded Liabilities, and all related Claims and Encumbrances, other than the permitted encumbrances, easements and restrictive covenants affecting or relating to the Retained Assets listed on Schedule "1.1(b)" of the Transaction Agreement (the "**Permitted Encumbrances**"), are hereby expunged and discharged as against the Retained Assets;

(c) all right, title and interest in and to the Purchased Interests acquired by the Purchaser shall vest absolutely and exclusively in the Purchaser free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual,

statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (x) any encumbrances or charges created by the Initial Order, the SISP Order, or any other Order of this Court, and (y) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (British Columbia) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the Permitted Encumbrances) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Interests are hereby expunged and discharged as against the Purchased Interests;

(d) all equity interests of the Acquired Entities existing prior to the commencement of the Implementation Steps (for greater certainty, other than the Purchased Interests and any issued equity interests owned by any other Acquired Entity or Acquired Entities), as well as all options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (as hereinafter defined) and are convertible or exchangeable for any securities of any of the Acquired Entities, or which require the issuance, sale or transfer by any NP Entity of any shares or other securities of any NP Entity, or which otherwise evidence a right to acquire the Purchased Interests and/or the share capital of any Acquired Entity or otherwise relate thereto, shall be deemed terminated and cancelled or redeemed as provided in the Implementation Steps, as applicable; and

(e) the Acquired Entities shall and shall be deemed to cease to be Petitioners in this CCAA proceeding, and the Acquired Entities shall be deemed to be released from the purview of the Initial Order and all other Orders of this Court granted in respect of these CCAA proceedings, save and except for this Order, the provisions of which (as they related to the Acquired Entities) shall continue to apply in all respects.

7. The Monitor is to (a) provide a copy of the Monitor's Certificate to the parties to the Transaction Agreement; and (b) file with this Court a copy of the Monitor's Certificate forthwith after delivery thereof in connection with the Transactions as well as a copy of the final form of Transaction Agreement, all related schedules and the Implementation Steps.

8. The Monitor may rely on written notice from NextPoint and the Purchaser regarding the satisfaction or waiver of conditions to closing under the Transaction Agreement and shall have no liability with respect to delivery of the Monitor's Certificate.

9. For the purposes of determining the nature and priority of Claims, from and after the Effective Time, all Claims and Encumbrances released, expunged and discharged

pursuant to paragraph 6, including as against the Acquired Entities, the Retained Assets and the Purchased Interests, shall attach to the Excluded Assets with the same priority as they had immediately prior to the Transactions, as if the Transactions had not occurred.

10. Pursuant to Section 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act* or Section 18(1)(o) of the *Personal Information Protection Act of British Columbia*, the Petitioners are hereby authorized, permitted and directed to, at the Effective Time, disclose and transfer to the Purchaser all human resources and payroll information in the Acquired Entities' records pertaining to past and current employees of the Acquired Entities. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Acquired Entity prior to the Effective Time.

11. At the Effective Time and without limiting the provisions of paragraph 6 hereof, the Purchaser and the Acquired Entities shall be deemed released from any and all claims, liabilities (direct, indirect, absolute or contingent) or obligations with respect to any Taxes (including penalties and interest thereon) of, or that relate to, the Petitioners (provided, as it relates to the Purchaser and the Acquired Entities, such release shall not apply to (a) Taxes in respect of the business and operations conducted by the Acquired Entities after the Effective Time; or (b) Taxes expressly assumed as Assumed Liabilities pursuant to the Transaction Agreement), including, without limiting the generality of the foregoing, all Taxes that could be assessed against the Purchaser or the Acquired Entities (including its affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act* (Canada) (the "**Tax Act**"), or proposed section 160.01 of the Tax Act, including as a result of any future amendments or proposed amendments to such provisions or related provisions, or any provincial equivalent, in connection with the Petitioners.

12. Except to the extent expressly contemplated by the Transaction Agreement, all Continuing Contracts to which any of the Acquired Entities are a party upon delivery of the Monitor's Certificate will be and remain in full force and effect upon and following delivery of the Monitor's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:

    (a) any event that occurred on or prior to the Effective Time and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of any Petitioner);

    (b) the insolvency of any Petitioner or the fact that the Petitioners sought or obtained relief under the CCAA;

(c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the Transaction Agreement, the Transactions or the provisions of this Order, or any other Order of this Court in these CCAA proceedings; or

(d) any transfer or assignment, or any change of control of an Acquired Entity arising from the implementation of the Transaction Agreement, the Transactions or the provisions of this Order.

13. For greater certainty, (a) nothing in paragraph 12 hereof shall waive, compromise or discharge any obligations of the Acquired Entities or the Purchaser in respect of any Assumed Liabilities; (b) the designation of any Claim as an Assumed Liability is without prejudice to the Acquired Entities' and the Purchaser's right to dispute the existence, validity or quantum of any such Assumed Liability; and (c) nothing in this Order or the Transaction Agreement shall affect or waive the Acquired Entities' or Purchaser's rights and defences, both legal and equitable, with respect to any Assumed Liability, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments against such Assumed Liability.

14. From and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of any Petitioner then existing or previously committed by any Petitioner, or caused by any Petitioner, directly or indirectly, or noncompliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition or obligations, expressed or implied, in any Continuing Contract, existing between such Person and any Acquired Entity directly or indirectly from the filing by the Petitioners under the CCAA and the implementation of the Transactions, including without limitation any of the matters or events listed in paragraph 12 hereof, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a Continuing Contract shall be deemed to have been rescinded and of no further force or effect; provided that, nothing herein shall be deemed to excuse the Purchaser or the Petitioners from performing their obligations under, or be a waiver of defaults by the Purchaser or the Petitioners under, the Transaction Agreement and the related agreements and documents, or affect the validity of the Implementation Steps.

15. From and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessment, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Purchaser or the Acquired Entities relating in any way to or in respect of any Excluded Assets, Excluded Contracts or Excluded Liabilities and any other claims, obligations and other matters which are waived, released, expunged or discharged pursuant to this Order; provided that, nothing herein shall affect the validity of the Implementation Steps.

16. From and after the Effective Time:

(a) the nature of the Assumed Liabilities assumed by the Purchaser or retained by the Acquired Entities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transactions or this Order;

(b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to Residual Co. 1 or Residual Co. 2, as applicable;

(c) any Person that prior to the Effective Time had a valid right or claim against the Acquired Entities under or in respect of any Excluded Contract or Excluded Liability (each an "**Excluded Liability Claim**") shall no longer have such right or claim against the Acquired Entities but will have an equivalent Excluded Liability Claim against Residual Co. 1 or Residual Co. 2, as applicable, in respect of the Excluded Contract and Excluded Liability from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against Residual Co. 1 or Residual Co. 2, as applicable; and

(d) the Excluded Liability Claim of any Person against Residual Co. 1 or Residual Co. 2, as applicable, following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the applicable Acquired Entities prior to the Effective Time.

PRE-CLOSING REORGANIZATION

17. In completing the transactions contemplated in the Implementation Steps, the Petitioners be and are hereby authorized:

(a) to execute and deliver any documents and assurances governing or giving effect to the Implementation Steps as the Petitioners and the Purchaser, in their discretion, may deem to be reasonably necessary or advisable to conclude the Implementation Steps, including the execution of such deeds, contracts or documents, as may be contemplated in the Transaction Agreement and all such deeds, contracts or documents are hereby ratified, approved and confirmed; and

(b) to take such steps as are, in the opinion of the Petitioners and the Purchaser, necessary or incidental to the implementation of the Implementation Steps.

18. The Petitioners be and are hereby permitted to execute and file notices of alteration, articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Implementation Steps and that such articles, documents or other instruments shall be deemed to be duly authorized, valid and effective notwithstanding any requirement under

federal or provincial law to obtain director or shareholder approval with respect to such actions or to deliver any statutory declarations that may otherwise be required under corporate law to effect the Implementation Steps.

19. This Order shall constitute the only authorization required by the Petitioners to proceed with the Implementation Steps and no director, shareholder or regulatory approval shall be required in connection with any of the steps contemplated pursuant to the Implementation Steps save for those authorizations contemplated in the Transaction Agreement.

20. The Registrar of Companies appointed pursuant to the British Columbia *Business Corporations Act* is hereby authorized and directed to accept and receive any articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Implementation Steps contemplated in the Transaction Agreement, filed by either the Petitioners, Residual Co. 1 or Residual Co. 2, as the case may be.

RELEASES

21. Effective as of the Effective Time, (a) the current and former directors, officers, employees, legal counsel and advisors of the Acquired Entities; (b) the Monitor and its legal counsel; (c) the CRO; and (d) the DIP Lenders, the Purchaser and their respective affiliates, and each of their respective current and former directors, officers, employees, legal counsel and advisors (in such capacities, collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released by the Releasing Parties (as hereinafter defined) and discharged from any and all present and future claims (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Time (and, with respect to the current or former directors or officers of the Acquired Entities, on and after July 25, 2023), or undertaken or completed in connection with or pursuant to the terms of this Order, in respect of, relating to, or arising out of (x) the Petitioners, the business, operations, assets, property and affairs of the Petitioners wherever or however conducted or governed, the administration and/or management of the Petitioners, these CCAA proceedings and/or the U.S. Proceedings, or (y) the Transaction Agreement, the Support Agreement, any agreement, document, instrument, matter or transaction involving the Petitioners arising in connection with or pursuant to any of the foregoing, and/or the consummation of the Transactions (collectively, subject to the excluded matters below, the "**Released Claims**"), which Released Claims shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties.

22. Nothing in this paragraph or paragraph 21 shall waive, discharge, release, cancel or bar (A) any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA or claim with respect to any act or omission that is determined by a court of competent jurisdiction to have constituted actual fraud, willful misconduct, or gross negligence, or (B) any obligations of any of the Released Parties under or in connection with the Transaction Agreement, the Support Agreement and/or any agreement, document, instrument, matter or transaction involving the Petitioners arising in connection with or pursuant to any of the foregoing. "**Releasing Parties**" means any and all Persons (besides the Petitioners and their respective current and former affiliates), and their current and former affiliates' current and former members, directors, managers, officers, investment committee members, special committee members, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, assigns, participants, subsidiaries, affiliates, partners, limited partners, general partners, affiliated investment funds or investment vehicles, managed accounts or funds, and each of their respective current and former members, equity holders, officers, directors, managers, principals, members, management companies, advisor board members, investment fund advisors or managers, employees, agents, trustees, investment managers, financial advisors, partners, legal counsel, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

23. Effective as of the Effective Time, the Released Parties shall be deemed to be forever irrevocably released by each of the Petitioners and their respective current and former affiliates, and discharged from, any and all Released Claims held by the Petitioners and such current and former affiliates as of the Effective Time, which Released Claims shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, subject to the limitations set forth in paragraph 22(A) and (B).

24. Without affecting or limiting the releases set forth in paragraphs 21 through 23 hereof, effective as of the Effective Time, none of (a) the current and former directors, officers, employees, legal counsel and advisors of the Acquired Entities; (b) the Monitor and its legal counsel; (c) the CRO; and (d) the DIP Lenders, the Purchaser and their respective affiliates, and their respective current and former directors, officers, employees, legal counsel and advisors (in such capacities, collectively, the "**Exculpated Parties**"), shall have or incur, and each Exculpated Party is exculpated from, any Causes of Action (as hereinafter defined) against such Exculpated Party for any act or omission in respect of, relating to, or arising out of the Transaction Agreement, the Support Agreement and/or the consummation of the Transactions, these CCAA proceedings, the U.S. Proceedings, the formulation, preparation, dissemination, negotiation, filing or consummation of the Transaction Agreement, the Support Agreement and all related agreements and documents, any transaction, contract, instrument, release, or other agreement or document created or entered into in connection with the Transactions, the pursuit of approval and consummation of the Transactions or the recognition thereof in the United States, and/or the transfer of assets and liabilities pursuant to this Order, except for causes

of action related to any act or omission that is determined by a court of competent jurisdiction to have constituted actual fraud, willful misconduct, or gross negligence..

25. All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all claims or causes of actions released pursuant to this Order (including but not limited to the Released Claims), from (a) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties or Exculpated Parties; (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or Exculpated Parties or their respective property; (c) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties or Exculpated Parties; (d) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against the Released Parties or Exculpated Parties or their respective property; or (e) taking any actions to interfere with the consummation of the Transactions; and any such proceedings will be deemed to have no further effect against such parties and will be released, discharged or vacated without cost.

26. Without affecting or limiting the releases set forth in paragraphs 21 through 23 hereof, effective as of the Effective Time, each Consenting Party (as hereinafter defined) shall be deemed to have consented and agreed to paragraphs 21 through 25 hereof. "**Consenting Parties**" means any Person who is, at the Effective Time, a party to the Support Agreement.

27. Notwithstanding:

(a) these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the Petitioners, Residual Co. 1 or Residual Co. 2, and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made by or in respect of any of the Petitioners or Residual Co. 1 or Residual Co. 2;

the Transaction Agreement and the Transactions (including without limitation the transfer and vesting of the Excluded Assets, the Excluded Contracts and the Excluded Liabilities in Residual Co. 1 and Residual Co. 2, the transfer and vesting of the Purchased Interests in and to the Purchaser authorized herein or pursuant to the Transaction Agreement and

the Implementation Steps) shall be binding on any trustee in bankruptcy that may be appointed in respect of any of the Petitioners and/or Residual Co. 1 and/or Residual Co. 2, as applicable, and shall not be void or voidable by creditors of the Petitioners or Residual Co. 1 or Residual Co. 2, nor shall they constitute nor be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance, or other reviewable transaction under the CCAA, the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

28. Nothing in this Order, including the release of the Acquired Entities from the purview of the CCAA proceedings pursuant to paragraph 5(e) hereof and the addition of Residual Co. 1 and Residual Co. 2 as Petitioners in these CCAA proceedings, shall affect, vary, derogate from, limit or amend, and FTI shall continue to have the benefit of, any and all rights and approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, this Order, any other Orders in these CCAA proceedings or otherwise, including all approvals, protections and stays of proceedings in favour of FTI in its capacity as Monitor, all of which are expressly continued and confirmed.

GENERAL

29. Having been advised of the provisions of Multilateral Instrument 61-101 "Protection of Minority Security Holders in Special Transactions" relating to the requirement for "minority" shareholder approval in certain circumstances, no meeting of shareholders or other holders of Equity Claims (as defined in the CCAA) in the Petitioners is required to be held in respect of the Transactions and accordingly, there is no requirement to send any disclosure document related to the Transactions to such holders.

30. Following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances (other than the Permitted Encumbrances) as against the Purchased Interests, the Acquired Entities and the Retained Assets.

31. Following the Effective Time, the title of these proceedings shall be hereby changed by removing the current Petitioners that are not Excluded Entities and adding Residual Co. 1 and Residual Co. 2.

32. Endorsement of this order by counsels other than counsel for the Petitioners is hereby dispensed with.

33. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body, wherever located, to give effect to this Order and to assist the Petitioners and their agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners as may be necessary or

desirable to give effect to this Order or to assist the Petitioners and its agents in carrying out the terms of this Order.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of ☑ lawyer for the Petitioners
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)

BY THE COURT

REGISTRAR

Schedule "A"

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

1. LT Holdco, LLC
2. LT Intermediate Holdco, LLC
3. SiempreTax+ LLC
4. JTH Tax LLC
5. Liberty Tax Holding Corporation
6. Liberty Tax Service, Inc.
7. JTH Financial, LLC
8. JTH Properties 1632, LLC
9. Liberty Credit Repair, LLC
10. Wefile LLC
11. JTH Tax Office Properties, LLC
12. LTS Software LLC
13. JTH Court Plaza, LLC
14. 360 Accounting Solutions, LLC
15. LTS Properties, LLC

Community Tax Entities

1. CTAX Acquisition LLC
2. Community Tax Puerto Rico LLC
3. Community Tax LLC

Loan Me Entities

1. NPLM Holdco LLC
2. MMS Servicing LLC
3. LoanMe, LLC
4. LoanMe Funding, LLC

5. LM Retention Holdings, LLC
6. LoanMe Stores LLC
7. LM BP Holdings, LLC
8. InsightsLogic LLC
9. LM 2020 CM I SPE, LLC

Schedule "B" – List of Counsel

Name of Counsel	Party Representing
Lisa Hiebert	The Monitor
Mary Buttery, KC ~~Mare Wasserman~~ Dave Rosenblat	BasePoint
Lance Williams	First Century Bank, N.A.
Martin Sennott	Drake Enterprises Ltd.
David Gruber	TMI Trust Company
Kieran Siddall	Chilmark

Schedule "C" – Monitor's Certificate

No. S-235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

MONITOR'S CERTIFICATE

A. Pursuant to an Initial Order of the Honourable Madam Justice Fitzpatrick of the British Columbia Supreme Court (the "**Court**") dated July 25, 2023, the Petitioners were granted protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-46, as amended (as amended, the "**CCAA**"), and FTI Consulting Canada Inc. was appointed as the monitor (the "**Monitor**").

B. Pursuant to an Approval and Vesting Order of the Court dated October 31, 2023 (the "**Order**"), the Court approved the transactions (collectively, the "**Transactions**") contemplated by the Transaction Agreement (as amended in the form attached as Exhibit ● hereto, the "**Transaction Agreement**") and ordered, *inter alia*, (a) that all of the Acquired Entities' right, title and interest in and to the Excluded Assets, the Excluded Contracts and the Excluded Liabilities shall vest absolutely and exclusively in and to Residual Co. 1 and Residual Co. 2, as applicable; and (b) the vesting of all of the right, title and interest in and to the Purchased Interests absolutely and exclusively in and to the Purchaser, free and clear of any Encumbrances.

C. Capitalized terms used but not defined herein have the meanings ascribed to them in the Order.

THE MONITOR CERTIFIES the following:

1. The Monitor has received written confirmation from the Purchaser and NextPoint, in form and substance satisfactory to the Monitor, that all conditions to closing have been satisfied or waived by the parties to the Transaction Agreement.

2. This Monitor's Certificate was delivered by the Monitor at _____ on _____, 2023 (the "**Effective Time**").

FTI CONSULTING CANADA INC., in its capacity as Monitor of the Petitioners, and not in its personal capacity

By: _____

Name:

Title:

This is the 5th affidavit
of Peter Kravitz in this case
and was made on October 30, 2023

No. S235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C., 1985 c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

PETITIONERS

AFFIDAVIT

I, Peter Kravitz, of 2360 Corporate Circle, Suite 340, Henderson, Nevada 89074, professional fiduciary, AFFIRM THAT:

1. I am the Chief Restructuring Officer of the Petitioners and as such I have personal knowledge of the facts and matters to which I depose in this affidavit, except where stated to be based on information and belief, and where so stated, I verily believe them to be true.

2. All capitalized terms used, but not otherwise defined herein have the meanings given to them in my first Affidavit, sworn July 25, 2023, my second Affidavit, sworn September 18, 2023, my third Affidavit, sworn October 10, 2023, or my fourth Affidavit, sworn October 25, 2023. All amounts in this Affidavit are in USD, unless otherwise specified.

3. I make this affidavit in support of the Petitioners' application under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") seeking the approval of the Transaction Agreement (as defined below) and the Reverse Vesting Order ("**RVO**") transaction structure.

4. Attached to this Affidavit and marked as **Exhibit "A"** is the execution version of the Transaction Agreement.

5. The Petitioners have determined that all of their interest in LoanMe Trust SBL 2019-1 was transferred to Frontier Capital Group Ltd. on March 3, 2023.

6. The Petitioners received a quote on October 24, 2023, for the service of these application materials on all of the Contract Counterparties from the Petitioners' noticing agent ("**Stretto**").

7. Attached to this Affidavit and marked as **Exhibit "B"** is the quote for service of these application materials from Stretto.

8. The Petitioners provided notice of this Application to all Material Contract Counterparties (the "**Contract Counterparty Notice**") through Stretto on October 24, 2023.

9. Attached to this Affidavit and marked as **Exhibit "C"** is an example Contract Counterparty Notice.

10. The Petitioners provided notice of this Application to the Franchisee Counterparties and employees (the "**Franchisee Notice**") by e-mail on October 25, 2023.

11. Attached to this Affidavit and marked as **Exhibit "D"** is a true copy of the Franchisee Notice.

AFFIRMED BEFORE ME at Vancouver, British Columbia, on October 30, 2023.

A Commissioner for taking Affidavits for British Columbia.

PETER KRAVITZ

Schedule "A"

1. NextPoint Financial, Inc.
2. NPI Holdco LLC

Liberty Tax Entities

1. LT Holdco, LLC
2. LT Intermediate Holdco, LLC
3. SiempreTax+ LLC
4. JTH Tax LLC
5. Liberty Tax Holding Corporation
6. Liberty Tax Service, Inc.
7. JTH Financial, LLC
8. JTH Properties 1632, LLC
9. Liberty Credit Repair, LLC
10. Wefile LLC
11. JTH Tax Office Properties, LLC
12. LTS Software LLC
13. JTH Court Plaza, LLC
14. 360 Accounting Solutions, LLC
15. LTS Properties, LLC

Community Tax Entities

16. CTAX Acquisition LLC
17. Community Tax Puerto Rico LLC
18. Community Tax LLC

LoanMe Entities

19. NPLM Holdco LLC
20. MMS Servicing LLC
21. LoanMe, LLC
22. LoanMe Funding, LLC
23. LM Retention Holdings, LLC
24. LoanMe Stores LLC
25. LM BP Holdings, LLC

26. InsightsLogic LLC

27. LM 2020 CM I SPE, LLC

This is **Exhibit "A"** referred to in the Affidavit of Peter Kravitz sworn before me at Vancouver, British Columbia on this the 30th day of October, 2023.

A Commissioner for taking Affidavits for British Columbia.

TRANSACTION AGREEMENT

NEXTPOINT FINANCIAL INC. AND CERTAIN OF ITS SUBSIDIARIES (as set forth herein)

each as a NextPoint Entity and collectively, as the NextPoint Entities

-and-

THE LENDERS UNDER THE BP NP-LIBERTY CREDIT AGREEMENT (as defined herein)

each as a Purchaser and collectively, as the Purchasers

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Disclosure Letter, Schedules and Exhibits

TRANSACTION AGREEMENT

THIS AGREEMENT is made as of October 27, 2023

AMONG:

NextPoint Financial Inc. ("**NextPoint Parent**")

-and-

NPI Holdco LLC ("**HoldCo**"); LT Holdco, LLC ("**LT Holdco**"); LT Intermediate Holdco, LLC; SiempreTax+ LLC; JTH Tax LLC; JTH Financial, LLC; JTH Properties 1632, LLC; JTH Tax Office Properties, LLC; Wefile LLC; Liberty Credit Repair, LLC; LTS Properties, LLC; 360 Accounting Solutions, LLC; Liberty Tax Holding Corporation; Liberty Tax Service Inc.; JTH Court Plaza, LLC; LTS Software LLC; CTAX Acquisition LLC ("**CTAX Acquisition**"); Community Tax LLC; and Community Tax Puerto Rico LLC[1] (collectively with NextPoint Parent, the "**NextPoiut Eutities**" and each, a "**NextPoint Eutity**");

-and-

the undersigned entities as lenders under the BP NP-Liberty Credit Agreement (as defined below) (such lenders in such capacity, each, a "**Purchaser**" and collectively, the "**Purchasers**").

RECITALS:

A. Pursuant to the Restructuring Support Agreement dated as of July 25, 2023, by and among NextPoint Parent and its Subsidiaries (including each NextPoint Entity) (collectively, the "**Applicauts**"), the Purchasers and any other parties signatory thereto from time to time (as amended, supplemented, or otherwise modified from time to time, the "**Support Agreement**"), the parties negotiated the terms of a Sale and Investment Solicitation Process (the "**SISP**") that was implemented in proceedings (the "**CCAA Proceedings**") under the CCAA before the Supreme Court of British Columbia (the "**CCAA Court**").

B. In accordance with the Support Agreement, the Applicants commenced ancillary insolvency proceedings under Chapter 15 of Title 11 of the United States Code (the "**U.S. Proceedings**") in the U.S. Bankruptcy Court.

C. The Purchasers are lenders under that certain Revolving Credit Agreement, dated as of July 2, 2021, by and among Holdco, LT Holdco, NextPoint Parent, the subsidiary guarantors from time to time party thereto, the agent for the Purchasers and the lenders from time to

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[1] The following NextPoint Entities may be referred to as the "CTAX Entities", or each as a "CTAX Entity": CTAX Acquisition LLC, Community Tax LLC and Community Tax Puerto Rico LLC.

time party thereto (as amended restated, supplemented, or otherwise modified from time to time, the "**BP NP-Liberty Credit Agreement**").

D. In accordance with the Support Agreement, the Purchasers acted as a "stalking horse" bidder and were deemed to have submitted the Successful Bid in accordance with the terms of the SISP.

E. The Parties are entering into this Agreement to give effect to the acquisition by the Purchasers of the Purchased Interests from Holdco, and Holdco has agreed to sell the Purchased Interests to the Purchasers, and the Purchasers further wish to indirectly assume from the Acquired Entities the Assumed Liabilities, subject to and in accordance with the terms and conditions of this Agreement

NOW THEREFORE, the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

"**Acquired Entities**" means, subject to the Implementation Steps, collectively, each of the NextPoint Entities other than NextPoint Parent and Holdco, and "**Acquired Entity**" means any one of them.

"**Affiliate**" means, with respect to any specified Person, any other Person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise). For greater certainty, an Affiliate of a Person shall include such Person's investment funds and managed accounts and any funds managed or directed by the same investment advisor.

"**Affiliated Group**" means any affiliated group as defined in Section 1504 of the Code that has filed a consolidated return for U.S. federal income tax purposes (or any consolidated, combined or unitary group under state, local or non-U.S. Applicable Law).

"**Agreement**" means this transaction agreement and all attachments, including the Disclosure Letter and Exhibits, in each case as the same may be supplemented, amended, restated or replaced from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this transaction agreement and all attached Exhibits, and unless otherwise indicated, references to Articles, Sections, the Disclosure Letter and Exhibits are to Articles, Sections, the Disclosure Letter and Exhibits in this transaction agreement.

"**Antitrust Approvals**" means any approval, clearance, filing or expiration or termination of a waiting period pursuant to which a transaction would be deemed to be unconditionally

approved in relation to the transactions contemplated hereby under any Antitrust Law of any country or jurisdiction that the Purchasers agree, acting reasonably, is required.

"**Antitrust Laws**" means all Applicable Laws, including any antitrust, competition or trade regulation laws (including the HSR Act), that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization, restraint of trade or lessening or preventing competition through merger or acquisition.

"**Applicable Law**" means any transnational, domestic or foreign, federal, provincial, territorial, state, local or municipal (or any subdivision of any of them) law (including common law and civil law), statute, ordinance, rule, regulation, restriction, limit, by-law (zoning or otherwise), judgment, order, direction or any consent, exemption, Transaction Regulatory Approval, or any other legal requirements of, or agreements with, any Governmental Authority, that applies in whole or in part to the transactions contemplated by this Agreement, the NextPoint Entities, the Purchasers, the Business, or any of the Purchased Interests or the Assumed Liabilities.

"**Applicants**" has the meaning given to such term in Recital A.

"**Assumed Liabilities**" has the meaning given to such term in Section 2.3.

"**BP CTAX Second Lien Credit Agreement**" means the Credit Agreement, dated as of June 29, 2022, by and among CTAX Acquisition LLC, the subsidiary guarantors from time to time party thereto, BP Commercial Funding Trust II, Series SPL-I as administrative agent and the lenders from time to time party thereto, as may be amended restated, supplemented, or otherwise modified from time to time.

"**BP NP-Liberty Credit Agreement**" has the meaning given to such term in Recital C.

"**Business**" means the financial services businesses carried on by the NextPoint Entities as of the date hereof and as of immediately prior to the Closing.

"**Business Day**" means any day, other than a Saturday or Sunday, on which the principal commercial banks in Vancouver, British Columbia and Houston, Texas are open for commercial banking business during normal banking hours.

"**Causes of Action**" means any action, claim, cross claim, third party claim, damage, judgment, cause of action, controversy, demand, right, action, suit, obligation, liability, debt, account, defense, offset, power, privilege, license, lien, indemnity, interest, guaranty, or franchise of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, contingent or non-contingent, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, matured or unmatured, suspected or unsuspected, in contract or in tort, at law or in equity, or pursuant to any other theory of law or otherwise, of the NextPoint Entities against any Person, in each case based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Closing Time.

"**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada).

"**CCAA Court**" has the meaning given to such term in Recital A.

"**CCAA Proceedings**" has the meaning given to such term in Recital A.

"**Closing**" means the completion of the sale and purchase of the Purchased Interests pursuant to this Agreement at the Closing Time, and all other transactions contemplated by this Agreement that are to occur contemporaneously with the sale and purchase of the Purchased Interests.

"**Closing Cash Payment**" means an amount to be determined with the NextPoint Entities that will be sufficient to pay any outstanding Priority Payables.

"**Closing Date**" means, unless the Parties otherwise agree in writing, a date no later than five (5) Business Days after the conditions set forth in Article 6 have been satisfied or waived, other than the conditions set forth in Article 6 that by their terms are to be satisfied or waived (to the extent permitted by Applicable Law) at the Closing, but subject to the satisfaction or waiver (to the extent permitted by Applicable Law) of such condition at the Closing; provided that, if there is to be a Closing hereunder, then the Closing Date shall be no later than the Outside Date.

"**Closing Documents**" means all contracts, agreements, certificates and instruments required by this Agreement to be delivered at or before the Closing.

"**Closing Time**" means 12:01 a.m. (Vancouver time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Continuing Contract**" means a contract, arrangement, or other agreement (oral or written) to which any of the Acquired Entities is party for which a notice of disclaimer pursuant to Section 32 of the CCAA has not been sent by any of the NextPoint Entities.

"**Contracts**" means contracts, licences, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements.

"**Credit Bid Amount**" has the meaning given to such term in Section 3.1(a)(ii).

"**CRO**" means Province, LLC, Province Fiduciary Services, LLC, and for greater certainty, Peter Kravitz acting as chief restructuring officer to the NextPoint Entities pursuant to the Initial CCAA Order.

"**CTAX Acquisition**" has the meaning given to such term in the preamble to this Agreement.

"**CTAX Credit Bid Amount**" has the meaning given to such term in Section 3.1(a)(ii).

"**CTAX First Lien Debt**" means debt which is secured by a first priority lien on assets securing the Drake Credit Agreement.

"**CTAX Second Lien Debt**" means, collectively, debt which is secured by a second priority lien on assets securing each of the BP CTAX Second Lien Credit Agreement and the Frontier Second Lien Credit Agreement.

"**Data Security Requirements**" means, collectively, all of the following to the extent relating to the access, collection, use, processing, storage, disclosure, destruction, or disposal of any personal, sensitive, or confidential information or data (whether in electronic or any other form or medium) or data privacy, security, or security breach notification requirements applicable to any NextPoint Entity, to the conduct of the business of the NextPoint Entities, or to any of the IT Systems: (i) any NextPoint Entity's own written rules, policies, and procedures; (ii) all Applicable Laws; (iii) industry standards applicable to the industries in which any NextPoint Entity operated (including PCI-DSS); and (iv) contracts and agreements into which any NextPoint Entity has entered or by which it is otherwise bound.

"**DIP Financing**" means the debtor-in-possession financing facility made available to the NextPoint Entities by the Purchasers pursuant to the DIP Term Sheet.

"**DIP Term Sheet**" means the Interim Financing Term Sheet between, among others, the NextPoint Entities party thereto and the Purchasers, dated as of July 25, 2023, as such term sheet may be amended, restated, supplemented and/or otherwise modified in accordance with the terms thereof.

"**Disclosure Letter**" means the disclosure letter dated the date hereof regarding this Agreement.

"**Drake Credit Agreement**" means the Credit Agreement, dated as of June 29, 2022, by and among CTAX Acquisition LLC, the subsidiary guarantors from time to time party thereto, Drake Enterprises Ltd. as administrative agent and the lenders from time to time party thereto, as may be amended restated, supplemented, or otherwise modified from time to time.

"**Encumbrance**" means any security interest (whether contractual, statutory or otherwise), lien, prior claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage, trust (including any statutory, deemed or constructive trust), option or adverse claim or encumbrance of any nature or kind.

"**Equity Interests**" means any capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or nonvoting, whether preferred, common or otherwise, and including share appreciation, contingent interest or similar rights) of a Person.

"**ETA**" means the *Excise Tax Act* (Canada).

"**Excluded Assets**" has the meaning given to such term in Section 2.2.

"**Excluded Contracts**" means contracts of the NextPoint Entities as specified on Schedule 2.2(b) of the Disclosure Letter, which the Purchaser may modify at any time up to three (3) Business Days prior to the Closing Date.

"**Excluded Liabilities**" has the meaning given to such term in Section 2.4.

"**Final Order**" means with respect to any order or judgment of the CCAA Court or the U.S. Bankruptcy Court, or any other court of competent jurisdiction, with respect to the subject matter addressed in the CCAA Proceedings or the U.S. Proceedings or the docket of any court of competent jurisdiction, that such order or judgement has not been vacated, set aside, reversed, stayed, modified or amended, and as to which the applicable periods to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal, leave to appeal, or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken or filed, or as to which any appeal has been taken or any petition for certiorari or leave to appeal that has been timely filed has been withdrawn or resolved in a manner acceptable to the NextPoint Entities and the Purchasers, each acting reasonably, by the highest court to which the order or judgment was appealed or from which leave to appeal or certiorari was sought or the new trial, reargument, or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice; *provided, however*, that the possibility that a motion under Rule 60 of the United States Federal Rules of Civil Procedure, or any analogous rule under the U.S. Bankruptcy Code, may be filed relating to such order shall not cause such order to not be a Final Order.

"**Frontier Second Lien Credit Agreement**" means the Credit Agreement, dated as of June 29, 2022, by and among CTAX Acquisition LLC, the subsidiary guarantors from time to time party thereto, Frontier Capital Group, Ltd. as administrative agent and the lenders from time to time party thereto, as may be amended restated, supplemented, or otherwise modified from time to time.

"**Fundamental Representations and Warranties**" means the representations and warranties of the NextPoint Entities included in Sections 4.1 [*Due Authorization and Enforceability of Obligations*], 4.2 [*Existence and Good Standing*], 4.4 [*Absence of Conflicts*], 4.5 [*Approvals and Consents*], 4.7 [*Subsidiaries*] and 4.9 [*Title to Assets*].

"**Governmental Authority**" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them, or (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the ETA or any other statute in any jurisdiction of Canada.

"**Holdco**" has the meaning given to such term in the preamble to this Agreement.

"**HSR Act**" means the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**Implementation Steps**" has the meaning given to such term in Section 2.7(b).

"**Initial CCAA Order**" means the initial order of the CCAA Court pursuant to the CCAA commencing the CCAA Proceedings, as amended, restated, supplemented and/or modified from time to time.

"**Investment Canada Act**" means the *Investment Canada Act* (Canada), R.S.C., 1985, c. 28 (1st Supp).

"**IT Systems**" means all (i) computer, computer systems, servers, hardware, telecommunications and network equipment firmware, middleware, networks, servers, workstations, routers, hubs, switches, data communication equipment and lines, telecommunications equipment and lines, and all other information technology equipment, and (ii) related off-the-shelf, commercially available software and customized software developed for the NextPoint Entities, in each case owned, leased, licensed or subscribed to by the NextPoint Entities.

"**Liberty Term Loan**" means the term loan debt borrowed by LT Holdco and guaranteed by certain of the other NextPoint Entities which is documented by the BP NP-Liberty Credit Agreement, as such term is defined in the Support Agreement.

"**LoanMe Entities**" means, collectively, NPLM Holdco LLC, MMS Servicing LLC, LoanMe, LLC, LoanMe Funding, LLC, LoanMe Stores LLC, LM Retention Holdings, LLC, LM BP Holdings, LLC, InsightsLogic LLC, LM 2020 CM I SPE, LLC, LoanMe Trust Prime 2018-1 and LoanMe Trust SBL 2019-1 and each of their respective predecessors and successors.

"**LT Credit Bid Amount**" has the meaning given to such term in Section 3.1(a)(i).

"**LT Holdco**" has the meaning given to such term in the preamble to this Agreement.

"**Material Adverse Effect**" means any change, effect, event, occurrence, state of facts or development that has had, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on (i) the business, assets, liabilities, financial conditions or results of operations of the NextPoint Entities, taken as a whole, or (ii) prevents the ability of the NextPoint Entities to perform their obligations under, or to consummate the transactions contemplated by, this Agreement; provided, in the case of the foregoing clause (i), no change, effect, event, occurrence, state of facts or development resulting from the following shall constitute a Material Adverse Effect or be taken into account in determining whether a Material Adverse Effect has occurred, is occurring or would be occurring: (a) general economic or business conditions; (b) Canada, the U.S. or foreign economies, or financial, banking or securities markets in general, or other general business, banking, financial or economic conditions (including (i) any disruption in any of the foregoing markets, (ii) any change in the currency exchange rates or (iii) any decline or rise in the price of any security, commodity, contract or index); (c) acts of God or

other calamities (including plagues or outbreaks of epidemics or pandemics (including the novel coronavirus)), national or international political or social conditions, including the engagement and/or escalation by the U.S. or Canada in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the U.S. or Canada or any of their territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the U.S. or Canada; (d) the identity of the Purchasers or their Affiliates; (e) conditions affecting generally the industry in which the NextPoint Entities participate; (f) the public announcement of, entry into or pendency of, actions required or contemplated by or performance of obligations under, this Agreement or the transactions contemplated by this Agreement, or the identity of the Parties, including any termination of, reduction in or similar adverse impact on relationships, contractual or otherwise, with any customers, suppliers, financing sources, licensors, licensees, distributors, partners, employees or others having relationships with the NextPoint Entities; (g) changes in Applicable Laws or the interpretation thereof; (h) any change in IFRS or other accounting requirements or principles; (i) national or international political, labor or social conditions; (j) the failure of the NextPoint Entities to meet or achieve the results set forth in any internal projections (but not the underlying facts giving rise to such failure unless such facts are otherwise excluded pursuant to the clauses contained in this definition); or (k) any material and uncured breach by the Purchasers of this Agreement, or any change resulting from compliance with the terms of, or any actions taken (or not taken) by any Party pursuant to or in accordance with, this Agreement; provided that the exceptions set forth in clauses (a), (b), (c), (e), (g), (h) or (i) shall not apply to the extent that such event is disproportionately adverse to the NextPoint Entities, taken as a whole, as compared to other companies in the industries in which the NextPoint Entities operate.

"**Monitor**" means FTI Consulting Canada Inc., as Court-appointed monitor of the NextPoint Entities in the CCAA Proceedings pursuant to the Initial CCAA Order and not in its personal capacity.

"**Monitor's Certificate**" means the certificate delivered to the Purchasers and filed with the CCAA Court by the Monitor certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor from the NextPoint Entities and the Purchasers that all conditions to the Closing have been satisfied or waived by the applicable Parties and the transactions contemplated by this Agreement have been completed.

"**NextPoint Entity**" and "**NextPoint Entities**" have the meaning given to such terms in the preamble to this Agreement.

"**NextPoint Parent**" has the meaning given to such term in the preamble to this Agreement.

"**Order**" means any order of the Court made in the CCAA Proceedings, any order of the U.S. Court made in the U.S. Proceedings, or any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

"**Outside Date**" has the meaning given to such term in the Support Agreement.

"**Parties**" means the NextPoint Entities and the Purchasers, collectively, and "**Party**" means either the NextPoint Entities or the Purchasers, as the context requires.

"**Permitted Encumbrances**" means the Encumbrances listed in Schedule 1.1(b) of the Disclosure Letter, including for the avoidance of doubt, all registrations relating to the Liberty Term Loan.

"**Person**" means includes an individual, partnership, firm, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, entity, corporation, unincorporated association, or organization, syndicate, committee, court appointed representative, the government of a country or any political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality, or department of such government or political subdivision, or any other entity, howsoever designated or constituted, including any Taxing Authority, and the trustees, executors, administrators, or other legal representatives of an individual, and for greater certainty includes any Governmental Authority.

"**Priority Payables**" means any Encumbrances on the assets of the NextPoint Entities that rank prior to the interests of the Purchasers' security interest in the assets of the NextPoint Entities, and are not otherwise an Assumed Liability, in an aggregate amount not exceeding $500,000 (the purchase of a tail directors' and officers' liability insurance policy shall be considered a Priority Payable).

"**Purchase Price**" has the meaning given to such term in Section 3.1(a).

"**Purchased Interests**" has the meaning given to such term in Section 2.1.

"**Purchaser**" and "**Purchasers**" have the meanings given to such terms in the preamble to this Agreement.

"**Released Claims**" means all claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions, informations or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including "claims" as defined in the CCAA or the U.S. Bankruptcy Code and including fees and disbursements of legal counsel on a full indemnity basis, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

"**Residnal Co.**" means an entity or entities to be formed by NextPoint Parent in Canada and/or the United States, in each case, in form satisfactory to the Purchasers, acting reasonably, prior to the Closing and each of which shall have no issued and outstanding shares; provided, that no such entity shall be a flow through entity for Canadian or U.S. tax purposes unless approved in writing by the Purchasers.

"**Sanctioned Country**" means any country or territory to the extent that such country or territory itself is the subject of any comprehensive sanctions, or any country or territory whose

government is the subject of Sanctions Laws or that is otherwise the subject of broad restrictions under Sanctions Laws.

"**Sanctioned Person**" means (a) any Person identified in any Sanctions Law-related list of designated Persons maintained by the Government of Canada or other Sanctions Laws authorities, (b) any Person located, incorporated, or resident in a Sanctioned Country, or (c) any Person directly or indirectly owned or controlled by, or acting for the benefit or on behalf of, a Person described in clause (a) or (b) to the extent the owned or controlled Person is itself subject to the restrictions or prohibitions as the Person described in clause (a) or (b).

"**Sanctions Laws**" means economic and financial sanctions laws administered, enacted or enforced from time to time by the Government of Canada, U.S., European Union, United Kingdom, or United Nations Security Council.

"**Security Incident**" means any (i) material breach of security, successful phishing incident, ransomware or malware attack affecting any IT System or the confidential or proprietary data of any NextPoint Entity, or (ii) incident in which personal data was accessed, disclosed, destroyed, processed, used, or exfiltrated in an unauthorized manner (whether any of the foregoing was possessed or controlled by such NextPoint Entity or by another Person on behalf of such NextPoint Entity).

"**SISP**" has the meaning given to such term in the recitals to this Agreement.

"**SISP Order**" means an order of the CCAA Court that, among other things, approves the SISP and related matters.

"**SISP Recognition Order**" means the Order of the U.S. Bankruptcy Court entered in the U.S. Proceedings recognizing and giving effect to the SISP Order.

"**Subsidiary**" means, with respect to any Person, each Person that is controlled by the first Person (for the purposes of this definition, "control", as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise).

"**Successful Bid**" has the meaning given to such term in the SISP.

"**Support Agreement**" has the meaning given to such term in Recital A.

"**Tax**" and "**Taxes**" means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever (including withholding on amounts paid to or by any Person) imposed by any Taxing Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Taxing Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, escheat, unclaimed property, estimated, property, development, occupancy,

employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and other government pension plan premiums or contributions, and including those payable or creditable in respect of, arising out of or under any COVID-19 economic support.

"**Tax Act**" means the *Income Tax Act* (Canada) and shall also include a reference to any applicable and corresponding provisions under the income tax laws or a province or territory of Canada, as applicable.

"**Tax Return**" means any return, declaration, report, statement, information statement, form, election, amendment, claim for refund, schedule or attachment thereto or other document filed or required to be filed with a Taxing Authority with respect to Taxes.

"**Taxing Authority**" means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, the United States Internal Revenue Service, any similar revenue or taxing authority of the U.S. and each and every state and locality of the U.S., and any Canadian, U.S. or other Governmental Authority exercising taxing authority or power, and "Taxing Authority" means any one of the Taxing Authorities.

"**Transaction Regulatory Approvals**" means any material licenses, permits or approvals required from any Governmental Authority or under any Applicable Laws relating to the business and operations of the NextPoint Entities that would be required to be obtained in order to permit the NextPoint Entities and the Purchasers to complete the transactions contemplated by this Agreement and the Support Agreement, including but not limited to, and in each case to the extent it has been agreed to in accordance this Agreement that such approval shall be obtained, the Antitrust Approvals.

"**Transfer Taxes**" means all transfer, documentary, sales, use, stamp, registration, customs duties, import and export taxes, surtaxes, value added, GST/HST, provincial sales/retail Taxes, conveyance fees, security interest filing or recording fee and any other similar Taxes (including any real property transfer Tax and any other similar Tax), any governmental assessment, and any related penalties and interest.

"**U.S.**" means the United States of America.

"**U.S. Bankruptcy Code**" means title 11 of the United States Code, 11 U.S.C. §§ 101 et seq, as amended.

"**U.S. Bankruptcy Conrt**" means the United States Bankruptcy Court for the District of Delaware, overseeing the U.S. Proceedings.

"**U.S. Proceedings**" has the meaning given to such term in Recital B.

"**Vesting Order**" means an order of the CCAA Court entered in the CCAA Proceedings substantially in the form of Exhibit 1 hereto (or as otherwise acceptable to the NextPoint Entities and the Purchasers, each acting reasonably).

"**Vesting Recognition Order**" means an order of the U.S. Bankruptcy Court entered in the U.S. Proceedings in form and substance acceptable to the Purchasers, acting reasonably, which shall, among other things, recognize and give effect to the Vesting Order and otherwise approve this Agreement and the transactions contemplated hereby.

1.2 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended, re-enacted or replaced.

1.3 Headings, Table of Contents, etc.

The provision of a table of contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and do not affect the interpretation of this Agreement. The recitals to this Agreement are an integral part of this Agreement.

1.4 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and *vice versa*, and words importing gender include all genders.

1.5 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in U.S. dollars. References to "$" are to U.S. dollars. References to "C$" are to Canadian dollars.

1.6 Certain Phrases

In this Agreement (i) the words "including", "includes" and "include" and any derivatives of such words mean "including (or includes or include) without limitation" and (ii) the words "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of". The expression "Article", "Section" and other subdivision followed by a number, mean and refer to the specified Article, Section or other subdivision of this Agreement.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof

so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon (i) such a determination of invalidity or unenforceability or (ii) any change in Applicable Law or other action by any Governmental Authority which materially detracts from the legal or economic rights or benefits, or materially increases the obligations, of any Party or any of its Affiliates under this Agreement, the Parties shall negotiate to modify this Agreement in good faith so as to effect the original intent of the Parties as closely as possible in an acceptable manner so that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

1.8 Knowledge

Any reference to the knowledge of (i) a NextPoint Entity, means the actual knowledge, after reasonable inquiry, of Scott Terrell (who, for the sake of clarity and avoidance of doubt, shall have no personal liability or obligations regarding such knowledge), and (ii) a Purchaser, means the actual knowledge, after reasonable inquiry, of Eric Schneider (who, for the sake of clarity and avoidance of doubt, shall have no personal liability or obligations regarding such knowledge).

1.9 Entire Agreement

This Agreement, the Disclosure Letter, the Support Agreement and the agreements and other documents required to be delivered pursuant to this Agreement or the Support Agreement, constitute the entire agreement among the Parties, and set out all the covenants, promises, warranties, representations, conditions and agreements among the Parties in connection with the subject matter of this Agreement, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral among the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement or the Support Agreement and any document required to be delivered pursuant to this Agreement or the Support Agreement.

1.10 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by all Parties hereto. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided. The NextPoint Entities agree to make such amendments to this Agreement as are reasonably requested by the Purchasers from time to time to give effect to the transactions contemplated herein, provided that such amendments do not change the value of the Purchase Price and are not materially prejudicial to the interests of any creditor of the NextPoint Entities.

1.11 Governing Law; Jnrisdiction and Venue

This Agreement, the rights and obligations of the Parties under this Agreement, and any claim or controversy directly or indirectly based upon or arising out of this Agreement or the

transactions contemplated by this Agreement (whether based on contract, tort or any other theory), including all matters of construction, validity and performance, shall in all respects be governed by, and interpreted, construed and determined in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the CCAA Court for the resolution of any such disputes arising under this Agreement. Each Party agrees that service of process on such Party as provided in Section 11.7 shall be deemed effective service of process on such Party.

1.12 Incorporation of Disclosure Letter, Schedules and Exhibits

The Disclosure Letter and any schedule or exhibit attached thereto, and any schedule or exhibit attached to this Agreement, is an integral part of this Agreement.

1.13 Accounting Terms

All accounting terms used in this Agreement are to be interpreted in accordance with IFRS unless otherwise specified.

1.14 Non-Business Days

Whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment will be made or such action will be taken on or not later than the next succeeding Business Day.

1.15 Computation of Time Periods

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the first day of the period is not counted, but the day of its expiry is counted.

ARTICLE 2
PURCHASE AND SALE

2.1 Agreement to Purchase and Sell

Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, the Purchasers shall purchase from Holdco, and Holdco shall sell to the Purchasers, free and clear of all Encumbrances, all of the Equity Interests in the capital of CTAX Acquisition and LT Holdco (collectively, the "**Purchased Interests**") pursuant to the Vesting Order and the Implementation Steps.

2.2 Excluded Assets

Notwithstanding any provision of this Agreement to the contrary, as of the Closing, the assets of the Acquired Entities shall not include any of the following assets or any other assets as

set forth on Schedule 2.2 of the Disclosure Letter, which Schedule may be modified as agreed upon by the NextPoint Entities and the Purchasers, each acting reasonably, at least three (3) days prior to the Closing (collectively, the "**Excluded Assets**"):

(a) the Tax Returns, and books and records pertaining thereto and other documents, in each case, to the extent related solely to any of the Excluded Liabilities, provided that the applicable Acquired Entities may take copies of all Tax Returns and books and records pertaining thereto (as redacted, if applicable) to the extent necessary or useful for the carrying on of the Business after the Closing, including the filing of any Tax Return; provided, however, that Residual Co. shall retain the original of any of the records required to be provided to the applicable Acquired Entity hereunder (and provide the applicable Acquired Entity with a copy thereof) to the extent that Residual Co. is required to do so under Applicable Law;

(b) the Excluded Contracts;

(c) all communications, information or records, written or oral, that are in any way related to (i) the transactions contemplated by this Agreement, (ii) the sale of the Purchased Interests, (iii) any Excluded Asset or (iv) any Excluded Liability;

(d) the Equity Interests of each entity set forth on Schedule 2.2(d) of the Disclosure Letter, which Schedule may be modified as agreed upon by the NextPoint Entities and the Purchasers, each acting reasonably, at least three (3) days prior to the Closing;

(e) escrowed cash (i) in the amount of $600,000 for wind down, and (ii) for professional fee retainers held in the segregated escrow bank account set forth in the DIP Term Sheet; provided that any unused portion of such escrowed cash, after payment or reservation for all wind down expenses and professional fee retainers, as determined by the Monitor, shall be transferred by the Monitor or the CRO, as applicable, to the Acquired Entities after the Closing;

(f) claims and/or causes of actions solely and directly related to Excluded Assets or the Excluded Liabilities; and

(g) any rights that accrue to Residual Co. under the transaction documents.

2.3 Assumed Liabilities

Subject to the Implementation Steps and pursuant to this Agreement and the Vesting Order, as of the Closing Time, the obligations and liabilities of the Acquired Entities shall consist of only the items specifically set forth below, as applicable (collectively, the "**Assumed Liabilities**"); provided, for the avoidance of doubt the Assumed Liabilities of any Acquired Entity pursuant to this Section 2.3 shall continue to be liabilities of the applicable Acquired Entity as of the Closing:

(a) all debts, liabilities and obligations under the Continuing Contracts that are not Excluded Contracts, for the period from and after the Closing;

(b) all Taxes to be borne by Acquired Entities pursuant to Section 7.4;

(c) all non-delinquent current liabilities incurred after the commencement of the CCAA Proceedings that are existing on the Closing Date, being (i) accounts payable invoiced within 30 days of Closing Date and (ii) accrued but uninvoiced accounts payable; and

(d) the Liberty Term Loan.

2.4 Excluded Liabilities

Except as expressly assumed pursuant to or specifically contemplated by Section 2.3, all claims and all debts, obligations, and liabilities of the Acquired Entities or any predecessors of the Acquired Entities, of any kind or nature, shall be assigned and become the sole obligation of the applicable Residual Co. pursuant to the terms of the Vesting Order and this Agreement and, as of the Closing, the Acquired Entities shall not have any obligation, duty, or liability of any kind whatsoever, except as expressly assumed pursuant to Section 2.3, whether accrued, contingent, known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, unliquidated, absolute, accrued, contingent or otherwise, and whether due or to become due, and such liabilities or obligations shall be the sole responsibility of the applicable Residual Co. (collectively, the "**Excluded Liabilities**"). All intercompany obligations and balances which do not continue as Assumed Liabilities pursuant to the Implementation Steps shall be Excluded Liabilities. For the avoidance of any doubt, any CTAX Second Lien Debt is an Excluded Liability.

2.5 Transfer of Excluded Liabilities to Residual Co.

On the Closing Date, pursuant to the terms of the Vesting Order, the Acquired Entities shall assign and transfer the Excluded Liabilities to the applicable Residual Co. (with Excluded Liabilities with respect to any Acquired Entity organized in Canada being assigned to the Residual Co. organized in Canada and any Excluded Liabilities with respect to any Acquired Entity organized in the United States being assigned to the Residual Co. organized in the United States), and such Residual Co. shall assume the applicable Excluded Liabilities. All of the Excluded Liabilities shall be discharged from the Acquired Entities as of the Closing, pursuant to the Vesting Order.

2.6 Transfer of Excluded Assets to Residual Co.

On the Closing Date, pursuant to the terms of the Vesting Order and, where applicable, in consideration for Residual Co. assuming the Excluded Liabilities pursuant to Section 2.5 from an Acquired Entity, the Acquired Entities shall assign and transfer the Excluded Assets to the applicable Residual Co. (with Excluded Assets with respect to any Acquired Entity organized in Canada being assigned to the Residual Co. organized in Canada and any Excluded Assets with respect to any Acquired Entity organized in the United States being assigned to the Residual Co. organized in the United States), and the Excluded Assets shall be vested in the applicable Residual Co. pursuant to the Vesting Order.

2.7 Pre-Closing and Closing Reorganization

(a) The specific mechanism for implementing the Closing, payment of the Closing Cash Payment and the Credit Bid Amount, and the structure of the transactions contemplated by this Agreement shall be structured in a tax efficient manner mutually agreed upon by the Parties, each acting reasonably.

(b) On or prior to the Closing Date, the NextPoint Entities shall effect the transaction steps and pre-closing reorganization (collectively, the "**Implementation Steps**") to be agreed upon by the NextPoint Entities and the Purchasers, each acting reasonably, at least five (5) days prior to the Closing Date; provided that in no event will the Implementation Steps be materially prejudicial to the interests of any creditor of the NextPoint Entities. Without limiting the generality of the foregoing, the Implementation Steps may include, without limitation, resolving intercompany obligations, the formation of new entities required to implement the transactions contemplated by this Agreement in a tax efficient manner and transfers of Equity Interests in the Acquired Entities.

(c) The Implementation Steps shall occur, and be deemed to have occurred in the order and manner to be set out therein.

ARTICLE 3
PURCHASE PRICE AND RELATED MATTERS

3.1 Purchase Price

(a) The purchase price (the "**Purchase Price**") payable by the Purchasers for the Purchased Interests shall be equal to the sum of:

(i) $144,590,000 (the "**LT Credit Bid Amount**");

(ii) $52,000,000 (the "**CTAX Credit Bid Amount**" and together with the LT Credit Bid Amount, collectively, the "**Credit Bid Amount**");

(iii) the Closing Cash Payment; and

(iv) the amount of the Assumed Liabilities as set forth herein.

(b) The Purchasers shall satisfy the obligations pursuant to Section 3.1 and the Purchase Price at the Closing Time as follows:

(i) by causing the release of the applicable NextPoint Entities from (A) $14,000,000 of the amounts outstanding under the DIP Financing and (B) obligations owing pursuant to any and all Revolving Credit Loans (as such term is defined in the BP NP-Liberty Credit Agreement) outstanding under the BP NP-Liberty Credit Agreement, including the principal amount of such claims and interest and fees accrued as of the Closing Date, and any

other documents or agreements entered into therewith, in an aggregate amount equal to the LT Credit Bid Amount;

(ii) by causing the release of the applicable NextPoint Entities from (A) $7,000,000 of the amounts outstanding and obligations owing pursuant to the DIP Financing and (B) the CTAX First Lien Debt, including the principal amount of such claims and interest and fees accrued as of the Closing Date, in an aggregate amount equal to the CTAX Credit Bid Amount; any

(iii) by payment of the Closing Cash Payment to NextPoint Parent.

(c) The Purchasers and their Affiliates, on the one hand, and the NextPoint Entities, and any of their Affiliates, on the other hand, shall be entitled to deduct and withhold from the Purchase Price or other amounts otherwise payable pursuant to this Agreement such amounts as such Person is required to deduct and withhold under Applicable Law, provided, however, that the Purchasers and their Affiliates shall not make any such deduction or withholding pursuant to Section 1445 of the Code, as long as at Closing, the NextPoint Entities shall have delivered to the Purchasers certification required by Section 10.2(e). Before making any such deduction or withholding, the withholding agent shall use commercially reasonable efforts to provide the Person in respect of which deduction or withholding is proposed to be made reasonable advance written notice of the intention to make such deduction or withholding, and the withholding agent shall cooperate with any reasonable request from such Person to obtain reduction of or relief from such deduction or withholding to the extent permitted by Applicable Law. To the extent that amounts are so deducted and withheld and remitted to the appropriate Taxing Authority, such amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made.

3.2 Payment of Certain Liabilities

On the Closing Date, upon payment of the Closing Cash Payment to NextPoint Parent, the NextPoint Entities shall satisfy, in accordance with the Implementation Steps, the Priority Payables as required to be paid on Closing in the Vesting Order using such amount such that the Priority Payables shall be satisfied in full in connection with the Closing.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE NEXTPOINT ENTITIES

Each of the NextPoint Entities represents and warrants, severally and not jointly, and only as to itself, to the Purchasers as follows, and acknowledge that the Purchasers are relying upon the following representations and warranties in connection with their purchase of the Purchased Interests:

4.1 Due Anthorization and Enforceability of Obligations

This Agreement has been duly authorized, executed and delivered by it, and this Agreement, subject to Court approval of this Agreement and granting of the Vesting Order and Vesting Recognition Order, constitutes the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.2 Existence and Good Standing

It is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and, subject to Court approval of this Agreement and granting of the Vesting Order and Vesting Recognition Order, (i) has all requisite power and authority to execute and deliver this Agreement and (ii) has taken all requisite corporate or other action necessary for it to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transaction contemplated hereunder.

4.3 Sophisticated Parties

Each NextPoint Entity (i) is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement, (ii) has conducted its own analysis and made its own decision to enter into this Agreement and has obtained such independent advice in this regard as it deemed appropriate, and (iii) has not relied on such analysis or decision of any Person other than its own independent advisors.

4.4 Absence of Conflicts

(a) Subject to Court approval of this Agreement and granting of the Vesting Order and Vesting Recognition Order, the execution and delivery of this Agreement by each NextPoint Entity and the completion by each NextPoint Entity of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, or any of its properties or assets (subject to the receipt of any Transaction Regulatory Approvals), and will not result (with due notice or the passage of time or both) in a violation, confiict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, by-laws or other constituent documents. Subject to Court approval of this Agreement and granting of the Vesting Order and Vesting Recognition Order and the receipt of any Transaction Regulatory Approvals, the execution, delivery and performance by each NextPoint Entity does not and will not: (a) violate any provision of law, rule, or regulation applicable to it or its charter or by-laws (or other similar governing documents) or those of any of its Subsidiaries; (b) except for the BP NP-Liberty Credit Agreement, conflict with, result in a breach of, or constitute (with or without notice or lapse of time or both) a default under any material agreement to which a NextPoint Entity is a party

or any debt for borrowed money to which it is a party that, in any case, is not remedied, cured or waived, or (c) violate any Order, statute, rule, or regulation.

(b) Except as set forth in the Vesting Order and the Vesting Recognition Order, the transactions set forth in this Agreement do not give rise to any contractual or other legal rights to any Person that is not a Party to this Agreement, except to the extent that such rights will not: (i) detract from the legal and/or economic benefits to be provided to the Purchasers hereunder; or (ii) increase the obligations of, or create obligations of, the Purchasers.

4.5 Approvals and Consents

The execution and delivery of this Agreement by each NextPoint Entity, the completion by each NextPoint Entity of its obligations hereunder and the consummation by each NextPoint Entity of the transactions contemplated herein, do not and will not require any consent or approval or other action, with or by, any Governmental Authority, other than (a) Court approval of this Agreement, the Vesting Order and the Vesting Recognition Order and (b) the Transaction Regulatory Approvals.

4.6 No Actions

Other than the CCAA Proceedings and the U.S. Proceedings, there is not pending or, to the NextPoint Parent's knowledge, threatened in writing against a NextPoint Entity or any of its properties, nor has a NextPoint Entity received any written notice in respect of, any claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body that, would prevent it from executing and delivering this Agreement, performing its obligations hereunder, and consummating the transactions and agreements contemplated by this Agreement.

4.7 Subsidiaries

Schedule 4.7 of the Disclosure Letter sets forth a complete and correct list of the name and jurisdiction of organization of each NextPoint Entity. All the outstanding Equity Interests of the Acquired Entities (other than CTAX Acquisition or LT Holdco) are owned by CTAX Acquisition or LT Holdco, as applicable, or by one or more of their direct or indirect Subsidiaries as set forth in Schedule 4.7 of the Disclosure Letter. Subject to the Vesting Order and the Vesting Recognition Order, all such Equity Interests of the Acquired Entities are owned free and clear of all pledges, claims, liens, charges, options, security interests, licenses or other encumbrances of any kind or nature whatsoever (other than Permitted Encumbrances), except for transfer restrictions imposed by applicable securities laws, and, except as would not be material to the NextPoint Entities, taken as a whole, are duly authorized, validly issued, fully paid and nonassessable and not subject to any pre-emptive rights. Except for the Equity Interests in the Subsidiaries listed on Schedule 4.7 of the Disclosure Letter, none of the NextPoint Entities owns, directly or indirectly, any Equity Interests in, any Person.

4.8 No Stop Order

Except as disclosed in Schedule 4.8 of the Disclosure Letter, and for greater certainty, except for the Cease Trade Order issued against the NextPoint Parent and the NextPoint Parent's subsequent delisting from the stock exchange, as of the time of entering into this Agreement, no order halting or suspending trading in securities of the Acquired Entities has been issued to and is outstanding against any of the NextPoint Entities, and, to the NextPoint Parent's knowledge, no investigations or proceedings for such purpose are pending or threatened.

4.9 Title to Assets

Holdco has good and valid title to the Purchased Interests and each Acquired Entity has good and valid title to all of the assets (except for any Excluded Assets) owned by it which, as set forth in the Vesting Order and the Vesting Recognition Order, shall be free and clear of all Encumbrances other than Permitted Encumbrances.

4.10 Taxes

(a) No NextPoint Entity has engaged in a transaction subject to the reporting requirements under section 237.3 or the notification requirements under section 237.4 of the Tax Act.

(b) Each Acquired Entity (other than a corporation incorporated in a Canadian jurisdiction) is, and has been since its formation, properly classified as a disregarded entity for U.S. federal income tax and applicable state and local tax purposes. Accordingly, for U.S. federal income tax and applicable state and local tax purposes, Holdco will be treated as selling (and the Purchasers will be treated as purchasing) the assets (other than the Excluded Assets) of the Acquired Entities that are classified as disregarded entities.

(c) Except as disclosed in Schedule 4.10(c) of the Disclosure Letter, none of the Acquired Entities that is a corporation incorporated in a Canadian jurisdiction has acquired property or services from, or disposed of property or provided services to, a person with whom it does not deal at arm's length (within the meaning of the Tax Act) for an amount that is other than the fair market value of such property or services, nor been deemed to have done so for purposes of the Tax Act. Each of the Acquired Entities that is a corporation incorporated in a Canadian jurisdiction has made or obtained records or documents that satisfy the requirements of paragraphs 247(4)(a) to (c) of the Tax Act in respect of any transactions for property or services with a person with whom it does not deal at arm's length (within the meaning of the Tax Act).

(d) To the knowledge of any of the NextPoint Entities, all Tax Returns required to be filed by or with respect to each Acquired Entity under Applicable Laws have been duly and timely filed, and all such Tax Returns are true, complete and correct in all respects and have been prepared in compliance with all Applicable Laws.

(e) To the knowledge of any of the NextPoint Entities, all Taxes, including all installments on account of Taxes for the current year, due and owing by each Acquired Entity (whether or not such Taxes are related to, shown on or required to be shown on any Tax Return) have been timely paid. All Taxes which each Acquired Entity is required to withhold or deduct from amounts paid or owing or deemed paid or owing or benefits given to any employee, stockholder, creditor or other third party, including for services performed outside the city, state, province or country where any employee is based, have been timely withheld or deducted and paid over to the appropriate Taxing Authority.

(f) To the knowledge of any of the NextPoint Entities, no statute of limitations with respect to any Taxes of the Acquired Entities has been waived, no extension of time for filing any Tax Return of the Acquired Entities has been agreed to, and no extension of time with respect to any Tax assessment or deficiency with respect to the Acquired Entities has been consented to, which waiver or extension of time is currently outstanding.

(g) To the knowledge of any of the NextPoint Entities, no Tax audits or assessments or administrative or judicial claims are pending or are threatened in writing with respect to the Acquired Entities, and there are no matters under discussion, audit or appeal with any Taxing Authority with respect to Taxes of any of the Acquired Entities.

(h) There are no Encumbrances on any assets or securities of any Acquired Entity that arose in connection with any failure (or, to the knowledge of any of the NextPoint Entities, alleged failure, where such failure was alleged in writing) to pay, collect or remit any Tax.

(i) To the knowledge of any of the NextPoint Entities, no claim has ever been made by a Taxing Authority in a jurisdiction where no Tax Returns with respect to the Acquired Entities have been filed that any of the Acquired Entities is or may be subject to taxation by that jurisdiction, which claim has not been resolved, and none of the Acquired Entities has a taxable presence or nexus other than in the jurisdictions in which Tax Returns with respect to such Acquired Entity are currently be filed.

(j) To the knowledge of any of the NextPoint Entities, no Acquired Entity (i) has been a member of an Affiliated Group, (ii) has any liability or obligation for the Taxes of any Person other than itself under Section 1.1502-6 of the Treasury Regulations (or any similar provision of applicable U.S. state or local or non-U.S. Law), as a transferee or successor, by Contract or otherwise, or (iii) is party to or bound by or has any obligations under any Tax allocation, Tax sharing, Tax indemnification or other similar Contract (other than any such Contract entered into in the ordinary course and the principal purpose of which is not the allocation or sharing of Taxes).

(k) To the knowledge of any of the NextPoint Entities, no Acquired Entity has engaged in any "listed transaction" within the meaning of Sections 6111 and 6112 of the Code or any similar provision of applicable U.S. state or local or non-U.S. Law or any "tax shelter" within the meaning of Section 6662 of the Code or the Treasury Regulations promulgated thereunder (or any similar provision of applicable U.S. state or local or non-U.S. Law).

(l) To the knowledge of any of the NextPoint Entities, each Acquired Entity has properly (i) collected and remitted any sale and similar Taxes due for sales made to its customers and (ii) for all sales that are exempt from sales and similar Taxes and that were made without charging or remitting sales or similar Taxes, received and retained any appropriate tax exemption certificates and other documentation qualifying such sale as exempt.

(m) No Acquired Entity (or the Purchasers as a result of the transactions contemplated hereby) will be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) beginning after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date; (ii) "closing agreement" as described in Section 7121 of the Code (or any similar provision of applicable U.S. state or local or non-U.S. Law); (iii) deferred intercompany gain or any excess loss account described in Treasury Regulation under Code Section 1502 (or any similar provision of applicable U.S. state or local or non-U.S. Law); (iv) installment sale made prior to the Closing Date; (v) prepaid amount or deferred revenue received or accrued on or prior to the Closing Date outside of the ordinary course of the business; or (vi) use of an improper method of accounting for a taxable period on or prior to the Closing Date.

(n) To the knowledge of any of the NextPoint Entities, each Acquired Entity is in compliance with all Applicable Laws in respect of abandoned or unclaimed property or escheat and has paid, remitted or delivered to each jurisdiction all amounts in respect of unclaimed or abandoned property required by any Applicable Laws to be paid, remitted or delivered to that jurisdiction.

4.11 Sanctioned Person

None of the NextPoint Entities, nor any of their respective officers, directors, employees or agents, is a Sanctioned Person.

4.12 Sanctions Laws

None of the NextPoint Entities has (a) assets located in, or otherwise directly or, to the knowledge of any of the NextPoint Entities, indirectly, derives revenues from or engages in, investments, dealings, activities, or transactions in or with, any Sanctioned Country in violation of Sanctions Laws; or (b) directly or, to the knowledge of any of the NextPoint Entities, indirectly,

derives revenues from or engages in investments, dealings, activities, or transactions with, any Sanctioned Person in violation of Sanctions Laws.

4.13 Anti-Money Laundering Laws; Anti-Corruption Laws

(a) The operations of the NextPoint Entities are and have been at all times conducted in compliance with, in all respects, (i) the U.S. Currency and Foreign Transactions Reporting Act of 1970, the PCMLTFA (as defined below), the Money Laundering Control Act of 1986 (18 U.S.C. §§ 1956-1957), the PATRIOT Act (as defined below), the Bank Secrecy Act (31 U.S.C. §§5311-5332), and any other applicable laws related to money laundering or terrorism financing ("**Anti-Money Laundering Laws**"), (ii) the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, and any other applicable laws or regulations concerning or relating to bribery or corruption ("**Anti-Corruption Laws**") and (iii) Sanctions Laws.

(b) No action, suit, investigation or legal proceeding by or before any Governmental Authority or any arbitrator involving the NextPoint Entities or any officer, director, employee or agent thereof, or any informal or formal investigation by any NextPoint Entity or its legal or other representatives involving the foregoing, with respect to Anti-Money Laundering Laws, Anti-Corruption Laws or Sanctions Laws is pending, or to the knowledge of any of the NextPoint Entities, threatened.

4.14 Data Security

(a) Each of the NextPoint Entities has taken reasonable steps to safeguard the internal and external integrity and security of the IT Systems owned or used by or for such NextPoint Entity and the data that such IT Systems contain (including the data of their customers).

(b) Except as set forth on Schedule 4.14 to the Disclosure Letter, to the knowledge of NextPoint Parent, since January 1, 2021, none of the NextPoint Entities has suffered a Security Incident, or any material loss of data, material disruption or material damage to its operations.

(c) Each of the NextPoint Entities is, and has been, in compliance with applicable Data Security Requirements in all material respects. Since January 1, 2021, none of the NextPoint Entities has received any written notice or complaint from any third party (including any of its employees or agents) or any Governmental Authority (i) alleging breach of or seeking to investigate compliance with any applicable Data Security Requirement, or (ii) relating to a Security Incident.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser represents and warrants, severally and not jointly, and only as to itself, to the NextPoint Parent and the NextPoint Entities as follows, and acknowledges that the NextPoint

Parent and the NextPoint Entities are relying upon the following representations and warranties in connection with the sale of the Purchased Interests:

5.1 Due Authorization and Enforceability of Obligations

This Agreement has been duly authorized, executed and delivered by such Purchaser, and, assuming the due authorization, execution and delivery by it, this Agreement constitutes the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

5.2 Existence and Good Standing

Such Purchaser is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated by this Agreement.

5.3 Sophisticated Party

Such Purchaser (i) is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement, (ii) has conducted its own analysis and made its own decision to enter into this Agreement and has obtained such independent advice in this regard as it deemed appropriate, and (iii) has not relied on such analysis or decision of any Person other than its own independent advisors.

5.4 Absence of Conflicts

The execution and delivery of this Agreement by such Purchaser and the completion by such Purchaser of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, or any of its properties or assets, (subject to the receipt of any Transaction Regulatory Approvals) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, by-laws or other constituent documents.

5.5 Approvals and Consents

The execution and delivery of this Agreement by the Purchaser, the completion by such Purchaser of its obligations hereunder and the consummation by such Purchaser of the transactions contemplated herein, do not and will not require any consent or approval or other action, with or by, any Governmental Authority, other than as contemplated by any Order and the Transaction Regulatory Approvals.

5.6 No Actions

There is not, as of the date hereof, pending or, to such Purchaser's knowledge, threatened against it or any of its properties, nor has such Purchaser received notice in respect of, any claim, potential claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body that, would prevent it from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

5.7 Accredited Investor

Such Purchaser is an "accredited investor", as such term is defined in National Instrument 45-106 - *Prospectus Exemptions* and in Rule 501 of Regulation D under the United States Securities Act of 1933 (the "**Securities Act**") and it was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in National Instrument 45-106 - *Prospectus Exemptions* and acknowledges that the Purchased Interests will be subject to resale restrictions under applicable securities laws. The Purchased Interests are being acquired by such Purchaser for its own account, and not with a view to, or for the offer or sale in connection with, any public distribution or sale of the Purchased Interests or any interest in them. Such Purchaser has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its acquisition of the Purchased Interests, and such Purchaser is capable of bearing the economic risks of such acquisition. Such Purchaser acknowledges that the Purchased Interests are not registered under the Securities Act, any state securities law, regulation or rule or any applicable foreign securities law, regulation or rule, and agrees that the Purchased Interests may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of except pursuant to a registered offering in compliance with, or in a transaction exempt from, the registration requirements of the Securities Act and any other applicable state and foreign securities laws.

5.8 Financial Ability

Such Purchaser has and will have at all relevant times, the financial ability and sufficient funds to perform all of its obligations under this Agreement, and the availability of such funds will not be subject to the consent, approval or authorization of any Person or the availability of any financing.

5.9 Purchase Price

Each Purchaser has executed, on or prior to the date hereof, the requisite instruction letters to fully authorize the Purchasers, and each Purchaser is duly authorized, to, among other things, deliver the consideration set forth in Sections 3.1(a) and 3.1(b), as applicable, in connection with the consummation of the Closing hereunder.

5.10 Investment Canada Act

Such Purchaser is a "trade agreement investor" within the meaning of the Investment Canada Act.

ARTICLE 6
CONDITIONS

6.1 Conditions for the Benefit of the Purchasers and the NextPoint Entities

The respective obligations of each Purchaser and each NextPoint Entity to consummate the transactions contemplated by this Agreement are subject to the satisfaction of, or compliance with, at or prior to the Closing Time, each of the following conditions:

(a) *No Law* – no provision of any Applicable Law and no judgment, injunction or Order shall have been enacted, announced, issued or entered by any Governmental Authority of competent jurisdiction that prevents, restrains, enjoins, renders illegal or otherwise prohibits to consummation of the purchase of the Purchased Interests or any of the other transactions pursuant to this Agreement;

(b) *Final Orders* – the Vesting Order shall have been issued and entered and shall be a Final Order;

(c) *Final U.S. Order* – the Vesting Recognition Order shall have been issued and entered by the U.S. Bankruptcy Court and shall be a Final Order; and

(d) *Transaction Regulatory Approvals* – the NextPoint Entities and the Purchasers shall have received all required Transaction Regulatory Approvals, and all required Transaction Regulatory Approvals shall be in full force and effect, except for Transaction Regulatory Approvals that need not be in full force and effect prior to Closing.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of each Purchaser and each NextPoint Entity.

6.2 Conditions for the Benefit of the Purchasers

The obligation of any Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver (to the extent permitted by Applicable Law) by any Purchaser of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of each Purchaser):

(a) *Performance of Covenants* – the covenants contained in this Agreement required to be performed or complied with by the NextPoint Entities at or prior to the Closing Time shall have been performed or complied with in all material respects as at the Closing Time;

(b) *Truth of Representations and Warranties* – (i) the Fundamental Representations and Warranties of the NextPoint Entities shall be true and correct in all respects (other than de minimis inaccuracies) as of the date hereof and as of the Closing Date, as if made at and as of such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such

specified date) and (ii) all other representations and warranties of the NextPoint Entities contained in Article 4 shall be true and correct in all respects as of the date hereof and as of the Closing Date, as if made at and as of such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not, in the aggregate, have a Material Adverse Effect (and, for this purpose, any reference to "material", "Material Adverse Effect" or other concepts of materiality in such representation and warranties shall be ignored);

(c) *Officer's Certificates* – the Purchasers shall have received a certificate confirming the satisfaction of the conditions contained in Sections 6.2(a) (*Performance of Covenants*), 6.2(b) (*Truth of Representations and Warranties*) and 6.2(d) (*No Material Adverse Effect*), signed for and on behalf of the NextPoint Entities without personal liability by an executive officer of each of the applicable NextPoint Entities or other Persons acceptable to the Purchasers, in each case in form and substance reasonably satisfactory to the Purchasers;

(d) *No Material Adverse Effect* – since the date hereof, no Material Adverse Effect shall have occurred;

(e) *NextPoint Entities' Deliverables* – the NextPoint Entities shall have delivered to the Purchasers all of the deliverables contained in Section 10.2 in form and substance reasonably satisfactory to the Purchasers;

(f) *Vesting Order Approval* – the Vesting Order shall have been granted by the applicable date set forth in Section 4(b)(iv) of the Support Agreement;

(g) *Implementation Steps* – the NextPoint Entities shall have completed the Implementation Steps that are required to be completed prior to Closing, in form and substance reasonably acceptable to the Purchasers;

(h) *Employees* – each of the employees of NextPoint Parent and Holdco, as applicable, shall have entered into a new employment agreement with an Acquired Entity or have been provided with written notice of the transfer of their employment to an Acquired Entity, in each case as the Purchasers shall direct and in form and substance satisfactory to the Purchasers;

(i) *Benefit Plans* – each benefit plan, arrangement, agreement or program of NextPoint Parent or Holdco, as applicable, pursuant to which benefits are provided to employees of NextPoint Parent or Holdco, as applicable, shall have been transferred to the applicable Acquired Entity, or such applicable Acquired Entity shall have adopted or otherwise implemented benefit plans, arrangements, agreements or programs providing benefits to such employees, in each case as the Purchasers shall direct and in form and substance satisfactory to the Purchasers;

(j) *Insurance* – each policy of insurance of NextPoint Parent or Holdco, as applicable, shall have been assigned to the applicable Acquired Entity, or such applicable Acquired Entity shall have obtained insurance policies providing substantially similar coverage, in each case as the Purchasers shall direct and in form and substance satisfactory to the Purchasers; and

(k) *Bank Accounts* – the NextPoint Entities shall have delivered to the Purchasers evidence that no cash is held in the bank accounts of NextPoint Parent or HoldCo as of the Closing.

6.3 Conditions for the Benefit of the NextPoint Entities

The obligation of the NextPoint Entities to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver where applicable by any NextPoint Entity on behalf of the NextPoint Entities, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the NextPoint Entities):

(a) *Truth of Representations and Warranties* – the representations and warranties of the Purchasers contained in Article 5 will be true and correct in all respects (other than de minimis inaccuracies) as of the date hereof and as of the Closing Date as if made at and as of such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not reasonably be expected to have a material and adverse effect on the Purchasers' ability to consummate the transactions contemplated by this Agreement;

(b) *Performance of Covenants* – the covenants contained in this Agreement required to be performed or complied with by the Purchasers at or prior to the Closing Time shall have been performed or complied with in all material respects as at the Closing Time;

(c) *Officer's Certificate* – the NextPoint Entities shall have received a certificate confirming the satisfaction of the conditions contained in Sections 6.3(a) and 6.3(b) signed for and on behalf of each Purchaser without personal liability by an authorized signatory of the Purchaser or other Persons acceptable to the NextPoint Entities, acting in a commercially reasonable manner, in each case, in form and substance satisfactory to the NextPoint Entities, acting in a commercially reasonable manner;

(d) *Support Agreement* – the Support Agreement shall not have been terminated by any party thereto; and

(e) *Purchaser Deliverables* – the Purchasers shall have delivered to the NextPoint Entities all of the deliverables contained in Section 10.3 in form and substance satisfactory to the NextPoint Entities, acting in a commercially reasonable manner.

6.4 Waiver of Conditions

Any condition in Sections 6.1, 6.2 or 6.3 may be waived by any Purchaser on behalf of the Purchasers or NextPoint Parent on behalf of the NextPoint Entities, as applicable, in whole or in part, without prejudice to any of their respective rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchasers or the NextPoint Entities, as applicable, only if made in writing.

ARTICLE 7
ADDITIONAL AGREEMENTS OF THE PARTIES

7.1 Access to Information

(a) From the date hereof until the earlier of (x) the Closing Time and (y) the termination of this Agreement pursuant to Article 9, the NextPoint Entities shall give to the Purchasers' and their accountants, legal advisers, consultants, financial advisors and other representatives engaged in the transactions contemplated by this Agreement during normal business hours reasonable access to its premises and to electronic access to all of the books and records relating to the Business, the NextPoint Entities, the Assumed Liabilities and the employees, and shall furnish them with all such information relating to the Business, the NextPoint Entities, the Assumed Liabilities and the employees of the Business as the Purchasers or such representatives may reasonably request in connection with the transactions contemplated by this Agreement and the Purchasers' due diligence review of the NextPoint Entities; provided that any such access shall be conducted at the Purchasers' expense, in accordance with Applicable Law and, in the case of access to the premises of the NextPoint Entities, under supervision of the NextPoint Entities' personnel and in such a manner as to maintain confidentiality, and the NextPoint Entities will not be required to provide access to or copies of any such books and records if (a) the provision thereof would cause the NextPoint Entities or the NextPoint Parent to be in contravention of any Applicable Law or (b) making such information available would (1) result in the loss of any lawyer-client or other legal privilege, or (2) cause the NextPoint Entities or the NextPoint Parent to be found in contravention of any Applicable Law, or contravene any agreement (including any confidentiality agreement to which the NextPoint Entities, the NextPoint Parent, or any of their respective Affiliates are a party); provided, that with respect to the foregoing clauses (a) and (b), the NextPoint Entities shall use commercially reasonable efforts to find a suitable alternative to disclose information in such a way that such disclosure does not contravene any such Applicable Law or agreement or jeopardize such privilege. The NextPoint Entities shall use commercially reasonable efforts to also deliver to the Purchasers authorizations to the NextPoint Entities and their applicable Subsidiaries necessary to permit the Purchasers to obtain information in respect of such NextPoint Entities from the files of such Governmental Authorities.

(b) For a period of seven (7) years following the Closing, the Acquired Entities and the Purchasers shall make all books and records of the Acquired Entities reasonably available to the Monitor and any trustee in bankruptcy of any of the NextPoint Entities upon at least five (5) Business Days prior notice and shall, at such Person's expense, permit any of the foregoing Persons to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that the Acquired Entities and the Purchasers shall not be obligated to make such books and records available to the extent that doing so would (a) violate Applicable Law, (b) jeopardize the protection of a solicitor-client privilege, or (c) unreasonably and materially interfere with the ongoing business and operations of the Purchasers, the Acquired Entities and their respective Affiliates, as determined by the Purchasers, acting reasonably; provided, that with respect to the foregoing clauses (a), (b), and (c), the Purchasers shall use commercially reasonable efforts to find a suitable alternative to disclose information in such a way that such disclosure does not contravene any such Applicable Law, jeopardize such privilege, or unreasonably and materially interfere with such ongoing business and operations.

7.2 Approvals and Consents

(a) The NextPoint Entities shall be responsible for the payment of any filing fees required to be paid in connection with any filing made in respect of the Antitrust Approvals.

(b) The Parties shall use commercially reasonable efforts to apply for an obtain any Transaction Regulatory Approvals as soon as reasonably practicable and no later than the time limits imposed by Applicable Laws, in accordance with Section 7.2(c), in each case at the sole cost and expense of the NextPoint Entities.

(c) The Parties shall use commercially reasonable efforts to apply for and obtain the Transaction Regulatory Approvals and shall co-operate with one another in connection with obtaining such approvals. Without limiting the generality of the foregoing, the Parties shall: (i) give each other reasonable advance notice of all meetings or other oral communications with any Governmental Authority relating to the Transaction Regulatory Approvals and provide as soon as practicable but in any case, if any, within the required time, any additional submissions, information and/or documents requested by any Governmental Authority necessary, proper or advisable to obtain the Transaction Regulatory Approvals; (ii) not participate independently in any such meeting or other oral communication without first giving the other Party (or their outside counsel) an opportunity to attend and participate in such meeting or other oral communication, unless otherwise required or requested by such Governmental Authority; (iii) if any Governmental Authority initiates an oral communication regarding the Transaction Regulatory Approvals, promptly notify the other Party of the substance of such communication; (iv) subject to Applicable Laws relating to the exchange of information, provide each other with a reasonable advance opportunity to review and comment upon and consider in good faith the views of the other in connection with all written communications

(including any filings, notifications, submissions, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) made or submitted by or on behalf of a Party with a Governmental Authority regarding the Transaction Regulatory Approvals; and (v) promptly provide each other with copies of all written communications to or from any Governmental Authority relating to the Transaction Regulatory Approvals.

(d) Each of the Parties may, as advisable and necessary, reasonably designate any competitively or commercially sensitive material provided to the other under this Section 7.2 as "Outside Counsel Only Material", provided that the disclosing Party also provides a redacted version to the receiving Party. Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and, subject to any additional agreements between the Parties, will not be disclosed by such outside legal counsel to employees, officers or directors of the recipient unless express written permission is obtained in advance from the source of the materials or its legal counsel.

(e) The obligations of the Parties to use commercially reasonable efforts to obtain the Transaction Regulatory Approvals does not require the Purchasers (or any Affiliate thereof) to initiate, commence, contest or resist any commenced, threatened, or foreseeable proceeding that would reasonably be expected to seek to prevent, materially impede or materially delay the consummation of the transactions contemplated by this Agreement, or to offer, accept or agree to: (i) the sale, divestiture, licensing, or disposition of any part of the businesses or assets of the Purchasers or their Affiliates or of the Purchased Interests or the assets of the NextPoint Entities; (ii) the termination of any existing contractual rights, relationships and obligations, or entry into, or amendment of, any such contractual arrangements; (iii) the taking of any action that, after consummation of the transactions contemplated by this Agreement, would limit the freedom of action of, or impose any other requirement on the Purchasers or the NextPoint Entities with respect to the operation of their or their Affiliates' businesses or assets; or (iv) any other remedial action in order to obtain the Transaction Regulatory Approvals.

7.3 Covenants Relating to this Agreement

(a) Each of the Parties shall perform all obligations required to be performed by the applicable Party under this Agreement, co-operate with the other Parties in connection therewith and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable and prior to the Outside Date, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, from the date hereof until the earlier of (x) the Closing Date and (y) the termination of this Agreement pursuant to Article 9, each Party shall and, where appropriate, shall cause each of its Affiliates to:

(i) negotiate in good faith and use its commercially reasonable efforts to take or cause to be taken all actions and to do, or cause to be done, all things necessary, proper or advisable to satisfy the conditions precedent to the obligations of such Party hereunder (including, where applicable, negotiating in good faith with the applicable Governmental Authorities and/or third Persons in connection therewith), and to cause the fulfillment at the earliest practicable date of all of the conditions precedent to the other Party's obligations to consummate the transactions contemplated hereby; and

(ii) not take any action, or refrain from taking any action, or permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.

(b) From the date hereof until the Closing Date, the Purchasers hereby agree, and hereby agree to cause their representatives to, keep the NextPoint Entities informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by the NextPoint Entities or the Monitor, as to the Purchasers' progress in terms of the satisfaction of the conditions precedent contained herein.

(c) From the date hereof until the Closing, the NextPoint Entities hereby agree, and hereby agrees to cause their representatives to, keep the Purchasers informed, as reasonably requested by the Purchasers or the Monitor, as to the NextPoint Entities' progress in terms of the satisfaction of the conditions precedent contained herein.

(d) The NextPoint Entities and the Purchasers agree to execute and deliver such other documents, certificates, agreements and other writings, and to take such other actions to consummate or implement as soon as reasonably practicable, the transactions contemplated by this Agreement.

(e) From the date hereof until the earlier of (x) the Closing Date and (y) the termination of this Agreement pursuant to Article 9, the NextPoint Entities hereby agree, and hereby agrees to cause its representatives to, promptly notify the Purchasers of (i) any event, condition, or development that has resulted in the inaccuracy in a material respect or material breach of any representation or warranty, covenant or agreement contained in this Agreement, or (ii) any Material Adverse Effect occurring from and after the date hereof prior to the Closing Date.

(f) The NextPoint Entities and the Purchasers agree to use commercially reasonable efforts to timely prepare and file all documentation and pursue all steps reasonably necessary to obtain any material third-party consents and approvals as may be required in connection with the transaction contemplated by this Agreement.

7.4 Tax Matters

(a) The NextPoint Entities agree to furnish or cause to be furnished to the Purchasers, as promptly as practicable, such information and assistance relating to the Acquired Entities and the Assumed Liabilities as is reasonably necessary for the preparation and filing of any Tax Return, claim for refund or other required filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution of any suit or other proceedings relating to Tax matters and for the answer to any governmental or regulatory inquiry relating to Tax matters. The NextPoint Entities also agree to furnish or cause to be furnished to the Purchasers, as promptly as practicable, such information and assistance relating to the Acquired Entities and the Assumed Liabilities as is reasonably necessary for the Purchasers to acquire the Acquired Entities in a tax efficient manner for the Purchasers.

(b) The Purchasers shall be responsible for and shall pay, or cause to be paid, any Transfer Tax in respect of the purchase and sale of the Purchased Interests under this Agreement (other than any Transfer Taxes that are not required to be paid under the CCAA, the U.S. Bankruptcy Code, or any other Applicable Law) and such Transfer Tax shall be remitted to the appropriate Governmental Authority as provided for under Applicable Law (except any Transfer Tax which, under Applicable Law, is collectible by the NextPoint Entities, in which case such Transfer Tax shall be collected by the applicable NextPoint Entity and remitted by the NextPoint Entity to the appropriate Governmental Authority as provided for under the Applicable Law but, for the avoidance of doubt, the Purchasers shall remain economically responsible for and shall pay to or reimburse, or cause to be paid or reimbursed, as the case may be, the NextPoint Entities for any such Transfer Tax). For the avoidance of doubt any Transfer Taxes in connection with the Implementation Steps are not covered by this Section 7.4(a) and shall be borne by the Purchasers. The NextPoint Entities and the Purchasers shall reasonably cooperate to mitigate and/or eliminate the amount of Transfer Taxes resulting from the transactions contemplated herein (provided, for the avoidance of doubt, this shall not require the parties to structure the transactions in a manner eligible for the benefits of Section 1146(a) of the United States Bankruptcy Code).

(c) The Purchasers shall be responsible for preparing and filing all necessary (i) Tax Returns or other documents with respect to such Transfer Taxes and (ii) all other Tax Returns required to be filed by the Acquired Entities on or after the Closing Date; provided, however, that in the event any such Tax Return requires execution by any NextPoint Entity, the Purchasers shall deliver it to such NextPoint Entity not less than ten (10) Business Days before the due date thereof, and the NextPoint Entities shall reasonably promptly execute such Tax Return and return it to the Purchasers.

(d) The NextPoint Entities shall promptly notify Purchasers in writing of any proposed assessment or the commencement of any Tax audit or administrative or judicial

proceeding or of any demand or claim with respect to Taxes with respect to the Purchased Interests, Acquired Entities, or any NextPoint Entity. At the option of the Purchasers, the Purchasers shall control and shall have the right to discharge, settle, or otherwise dispose of, at its own expense, all tax contests or proceedings in respect of (i) the Purchased Interests, (ii) the Acquired Entities, or (iii) any NextPoint Entity to the extent such contests or proceedings would have an effect on an Acquired Entity or the business of an Acquired Entity.

(e) If, at any time after the Effective Time, a Party determines, or becomes aware that an "advisor" (as is defined for purposes of section 237.3 or section 237.4 of the Tax Act) has determined, that the transactions contemplated by this Agreement are or would be subject to the reporting requirements under section 237.3 or the notification requirements under section 237.4 of the Tax Act (in this Section 7.4(e), the "**Disclosure Requirements**"), the Party will promptly inform the other Party of its intent, or its advisor's intent, to comply with the Disclosure Requirements and the Parties will cooperate in good faith to determine the applicability of such Disclosure Requirements. In the event that, following such cooperation, it is ultimately determined that any Party is required to file any applicable information, return, notification and/or disclosure in accordance with the Disclosure Requirements (in this Section 7.4(e), in each case, a "**Mandatory Disclosnre**"), each Party required to file a Mandatory Disclosure (in this Section 7.4(e), a "**Disclosing Party**") shall submit to the other Party a draft of such Mandatory Disclosure at least 30 days before the date on which such Mandatory Disclosure is required by Applicable Law to be filed, and such other Party shall have the right to make reasonable comments or changes on such draft by communicating such comments or changes in writing to the Disclosing Party at least 15 days before the date on which such Mandatory Disclosure is required by Applicable Law to be filed. The Disclosing Party shall consider in good faith any such comments or changes proposed by the other Party and shall incorporate such comments or changes which the Disclosing Party determines are reasonable and in accordance with Applicable Law.

(f) From the date hereof until the Closing, with respect to each Acquired Entity, the NextPoint Entities shall not make or change any income or other material Tax election, change or adopt any income or other material accounting policies or practices (including any Tax accounting methods, policies, or practices), file any amended income or other material Tax Return, enter into any closing agreement in respect of any Taxes, settle any income or other material Tax claim, assessment or other audit or Tax action, surrender any right to claim a refund of material Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment, incur any material liability for Taxes outside the ordinary course of business, fail to pay any Tax that becomes due and payable (including any estimated Tax payments), prepare or file any income or other material Tax Return in a manner inconsistent with past practice, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, in each case, other than as required by Applicable Law.

7.5 Release by the Purchasers

Except in connection with any obligations of the NextPoint Entities or the Monitor contained in this Agreement or any Closing Documents, effective as of the Closing, each Purchaser hereby releases and forever discharges the NextPoint Entities, the CRO, the Monitor and their respective Affiliates (excluding the LoanMe Entities), and each of their respective successors and assigns, and all officers, directors, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors of each of them, from any and all actual or potential Released Claims which such Person had, has or may have in the future to the extent relating to the Purchased Interests or the Assumed Liabilities, save and except for Released Claims arising out of fraud or willful misconduct.

7.6 Release by the NextPoint Entities

Except in connection with any obligations of each Purchaser and the Monitor contained in this Agreement or any Closing Documents, effective as of the Closing, the NextPoint Entities hereby release and forever discharge each Purchaser, the CRO, the Monitor and their respective Affiliates, and each of their respective successors and assigns, and all officers, directors, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors of each of them, from any and all actual or potential Released Claims which such Person had, has or may have in the future to the extent relating to the Purchased Interests, the Assumed Liabilities, the Excluded Assets or the Excluded Liabilities, save and except for Released Claims arising out of fraud or willful misconduct.

ARTICLE 8
INSOLVENCY PROVISIONS

8.1 Conrt Orders and Related Matters

(a) From and after the date of this Agreement and until the Closing Date, the NextPoint Entities shall deliver to the Purchasers drafts of any and all pleadings, motions, notices, statements, applications, schedules, reports, and other papers to be filed or submitted by any NextPoint Entity in connection with or related to this Agreement, including with respect to the SISP Order, the Vesting Order, the Vesting Recognition Order, and the SISP Recognition Order, for the Purchasers' prior review at least three (3) days in advance of service and filing of such materials (or where circumstances make it impracticable to allow for three (3) days' review, with as much opportunity for review and comment as is practically possible in the circumstances). The NextPoint Entities acknowledge and agree (i) that any such pleadings, motions, notices, statements, applications, schedules, reports, or other papers shall be in form and substance satisfactory to the Purchasers, acting reasonably, and (ii) to consult and cooperate with the Purchasers regarding any discovery, examinations and hearing in respect of any of the foregoing, including the submission of any evidence, including witnesses testimony, in connection with such hearing.

(b) Notice of the motions seeking the issuance of the Vesting Order and the Vesting Recognition Order shall be served by the NextPoint Entities on all Persons required to receive notice under Applicable Law and the requirements of the CCAA, the CCAA Court, the U.S. Bankruptcy Code, the U.S. Bankruptcy Court and any other Person determined necessary by the NextPoint Entities or the Purchasers, acting reasonably.

(c) Notwithstanding any other provision herein, it is expressly acknowledged and agreed that in the event that (i) the Vesting Order has not been issued and entered by the CCAA Court by the applicable date set forth in Section 4(b)(iv) of the Support Agreement or such later date agreed to in writing by the Purchasers in their sole discretion; or (ii) the Vesting Recognition Order has not been issued and entered by the U.S. Bankruptcy Court within fourteen (14) days after the Vesting Order being entered by the CCAA Court or such later date agreed to in writing by the Purchasers in their sole discretion, the Purchasers may terminate this Agreement; provided that in each case, such deadlines are subject to court availability.

(d) If the Vesting Order or the Vesting Recognition Order, as applicable, relating to this Agreement is appealed or a motion for leave to appeal, rehearing, reargument or reconsideration is filed with respect thereto, the NextPoint Entities agree to take all action as may be commercially reasonable and appropriate to defend against such appeal, petition or motion.

(e) The NextPoint Entities acknowledge and agree, that the Vesting Order and the Vesting Recognition Order shall provide that, on the Closing Date and concurrently with the Closing, the Purchased Interests shall be transferred to the Purchasers free and clear of all Encumbrances, other than Permitted Encumbrances.

ARTICLE 9
TERMINATION

9.1 Termination

This Agreement may be terminated at any time prior to Closing as follows:

(a) by mutual written consent of the NextPoint Entities and the Purchasers;

(b) by the Purchasers or the NextPoint Entities, if Closing has not occurred on or before the Outside Date, provided that the terminating Party is not then in breach of any representation, warranty, covenant or other agreement in this Agreement and a breach by the non-terminating Party resulted in the failure of the Closing to occur by the Outside Date;

(c) by the Purchasers, upon the appointment of a receiver, trustee in bankruptcy or similar official in respect of any NextPoint Entity or any of the property of any NextPoint Entity, other than with the prior written consent of the Purchaser;

(d) by the Purchasers, pursuant to Section 8.1(c);

(e) by the Purchasers or the NextPoint Entities, upon the termination, dismissal or conversion of the CCAA Proceedings and the U.S. Proceedings;

(f) by the Purchasers or the NextPoint Entities, upon denial of the Vesting Order or the Vesting Recognition Order (or if any such order is stayed, vacated or varied without the consent of the Purchasers);

(g) by the Purchasers or the NextPoint Entities, if a court of competent jurisdiction, including the CCAA Court or the U.S. Bankruptcy Court, or other Governmental Authority has issued an Order or taken any other action that permanently restrains, enjoins or otherwise prohibits the consummation of Closing and such Order or action has become a Final Order;

(h) by the NextPoint Entities, if there has been a violation or breach by the Purchasers of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 6.3(a) or Section 6.3(b) and such violation or breach has not been waived by the NextPoint Entities or cured upon the earlier of (i) ten (10) Business Days after written notice thereof from the NextPoint Entities and (ii) the Outside Date, unless the NextPoint Entities are in violation or breach of their obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 6.2(a) or Section 6.2(b);

(i) by the Purchasers, if there has been a violation or breach by the NextPoint Entities of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 6.2(a) or Section 6.2(b) and such violation or breach has not been waived by the Purchasers or cured upon the earlier of (i) ten (10) Business Days after written notice thereof from the Purchasers and (ii) the Outside Date, unless the Purchasers are in violation or breach of their obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 6.2(a) or Section 6.2(b);

(j) by the Purchasers or the NextPoint Entities, if the Support Agreement is terminated pursuant to the terms thereof; and

(k) by the Purchasers, if there has been a default under the DIP Financing.

The Party desiring to terminate this Agreement pursuant to this Section 9.1 (other than pursuant to Section 9.1(a)) shall give written notice of such termination to the other Party or Parties, as applicable, specifying in reasonable detail the basis for such Party's exercise of its termination rights.

9.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 9.1, this Agreement shall become void and of no further force or effect without liability of any Party to any other Party to

this Agreement except that (a) Article 1, this Section 9.2, Section 11.3, Section 11.5, Section 11.6, Section 11.7 and Section 11.8 shall survive and (b) no termination of this Agreement shall relieve any Party of any liability for any breach by it of this Agreement prior to such termination or fraud.

ARTICLE 10
CLOSING

10.1 Location and Time of the Closing

Closing shall take place at the Closing Time on the Closing Date at the offices of Osler, Hoskin & Harcourt LLP, Suite 3000, Bentall Four, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1K8, or at such other location as may be agreed upon by the Parties.

10.2 NextPoint Entities' Deliveries at Closing

At the Closing, the NextPoint Entities shall deliver to the Purchasers the following:

(a) a true copy of each of the Vesting Order, the SISP Order, the Vesting Recognition Order, the SISP Recognition Order, each of which shall be final;

(b) an executed copy of the Monitor's Certificate;

(c) a certificate of the CRO in form and substance reasonably satisfactory to the Purchasers: (a) certifying that the board of directors of the NextPoint Entity, has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (b) certifying as to the incumbency and signatures of the officers and directors of the NextPoint Entity;

(d) the certificates contemplated by Section 6.2(c); and

(e) an affidavit, signed under penalties of perjury, stating that the applicable company is not and has not been at any time during the period specified in Section 897(c)(1)(A)(ii) of the Code a "United States real property holding corporation," dated as of the Closing Date and in form and substance reasonably satisfactory to the Purchasers and as required under Treasury Regulation Section 1.897-2(h) so that the Purchasers are exempt from withholding any portion of the Purchase Price thereunder, together with proof reasonably satisfactory to the Purchasers that the applicable NextPoint Entity has provided notice of such affidavit to the IRS in accordance with Treasury Regulation Section 1.897-2(h)(2).

10.3 Pnrchasers' Deliveries at Closing

At the Closing, the Purchasers shall deliver to the NextPoint Entities:

(a) the applicable payment contemplated by Section 3.1;

(b) a certificate of an authorized signatory of each Purchaser (in such capacity and without personal liability), in form and substance reasonably satisfactory to the NextPoint Entities: (a) certifying that the board of directors, member(s) or manager(s), as applicable, of the administrator of the Purchaser has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (b) certifying as to the incumbency and signature of the authorized signatory of or on behalf of the Purchaser executing this Agreement and the other transaction documents contemplated herein, as applicable;

(c) the certificate contemplated by Section 6.3(c); and

(d) all other documents required to be delivered by the Purchasers on or prior to the Closing Date pursuant to this Agreement or Applicable Law or as reasonably requested by the NextPoint Entities in good faith.

10.4 Monitor

When the conditions to the Closing set out in Article 6 have been satisfied and/or waived by the NextPoint Entities or the Purchasers, as applicable, the NextPoint Entities or the Purchasers, or their respective counsel, shall each deliver to the Monitor written confirmation that all conditions to Closing have been satisfied or waived. Upon receipt of such written confirmation, the Monitor shall: (i) issue forthwith its Monitor's Certificate in accordance with the Vesting Order; and (ii) file as soon as practicable a copy of the Monitor's Certificate with the CCAA Court (and shall provide a true copy of such filed certificate to the NextPoint Entities and the Purchasers). The Parties hereby acknowledge and agree that the Monitor will be entitled to file the Monitor's Certificate with the CCAA Court without independent investigation upon receiving written confirmation from the NextPoint Entities and the Purchasers that all conditions to Closing have been satisfied or waived, and the Monitor will have no liability to the NextPoint Entities or the Purchasers or any other Person as a result of filing the Monitor's Certificate.

10.5 Simnltaneous Transactions

All actions taken and transactions consummated at the Closing shall be deemed to have occurred in the manner and sequence contemplated by the Implementation Steps and set forth in the Vesting Order, as applicable (subject to the terms of any escrow agreement or arrangement among the Parties relating to the Closing), and no such transaction shall be considered consummated unless all are consummated.

10.6 Further Assurances

As reasonably required by a Party in order to effectuate the transactions contemplated by this Agreement, the Purchasers and the NextPoint Entities shall execute and deliver at (and after)

the Closing such other documents, and shall take such other actions, as are necessary or appropriate, to implement and make effective the transactions contemplated by this Agreement.

ARTICLE 11
GENERAL MATTERS

11.1 Confidentiality

After the Closing Time, each of NextPoint Parent and Holdco shall, and shall cause its Affiliates to, maintain the confidentiality of all confidential information relating to the Business and each Acquired Entity (but does not include information that is or becomes generally available to the public other than as a result of disclosure by NextPoint Parent, Holdco or their representatives in breach of this Agreement), except any disclosure of such information and records as may be required by Applicable Law, the CCAA Proceedings, the U.S. Proceedings, or permitted by Purchasers in writing. If NextPoint Parent or Holdco, or any of their representatives, becomes legally compelled by deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar judicial or administrative process, to disclose any such information, such party shall, provide the Purchasers with reasonably prompt prior oral or written notice of such requirement (including any report, statement, testimony or other submission to such Governmental Authority) to the extent legally permissible and reasonably practicable, and cooperate with the Purchasers, at the Purchasers' expense, to obtain a protective order or similar remedy to cause such information not to be disclosed; provided that in the event that such protective order or other similar remedy is not obtained, NextPoint Parent or Holdco, as applicable, shall, or shall cause its Affiliate or representative to, furnish only that portion of such information that has been legally compelled, and shall, or shall cause such Affiliate or representative to, exercise its commercially reasonable efforts to obtain assurance that confidential treatment will be accorded such disclosed information.

11.2 Public Notices

No press release or other announcement concerning the transactions contemplated by this Agreement shall be made by the NextPoint Entities or the Purchasers, or any of their respective Affiliates, without the prior consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed by the NextPoint Entities and, in the case of the Purchasers, in the Purchasers' sole discretion); provided, however, that subject to the last sentence of this Section 11.2, any Party may, without such consent, make such disclosure if the same is required by Applicable Law (including the CCAA Proceedings and the U.S. Proceedings) or by any stock exchange on which any of the securities of such Party or any of its Affiliates are listed, or by any insolvency or other court or securities commission, or other similar Governmental Authority having jurisdiction over such Party or any of its Affiliates, and, if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other Party to the extent legally permissible and reasonably practicable, and if such prior notice is not legally permissible or reasonably practicable, to give such notice reasonably promptly following the making of such disclosure. Notwithstanding the foregoing: (i) this Agreement may be filed by (A) the NextPoint Entities with the CCAA Court and the U.S. Bankruptcy Court; and (B) NextPoint Parent on its profile on www.sedar.com; and (ii) the

transactions contemplated in this Agreement may be disclosed by the NextPoint Entities to the CCAA Court and the U.S. Bankruptcy Court, subject to redacting confidential or sensitive information as permitted by Applicable Law. The Parties further agree that:

(a) the Monitor may prepare and file reports and other documents with the CCAA Court and the U.S. Bankruptcy Court containing references to the transactions contemplated by this Agreement and the terms of such transactions;

(b) the NextPoint Entities, the Purchasers and their respective professional advisors may prepare and file such reports and other documents with the CCAA Court and the U.S. Bankruptcy Court containing references to the transactions contemplated by this Agreement and the terms of such transactions as may reasonably be necessary to complete the transactions contemplated by this Agreement or to comply with their obligations in connection therewith; and

(c) the Purchasers and their respective Affiliates may make announcements regarding the transactions contemplated by this Agreement to their existing and prospective investors provided that the information contained in such announcements is consistent with information that has been filed with the CCAA Court and the U.S. Bankruptcy Court or otherwise contained in a press release or other public filing permitted by this Section 11.2.

The Parties shall be afforded an opportunity to review and comment on such materials prior to their filing. The Parties may issue a joint press release announcing the execution and delivery of this Agreement, in form and substance mutually agreed to them.

11.3 Injunctive Relief

(a) The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek specific performance, injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, and to enforce compliance with the terms of this Agreement, without any requirement for the securing or posting of any bond in connection with the obtaining of any such specific performance, injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.

(b) Each Party hereby agrees not to raise any objections to the availability of the equitable remedies provided for herein and the Parties further agree that by seeking the remedies provided for in this Section 11.3, a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement.

(c) Notwithstanding anything herein to the contrary herein, under no circumstances shall a Party be permitted or entitled to receive both monetary damages and specific performance and election to pursue one shall be deemed to be an irrevocable waiver of the other.

11.4 Survival

None of the representations, warranties, covenants (except the covenants in Article 2, Article 3, Article 11 and Sections 7.1(b), 7.2, 7.3(a), (d) and (f), 7.4, 7.5, 7.6, and 10.6, to the extent they are to be performed after the Closing) of any of the Parties set forth in this Agreement, in any Closing Document to be executed and delivered by any of the Parties (except any covenants included in such Closing Documents, which, by their terms, survive the Closing) or in any other agreement, document or certificate delivered pursuant to or in connection with this Agreement or the transactions contemplated hereby shall survive the Closing.

11.5 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, securityholder, Affiliate, agent, lawyer or representative of the respective Parties, in such capacity, shall have any liability for any obligations or liabilities of the Purchasers or the NextPoint Entities, as applicable, under this Agreement, or for any Causes of Action based on, in respect of or by reason of the transactions contemplated hereby.

11.6 Assignment; Binding Effect

No Party may assign its right or benefits under this Agreement without the consent of each of the other Parties, except that without such consent the Purchasers may, upon prior notice to the NextPoint Entities: (a) assign this Agreement, or any or all of its rights and obligations hereunder, to one or more of their Affiliates; or (b) direct that title to all or some of the Purchased Interests be transferred to, and the corresponding Assumed Liabilities be assumed by, one or more of their Affiliates; provided that no such assignment or direction shall relieve the Purchasers of their obligations hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third Person beneficiary rights in any Person not a Party to this Agreement.

11.7 Notices

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (a) the date of personal delivery; (b) the date of transmission by email, with confirmed transmission and receipt (if sent during normal business hours of the recipient, if not, then on the next Business Day); (c) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (d) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally

or by email will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

(a) If to the Purchasers or to the Acquired Entities following Closing at:

BP Commercial Funding Trust, Series SPL-X, a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust
c/o BasePoint Capital LLC
75 Rockefeller Plaza, 25th Floor
New York, NY 10019
Attention: Michael Petronio
Email: mpetronio@basepointcapital.com

With a copy to:

BasePoint Capital LLC
75 Rockefeller Plaza, 25th Floor
New York, NY 10019
Attention: General Counsel
Email: BPG-LegalNotices@basepointcapital.com

With a copy to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attention: Brian Schartz, P.C.
(brian.schartz@kirkland.com) and Allyson B. Smith
(allyson.smith@kirkland.com)

and

300 N. LaSalle
Chicago, Illinois 60654
Attention: Gabriela Zamfir Hensley
(gabriela.hensley@kirkland.com)

and

Osler, Hoskin & Harcourt LLP
Suite 3000, Bentall Four
1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1K8
Canada

Attention: Mary Buttery, KC (mbuttery@osler.com)

and

100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, Ontario
M5X 1B8
Canada
Attention: Marc Wasserman (mwasserman@osler.com) and David Rosenblat (drosenblat@osler.com)

With a copy to:

Tom Powell and Paul Bishop
FTI Consulting Canada Inc.
701 West Georgia Street
Suite 1450, PO Box 10089
Vancouver, BC V7Y 1B6
Email: tom.powell@fticonsulting.com; paul.bishop@fticonsulting.com

With a copy to:

Kibben Jackson and Fergus McDonnell
Fasken Martineau Dumoulin LLP
2900 – 550 Burrard Street
Vancouver, British Columbia, V6C 0A3
Email: kjackson@fasken.com; fmcdonnell@fasken.com

(b) If to the NextPoint Entities (other than the Acquired Entities following Closing) at:

DLA Piper LLP (US)
1251 Avenue of the Americas
New York, New York 10020-1104
United States of America
Attention: Rachel Ehrlich Albanese and Jamila Justine Willis
Email: rachel.albanese@us.dlapiper.com; jamila.willis@us.dlapiper.com

and

DLA Piper (Canada) LLP
Suite 2700
1133 Melville St.
Vancouver, British Columbia

V6E 4E5
Canada
Attention: Colin Brousson and Russel Drew
Email: colin.brousson@dlapiper.com; russel.drew@dlapiper.com

With a copy to the Monitor, and if to the Monitor, at:

Tom Powell and Paul Bishop
FTI Consulting Canada Inc.
701 West Georgia Street
Suite 1450, PO Box 10089
Vancouver, BC V7Y 1B6
Email: tom.powell@fticonsulting.com; paul.bishop@fticonsulting.com

With a copy to:

Kibben Jackson and Fergus McDonnell
Fasken Martineau Dumoulin LLP
2900 – 550 Burrard Street
Vancouver, British Columbia, V6C 0A3
Email: kjackson@fasken.com; fmcdonnell@fasken.com

Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

11.8 Connterparts; Electronic Signatures

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by electronic signature which, for all purposes, shall be deemed to be an original signature.

11.9 Language

The Parties have expressly required that this Agreement and all documents and notices relating hereto be drafted in English.

[Signature pages to follow]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

NEXTPOINT PARENT:

NEXTPOINT FINANCIAL INC.

NEXTPOINT ENTITIES:

NPI HOLDCO LLC
LT HOLDCO, LLC
JTH TAX LLC
LT INTERMEDIATE HOLDCO, LLC
SIEMPRE TAX+ LLC
JTH FINANCIAL, LLC
JTH PROPERTIES 1632, LLC
JTH TAX OFFICE PROPERTIES, LLC
WEFILE LLC
LIBERTY CREDIT REPAIR, LLC
LTS PROPERTIES, LLC
360 ACCOUNTING SOLUTIONS LLC
JTH COURT PLAZA, LLC
LTS SOFTWARE LLC
LIBERTY TAX HOLDING CORPORATION
LIBERTY TAX SERVICE INC.
CTAX ACQUISITION LLC
COMMUNITY TAX LLC
COMMUNITY TAX PUERTO RICO LLC

DocuSigned by:
By: Scott Terrell
5D34C934D175472...
Name: Scott Terrell
Title: Chief Executive Officer

PURCHASERS:

BP COMMERCIAL FUNDING TRUST, SERIES SPL-X,
a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust, in its capacity as holder of Revolving Credit Promissory Note A under the BP NP-Liberty Credit Agreement

By: BasePoint Capital II, LLC,
not in its individual capacity but solely as Administrator of BP Commercial Funding Trust

DocuSigned by:
By: Michael Petronio
961F0E3585FC49F...
Name: Michael Petronio
Title: Authorized Signatory

BP COMMERCIAL FUNDING TRUST, SERIES SPL-X,
a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust, in its capacity as holder of Revolving Credit Promissory Note B-1 under the BP NP-Liberty Credit Agreement

By: BasePoint Capital II, LLC,
not in its individual capacity but solely as Administrator of BP Commercial Funding Trust

DocuSigned by:
By: Michael Petronio
961F0E3585FC49F...
Name: Michael Petronio
Title: Authorized Signatory

BP COMMERCIAL FUNDING TRUST, SERIES SPL-X,
a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust, in its capacity as holder of Revolving Credit Promissory Note B-2 under the BP NP-Liberty Credit Agreement

By: BasePoint Capital II, LLC,
not in its individual capacity but solely as Administrator of BP Commercial Funding Trust

DocuSigned by:
By: Michael Petronio
961F0E3585FC49F...
Name: Michael Petronio
Title: Authorized Signatory

BP COMMERCIAL FUNDING TRUST, SERIES SPL-X,
a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust, in its capacity as holder of Term Loan Promissory
Note A under the BP NP-Liberty Credit Agreement

By: BasePoint Capital II, LLC,
not in its individual capacity but solely as Administrator of BP Commercial Funding Trust

DocuSigned by:
By: Michael Petronio
961F0E3585FC49F...
Name: Michael Petronio
Title: Authorized Signatory

BP COMMERCIAL FUNDING TRUST, SERIES SPL-X,
a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust, in its capacity as holder of Term Loan Promissory Note B under the BP NP-Liberty Credit Agreement

By: BasePoint Capital II, LLC, not in its individual capacity but solely as Administrator of BP Commercial Funding Trust

By: DocuSigned by: Michael Petronio
961F0E3585FC49F...
Name: Michael Petronio
Title: Authorized Signatory

Disclosure Letter

DISCLOSURE LETTER

NextPoint Financial Inc.
c/o DLA Piper (Canada) LLP
1133 Melville St.,
Suite 2700,
Vancouver, BC V6E 4E5

Private and confidential

BP Commercial Funding Trust, Series SPL-X, a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust
c/o BasePoint Capital LLC
75 Rockefeller Plaza, 25th Floor
New York, NY 10019
Attention: Michael Petronio

October 27, 2023

Dear Sirs/Madams

TRANSACTION AGREEMENT

We refer to the transaction agreement (the "**Agreement**") dated on or about the date hereof between NextPoint Financial Inc. ("**NextPoint Parent**"); NPI Holdco LLC ("**HoldCo**"); LT Holdco, LLC ("**LT Holdco**"); LT Intermediate Holdco, LLC ("**LT Intermediate Holdco**"); SiempreTax+ LLC ("**Siempre**"); JTH Tax LLC ("**JTH Tax**"); JTH Financial, LLC; JTH Properties 1632, LLC; JTH Tax Office Properties, LLC; Wefile LLC ("**Wefile**"); Liberty Credit Repair, LLC; LTS Properties, LLC; 360 Accounting Solutions, LLC; Liberty Tax Holding Corporation; Liberty Tax Service Inc.; JTH Court Plaza, LLC; LTS Software LLC; CTAX Acquisition LLC; Community Tax LLC; and Community Tax Puerto Rico LLC (collectively with NextPoint Parent, the "**NextPoint Entities**") and each, a "**NextPoint Entity**") and the Purchasers (as defined in the Agreement).

Unless otherwise defined in this Disclosure Letter, capitalized terms used throughout this Disclosure Letter shall have the meaning given to such terms in the Agreement.

1. DISCLOSURE LETTER AND PRELIMINARIES

1.1 For the purposes of the Agreement, this Disclosure Letter comprises this letter and the schedules hereto.

1.2 The information in this Disclosure Letter is qualified in its entirety by reference to specific provisions in the Agreement and is not intended to constitute, and shall not be construed as constituting, representations of the NextPoint Entities, except to the extent provided in the Agreement. Nothing contained in this Disclosure Letter shall be intended to broaden the scope of any representation, warranty or covenant of the NextPoint Entities contained in the Agreement, except, in each case to the extent provided in the Agreement.

1.3 No disclosure made in or by virtue of this Disclosure Letter will, in and of itself, be taken as an admission by the NextPoint Entities that they need to be disclosed to comply with or to avoid liability under the terms of the relevant Agreement, or that such matters meet any standard of materiality other than the applicable standard set forth in the Agreement, except in each case, to the extent provided in the Agreement.

1.4 The schedule numbers in this Disclosure Letter correspond to section numbers in the Agreement. Each item of information disclosed in a schedule of this Disclosure Letter shall be deemed disclosed in any other schedule of this Disclosure Letter if it is reasonably apparent on its face that such item of information is responsive to the disclosure required by such other schedule of this Disclosure Letter.

1.5 Headings and introductory language have been inserted on the section of this Disclosure Letter for convenience of reference only and will to no extent have the effect of amending or changing the express description of the sections as set forth in this Agreement.

Please acknowledge receipt of this letter by signing and returning to us the enclosed duplicate of this letter.

Yours faithfully

Duly authorised director on behalf of **NEXTPOINT FINANCIAL INC.**:

DocuSigned by:

By: Scott Terrell
5D34C934D175472...

Name: Scott Terrell

Title: Chief Executive Officer

[on duplicate]

We acknowledge receipt of the above letter.

Duly authorised director on behalf of **BP COMMERCIAL FUNDING TRUST, SERIES SPL-X**, a statutory series of BP Commercial Funding Trust, a Delaware statutory trust, for itself and for no other series of BP Commercial Funding Trust:

DocuSigned by:

By: Michael Petronio
961F0E3585FC49F...

Name: Michael Petronio

Title: Authorized Signatory

Schedule 1.1(b) – Permitted Encumbrances

1. Judgment and Permanent Injunction entered June 15, 2009, by the Superior Court of the State of California, County of San Francisco, in People of the State of California v. JTH Tax Inc., (d/b/a Liberty Tax Service), Case No. CGC-07-460778

2. Security granted against Building 5 in Virginia Beach related to a corporate credit card with First Horizon.

3. Easements, rights of way, restrictive covenants, encroachments and similar non-monetary encumbrances or non-monetary impediments against any real property interests of the NextPoint Entities which do not, individually or in the aggregate, adversely affect the use or occupancy of such real property as it relates to the operation of the assets of the NextPoint Entities.

4. Applicable zoning laws, building codes, land use restrictions and other similar restrictions imposed by Applicable Law which are not violated by the current use or occupancy of such real property, as applicable.

5. All registrations and other Encumbrances related to the Liberty Term Loan.

Schedule 2.2 – Excluded Assets

Schedule 2.2(b) – Excluded Contracts

1.	Master Services Agreement and related Orders (Account A7F5VW67JP3Y35CZ2S9) by and among Community Tax, LLC and CareerBuilder, LLC
2.	Program Agreement for Consumer Finance Services, dated as of October 11, 2022 by and among JTH Tax, LLC and Flex Revolution, LLC
3.	Official Sponsorship Agreement, dated as of October 28, 2021 by and among JTH Tax, LLC and Frisco Management, LLC
4.	Xero Business Plan, dated as of July 2, 2021 by and among JTH Tax, LLC and Xero, Inc.
5.	Commercial Lease dated as of April 15, 2015 by and among WeFile LLC and Dammad Properties, LLC with respect to 4234 Union Road, Cheektowaga, New York 14225
6.	Lease dated as of November 19, 2013 by and among WeFile LLC and GBR Ballston Avenue Limited Company and Plaza South Resources, L.P. with respect to those certain premises in Saratoga Springs, New York
7.	Manchester Center Lease Agreement dated as of April 18, 2016 by and among WeFile LLC and Omninet Properties Manchester Center LLC with respect to Suite G-131 in retail center located at 3602 N. Blackstone Avenue, Fresno, California 93726
8.	Commercial Lease Agreement dated as of June 1, 2023 by and among WeFile LLC and SIS Property LLC with respect to 289 E Baseline Street, San Bernardino, CA 92410
9.	Shopping Center Lease dated as of January 20, 2017 by and among WeFile LLC and Bright-Meyers Cleveland Associates, L.P. with respect to 2328 Treasury Drive SE, Cleveland, Tennessee 37323
10.	Lease Agreement dated as of April 1, 2021 by and among WeFile LLC and Union Square Shopping, Inc. with respect to 719 N. Duncan Bypass, Suite L, Union, South Carolina 29379
11.	Lease dated as of August 1, 2021 by and among WeFile LLC and Steven's Properties, Inc. with respect to 7128 Pardee Road, City of Taylor, Michigan
12.	Shopping Center Lease dated as of January 1, 2014 by and among WeFile LLC and RJS Marine, Inc. with respect to 1501 S. Loop 288, Suite 102, Denton, TX 76205
13.	Commercial Lease dated as of December 21, 2022 by and among WeFile LLC and 215 Bandera Associates LLC with respect to 215 W. Bandera Rd, Boerne, TX 78006
14.	Shopping Center Lease dated as of November 1, 2015 by and among WeFile LLC and 1305 Veterans Parkway, LLC with respect to 1305 Veterans Parkway, Clarkesville, Indiana
15.	Lease dated as of September 16, 2022 by and among WeFile LLC and Isomer Group, Inc. with respect to Unit E in building located at 84 Whittlesey Avenue, Norwalk, Ohio 44857
16.	Lease Agreement dated as of December 28, 2020 by and among WeFile LLC and Turlock Lander Partners, LLC with respect to 1607 Lander Avenue, Turlock, CA 95380
17.	Lease dated as of January 8, 2008 by and among WeFile LLC and Donna J. Walden & Gaimpaolo Boschetti with respect to 99-185 Moanalua Road Bldg. 1 Unit 101, Aica, HI 9670
18.	Lease dated as of October 1, 2021 by and among WeFile LLC and Syndicis, LLC with respect to 909 S. Central Ave, Unit 103-D, Compton, CA 90220

19.	Standard Shopping Center Lease dated as of January 22, 2021 by and among WeFile LLC and Anchor Dayton LLC with respect to 3035 Rhea County Highway, Suite 210, Dayton, TN 37321
20.	Retail Lease Agreement dated as of February 5, 2019 by and among WeFile LLC and Fairfax Associates, LLC with respect to Suite E located at 514 Saint James Avenue, Good Creek, SC 29445
21.	Lease Agreement dated as of October 16, 2017 by and among WeFile LLC and Robert C. Mathwig with respect to 3850 Kitsap Way, Suite 104, Bremerton, Washington 98312
22.	Standard Multi-Tenant Shopping Center Lease - Net dated as of October 1, 2022 by and among WeFile LLC and Huang's Investment, LLC with respect to 3441 E. Artesia Boulevard, Long Beach, CA 90805
23.	Lease Agreement dated as of October 16, 2017 by and among WeFile LLC and Robert C. Mathwig with respect to 3850 Kitsap Way, Bremerton WA 98312
24.	Lease dated as of April 27, 2015 by and among WeFile LLC and 7957 Mall Road, LLC with respect to 7955 Mall Road, Florence, KY 41042
25.	Lease dated as of September 27, 2021 by and among WeFile LLC and One Fordham Plaza LLC with respect to Store 9 located in Bronx County, New York ity, New York.
26.	Shopping Center Lease dated as of May 23, 2023 by and among WeFile LLC and Leru Company with respect to certain space in Ritchie Highway Shopping Center
27.	Lease Agreement dated as of November 9, 2017 by and among WeFile LLC and Massie-Clarke Development Co. with respect to 3601 Frederica St, Unit 1, Owensboro, Kentucky
28.	Lease Agreement dated as of March 26, 2015 by and among WeFile LLC and Goldstein-Fairfield LLC dba Solano Storage Center with respect to 340 Travis Blvd. Unit#4, Fairfield, California
29.	Lease Agreement dated as of September 20, 2012 by and among JTH Tax LLC and Pinegrove LLC with respect to 1926 N. 4th Street, Suite One, Flagstaff, Arizona 86004
30.	Lease Agreement dated as of August 2020 by and among WeFile LLC and Matthews Properties, LLC with respect to 5013 JFK Boulevard, North Little Rock, Arkansas 72116
31.	Lease Agreement dated as of November 23, 2014 by and among WeFile LLC and 565 West Side LLC with respect to 565 West Side Avenue, Jersey City, NJ 07304
32.	Commercial Lease dated as of June 21, 2022 by and among WeFile LLC and Treehouse Properties LLC with respect to 126 E. 13th Street, Burley, Idaho 83318
33.	Commercial Lease Agreement dated as of June 2, 2019 by and among WeFile LLC and E&E 0416 LLC with respect to 225 W. Anaheim Avenue, Wilmington, CA 90744
34.	Shopping Center Lease dated as of December 16, 2020 by and among WeFile LLC and Pappas Plaza Realty with respect to 1816A U.S. Highway 19 North, Holiday, FL 34691
35.	Lease dated as of June 1, 2020 by and among WeFile LLC and Aram SKC Corporation with respect to 412 Pacific Coast Highway, Wilmington, California
36.	Lease Agreement dated as of May 1, 2023 by and among WeFile LLC and Maple Drive Partners, LLP with respect to 2139 Bemiss Rd, Ste C., Valdosta, GA 31602
37.	Lease dated as of November 30, 2020 by and among WeFile LLC and SOBRO 2535, LLC with respect to 2535 Third Avenue, Bronx, New York

38.	Shopping Center Lease Agreement dated as of October 28, 2013 by and among WeFile LLC and Graham G.P. with respect to 4421 Western Avenue, Suite 103, Knoxville, TN 37912
39.	Lease Agreement dated as of January 19, 2021 by and among WeFile LLC and DL Investment Properties with respect to 3246 Main Street, Weirton, WV
40.	Retail Lease dated as of June 22, 2019 by and among WeFile LLC and RPI Skillman Abrams S.C., Ltd; Cherokee Creekside LLC; Meadows Creekside LLC; Pecan Creekside LLC; Fort Worth Creekside LLC; and Western Creekside LLC with respect to 6780 Abrams Road, Suite 103, Dallas, Texas
41.	Lease Agreement dated as of June 30, 2021 by and among WeFile LLC and Trinity Hills Properties, LLC with respect to 813 N. Jefferson Street, Dublin, GA 31021
42.	Lease Agreement dated as of January 1, 2022 by and among WeFile LLC and Rastco LLC with respect to 962 W. Manchester Avenue, Los Angeles, CA 90044
43.	Lease dated as of October 14, 2021 by and among WeFile LLC and El Segundo Center-Burkes Investment Group with respect to 629 E. El Segundo Blvd, Los Angeles, CA
44.	Agreement of Sublease dated as of January 1, 2023 by and among WeFile LLC and North OC Financial Services Inc with respect to 629 E. El Segundo Blvd, Los Angeles, CA
45.	Tifton Corners Shopping Center Lease dated as of September 4, 2014 by and among WeFile LLC and Tifton Retail I LLC with respect to 173 Virginia Avenue South, Tifton, Georgia 31794
46.	Lease Agreement dated as of October 14, 2021 by and among WeFile LLC and KNN Properties, LLC with respect to 132 B Jones Street, Sandersville, GA 31082
47.	Agreement of Lease dated as of October 26, 2016 by and among WeFile LLC and North Mall Associates with respect to 351 Loucks Road, York, Pennsylvania 17404
48.	Lease for Space in Old Capital Square Shopping Center dated as of July 24, 2021 by and among WeFile LLC and King Group Mgmt LLC and 2485 North Columbia Street, LLC with respect to 2485 N. Columbia, Suite 121, Milledgeville, GA
49.	Employment Agreement, dated as of July 2, 2021 by and among JTH Tax, LLC and Ghazi Dakik
50.	Final Transition Agreement and General Release, dated as of July 1, 2022 by and among JTH Tax, LLC and John Scott Wright
51.	Employment Agreement, dated as of May 13, 2023 by and among JTH Tax, LLC and Randy Guba
52.	Area Developer Agreement dated as of August 15, 2018 by and among JTH Tax, Inc. and M&M Business Group L.P. (Entity 2532)
53.	Area Developer Agreement dated as of August 24, 2018 by and among JTH Tax, Inc. and Tax Service Ventures, LLC (Entity 3196) with respect to the following counties in Florida: Jefferson; Wakulla; Decatur; Grady; and Thomas
54.	Area Developer Agreement dated as of April 8, 2014 by and among JTH Tax, Inc. and Tax Service Ventures, LLC (Entity 3196) with respect to Coffee County, AL; Dale County, AL; Geneva County, AL; and Houston County, AL
55.	Area Developer Agreement dated as of April 8, 2014 by and among JTH Tax, Inc. and Tax Service Ventures, LLC (Entity 3196) with respect to the following counties in Florida: Escambia; Okaloosa; Santa Rosa; Bay; Calhoun; Franklin; Gulf; Holmes; Jackson; Liberty; Walton; Washington; Gadsden; and Leon.
56.	Area Developer Agreement dated as of December 16, 2021 by and among JTH Tax, Inc. and Rhines Financial LLC (Entity 4061)
57.	Area Developer Agreement dated as of June 25, 2018 by and among JTH Tax, Inc. and Central Penn AD LLC (Entity 4141)

58.	Area Developer Agreement dated as of June 25, 2018 by and among JTH Tax, Inc. and Steve Oaks (Entity 4171)
59.	Area Developer Agreement dated as of August 15, 2018 by and among JTH Tax, Inc. and Mufeed Haddad (Entity 4693)
60.	Area Developer Agreement dated as of July 13, 2018 by and among JTH Tax, Inc. and Mike Budka and Mufeed Haddad (Entity 4711)
61.	Area Developer Agreement dated as of August 24, 2018 by and among JTH Tax, Inc. and Carol Elliott (Entity 5187)
62.	Area Developer Agreement dated as of August 15, 2018 by and among JTH Tax, Inc. and SSBR Enterprises LLC (Entity 5263)
63.	Area Developer Agreement dated as of February 28, 2014 by and among JTH Tax, Inc. and Mufeed Haddad (Entity 7700)
64.	Official Sponsorship Agreement, dated as of October 28, 2021 by and among JTH Tax, LLC and Pro Silver Star, Ltd.

Schedule 2.2(d) – Excluded Equity Interests

LOANME ENTITIES
1. NPLM Holdco LLC
2. MMS Servicing LLC
3. LoanMe, LLC
4. LoanMe Funding, LLC
5. LM Retention Holdings, LLC
6. LoanMe Stores, LLC
7. LM BP Holdings, LLC
8. InsightsLogic, LLC
9. LM 2020 CM I SPE, LLC

Schedule 4.7 – Subsidiaries

Entity	Jurisdiction of Organization	Owner / Membership	Percentage of Ownership
1. NextPoint Financial Inc.	Canada – British Columbia	--	--
2. NPI Holdco LLC	DE	NextPoint Financial Inc.	100%
3. LT Holdco, LLC	DE	NPI Holdco LLC	100%
4. LT Intermediate Holdco, LLC	DE	LT Holdco, LLC	100%
5. SiempreTax+ LLC	VA	LT Intermediate Holdco, LLC	100%
6. JTH Tax LLC	DE	LT Intermediate Holdco, LLC	100%
7. Liberty Tax Holding Corporation	Canada - Ontario	JTH Tax LLC	100%
8. Liberty Tax Service Inc.	Canada - Ontario	JTH Tax LLC Liberty Tax Holding Corporation	60% 40%
9. JTH Financial, LLC	VA	JTH Tax LLC	100%
10. JTH Properties 1632, LLC	VA	JTH Financial, LLC	100%
11. Liberty Credit Repair, LLC	VA	JTH Tax LLC	100%
12. WeFile LLC	VA	JTH Tax LLC	100%
13. JTH Tax Office Properties, LLC	VA	JTH Tax LLC	100%
14. LTS Software LLC	VA	JTH Tax LLC	100%
15. JTH Court Plaza, LLC	VA	JTH Tax LLC	100%

Entity	Jurisdiction of Organization	Owner / Membership	Percentage of Ownership
16. 360 Accounting Solutions LLC	VA	JTH Tax LLC	100%
17. LTS Properties, LLC	VA	JTH Tax LLC	100%
18. CTAX Acquisition LLC	DE	NPI Holdco LLC	100%
19. Community Tax Puerto Rico LLC	DE	CTAX Acquisition LLC	100%
20. Community Tax LLC	IL	CTAX Acquisition LLC	100%

Schedule 4.8 – Stop Orders

None.

Schedule 4.10 – Taxes

None.

Schedule 4.14 – Data Security

Scheudle 4.14(b)

In Q3 of 2022, there was 1 recorded phishing incident registered under the Company's Security Event and Incident Management (SEIM) system. The incident was targeted at one employee, however, it did not result in any access to, or loss of, personal data, customer data, or access to any of the Company's systems.

This is **Exhibit "B"** referred to in the Affidavit of Peter Kravitz sworn before me at Vancouver, British Columbia on this the 30th day of October, 2023.

A Commissioner for taking Affidavits for British Columbia.

Bradshaw, Jeffrey

From: Brian Karpuk <Brian.Karpuk@stretto.com>
Sent: Tuesday, October 24, 2023 12:04 PM
To: Bradshaw, Jeffrey
Subject: [EXTERNAL] NextPoint - Quote for Service

Jeffrey,

Following our discussion, we estimate that sending 150 pages via overnight mail on 3,050 parties (250 of whom are international) will cost approximately $245k including labor, materials, and postage.

Regards,
Brian

Brian Karpuk
Managing Director

Stretto
410 Exchange, Suite 100 | Irvine, CA 92602
T: 714.479.2027 | C: 312.523.9564
Stretto.com

This is **Exhibit "C"** referred to in the Affidavit of Peter Kravitz sworn before me at Vancouver, British Columbia on this the 30th day of October, 2023.

A Commissioner for taking Affidavits for British Columbia.

nextpoint

October 24, 2023

BY FIRST CLASS MAIL

Dear Sirs/Mesdames:

As you are aware, on July 25, 2023 NextPoint Financial, Inc. and certain other related entities (collectively, "**NextPoint**"), sought and obtained creditor protection from the Supreme Court of British Columbia (the "**Court**") under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("**CCAA**"), bearing Action Number S-235288 (the "**CCAA Proceedings**"). The CCAA Proceedings have been recognized as the Foreign Main Proceedings in the U.S. Bankruptcy Court for the District of Delaware under Chapter 15 of the U.S. Bankruptcy Code.

We are writing to advise you that NextPoint intends to seek an order (the "**Order**") approving of a sale transaction (the "**Sale Transaction**") in its ongoing CCAA Proceedings on October 31, 2023, pursuant to which substantially all of the "Community Tax" and "Liberty Tax" business will be sold. The Sale Transaction contemplates, among other things, that certain NextPoint contracts will be retained by the NextPoint entities being acquired by way of the Sale Transaction, whereas other contracts will not. It is currently anticipated that your contract with Liberty Tax will be retained, subject to the terms of the proposed Order. The Sale Transaction will see applicable contractual parties dealing with a healthy, significantly delevered and restructured NextPoint following closing, which we view as a significant positive development for both you and the company.

Further information on the CCAA Proceedings, including the Application Record in support of the Order and the proposed form of Order, when available, can be found at http://cfcanada.fticonsulting.com/nextpoint/.

If you would like to receive the materials that will be before the Court at the hearing to obtain the Order, please email - nextpointmaterials.canada@ca.dlapiper.com – and electronic copies will be sent to you.

Questions regarding the contents of this letter, the proposed form of Order, the Sale Transaction of the CCAA Proceedings generally may be directed to Jeffrey Bradshaw at jeffrey.bradshaw@dlapiper.com.

Yours truly,

Per:

DocuSigned by:

6B0C54C8C5564E0...

Peter Kravitz, Chief Restructuring Officer

nextpoint

October 23, 2023

BY FIRST CLASS MAIL

Dear Sirs/Mesdames:

As you are aware, on July 25, 2023 NextPoint Financial, Inc. and certain other related entities (collectively, "**NextPoint**"), sought and obtained creditor protection from the Supreme Court of British Columbia (the "**Court**") under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("**CCAA**"), bearing Action Number S-235288 (the "**CCAA Proceedings**"). The CCAA Proceedings have been recognized as the Foreign Main Proceedings in the U.S. Bankruptcy Court for the District of Delaware under Chapter 15 of the U.S. Bankruptcy Code.

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Yours truly,

JTH Financial, LLC
Per:

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Peter Kravitz, Chief Restructuring Officer

nextpoint

October 23, 2023

BY FIRST CLASS MAIL

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Yours truly,

Per:

DocuSigned by:

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Peter Kravitz, Chief Restructuring Officer

nextpoint

October 23, 2023

BY FIRST CLASS MAIL

Dear Sirs/Mesdames:

As you are aware, on July 25, 2023 NextPoint Financial, Inc. and certain other related entities (collectively, "**NextPoint**"), sought and obtained creditor protection from the Supreme Court of British Columbia (the "**Court**") under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("**CCAA**"), bearing Action Number S-235288 (the "**CCAA Proceedings**"). The CCAA Proceedings have been recognized as the Foreign Main Proceedings in the U.S. Bankruptcy Court for the District of Delaware under Chapter 15 of the U.S. Bankruptcy Code.

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Yours truly,

WeFile LLC
Per:

DocuSigned by:
6B0C54C8C5584E0...

Peter Kravitz, Chief Restructuring Officer

nextpoint

October 23, 2023

BY FIRST CLASS MAIL

Dear Sirs/Mesdames:

As you are aware, on July 25, 2023 NextPoint Financial, Inc. and certain other related entities (collectively, "**NextPoint**"), sought and obtained creditor protection from the Supreme Court of British Columbia (the "**Court**") under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended ("**CCAA**"), bearing Action Number S-235288 (the "**CCAA Proceedings**"). The CCAA Proceedings have been recognized as the Foreign Main Proceedings in the U.S. Bankruptcy Court for the District of Delaware under Chapter 15 of the U.S. Bankruptcy Code.

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Yours truly,

JTH Tax, LLC
Per:

DocuSigned by:
6B0C54C8C5564E0...
Peter Kravitz, Chief Restructuring Officer

This is **Exhibit "D"** referred to in the Affidavit of Peter Kravitz sworn before me at Vancouver, British Columbia on this the 30th day of October, 2023.

A Commissioner for taking Affidavits for British Columbia.

nextpoint

October 25, 2023

BY EMAIL

Dear Sirs/Mesdames:

As you are aware, on July 25, 2023, NextPoint Financial, Inc. and certain other related entities (collectively, "**NextPoint**"), sought and obtained creditor protection from the Supreme Court of British Columbia (the "**Court**") under the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended, bearing Action Number S-235288 (the "**CCAA Proceedings**"). The CCAA Proceedings have been recognized as the foreign main proceedings in the U.S. Bankruptcy Court for the District of Delaware under Chapter 15 of the U.S. Bankruptcy Code.

As a party to an agreement with Liberty Tax or Community Tax, we are reaching out to inform you that on October 31, 2023, a hearing will be held in the CCAA Proceedings on NextPoint's application for approval of the sale of its Liberty Tax and Community Tax businesses (the "**Sale Transaction**"). After the Sale Transaction is approved, the Liberty Tax and Community Tax businesses will continue operations without interruption.

If you would like to see further information about the Sale Transaction or the relief that NextPoint is seeking in the CCAA Proceedings (including the Application Record in support of the Order and the proposed form of Order), you may access such further information at http://cfcanada.fticonsulting.com/nextpoint/.

If you would like to receive the materials that will be before the Court at the hearing to obtain the Order, please email – nextpointmaterials.canada@ca.dlapiper.com – and electronic copies will be sent to you.

Questions regarding the contents of this letter, the proposed form of Order, the Sale Transaction, or the CCAA Proceedings generally, may be directed to Jeffrey Bradshaw at jeffrey.bradshaw@dlapiper.com.

Yours truly,

NextPoint
Per:

DocuSigned by:
6B0C54C8C5564E0...
Peter Kravitz, Chief Restructuring Officer

No. S235288
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C., 1985 c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT

PETITIONER

AFFIDAVIT

DLA Piper (Canada) LLP
Barristers & Solicitors
Suite 2700, The Stack
1133 Melville St
Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No.: 109926-00007 CDB/day

This is the 1st affidavit of Mufeed Haddad in this case and was made on the 21st of November, 2023.

COURT OF APPEAL FILE NO. CA _____

COURT OF APPEAL

ON APPEAL FROM the order of Madam Justice Fitzpatrick of the Supreme Court of British Columbia pronounced on October 31, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

AFFIDAVIT #1 OF MUFEED HADDAD

I, Mufeed Haddad, businessman, of 17751 Via Roma Yorba Linda, California, 92286, SWEAR THAT:

1. I am an appellant in this proposed appeal and, as such, I have personal knowledge of the facts and matters hereinafter deposed to, except where the same are stated to be made upon information and belief, and as to such facts I verily believe the same to be true.

2. I am authorized to make this affidavit on behalf of the appellants in support of an application for leave to appeal and a stay of the Order of Madam Justice Fitzpatrick, pronounced October 31, 2023.

3. The appellant Mike Budka is my business partner, and the other co-owner of the corporate appellant M&M Business Group, L.P. (**M&M**). Mr. Budka and I reside in California. M&M is also California-based.

Introduction to Liberty Tax

4. I was introduced to Liberty Tax in or around 2001. Mr. Budka, who is an accountant by trade, was my neighbour at the time, and we became friends. Mr. Budka's uncle brought Liberty Tax to our attention, and we were interested as it appeared to be a good franchising opportunity. We reached out to Liberty Tax in 2001 to discuss our potential involvement.

5. At the time, I was working for a newspaper distribution company to support my family, including my three young children. I was working 14-16 hours per day, seven days a week on average, but I did not see opportunities in the newspaper distribution industry to build my future and provide my family with long-term financial security.

6. After months of discussions and negotiations with Liberty Tax, Mr. Budka and I decided to purchase seven Liberty Tax franchises in California in or around August 2001. Liberty Tax was a brand new concept in California—there was only one franchise in northern California at the time. There were also no Area Developers, so all franchisees were supported by Liberty Tax directly.

7. Around October 2001, Mr. Budka and I attended a training program in Virginia Beach in order to become qualified franchisees. As we were leaving, we were approached by Mark Johnson, who was the Vice President of Franchise Development. Mr. Johnson introduced us to a brand-new concept of "Area Developers". Mr. Budka and I were interested in hearing more about this opportunity, as Mr. Johnson told us that Area Developers would be offered significantly more income and financial security than franchisees.

8. Mr. Budka and I then met with Mark Johnson and John Hewitt, the original founder and CEO of Liberty Tax. They explained that, under Area Developer Agreements (**ADAs**), the Area Developers would pay an up-front price based on the territories under the ADAs and would be granted certain licence and intellectual property rights to develop, market, and support—and the sole responsibility of—the

franchisees in their territories. Mr. Johnson and Mr. Hewitt explained that the ADAs would have 10-year terms, would be perpetually renewable, and that this one would provide us with commissions equal to 70% of the royalties and franchise fees received from the franchisees as an incentive to build the franchise system (our future ADAs provided us with 50% of royalties and fees collected). Mr. Johnson and Mr. Hewitt specifically told us, repeatedly, that the best part of being an Area Developer would be the financial security, as our income would be perpetual, like an annuity. Mr. Hewitt assured us that we would benefit "as long as the US tax system exists."

9. As I describe below, Mr. Budka and I (and M&M) have paid Liberty Tax over USD$5.8 million to enter into these ADAs. Mr. Budka and I have used funds from our savings and taken out loans to advance these payments to Liberty Tax up-front.

10. Mr. Johnson was deposed by my legal counsel, Christopher Davis, in a lawsuit that is currently before the US District Court for the Eastern District of Virginia, Norfolk Division on August 8, 2022 (I describe the ongoing litigation regarding the renewal of Liberty Tax's ADAs in greater detail below). Attached hereto and marked as **Exhibit A** to this affidavit are true copies of excerpts from the deposition transcript. Mr. Johnson's sworn evidence confirms that:

(a) he and Mr. Hewitt told Area Developers that the ADAs would be "renewable to perpetuity … like an annuity" (transcript pp. 15-16);

(b) from its inception, the Area Development program was designed to be a perpetual right for the Area Developer to renew (transcript pp. 16-17);

(c) Area Developers had an expectation that the ADAs would be renewed into perpetuity, because he and Mr. Hewitt had told them so (transcript p. 39);

(d) the appellants' first ADA was for a ten-year term, "[r]enewable to perpetuity" (transcript pp. 58-59); and

(e) the ADAs were for a set term because the franchise disclosure document required it (transcript pp. 67-68).

11. The opportunity to become Area Developers, and obtain financial security for the benefit of our families, sounded promising. Mr. Budka and I (through M&M) decided to enter into our first ADA for a territory in San Bernardino, California on February 28, 2002. Business was very difficult for about the first three years, but eventually we started doing well and opened approximately 29 franchises within the first five years.

Success as Area Developers

12. Our success as the first Liberty Tax franchise system in California attracted a lot of attention, both locally and nationwide. When we started in 2002, I believe that Liberty Tax only had approximately 200 locations total in the US and Canada. By around 2008 or 2009, we had about 50 franchisees in our territories under the ADA. Mr. Budka and I (through M&M) proceeded to enter into two further ADAs that expanded our territories to additional areas in California.

13. By about 2009, Mr. Budka and I (or our entities) had expanded to territories all over the country, including territories in Indianapolis, North Carolina, West Virginia, Kentucky, Ohio, Florida, and Wyoming. We became spokespeople for Liberty Tax, and assisted them in recruiting franchisees and other Area Developers based on our own success. By approximately 2015, Mr. Budka and I had established about 158 Liberty Tax locations within our territories under the ADAs, some of which were established with other partners.

14. In total, Mr. Budka and/or I (or our entities) have entered into eight different ADAs with Liberty Tax, four of which are currently active (the **Active ADAs**). I attach true copies of the Active ADAs, marked as follows:

Exhibit	Description

B ADA between Mufeed Haddad as Area Developer and JTH Tax, Inc. d/b/a/ Liberty Tax Service dated February 28, 2014 (Entity 4693), with a given expiration date of July 5, 2027 (the **North Carolina ADA**);

C ADA between M&M Business Group, L.P. as Area Developer and JTH Tax, Inc. d/b/a/ Liberty Tax Service dated August 15, 2018 (Entity 2532), with a given expiration date of August 15, 2028 (the **Los Angeles ADA**);

D ADA between Mike Budka and Mufeed Haddad as Area Developers and JTH Tax, Inc. d/b/a/ Liberty Tax Service dated July 13, 2018 (Entity 4711), with a given expiration date of July 13, 2028 (the **Indianapolis ADA**); and

E ADA between Mufeed Haddad as Area Developer and JTH Tax, Inc. d/b/a/ Liberty Tax Service dated August 15, 2018 (Entity 7700), with a given expiration date of February 28, 2024 (the **Charleston-Hunting ADA**).

15. Liberty Tax has refused the renewal of the other four ADAs (the **Inactive ADAs**) I discuss this further below.

16. Mr. Budka and I have worked tirelessly to become successful Area Developers and fully perform all of our obligations under the ADAs. For the past 22 years, we have essentially worked nonstop, ensuring that we are always available to our franchisees across the US 24 hours, seven days a week. We are constantly patrolling the market and supporting the franchisees in every single aspect of their operations. Each ADA has required substantial investments of time and money at both the front end, when our efforts are directed at recruiting and establishing franchisees, and at the back end,

when our efforts are directed at the continuing support and servicing of the franchisees to ensure their success.

Challenges to Area Developers

17. Mr. Budka and I have encountered significant and costly challenges in our roles as Area Developers for Liberty Tax in recent years.

18. In or around 2016-2017, Liberty Tax and several of its franchisees were the subject of civil enforcement actions brought by the US Department of Justice (**DOJ**). Attached hereto and marked as **Exhibit F** is a true copy of a Complaint filed by the DOJ in respect of these matters on December 3, 2019. I understand that this litigation arose based on allegations that Liberty Tax had, among other things, failed to take steps to prevent the filing of potentially false or fraudulent tax returns prepared by its franchisees (none of which were within our ADAs).

19. The issues between Liberty Tax and the DOJ were harmful to our business, as the media attention made it much more difficult to recruit and maintain franchisees. I recall that in around 2018 or 2019, Liberty Tax was temporarily prohibited from bringing in new franchisees due to DOJ restrictions. Liberty Tax did not have a franchise disclosure document (**FDD**) during this time. Further, in around 2018 or 2019, Liberty Tax imposed more stringent requirements for new franchisees (they were now required to be EAs, licensed CPAs, attorneys, or experienced tax return preparers). Liberty Tax also made cuts to its marketing department, and the support and marketing services Liberty Tax offered to Area Developers were significantly reduced. All of these circumstances were particularly detrimental to us as Area Developers.

20. While Mr. Budka and I have experienced “success” as Area Developers, we have also made significant investments in respect of the eight ADAs we have entered into with Liberty Tax. Mr. Budka and I (and M&M) have paid Liberty Tax over USD$5.8 million to enter into these ADAs. Mr. Budka and I have used funds from our savings and taken out loans to advance these payments up-front. Between 2007 and 2013, we

advanced approximately USD$5.6 million to Liberty Tax in cash. In order to secure loans to make these payments, Mr. Hewitt and Mark Bumgardner (Liberty Tax's CFO at the time) met with our bankers and expressly told them, among other things, that our commissions under the ADAs would be renewable and perpetual (or "as long as the US tax system exists").

21. On or around July 25, 2023, around the time Liberty Tax filed for bankruptcy, I participated in a conference all with Liberty Tax's CEO Scott Terrell and other Area Developers and franchisees. The message conveyed to us in this call was that business would continue as usual, and there was no discussion of any disclaimer or exclusion of ADAs. Throughout the bankruptcy proceedings, Liberty Tax has consistently conveyed to franchisees (and myself) that there will be no changes for franchisees or their stakeholders. Attached hereto and marked as **Exhibit G** are true copies of these materials, some of which have been posted online.

ADA Renewal Issues

22. The ADAs (including the Active ADAs) are substantially similar in form. Although they contain specific durational terms, they contain the following renewal clause (or similar language) that provides different avenues for Area Developers to continue their roles after the term's end:

> **Renewal.** Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement and all other agreements with Liberty and Liberty's affiliates, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least one hundred and eighty (180) days before the expiration of this Agreement. …

23. As I discuss at paragraphs 7-10, our entry into the ADAs was premised on our understanding—and Liberty Tax's express representations—that the ADAs would be renewable in perpetuity, like annuities. Unfortunately, in recent years, Liberty Tax has taken a different view. While the Active ADAs have not yet come up for renewal,

Liberty Tax has purported to refuse to renew the Inactive ADAs once their terms came to an end. I am aware that Liberty Tax has done the same with respect to its ADAs with other Area Developers. This issue has been the source of significant litigation in the US between Liberty Tax and Area Developers, including the following extant proceedings:

(a) *Mufeed Haddad et al. v. JTH Tax, LLC*, Virginia Beach Circuit Court, Case No. CL21-441 (the **Virginia Beach Action**) – I am a plaintiff in the Virginia Beach Action, which concerns Liberty Tax's refusal to renew the Inactive ADAs. This lawsuit has been stayed by the bankruptcy proceedings. Prior to the stay, Liberty Tax was unsuccessful in filing two notices to dismiss the plaintiffs' claims.

(b) *Road King Development Inc. et al. v. JTH Tax, LLC*, United States District Court for the Eastern District of Virginia, Case No. 2:21-cv-55 – This lawsuit has also been stayed by the bankruptcy proceedings.

(c) *Gorilla Tax Services, Inc. et al. v. JTH Tax, LLC*, American Arbitration Association, Commercial Arbitration Tribunal, Case No. 01-21-0017-9382 – This arbitration has also been stayed by the bankruptcy proceedings. Prior to the stay, Liberty Tax was unsuccessful in filing a motion to dismiss.

(d) *Gulf Coast Marketing Group, Inc. v. JTH Tax, LLC*, American Arbitration Association, Commercial Arbitration Tribunal, Case No. 01-21-0016-7217 – Liberty Tax was also unsuccessful in filing a motion to dismiss this arbitration. However, for reasons that are unknown to me, the Area Developer voluntarily dismissed the arbitration without prejudice to refile.

(e) *JTH Tax, LLC v. Pitcairn Franchise Development, LLC*, United States District Court for the Eastern District of Virginia, Case No. 2:21-cv-135 – This case was resolved by an arbitrator against the Area Developers. The

Area Developers appealed the decision, but the Court affirmed the arbitral decision based on the applicable standard of review.

(f) *JTH Tax, LLC v. Grabowski, Supernat LLC*, United States District Court for the Northern District of Illinois, Case No. 19 C 8123 – This case was resolved in against the Area Developer; however, I am advised by my counsel that the Area Developer did not advance the same arguments regarding the construction of the ADAs' renewal clauses as the plaintiffs have put forward in the Virginia Beach Action.

(g) *Robinson v. JTH Tax, LLC*, United States District Court for the Eastern District of Virginia, Case No. 2:21-cv-00066 – This case was resolved against the Area Developer; however, I am advised by my counsel that the Area Developer in this action had failed to submit a written notice of intent to renew as required under their ADA (which is not the case in the Virginia Beach Action).

Bankruptcy Proceedings

24. I have never received any written notice from the *CCAA* proceeding. Further, I was not aware that I would need to "opt in" to receive notices in the *CCAA* proceeding.

25. I became aware that Liberty Tax had filed for bankruptcy protection when I received two boxes containing thousands of documents on my doorstep on or about July 30, 2023. This documents related to Liberty Tax's US bankruptcy proceeding in Delaware. It was not clear to me if or how the bankruptcy would affect my business—I expected that, if anything, the Inactive ADAs may be affected (as the litigation surrounding them has been stayed). Based on the calls I had participated in with Liberty's CEO, I did not expect, and did not receive any notice of the reversed vesting order (**RVO**) approved by Madam Justice Fitzpatrick until my counsel in the US bankruptcy proceeding provided me with a coy of that order in early November. I did

not receive any notice that the Active ADAs were ever in jeopardy or would be affected in any way until such time (and after my opportunity to object to the RVO had passed).

26. Similarly, I did not receive notice that Liberty Tax purported to disclaim the Active ADAs, in addition to allegedly excluding them as assets in the *CCAA* proceeding, until my counsel in the United States bankruptcy proceeding received such notices on November 2, 2023. Attached hereto and marked as **Exhibit H** are true copies of these notices.

Current Financial Circumstances

27. For about the past 22 years, Mr. Budka and I have provided significant support to our franchisees. Since Liberty Tax encountered issues with the DOJ, franchisee growth has drastically declined to the extent that our income could no longer allow us to support the franchisees while making payments on loans that we took out in order to enter into the ADAs. We refinanced our loan for the Indianapolis ADA about five years ago, and refinanced our loan for the North Carolina ADA about three years ago. These debts total approximately USD$620,000, and I estimate that we will need to make bank payments of USD$360,000 annually over the next 2-3 years to pay off these debts.

28. We also owe approximately USD$300,000 in small business loans, which were taken out to sustain our operations during the height of the COVID-19 pandemic. I currently owe an additional USD$200,000, as the result of a private loan arrangement.

29. In total, Mr. Budka, M&M, and I owe approximately USD$1.1 million in connection with our funding of the ADAs.

30. On average, my revenue stream under the eight ADAs (both the Active and Inactive ADAs) totalled approximately USD$1.2 million per year. After Liberty Tax's purported nonrenewal of the Inactive ADAs, my income decreased to approximately USD$650,000 per year. The vast majority (*i.e.*, approximately 80%) of our revenue comes during tax season (January to May); we make minimal revenue during the offseason. During tax season, we essentially reap the rewards of our hard work

throughout the year. Mr. Budka and I have been working and preparing alongside franchisees and Liberty Tax staff to get ready for the upcoming tax season (we are still working despite the bankruptcy proceedings). Now, it appears we will not be receiving the revenue we have been waiting on in order to pay for our expenses and compensate us for the work we have performed for Liberty Tax over the past eight months. This will continue to be the case if the Active ADAs are "excluded", and it will result in serious financial harm. My income supports my family, including three disabled family members whose health care costs total approximately USD$7,000 per month. I do not know how I will be able to offer this support while meeting my other significant financial obligations if the ADAs are not purchased by the purchaser in the *CCAA* proceeding.

SWORN BEFORE ME at the City of _____, in the State of California, this 21st day of November, 2023.

_____
A Commissioner for Taking Affidavits for the State of California

_____
MUFEED HADDAD

COURT OF APPEAL FILE NO. CA_____

COURT OF APPEAL

ON APPEAL FROM the order of Madam Justice Fitzpatrick of the Supreme Court of British Columbia pronounced on the 31st day of October, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

AFFIDAVIT #1 OF MUFEED HADDAD

LAWSON LUNDELL LLP

Barristers and Solicitors
1600 Cathedral Place
925 West Georgia Street
Vancouver, British Columbia
V6C 3L2
Phone: (604) 685-3456
Attention: William L. Roberts / Laura L. Bevan / Sarah B. Hannigan

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

ROAD KING DEVELOPMENT, INC.
and
ZEEDEE, LLC,
Plaintiffs,

v Case No: 2:21-cv-55

JTH TAX, LLC d/b/a
LIBERTY TAX SERVICE,
Defendant.

The deposition of **MARK JOHNSON**, a witness in the above-entitled cause, taken before Dana M. Pon, Notary Public in and for the Commonwealth of Virginia at Large, at Davis Law, PLC, 555 Belaire Avenue, Suite 340, Chesapeake, Virginia, on August 8, 2022, commencing at or about the hour of 11:44 a.m.

APPEARANCES: FOR THE PLAINTIFFS:
Davis Law, PLC
BY: CHRISTOPHER D. DAVIS, ESQUIRE
555 Belaire Avenue, Suite 340
Chesapeake, Virginia 23320

FOR THE DEFENDANT:
Gordon Rees Scully Mansukhani, LLP
BY: BRIAN J. HEALY, ESQUIRE
1101 King Street, Suite 520
Alexandria, Virginia 22314

I N D E X

WITNESS: **PAGE**:

E X H I B I T S

JOHNSON EXHIBITS: **PAGE**:

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MARK JOHNSON,

having been produced and first duly sworn as a witness, testified as follows:

EXAMINATION

BY MR. DAVIS:

Q Thank you. Mr. Johnson, have you been deposed before?

A I have.

Q How many times have you been deposed?

A I think at least two that I can remember. Maybe three.

Q Were they all with regard to Liberty Tax disputes?

A No.

Q Oh, what were the other --

A First was when my dad was killed in a plane crash and the pilot flew into the bottom of his plane. And we took him to court, and it was during that -- he was deposed -- he was actually sitting in the -- in the -- in the room, so that was our first one. And then --

Q Oh, my goodness.

A And then --

Q When was that?

A That was in '80 -- about '85, '86.

Q What a horrible thing. Wow.

A Yeah. So, anyway, we ended up winning. It was -- it was very tragic, obviously. Time heals. And the second one was with Jackson Hewitt.

Q Okay.

A So --

Q Got ya. Anything with Liberty Tax?

A You know, I don't -- I can't remember. I don't think so, but I can't remember for sure.

Q All right. Very good. I'm going to show you what we'll mark as Exhibit 1, and I'll just take a sticker.

(Johnson Exhibit Number 1 was marked for identification.)

BY MR. DAVIS:

Q This is a subpoena that was issued to you. Is this the reason that you're here today?

A It is. And the only reason.

Q Very good.

A I'm missing my grandkids.

Q Well, hopefully we won't keep you too long.

A They come over swimming on Monday.
Q You can go back to them. Thank you for being here. So just a couple ground rules real quick.
A Sure.
Q We're going to try, because our court reporter is taking everything down stenographically -- yes -- and we're going to try not to talk over each other.
A Very good.
Q And also if you would, please try to answer verbally yes or no, not uh-huh --
A Okay.
Q -- not nodding. From time to time Mr. Healy here, who represents Liberty Tax Service, he might object. And if you understood the question, you can still answer the question.
A Okay.
Q It's probably helpful if you let me finish asking my whole question --
A Okay.
Q -- before you say something.
A All right.
Q And then if he's objecting, let him finish.
A Okay.

Q And then if you understood the question, you can answer the question.

A Okay.

Q If you answer my question, can I assume that that means you understood it?

A Yes.

Q Okay.

A If I don't understand, I will ask.

Q Yes.

A I will say I don't -- please elaborate or I don't understand.

Q Very good.

A I have no problem doing that.

Q Okay. And while -- and also, just to make the record clear, while I do represent you in another Liberty Tax dispute, I don't represent you with regard to the dispute with Road King, ZeeDee, Jerry Bayless, and David Perez, correct?

A Correct.

Q Okay. What is -- how did you become affiliated with Liberty Tax to begin with?

A So I worked with John Hewitt, founder of Jackson Hewitt. I went to work for him back in '92, '93, I believe it was. I worked through '97, I think it was. I took some time off, and then he was

building Liberty and he asked me to come back. At that time I had a noncompete, so I said I can't. And so after it expired, I went back to work for him. And I told him I would commit to one year --

Q Okay.

A -- originally. And that was in -- about 2000.

Q And then when you came to Liberty, what was -- what did you come to Liberty to do, what job function?

A So I told him that I would help put his development team together, so I was the -- the assistant vice president of franchise development. When the year came and gone -- and I actually put my two-week notice in at the end of that two years, and then he asked me about building the AD program.

Q Okay.

A So --

Q That would have been -- so that would have been 2001-ish?

A That was -- yeah. Yes.

Q And what did Mr. Hewitt ask you to do with regard to the AD development program?

A He said, you know, We didn't do it at Jackson Hewitt. I think it's a way we can help grow

the company. And so to me it was -- it was a challenge. And so -- because I -- you know, I was not interested in doing franchise development anymore. And so I said, Let me do some research on it, some investigation. And I came back and reported to him and said, This is how I believe it should be set up. And off we went.

Q At the time that you did your research and created the program, had either you or Mr. Hewitt ever created an AD program?

A No.

Q And when you created the program, was it primarily you and John Hewitt collaborating together to create the program?

A No. Actually, I reached out to Bob Gappa, who was at the time, you know, the senior consultant to the IFA, International Franchise Association. And so I reached out to him, talked to him. I got all of the -- and you have to understand back in 2000 a lot of franchises had used like a master-type franchise program to grow their businesses, but they had really gotten away from it. And really the -- it made sense now because the internet coming in and e-mail. So I created a program that was good for the franchisor, the franchisee, and the AD.

Q Okay.

A But no. I did a lot of research on it.

Q So research from Bob Gappa. But in terms of making decisions as to what Liberty Tax's policy would be, that would -- would it be fair to say that was you and Mr. Hewitt?

A Yes.

Q Okay. Anyone else?

A You know, we probably got some -- we probably got some counsel from Carl Khalil. At the time he was one of our -- the (inaudible) I believe, so --

THE COURT REPORTER: I'm sorry. Carl Khalil. At the time he was one of the what?

THE WITNESS: He was a lawyer at Jackson Hewitt.

THE COURT REPORTER: Thank you.

THE WITNESS: You're welcome.

BY MR. DAVIS:

Q Okay. Very good. The -- so when you create -- when did the AD program --

A Start?

Q -- unveil, so to speak?

A Okay. So I don't know the -- so I think

about -- it was probably -- so if I did the research 2001, it was probably -- tax season 2002 I believe was the first year.

Q How did you and Mr. Hewitt determine the price to sell ADs?

A Sure. We started at -- when we first started, most of the deals out there are at fifty percent, right? Fifty percent for corporate, fifty percent for the ADs. When we first started, we gave a higher percentage away. And I lowered that very quickly. So I had a lot of autonomy on setting the percentages and the scales. And I think we started at charging -- and I'm doing this totally off memory. I believe it was 5,000 a territory. And then so as we started growing, I quickly pulled that percentage down and escalated that price up. And then if it happened to be there was a store in the area -- you know, existing store -- we charged them multiple on that store. And so -- and this was later on. And this was kind of a collaboration with -- Mark Baumgartner, who is our CFO, came on, worked with him. And at one time we actually charged, I believe, ten times multiple on those existing stores if they were young. And as they got older, we lowered that multiple down to anywhere from ten, I think, down to five was the least we

charged on a multiple.

Q Ten revenue?

A Yes.

Q Gross revenue?

A Uh-huh.

Q The -- when you say five K per territory, that was where it started. Where did it end up?

A Probably closer to ten when I left in 2012.

Q So if you -- if you look at a -- would you call them a DMA?

A Uh-huh.

Q Okay. So if you look at a DMA and -- did Liberty have some sort of mapping department that would create the territories?

A Yes.

Q Okay. So the -- would the territories be determined based on population?

A So here's -- I was actually very involved in that -- is that I didn't want -- so I got the DMA map, designated marking area map. I used to have -- I still have the original one. Some day I'm going to frame it. It's like an old flag. It's been folded so many times. And so I quickly realized that on certain sized DMAs, I wanted one AD controlling that whole

area working with all the franchisees. And it wasn't until -- so our larger DMAs, like the L.A. DMA, the New York DMA, Dallas DMA, Houston, Chicago, we split those up. And I tried to make it, you know, where naturally along either natural borders or interstates where the splits would be.

Q Okay.

A But I pretty much controlled that.

Q Okay. So every AD was unique obviously based on the geography, correct?

A Yes.

Q So every AD would have its own price that would be associated with the unique qualities of that AD territory?

A Well, the formula that we used -- whatever the formula was at, you know, at the time.

Q What was the formula?

A Well, it was -- it was -- like I said before is that I think the highest one that we gave was seventy percent, you know. And that was in California because at Jackson Hewitt we did not -- we didn't make very big inroads into California, and so we were -- I was looking for somebody that I knew that had the drive and could grow that area, could help collapse the time frames for us. So we gave some of

those sweetheart deals, we used to call them, in the early stages.

Q Okay.

A And, like I said, I quickly moved off the percentage.

Q Just so the record is clear, you're talking about splitting royalties seventy percent to the AD, thirty percent to Liberty?

A Correct.

Q And were those seventy/thirty sweetheart deals only a few at the beginning, and then did it at some point kind of -- or normalize to everybody being fifty percent?

A Yeah. I'm doing this off memory, so I would say within three years -- like I said, this is totally off memory. I could be off. But within three years, all the deals were fifty-fifty.

Q Okay.

A And then we even actually did some -- we actually even did some -- not very many. Maybe one or two. We did some sixty-five/thirty-five where we got sixty-five and they got thirty-five.

Q Oh.

A You know, we obviously charged less on those deals --

Q Okay.

A -- on there. But we did very few, maybe three, of those deals.

Q Okay. So in terms of the formula to calculate the price of an AD territory, it sounds like one factor would be what the royalty split would be, correct?

A Yes.

MR. HEALY: Objection to the form. Foundation.

BY MR. DAVIS:

Q And he might object from time to time, and you're welcome to answer it if you understood the question. And if you don't understand the question, just tell me you don't understand the question.

A Just continue asking the question, and I'll tell you.

Q Okay. So for Liberty Tax determining the price by which it would sell an AD territory to a prospective AD --

A Uh-huh.

Q -- one factor would be is the royalty split going to be fifty/fifty or some other variable. Is that accurate?

A Correct.

Q Okay. Would another factor be how many territories are within the AD territory?

A Absolutely. Yes. Sold versus unsold.

Q Sold versus unsold?

A Yes.

Q So meaning that if it's unsold, it might be somewhere between 5,000 and 10,000 per unsold?

A Uh-huh.

Q And if it's sold, it would be a multiple based on the age of the territory?

A Correct.

Q And that multiple would vary over the years?

A Yes.

Q Okay. And then would another factor -- were there any other factors to be considered in terms of pricing and AD territory?

A Let me think about that for a minute.

No. I mean, it was pretty cut and dry. In fact, I created a formula sheet that I used to just plug the numbers in, you know, and it would kick out this is the price, you know.

Q When you were creating the program with Mr. Hewitt, was there any consideration about whether

AD territories would be for a short period of time or whether they would be perpetual?

MR. HEALY: Form. Foundation.

THE WITNESS: One thing that I used to use and Mr. Hewitt used to use was, you know, it's renewable to perpetuity. And so I used to tell the area developers when I was bringing them in -- because I -- between -- I brought the majority of them in up until the time that I left and handed the reins over to Sandy Stow. You know, I would tell them, you know, You come in, help build it, grow it, and it's renewable to perpetuity and it's like an annuity, you know. But, you know, they had to do their job, you know, and grow it so --

BY MR. DAVIS:

Q Okay. Meaning that -- what you just said is something that you would represent to prospective area developers?

A Yes.

Q Okay. Is that -- is that -- what you just said, that it was renewable to perpetuity, it was like an annuity, was that -- was that your personal philosophy or was that the philosophy and perspective

of Liberty Tax corporate?

MR. HEALY: Form. Foundation.

THE WITNESS: That was Liberty Tax.

BY MR. DAVIS:

Q And also Mr. Hewitt, then?

A Yes.

Q Okay. And was the -- from the inception of the program -- the area development program from the beginning, was it designed to be a perpetual right for the area developer to renew?

MR. HEALY: Form. Foundation.

THE WITNESS: Yes.

BY MR. DAVIS:

Q Okay. Was there consideration for situations where an area developer could lose their territory?

A Sure. I mean, there was an instance -- Doug and Manny Marrero (phonetic). They had -- and --

Q Say that again.

A -- Doug -- Doug Alt (phonetic) -- sorry -- and Manny Marrero. They were two early ADs that came into the Los Angeles area, and they paid about 350 -- 330, $350,000. And they were -- and it was

interesting because I -- Doug -- or Manny was the operator, and he actually got a job as the C -- COO of Mossimo -- you know, the clothing guy -- right after we signed the deal. And I was a little concerned about it growing, and so I met with them, you know, after a year. And I said, Look, guys, we've got to -- we have to get this thing going. And so then a year later, I met with them actually at Las Brisas in Laguna Beach. And I said, Hey, guys, it hasn't been growing. We're going to buy you out. And actually I think that we paid them $650,000.

Q Okay.

A So -- if my memory serves me correct.

Q Nearly double what they paid for it?

A Yes. Yeah.

Q Okay. Now, what about the -- are you familiar with at the end of the AD agreements, there's -- it's phrased, I think, differently but it's a development schedule.

A Uh-huh.

Q It's at the end. I think it says, Minimum requirements.

A Uh-huh.

Q Is it okay if I call it the development schedule?

A Yes.

Q Okay. Was the development schedule something that was a part of the AD program from the beginning?

A Yes.

Q Okay. And, by the way, you were the vice president of area development all the way until --

A 2000 -- until 2012. I can't remember when Sandy actually came in. She came in before I had left, you know. But it was just -- you know, I helped create the program. It was on its way. You know, I wanted to go on to other things.

Q Got you. So was the development schedule -- you said that was a part of the beginning?

A Uh-huh.

Q Having a development schedule, correct?

A Uh-huh.

Q Okay. Was the -- the targets that are -- well, is that a fair phrase that I just -- I just said targets. Is that a fair word to say when it lists the development schedule, a timeline by which to develop the territories? Is that a target, an aspirational goal, a hope, a wish, a dream, what? How would you describe that?

MR. HEALY: Objection. Form. Foundation.

THE WITNESS: Well, I was -- target, slash, requirement, you know, that they had in the -- in the agreement.

BY MR. DAVIS:

Q Okay. And did you -- in your experience while you were the vice president of area development, did any of the ADs in the system actually meet the development schedule?

A Yes. Yeah. There were some that were -- it was all across the board. Some were ahead of it, some were at it, and some were behind it.

Q Okay. And was the -- was the policy of Liberty Tax that if you did not meet the development schedule that you could be terminated?

MR. HEALY: Form. Foundation.

THE WITNESS: I don't know that we would actually terminate somebody for not meeting their development plan. We never did while I was there, and we -- the only -- the instance where -- you know, we had the right -- in those agreements, they said if they didn't meet their development plan, we had the right to go in and buy back those territories for what they paid.

BY MR. DAVIS:

Q Right.

A And so -- and I don't remember what year this was. Year three maybe. I actually did it to one of the ADs, just kind of shot it across the bow if you will. And I deleted one of his territories, and we paid him for what -- what he paid for.

Q Was it the --

A But to answer --

Q Yeah.

A No. We never said you're behind your development plan. You're being terminated for this. We never -- in my memory we never terminated anybody for not having a development plan. Now, there were some people that we -- I had conversations with them that you're behind. And then if that was the case, then we would plan an exit strategy and we would buy them out.

Q Okay. Was it Liberty's policy during your tenure at Liberty Tax that if someone -- an AD was not meeting their development schedule that Liberty could decline or refuse to renew them?

MR. HEALY: Form.

THE WITNESS: That -- that never happened. I mean -- no, that never happened.

BY MR. DAVIS:

Q I'm not asking if it ever happened. I'm asking was the policy that Liberty would -- did Liberty take the position that if somebody didn't meet the development schedule -- well, strike that. Strike that. I'll ask that a different way.

A Okay.

Q The area developer agreement -- I'm paraphrasing, but it indicates -- we could look at it, but it says that if -- actually, let's look at it.

A Okay.

Q We'll use this.

MR. HEALY: Chris, I have another copy of it --

MR. DAVIS: Okay.

MR. HEALY: -- if you just want to mark it as Johnson 1.

MR. DAVIS: Do you have two extra copies?

MR. HEALY: I have copies for everyone. Yeah.

MR. DAVIS: Great. Let's do it.

MR. HEALY: And which one did you want to use?

MR. DAVIS: Let's use the -- let's use -- let's use the 20 -- what do you have? The 2014

one?

MR. HEALY: I have -- I have all the agreements for Road King and ZeeDee.

MR. DAVIS: All right. Let's do both. I'll just --

MR. HEALY: 2005 and '14?

MR. DAVIS: Yeah.

MR. HEALY: Okay.

MR. DAVIS: This is '05. We'll mark this as -- I'm going to mark yours real quick.

THE WITNESS: Okay.

MR. DAVIS: Well, you've just given me three, so why don't you keep that one.

MR. HEALY: I have a copy.

MR. DAVIS: Oh, good.

MR. HEALY: Yeah.

MR. DAVIS: Well, this is already three now, so you've given me three. I'll mark this one as 2 for Mr. Johnson, and then I have a copy. And then --

(Johnson Exhibit Number 2 was marked for identification.)

MR. HEALY: You have a copy, right? If you want to hand the --

MR. DAVIS: So this is an extra one. So

then this one we'll mark as 3.

(Johnson Exhibit Number 3 was marked for identification.)

MR. DAVIS: That's your three, and you've got two more of those. Well, then you keep one, right? There we go. Okay. Good. So this is just an extra one, then.

MR. HEALY: Okay.

MR. DAVIS: So I guess it was four. So we'll mark this as 2 and 3. Okay.

BY MR. DAVIS:

Q Mr. Johnson, you now have two documents in front of you, Johnson 2 and Johnson 3.

A Uh-huh.

Q These are the area developer agreements for -- the first one, Johnson 2, is for Road King, which is one that was operated by Jerry Bayless and his wife, Rhonda Bayless.

A Okay.

Q Do you know Jerry and Rhonda Bayless?

A Yeah.

Q Did you have a hand in selling them their initial area developer?

A Yes.

Q Under the name of Road King?
A Yes.
Q Okay. And let's look at the Exhibit 2 first. And if you look at near the end, we'll get to -- let's see. It's going to be LIBERTY-ROADKING 62. So it's about four -- four pages from the end. It says, Minimum requirements.
A 61. 62. Yes.
Q And is this the development -- or I'm sorry. Actually, yeah. This is -- this is the -- what we would call the development schedule?
A Yes.
Q Okay. And the -- and then let's look at the section earlier if I can find it here. If you look at Section 4.1, which is Bates 51.
A Okay.
Q Okay. And then there's a sentence there right after that underlined Schedule B.
A Uh-huh.
Q Do you see it says, If Liberty developer does not meet the minimum requirement?
A Uh-huh. Yes.
Q And is that what we talked about a minute earlier where if the AD doesn't meet their development schedule, Liberty can delete the territory and buy it

back?

A Yeah. Let me just read it real quick if you don't mind.

Okay. I'm sorry. Your question again? I've read it now.

Q Well, my question is is this the portion where you talked about a little bit earlier where if somebody wasn't meeting their development schedule or their minimum requirements that Liberty could delete those territories and pay the AD the amount owed to them for the value of the territory?

A Yes.

Q And was it Liberty's policy during your tenure there that if an AD was not meeting a development schedule that that was the sole remedy that Liberty had, was to delete their territories and pay them for it?

MR. HEALY: Form. Foundation.

THE WITNESS: Sole remedy, yes. I mean, other than -- I mean, we tried to work with them and, you know, get them to come up to speed. But yes, that was the sole remedy.

BY MR. DAVIS:

Q Let's look at the next document --

A Okay.

Q -- which is Exhibit 3, which is LIBERTY-ROADKING 13 and the documents that follow. This one is a little bit of an updated AD agreement.

A Okay.

Q This one -- if you look at the end, which is the last page, Schedule B, it says, Minimum requirements. Do you see that?

A Schedule B?

Q Yes. The last page.

A Yes.

Q 33.

A Uh-huh.

Q And this is also the development schedule; is that right?

A Yes. Looks like it, yes.

Q Okay. And in this case Section 4.1 -- if you look at Section 4.1 again under this agreement with me, please. The -- see where it says, Minimum requirements, there?

A Uh-huh.

Q At the end of that paragraph, there's a sentence that is inserted here that wasn't in the prior version. It says, This deletion is Liberty's sole remedy for failure to meet minimum requirements.

Do you see that, the last sentence of that 4.1 paragraph?

A On 4.1?

Q Yes.

A On the first paragraph?

Q Yes.

A Yes.

Q Okay. Do you know why that sentence was inserted into the area developer agreement form?

A Because it was -- it was inserted because we wanted to let them know that that was our practice. If you weren't meeting your development schedule, we could go in there and delete the territories -- you know, pay you for them, and that's our sole remedy. You know, so it was kind of like, All right, you know, we want you guys helping us to build and grow. And if you're not going to do it, then we're going to delete your territories and buy those territories back and get somebody else to do it.

Q And was that to assuage concerns by an AD that maybe they would be prevented from renewing if they didn't meet the schedule?

MR. HEALY: Form. Foundation.

THE WITNESS: Yes.

BY MR. DAVIS:

Q Okay. And so was it the intent of Liberty Tax during your tenure, as reflected in the area developer agreement, that if an AD was not meeting the development schedule that it wouldn't -- it wouldn't be a basis to prevent them from renewing, and instead it would just be a basis for perhaps deleting the territory and paying market value?

MR. HEALY: Form. Foundation.

THE WITNESS: Yes.

BY MR. DAVIS:

Q Okay. Let me ask you about -- I don't know that you know much about it, but the -- other than -- well, strike that.

You also became an area developer --

A Yes.

Q -- at some point? When did you become an area developer?

A It was actually -- my wife was the area -- I wasn't even on the agreement until way later, so it was my wife. And she had a partner, the Yorks (phonetic). And I want to say they bought their first area development rights -- it was in central Florida, and I want to say late 2000 or early 2003.

Q How many territories did you or your wife own over the time period that you guys owned or still own AD territories?

A Well, when we -- through the whole expansion, I don't know the exact number. But I believe it was over a hundred territories.

Q And are you currently a Liberty Tax area developer?

A No.

Q And is that because Liberty terminated or declined to renew?

A Well, we --

MR. HEALY: Objection to form.

THE WITNESS: We -- my wife tried to log on to do her duties. I believe it was during the tax season. She really ran the thing. And then we had one of our franchisees send me a text message and said, Are you guys still area developers? And I said, Yes. Why? And then through this whole chain of events, they had turned us off. And we never got a notice because they sent it to our old address.

BY MR. DAVIS:

Q Got ya. Meaning you didn't receive a

notice from Liberty of termination or what?

A Termination.

MR. HEALY: Object to form.

BY MR. DAVIS:

Q And how do you know that Liberty sent it to your old address?

A Because I believe that's what they ended up saying, it went to this address. From memory. I'm doing this from memory.

Q When was that approximately?

A Oh, gosh. Three years ago. Three -- it was right before -- yeah. It was about three years ago. It was right before -- was COVID 2000?

Q Yes.

A It was either '19 or 2000. I don't remember.

Q Very good.

A It was one of those years.

Q The notion of charging a tax preparation customer an E-file fee -- you're familiar with that practice, correct?

A Yes. I mean, that -- yes. Yes.

Q Okay. And that's -- that -- the introduction of E-file fees was something that came

into place after you had left Liberty corporate; is that right?

A Yes.

Q Okay. But you're -- so your familiarity with that is because you were an area developer either directly or your wife or through an entity or a partner, correct?

A Uh-huh. Yes.

Q Okay. What -- do you have any knowledge of Liberty's policies as stated by someone with authority from Liberty to the area developers as to whether area developers would receive royalties on E-file fees?

MR. HEALY: Objection to form. Foundation.

THE WITNESS: Okay. So we had a meeting with Brent Turner, and this was in September of '19, I believe, at the home office. And I'm trying to remember who was there. I know Sandy was there, Sandy Stow. I believe Ray Dunn was there. There was two people on the -- on the -- there was a couple other people there. I think maybe Dan Roman. I'm sure somewhere there's a list of the people that were at that. And then there was two people on the phone, Elsa Ibra

(phonetic) from Los Angeles and then Mark -- I can't think of his last name. Oh, God. I can't think of his last name. And at that -- at that meeting Brent Turner stated that we were going to get paid on those E-file fees.

BY MR. DAVIS:

Q Uh-huh. He said that you were going to get paid?

A Uh-huh.

Q And is that because -- or was the context of that that ADs were being paid for a period of time and then ADs were no longer being paid?

MR. HEALY: Form. Foundation.

THE WITNESS: So I'm doing this off memory. Is -- there is -- from what I remember, there was objection about -- well, he wanted -- Brent, when I say he, wanted us to work with the franchisees in getting them to start charging these E-file fees. And so he was soliciting our help to -- or the area developers' help to get the franchisees to start charging these E-file fees. And at the meeting he also reassured us that we would be paid, the ADs would be paid.

BY MR. DAVIS:

Q And then after that meeting do you know if ADs -- well, strike that.

Do you have any actual personal knowledge regarding the operations of Jerry Bayless, ZeeDee, Road King, David Perez?

A From the --

MR. HEALY: Form.

THE WITNESS: The only knowledge I have is Jerry Bayless is the area developer and David Perez is one of his franchisees.

BY MR. DAVIS:

Q Okay.

A One of his largest franchisees, if my memory serves me correctly.

Q Okay. In terms of their actual operations, how well they're doing, sales numbers, things like that, any personal knowledge of that?

A I really don't because I -- like I said, I left in 2012. And I was already moving out of that position before then so --

Q Very good. Well, I guess part of the reason I'm asking is because the AD agreement we -- the second one we looked at is 2014.

A Uh-huh.
Q And so that was drafted after you left?
A Yes.
Q Okay. Now, but I asked you about the insertion of that sentence that the deletion of the territory would be the sole remedy. Was that a sentence that was inserted before you left?
A I believe so, yes.
Q Okay. And so when I asked you the question why was that sentence inserted, even though you left before this 2014 Exhibit 3 was signed, your answer is that was inserted --
A I believe it was inserted a few --
MR. HEALY: Form. Foundation.
THE WITNESS: -- a few years earlier.

BY MR. DAVIS:
Q Okay.
A I couldn't tell you exactly what year.
Q Okay.
A Yeah.
Q Got ya. I guess to say that differently, when I asked you the questions earlier about the basis for why Liberty inserted that sentence and you answered me, your answer related to your time while

you were there? Not specifically to Exhibit 3, because that was after you left; but while you were there that was the reason; is that right?

A Correct.

Q Okay. The renewal of AD agreements --

A Uh-huh.

Q The agreement -- all the iterations that I've seen say that to renew the AD must provide written notice of intent to renew.

A Uh-huh.

Q The requirement that renewal be in writing, was that something that Liberty would often or as a matter of policy waive?

MR. HEALY: Objection to form. Foundation.

THE WITNESS: Yes.

BY MR. DAVIS:

Q Okay.

A Some people would -- I mean, sometimes Liberty would send a notice, hey, you're up for renewal. We're going to send your documents out. Okay. Or people would call and tell us they want to renew, and we would send the documents out. Some people would send notice in. It was all across the

board.

Q Was it the regular and uniform practice and policy at Liberty to waive the requirement that an AD must provide written notice of intent to renew?

MR. HEALY: Objection to form. Foundation.

THE WITNESS: Can you say that -- ask me the question again, please.

BY MR. DAVIS:

Q Yeah. Was it the practice and policy of Liberty to waive the requirement that a notice agreement would be in writing from an area developer?

MR. HEALY: Same objections.

THE WITNESS: I guess the same answer. It was across the board. It was some people -- some people sent a notice in. Other people called us. Other people we called them and said, Hey, you're up for renewal. We're going to send out your agreements. Okay?

BY MR. DAVIS:

Q Okay. So were there instances that you can recall where an area developer provided oral notice of intent to renew and Liberty said no, that's

not good enough. It had to be in writing.

Sorry. You're done?

MR. HEALY: Form. Foundation.

THE WITNESS: No. I cannot remember an instance like that.

BY MR. DAVIS:

Q Okay. So was the policy of renewal something that Liberty treated for area developers -- was that something that Liberty treated loosely?

MR. HEALY: Objection to form. Foundation.

THE WITNESS: Yes. And I understand the word loosely. It's -- they weren't hard and heavy and -- well, they didn't operate by the letter of the law on the renewal. Like I said before, it was across the board.

BY MR. DAVIS:

Q So did Liberty Tax area developers -- strike that. During the process of sales of AD agreement and/or operations, were area developers told by someone at Liberty Tax that they didn't need to worry about providing formal written notice?

MR. HEALY: Objection to form.

Foundation.

THE WITNESS: I don't know if that was ever stated. I can't say.

BY MR. DAVIS:

Q Okay. Do you know -- did -- as a -- in a general sense for area developers, did they have an expectation that the agreements were going to be renewed into perpetuity?

A Yes.

MR. HEALY: Objection to form. Foundation.

BY MR. DAVIS:

Q Why did they have that expectation?

MR. HEALY: Same objections.

THE WITNESS: Because Mr. Hewitt said it. I said it. That was just common -- it was common knowledge.

BY MR. DAVIS:

Q At some point in time, did you come to an understanding that Liberty seemed to want to get rid of its area developers?

MR. HEALY: Objection to form.

Foundation.

THE WITNESS: Yes.

BY MR. DAVIS:

Q When was that?

A That was -- it probably started -- and I don't have the exact dates, but about the time that -- during and before and about the time John left, it became very clear and evident because I remember them -- and I don't remember what year this happened. But they took the AD payment off the balance sheet and put it on there and they moved it from -- and I can't remember where it was. I remember when they moved it to AD and then moved -- put expense on there. And I remember telling Mary -- I said, The ADs just became a target.

Q On the -- meaning on Liberty's public SCC filings that --

A I believe it -- yes, it was on -- I believe so.

MR. HEALY: I'm going to object to form and foundation.

BY MR. DAVIS:

Q And what other evidence did you have or

perceive that caused you to believe that Liberty was trying to get rid of its ADs?

A Okay. So when Ed Brunot came in, he was -- my dad was a colonel in the Air Force. And so he was a captain. And I always said, you know, You bring a captain in, He does all the dirty work. He's the one that charges the hill, you know, over the grunts and he's expendable. And I said, I believe that he was brought in just to get rid of all the ADs and that was the mandate from the board and from Kathy Donovan, who was the CFO at the time. And that --

A case in point. When we went to the retreat in Nantucket, we had a meeting with -- and I remember myself and my wife being at the last meeting with Ed Brunot before we went into the general meeting before dinner. And my wife, Mary, kind of read him the riot act about, you know, You're messing with people's lives here and you don't know the impact that you have on them. And for a second it got to him because afterwards he came out after that meeting and said, You're right. We're dealing with people's lives here. We've got to think differently.

Well, between there and dinnertime, I'm sure he talked to either Kathy Donovan or somebody on the board that said you're not there to make friends

with these people. You're there to get rid of them. And during that whole time at the dinner -- and you have to understand the culture before that. We always -- we always mingled, but John would mingle around the table. All the corporate people would go around the table, mingle, sit with -- they were all by themselves. And I remember talking -- I remember pointing to the table. And I was at the table with Steve Oaks, Dan Roman, and a few other people. I said, That right there paints a -- paints a picture right there. They're not worried about building any relationships with us because they want to get rid of us so --

Q Any other evidence?

A Well, just the things that they started doing and the way they started treating the area developers. And it was -- it was always -- you know, to me, actions speak louder than words. There was words and there was actions, and those words and those actions were not lining up so --

MR. DAVIS: I think that's all the questions I have.

MR. HEALY: Mind if we take a break?

MR. DAVIS: Sure.

THE WITNESS: I don't mind.

(A short break was taken.)

EXAMINATION

BY MR. HEALY:

Q Mr. Johnson, we met off the record. But just so you're familiar, again, my name is Bryan Healy, and I represent JTH Tax, LLC --

A Okay.

Q -- in this litigation. And I think also off the record we had a conversation about your residence, and that's in Virginia Beach, right?

A That's correct.

Q Can you give me an exact address?

A Sure. 2212 Rio Rancho Drive, Virginia Beach, Virginia 23456.

Q And you testified that you worked at Liberty until 2012, right?

A Correct.

Q And we'll get into the substance of your job at Liberty Tax later. But where -- well, first let me ask. Under what circumstances did your employment with Liberty end?

A I went to Mr. Hewitt and said, It's time for me to move on. So it was mutual.

Q It was mutual?

A Yeah.

Q And where -- well, so I guess let me go back. You voluntarily resigned?

A Yes.

Q Was that because you were unhappy with Liberty or just needed a change? If you could just elaborate a little bit.

A No, I wasn't unhappy. I just needed another -- it was time for my next challenge.

Q Okay. And what was that next challenge?

A So I had -- so I actually -- while I was -- I had a company called FranchiseThis!, and I helped young franchisers grow their brands. And so right after that, I -- after I left, I actually -- Gary Goldman (phonetic) called me, who was on our board at Liberty as a venture capitalist. He said, I've got this company I'm looking at. They need your skill set. I'd like you to meet with them. So anyway, long story short, we got -- I did a contract to help him franchise, and we got into food delivery. It was called OrderUp. And it was eventually bought by Groupon, which eventually Grubhub bought it from Groupon, so --

Q And is FranchiseThis! still in operation?

A It is. I don't -- I mean, I never actively pursued clients. But I still have one client with it.

Q Do you have any other positions?

A Yes.

Q And what is that?

A I'm the CEO of Loyalty Brands Franchising.

Q And when did you begin that position?

A Oh, gosh.

Q Or let's start with --

A Okay.

Q I'm sorry. I don't mean to interrupt.

A Sure.

Q When did you start with Loyalty Brands?

A I started with Loyalty Brands Franchising in October of -- so this October it will be -- it will be two years. So that was, what, '20 or 2000? Is that correct? I think it was October of 2000.

Q Okay.

A '21, '22. Yes.

Q 2020 you mean?

A 2020. Yes.

Q Okay. And have you always been CEO with Loyalty Brands?

A Of Loyalty Brands Franchising. It was two

different companies.

Q Two different companies?

A Yes.

Q Okay. So explain to me the differences in your role with Loyalty Brands Franchising and Loyalty Brands.

A So Loyalty Brands Franchising is a subsidiary of Loyalty Brands. And so I work with -- mainly with the young entrepreneurs, young startup franchises.

Q And do you have different roles within each company?

A No. I have no role in Loyalty Brands.

Q Okay. And so you're only CEO of Loyalty Brands Franchising?

A Correct.

Q Okay. And Loyalty Brands, is that a company owned by John Hewitt?

A Partly, yes.

Q Do you know what the extent of the ownership is?

A I couldn't tell you offhand. I mean, I'd have to get the document and show it. So I can't tell you --

Q Yeah. I'm not going to -- I'm not going

to grill you on that.

A Yeah.

Q How did you become involved with Loyalty Brands Franchising?

A I mean, obviously I worked with John at Jackson Hewitt. I worked with him at Liberty. I did my own company, which I was doing the same exact thing. And so we met. And we met and thought about it and said, Okay, I've got one more good run in you -- in me. You know, I'll go to work and see where we can take this thing.

Q And you've been in your same position, CEO, for the entirety of the --

A Yes.

Q -- time period you've been employed?

A Uh-huh. Yeah.

Q And is it fair to say that John hired you?

A Yes.

Q Is it fair to say that John is your boss?

A Is John my boss? Yes, I guess you could --

Q And I think -- jeez, I've got to go back in my notes here. But I think you said you first met John and became involved with Jackson Hewitt in 1992; is that right?

A I believe it was '92. It could have been -- it could have been -- because I moved up here from Orlando. It may have been '93, actually. It might have been '93.

Q Okay. So roughly thirty years you've known John, then?

A Yeah. Uh-huh.

Q Would you consider John a friend?

A Yeah.

Q A business mentor?

A Yes.

Q Have you talked with John about this suit or any other -- well, let's just start -- have you talked with John about this particular lawsuit?

A Just in vague terms.

Q Can you elaborate?

A I mean, Are you getting deposed? I'm getting deposed. Have a good time.

Q For the record, are you having a good time?

A Yeah. I always have a good time.

MR. DAVIS: Object to form.

THE WITNESS: There we go.

BY MR. HEALY:

Q I'm wondering if you could put a little meat on the bones there. Did you discuss the substance of the allegations at all with John?

A No. I mean, are you -- well, finish asking me what you're asking me, then.

Q I'll leave it at that.

A No.

Q Did you discuss the substance of the allegations with John?

A No. No. We knew that we were -- it was happening. We talk in generals. We don't strategize about it. You know, like I said, Are you getting deposed? Are you getting deposed? Have a good time, you know.

Q Did he express a viewpoint on the litigation?

A If he did, I don't remember.

THE COURT REPORTER: And I'm sorry. Did you say, Did he express a viewpoint?

MR. HEALY: Yes. Correct. And just let me know if you need me to slow down.

THE WITNESS: Yes, he did say that.

THE COURT REPORTER: It's not really your -- it's your volume, not your speed.

MR. HEALY: Okay. I'll try to speak up, then.

THE COURT REPORTER: It's only because of the air conditioning.

BY MR. HEALY:

Q Have you talked with any other area developers about anticipated or pending litigation with Liberty excluding the suit that you are involved in with Liberty?

MR. DAVIS: Well -- well, wait a minute. Hold on one second. So he is or was an area developer with (inaudible).

THE COURT REPORTER: I'm sorry. Was an area developer with what?

MR. DAVIS: Mufeed Haddad.

THE WITNESS: M-U-F-E-E-D. M-U-F-E-E-D.

MR. DAVIS: So I just want to be careful that we don't get into anything that's privileged.

THE WITNESS: Yes.

MR. HEALY: Absolutely. And I don't want to know conversations that you have had with Mr. Davis about your lawsuit.

THE WITNESS: Okay.

MR. HEALY: Or Mr. Davis or anyone associated with his firm, even, you know, secretaries or paralegals.

THE WITNESS: Uh-huh.

MR. DAVIS: I guess what I'm getting at is he may have had conversations with his business partners that are work product that are related to this lawsuit. Not this lawsuit. Related to his lawsuit I mean.

MR. HEALY: Okay.

MR. DAVIS: That's what I'm getting at.

BY MR. HEALY:

Q Okay. So excluding conversations with Mr. Davis or his staff or your business partners in relation to this specific litigation with Liberty, have you spoken with other ADs?

A Yes.

Q Who are those ADs?

A I spoke with -- I mean, just in general. I mean, I'm still friends with a lot of them. And so I don't know that I got into any specifics of any case, you know. But, you know, I'm still friends with a lot of them, if not the majority of them. So I couldn't sit here and tell you I had this conversation

with so-and-so and this is what we talked about because it was all in generalization. It wasn't anything we were strategizing or anything like that so --

Q Have you spoken with Christopher Robinson?

A Christopher Robinson? No.

Q Peter Ziolkowski?

A I did speak with Peter before. The last time I spoke with Peter was probably --

MR. DAVIS: Sark --

THE WITNESS: Ziolkowski.

MR. DAVIS: Sarkau --

THE WITNESS: Ziolkowski, yeah.

MR. DAVIS: Sarkauskas.

THE WITNESS: I just call him --

MR. HEALY: I'm probably butchering his name.

THE WITNESS: I just call him Peter Z.

I talked to Peter, and I think the last time I talked to him was before I -- before his -- went to his -- to arbitration for a second there. I don't remember. I just remember talking to him. I remember -- I remember in the grocery store -- I was standing in the grocery store. It was raining, and he was about to go on

a walk on a trail or something.

MR. DAVIS: Brad Sarkauskas.

THE WITNESS: Brad --

MR. DAVIS: It's not Peter.

THE WITNESS: Oh.

MR. DAVIS: It's Brad Sarkauskas.

MR. HEALY: Well, so I'm referencing -- to be clear for the record --

THE WITNESS: Yeah.

MR. HEALY: -- I'm talking about Peter Ziolkowski, who -- and I don't want to, you know, make assumptions or prompt the witness -- but who's involved with picking or franchising --

MR. DAVIS: Okay. That's different, so we're talking about two different people.

THE WITNESS: Peter.

MR. HEALY: Peter.

THE WITNESS: Yeah. That's who I thought he was talking about.

MR. HEALY: Yeah.

THE WITNESS: So same -- same thing. All right.

BY MR. HEALY:

Q Yeah. So we're on the same page, right?

A Yeah. Yeah. So I had a conversation with him. I couldn't tell you other than -- the only thing I remember about the conversation was it was raining and he was bemoaning everything he was going through and I was listening to him. And then -- and he was getting ready to go take a hike on a trail, and I couldn't tell you any more or anything less of that conversation.

Q So he was complaining about Liberty's actions?

A I don't know that he -- well, was he complaining? Maybe. You know, he's not really -- I don't want to say complaining. He's not really a complainer. You know, he was maybe expressing his -- you know, what he thought. I was just basically being a friend and listening.

Q Were you sympathetic to his viewpoints and, you know, being mindful that you didn't (inaudible)?

MR. DAVIS: Object to form.

THE COURT REPORTER: I'm sorry. You know, being mindful that you didn't --

MR. HEALY: That he did not characterize them as complaints.

THE WITNESS: No. I don't -- I mean, it

is what it was. I wasn't -- you know, Peter was Peter. And he always had a way of talking and explaining things, and so I was just listening to him. You know, and I would just say, Peter, I hope it turns out for the best. I may have said that. Probably said that. And then I said, Hey, have a good time on your trail walking.

BY MR. HEALY:

Q And so you guys are friends or friendly?

A We're friendly. I wouldn't say I'm his bud or anything, you know, so --

Q And we'll seal that part of the deposition so he doesn't know.

A Okay. Yeah. Okay. For the record, I like him. I like Peter.

Q Did you provide any sworn testimony in Mr. Ziolkowski's action against Liberty?

A Did I provide any sworn testimony? There was -- yes, there was one thing that I signed. And it was -- I can't remember what it was. It was something. You guys probably have it, right? There was something that I signed.

Q To your -- to the best of your recollection, is that an affidavit?

A Yes.
Q Okay.
A I believe it was, yes.
Q And you provided that to Mr. Ziolkowski and his attorneys?
A Uh-huh.
Q For use in pending litigation against Liberty, right?
A Yes.
Q Okay. Have you talked --
A Well, let me say this too. The first one they sent me I rejected. I said, I'm not signing this.
Q Why not?
A Because I said I couldn't -- I couldn't -- I can't remember what was in there. And I said, I cannot sign that I have knowledge of this. And I can't remember what part it was. Other than the first one they sent me, I said, No, I'm not going to sign that because I cannot verify -- and it was a -- it's kind of coming back. He wanted me to use a term in there. And I said, I can't because I -- one, I don't -- I wouldn't use that term, you know, so I'm not going to sign it.
Q So it was because you didn't agree with

the substance --

A Yes.

Q -- that was in there?

A Absolutely.

Q And then you had them revise it and then you signed?

A Yeah. Revise it and dumb it down because it was a lot less.

Q Do you remember what that term was or --

A I don't. I don't even remember. It was just something they put in there. I said, That's not -- that's not something I would say.

Q Uh-huh. Okay. So let's talk a little bit about the pending litigation that you are involved in --

A Okay.

Q -- with Liberty. And, again, I don't want to know anything -- I'm not entitled to know it and I don't want to know anything that you've talked to Mr. Davis about or any of Mr. Davis' staff or your coplaintiffs or business partners when you anticipated bringing litigation or after you brought litigation, so I'll preface it with that. When did you first become an area developer?

A Again, this is going off of memory. And I

actually -- my wife became an area developer in, I think, 2003. 2003. I did not get put on the contract until years later, and I couldn't tell you what year. So that's when I became on -- and I was only five percent on there. I think it was for estate planning purposes or something. I since then fired that guy.

Q And so in 2003 you were -- you were still at Liberty then, right?

A Yes. Uh-huh.

Q And did you coordinate in any way your wife's involvement as an area developer?

A I mean, it went through my office on there and everything. I mean, if you see, John signs off on all the agreements. We used the same formula. If you're asking me if I gave her any special treatment, no. She got the same deal everybody else was getting at the same time.

Q And refresh my recollection. I just don't have the papers with me right now.

A Sure.

Q The other -- the other business partners were Michael Budka --

A Mike Budka. Michael Budka.

Q Budka. And then the entity that they were under was M&M --

A Yes.
Q -- Business Group, right?
A I believe so, yeah.
Q Okay. And you said that the first agreement was in 2003, right?
A I believe so. It was 2003.
Q Do you know if there was a term associated with that agreement?
A Term in what aspect? Like --
Q Term as in did the contract last for a specific period --
A Yes.
Q -- of time?
A Yes.
Q How long did that last for?
A Ten years.
Q Ten years?
A Renewable to perpetuity.
Q And so at the end of ten years, did the -- was the area developer agreement renewed?
A Yes. Yeah. Well, here's -- we had a former partner, and Mike Budka and Maquida Don (phonetic) bought those partners out. And I don't even remember what year it was they bought them out. And so when we -- from what I can remember, when they

were bought out, they signed a new ten-year agreement. Was that year six or seven? I don't remember exactly when.

Q But a new agreement was signed?

A Yes.

Q And were you personally involved in that agreement?

A Yes.

Q As an area developer?

A Yeah. As the vice president of area development. I oversaw, you know --

Q Well, I guess I mean to say, to be clear, were you personally a party to the contract as an area developer? Not --

A You know, I cannot -- I cannot tell with certainty if I got on the contract then or when I got on the contract. If I had to take a guess -- and this is only a guess -- I think it was after the fact that I got on, but I could not tell you for certainty when it was.

Q Were you -- do you know whether you were still at Liberty when you were added to the contract? As an employee?

A I couldn't tell you. I really honestly couldn't tell you.

Q And so --
A I don't write a journal. I don't put stuff like that in my journal.
Q Do you have a journal?
A Yeah, but it's pretty blank.
Q So let's flash-forward. You personally and your business partners are now presently suing Liberty, correct?
A That is correct.
Q For, you know, both wrongful termination of the area development agreement, correct?
A Uh-huh.
MR. DAVIS: Object to form.

BY MR. HEALY:
Q Do you know how much monetary damages are claimed in that lawsuit?
A I do not know. I honestly don't know because I'm not really the one that's spearheading it, and so I couldn't tell you.
Q Do you --
A If I had to take a guess, twenty or thirty million. I'm teasing.
Q So it's fair to say that you would be entitled to some amount of any judgment if you were to

prevail in that lawsuit?

A Yeah. I think I was five-percent owner.

Q Okay. And are you familiar with the allegations in this case?

A Am I familiar with the allegations in what case?

Q In this particular case that you're being deposed in.

A Am I familiar with the allegations? I could -- no. I couldn't recite them, no. Other than probably -- I can make an assumption, but I don't -- I couldn't say for a fact.

Q Well, I'll just make a representation that at least part of the allegations in this case relate to Liberty's claimed wrongful termination of Road King's area developer agreement and ZeeDee's area developer agreement. Is it a fair assumption to say that those allegations are similar to your pending lawsuit against Liberty?

MR. DAVIS: Object to form.

THE WITNESS: I couldn't tell you. I'd have to look at -- I'd have to look. I know what we were wrongfully terminated for. But other than having to look at -- go and look at what Road King's was and the other one, I couldn't

tell you if they were the same or not.

BY MR. HEALY:

Q So in your lawsuit against Liberty, you've claimed that they have wrongfully terminated your area developer agreement, right?

A I think so, yeah.

Q Do you have -- well, let me ask you this way.

A Sure.

Q How do you feel about Liberty as a company?

A I have a lot of fond memories about Liberty. You know, I helped build the company. And I have nothing but -- nothing but best intentions for them, for all the people that are still there and still relying on Liberty for a source of income. So I have no ill feelings against Liberty and even Brent Turner. I like Brent, you know. But, you know, there's -- you know, there's always business. You know, and being in franchises for the last thirty years, you see a lot. And I've tried not -- and you try not to be too naive about how things really operate, which I alluded to earlier about when they started getting rid of the area developers. You know,

it was like -- you know, Guys, I think you forgot about how this company got -- helped get built. If it wasn't for the area developers, the company would not be where it is. And so I think it was a little -- it just happens, right? That's life. That's business, and I don't hold grudges or I'm not bitter about it. You know, do we like going through it? Do we like being terminated? No. I mean, it really -- you know, but it -- life happens, right? And then that's why we have lawyers and we end up in depositions.

Q Is it fair to say you disagreed with Liberty's business decision to at least not renew your personal agreement?

MR. DAVIS: Object to form.

THE WITNESS: Of course, you know.

BY MR. HEALY:

Q Were you upset about that decision?

A I was upset about how it made my wife upset, you know, because she was the one that built it and grew it and worked with all those franchisees. And the way we were terminated wasn't -- I didn't think was in the -- it could have been done a lot better. It could have been handled a lot more professional than it was.

Q Do you know what -- well, I guess let me rephrase. Was there an initial fee associated with your wife's area developer agreement?

A Was there an initial fee that she paid? Yeah. Absolutely.

Q Do you know off the top of your head what that was?

A I don't remember.

Q Approximately?

A I don't even remember.

Q All right. Let's say -- let's pivot a little bit and talk about your employment with Liberty Tax.

A Okay.

Q Correct me if any of this is wrong. In 2000 you started with Liberty?

A I believe it was March of 2000.

Q And you started as an assistant vice president of franchise development?

A Correct.

Q And that was prior to the existence of any area developer program, right?

A That is correct.

Q And then in 2000 -- I think there might have been some confusion about this on the record.

Was it 2001 or 2002 that Mr. Hewitt approached you about the inception of an area developer program?

A It had to be towards the -- it had to be 2001. I mean, if I started in March of 2000 -- I said I was working there one year, so it had to be 2001. If I started in March of 2000 and I was going to leave in 2001, so it was in 2001 --

Q And --

A -- I believe.

Q I'm sorry. Go ahead. I didn't --

A I believe. I believe it was 2001.

Q Okay. And in your position with Liberty Tax -- well, I guess at that time what was your position with Liberty Tax?

A Well, up until the time that I -- so I started as the vice president of franchise development, and then John approached me about creating an area development program. And somewhere along the line I became the vice president of area development. You know, I couldn't tell you if it was right then or if it was a year later. Somewhere along the lines.

Q And in that position were you responsible for drafting area developer agreements?

A No. I had an assistant that drafted them,

you know. I mean, they were pretty -- I mean, we had our franchise disclosure document, right? So they've got their -- the agreement is already in their system. It doesn't matter -- when you say drafting, are you talking about plugging in the numbers? You know, we did the formula for pricing them out. You know, my assistant got them and she punched in all the numbers. I reviewed it, sent it on to legal, they reviewed it, and John signed off on it.

Q So is it fair to say that Mr. Hewitt had ultimate authority for what was and was not contained in an area developer agreement?

A Ultimate, yes. I mean, he's the one that signed it. So based on his signature, yes.

Q So while others might have had input into what was contained in there, Mr. Hewitt gave the ultimate sign-off?

A Yes. After we had put everything in there. I mean, he -- yeah, he -- you want me to give a demonstration of how he signed them? Do you think he went through these? No. He signed off on them so --

Q Were you involved in the negotiation of Road King Development, Inc.'s area developer agreement?

A Yes.
Q For 2005?
A Yes.
Q Do you know why there was a term?
A Why there was a term?
Q Correct.
A You mean like the ten-year term?
Q Correct.
A Because that was -- that was what was in our franchise disclosure document. It was a ten-year term but renewable to perpetuity, as was discussed. Anyway --
Q Can you point to a clause in the 2005 agreement -- and I think that's marked as Johnson 2 -- that says the agreement was renewable in perpetuity?
A In using those words, no.
Q Do you know why a term was included -- other than that it was in the franchise disclosure document, do you know why a term was included if the agreements were renewable to perpetuity?
MR. DAVIS: Object to form.
THE WITNESS: Why a term was in there if they're renewable to perpetuity? Well, just like the franchise agreement was five years, and we had to have the ability for the contract to begin

and end just in case a franchisee or area developer was underperforming.

BY MR. HEALY:

Q And the -- in terms of performance requirements for an area developer, would it be fair to say that the development goals in -- let's -- for the 2005 agreement specifically, starting on LIBERTY-ROADKING 62 -- is it fair to say that that was a performance requirement of the area developer?

A Performance, slash, target, slash -- you have to understand, you know, we were just creating this program and that at the time very few franchisors were even using this type of program. It was actually reintroduced into franchising because of the success we had. So it was a target, you know, and that's why we gave so much latitude about people's development plans. And that's why we were -- when I was there, it was never terminated -- anybody was ever terminated for not meeting their development plan.

Q So I think you --

A Because we have to have a goal, right? You have to have a goal, right? When we -- when John first started Liberty, he had a goal to be number one. I mean, that was our goal. That was our mantra. Do

we become number one? No. But you have to have a goal. You have to have a target, and so these were parts of the goals and the targets.

Q So I'm trying to think of the best way to phrase this.

A Take your time.

Q You and Mr. Davis had a conversation about whether these were targets, and I think you just referred to them as targets. What I want to know is why if they were, quote, targets or aspirational goals was there a term in the contract?

A That's a good question. I can't -- I mean, it was part of our culture. You know, I mean, yes, we have to have a legal document, right? We can't just -- nobody does anything on a handshake anymore. We have to have a legal document. But it was more about the culture and what we were creating and building, and we wanted the right people. And those area developers -- I used to call them the tip of the spear. And they helped to drive this company, and they did. They helped us to collapse timeframes, and that's why we grew. And so we had to treat them with -- you know, there's one thing for a contract. And I get it because you're a lawyer. There's one thing for a contract, and in this day and age they're

very important. But if you want to build a company, you build a company through culture. So you're building a culture. And that's how we built the culture, through saying, hey, you know what? You didn't sign your 180-day notice. You've got to renew. We'll renew you. And so it creates a culture. You know, hey, you didn't meet your development plan? What are we going to do this year to help you to achieve that goal? It creates a culture. And so it creates a culture between all the parties, between the franchisor, the AD, and the franchisee, that propels the company forward. And the moment you stop doing that, the moment you start saying, oh, gosh, you didn't do this and we have the right -- we think we have the right and we're going to terminate you, it's a culture killer. So that's my story and I'm sticking to it.

Q So were you aware, though, of any internal, you know, debates or conversations during your tenure at Liberty making a conscious decision of whether to, you know, include this provision as a requirement of the contract or rather, you know, instill it in a different way?

MR. DAVIS: Which provision are you talking about?

THE WITNESS: Yeah.

MR. HEALY: The minimum requirements.

MR. DAVIS: Are you talking about 4.1 or are you talking about --

MR. HEALY: 4.1 and then Schedule B, elaborating, which I believe has incorporated the paragraph above.

THE WITNESS: Yeah. We've always had conversations about it. Can I give you the specific conversations I had? No. We had a lot of conversations about it. What's the right balance between -- like I talked about, what's the right balance between holding them accountable and giving them targets and goals and achieving our targets?

We had -- I will put our growth up against anybody else's growth during that period. From 2001 to 2012, we grew 4,200 -- well, excuse me. We grew about 4,000 locations because I think when we started the program, we had about 200. I may be off. I'm probably off on there. So the proof is in the pudding, and I would stack it up against any other franchise at the time. So anyway --

BY MR. HEALY,

Q And so the ultimate decision, though, as I'm looking at this contract and specifically LIBERTY-ROADKING 62, was to include it as a contractual provision as opposed to, you know, just a --

A Well, the whole thing --

Q -- a handshake agreement?

MR. DAVIS: Object to form.

THE WITNESS: The whole thing is contractual, right? So it's part of the agreement, so I don't know if I -- you know, it was part of the agreement. And I'm not trying to be smart when I'm answering that. I'm just saying the whole thing was contractual. You've got to have an agreement. You have to start somewhere. But it's the parties involved in it and the -- and the culture. I can't stress how important the culture is. And we dealt with people that were -- that were grossly behind and if they weren't trying -- but we never terminated anybody. We did what was right. We always did what was right, whether it was having them sell it, buying them out. But we never outright said even though -- we never outright just terminated

somebody. Never.

BY MR. HEALY:

Q So you said you did what was right. Would it be fair to say, then --

A I said we did what was right with all parties involved. Not -- so, you know, we were involved. They're involved. Let's look at the situation. And then we would make a judgment on what we're going to do.

Q So --

A I'm not passionate about this at all.

Q Passion can be a good thing.

A Yeah.

Q So is it fair to say, then, that if not non-renewing an area developer agreement based on a failure to meet these minimum requirements was the right thing to do, would non-renewing it be the wrong thing to do in your eyes?

MR. DAVIS: Object to form.

THE WITNESS: I'm not really following your question there so --

BY MR. HEALY:

Q So you had testified that you always did

the right thing, right?

A Always tried to do the right thing. Did we always do the right thing? I don't know.

Q And that was in reference to renewing area developers --

A Uh-huh.

Q -- despite not meeting the minimum requirements, right?

MR. DAVIS: Renewing or buying out. That's what he said.

BY MR. HEALY:

Q Renewing or buying out.

A Can you rephrase your question one more time? I'm not trying to be --

Q Yeah. Yeah. No. That's fine. If you -- it's important that you understand what I'm asking --

A Yeah.

Q -- so you can actually answer it.

A Okay.

Q And I'm just trying to understand your position. I'm not, you know, here to fight with you about it.

A Likewise.

Q You had said that, you know, you tried to

do the right thing with regard to area developers?

A We did. Liberty tried to do the right thing, yes.

Q And that was in regard to renewing area developers?

A It was in regard to everything, not just renewing but in everything. You know, and that's why sometimes when an area developer wasn't performing, I met with them and gave them, hey, you're behind. You've got to do some things this year. And I alluded earlier to Doug Alt and Manny Marrero. I met with them. They improved a little bit, and so we came to an agreement. We bought them out.

Q So if Liberty had instead non-renewed their area developer agreement, by the same token would you be of the mind that that would be the wrong thing to do?

MR. DAVIS: Object to form.

THE WITNESS: We didn't do it, so I couldn't tell you.

BY MR. HEALY:

Q Sitting here today, though, what would be your thoughts on that?

MR. DAVIS: Object to form.

THE WITNESS: I couldn't tell you because we didn't do it.

BY MR. HEALY:

Q All right. So you stopped working at Liberty in 2012, right?

A Yes.

Q And so it would be fair to say that you had no involvement in the renewal of Road King's area developer agreement, right?

A That would be fair to say, yes.

Q And would it be fair to say that you had no involvement in the -- in ZeeDee's area developer agreement? And for the record, I'm not sure if I made this clarification yet. When I say, Road King, I mean Road King Development, Inc.

A Right. I know.

Q And when I say, ZeeDee, I mean ZeeDee, LLC.

THE WITNESS: And that's Brad Sarkauskas, right?

MR. DAVIS: No. David Perez.

THE WITNESS: David Perez. No. Yeah, I had nothing -- no involvement.

BY MR. HEALY:

Q Okay. So you wouldn't be familiar with the negotiation or inclusion of any terms specifically in, I believe, Johnson 4, right?

A Johnson 3?

Q Johnson -- oh, Johnson 3. Apologies.

A No. I -- at that time I was no longer at the company.

Q Would you know generally speaking why terms might change between the original area developer agreement --

A Uh-huh.

Q -- and the renewal area developer agreement?

A Why the terms might change? Are you asking me to speculate? I think I made it pretty clear about how the -- how the C Suite (phonetic) changed in their view towards the area developers.

Q Well, so just -- and I don't want you to speculate for the record.

A Okay.

Q Specifically in your experience as the VP of area development, why from -- during your tenure --

A Uh-huh.

Q -- why an initial area developer agreement

might say something and then upon renewal there would be different terms in the area developer agreement?

A Other than they seemed always to be tweaked. You know, lawyers can't keep their hands off of them, you know, the changing and things like that. You know, the -- I mean, I can get into why the -- I'm not going to get into it. Anyway, that's my answer.

Q And so you had mentioned a dinner. God, for the life of me I can't remember.

A The dinner was at -- it was at the AD retreat in -- gosh, I can't think of the name. It wasn't the Puget Sound. It was the wrong coast. Nantucket.

Q Nantucket. When was that?

A '17. And I'm taking a wild guess at that. '17 maybe. Whenever Ed Brunot was the CEO, and that became another issue. Every time -- which I'm sure you know this. Every time a CEO comes and goes and material had changed and the document has to be changed, right? And so while your document is being changed and you don't have a document, you can't sell so --

Q And I think in the -- definitely correct me if I'm mischaracterizing anything you said.

A Okay.

Q You had gotten a, you know, feeling that Liberty was pushing area developers out. Is that fair to say?

A It was more than a feeling. It was by what they were doing and what they were -- what their actions were.

Q Did anyone at Liberty tell you that they intended to push area developers out?

A No, they didn't call me up and say, hey, by the way, I just want to let you know we had a meeting in the C Suite and this is our intention. No, of course not, you know. But the -- you know, I had been around long enough.

Q And then you wouldn't be privy to any internal conversations at Liberty regarding policy changes or decisions with regard to area developer agreements at that time?

A Well, in the meeting that we had with Brent Turner in September of '19, I mean, he was pretty clear about terminating franchisees -- or excuse me -- area developers. I mean, he stated in that meeting because he -- I believe he said to me that, oh, by the way, you're not on that list. So there was a list by his own admission, a hit list if you will -- I call it that -- you know, of people they

were terminating so --

Q But other than statements made by Brent Turner, you were not familiar with, you know, internal discussions --

A No.

Q -- between Liberty? And you don't have any personal knowledge in regard to decisions made about non-renewing Road King's area developer agreement, correct?

A I was not involved.

Q And the same is true with ZeeDee, correct?

A Correct.

Q During your time at Liberty, are you aware of any written amendments to Road King's area developer agreement?

A I couldn't tell you with certainty.

Q Are you aware of any written amendments that would waive compliance with minimum requirements in Road King's area developer agreement?

A I couldn't tell you with certainty. I was --

Q Are you -- I'm sorry. I didn't mean to interrupt.

A That's all right.

Q Are you familiar with any written

amendments that would waive notice requirements in Road King's area developer agreement?

A I couldn't tell you with certainty.

Q All right. Hopefully, we can get you back to your grandkids here soon.

A That would be awesome, for the record.

Q E-filing fees. There was a discussion about E-filing fees between you and Mr. Davis. When did you say that those were instituted at Liberty?

A I -- you know, the E-filing fees -- I don't -- I couldn't tell you, you know. I think it was after -- it was obviously after I left, you know, so I couldn't tell you what year it was. If I had to take a guess -- well, going back to the meeting with Brent -- Mr. Turner in September of '19, you know, he was soliciting for our help to help the franchisee start charging E-file fees. So I guess it was around 2019.

Q Is it fair to say that -- and I understand you're approximating there.

A Yeah.

Q -- that E-filing fees were not an aspect of Liberty's business in 2005?

A No, I do not believe so.

Q And so it's fair to say that in Road

King's 2005 area developer agreement, E-filing fees were not contemplated?

A Were they not contemplated? No.

Q I forget if I asked. Have you -- you didn't talk to Jerry Bayless about your deposition today?

A No.

Q And you didn't talk to David Perez?

A No.

MR. HEALY: I don't -- I don't think I have anything else. I really appreciate your time today.

THE WITNESS: Sure.

MR. HEALY: I'm sorry we started late and took time away from your grandkids.

THE WITNESS: I just hope you get out of here and beat the traffic back.

MR. HEALY: There's no chance of that. I don't know if Mr. Davis has any questions for you.

MR. DAVIS: I don't have any follow-up questions.

You have the right to read and sign your deposition, or you can waive that. I can't advise you in this case. We don't represent you

in this case.

THE WITNESS: I would like to look at it and then sign it.

MR. DAVIS: That's fine.

MR. HEALY: Appreciate it, sir.

THE WITNESS: Hey, likewise.

(The deposition of Mark Johnson concluded at 1:17 p.m.)

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COURT REPORTER'S CERTIFICATE

COMMONWEALTH OF VIRGINIA:

CITY OF VIRGINIA BEACH:

I, Dana M. Pon, Notary Public in and for the above county and state, do hereby certify that the foregoing testimony was taken before me at the time and place herein-before set forth; that the witness was by me first duly sworn to testify to the truth, the whole truth, and nothing but the truth, that thereupon the foregoing testimony was later reduced by computer transcription; and I certify that this is a true and correct transcript of my stenographic notes so taken to the best of my ability.

I further certify that I am not of counsel to either party, nor interested in the event of this cause.

Given under my hand this ___ day of _____, 2022.

My commission expires September 30, 2022.

_____
Dana M. Pon, Court Reporter
Notary Registration Number 320348

Raleigh-Durham-Fayetteville, NC

AREA DEVELOPER AGREEMENT

EXHIBIT B

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AREA DEVELOPER AGREEMENT

WHEREAS, JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchises a system for the operation of tax return preparation offices (the "Franchise"); and

WHEREAS, area developer ("Area Developer") desires to find, solicit and recruit candidates willing to become Franchise owners ("Franchisees") and desires to provide continuing services (the "Services") on Liberty's behalf to Franchisees; and

WHEREAS, Liberty wishes to receive the Services and compensate Area Developer.

NOW, THEREFORE, for value received, Liberty and Area Developer hereby agree as follows:

1. SERVICES

1.1 Area Developer Services.

(a) **Candidate Development.** Area Developer will use best efforts to find, solicit, and recruit candidates interested in operating a Franchise within the Territory (as described in Section 2). Upon Area Developer's determination that a candidate may have the characteristics of a potential Franchisee (a "Candidate"), Area Developer will identify such Candidate in writing to Liberty for Liberty's consideration.

(b) **Franchise Award.** All Candidates must successfully pass Liberty's Effective Operations Training ("EOT") and Hands On Training ("HOT") to be awarded a Franchise.

(c) **Limitation of Services.** Area Developer may only offer those services or products through the Area Developer business as authorized by Liberty in this Agreement or the area developer operations manual ("Area Developer Operations Manual" or "Manual"), unless Liberty provides prior written approval.

1.2 Area Developer Support Services and Obligations.

(a) **Operational Support.** Area Developer will be responsible for coaching the Liberty system as described in the Area Developer Operations Manual and will provide Franchisees with timely local support, day-to-day operational help, marketing advice and feedback. Area Developer will host quarterly designated marketing area (DMA) meetings in person or through electronic means. Through these DMA meetings and as required by Liberty, Area Developer will disseminate information, collaborate with Franchisees, discuss advertising and address other issues that may arise or later be specified by Liberty. Area Developer does not have any authority to approve or disapprove Franchisee marketing or advertising.

Area Developer agrees to address reasonable company-owned store issues that may arise or be specified by Liberty. "Company-owned" refers to a store owned and operated by Liberty, an affiliate entity or an entity under the control of Liberty or any of its employees.

(b) **Customer Service.** Area Developer shall use best efforts to ensure that all Franchisees provide all appropriate services as outlined in the Franchisee Operations Manual and the Area Developer Operations Manual, abide by customer service policies issued by Liberty and timely respond to customer complaints and issues. Area Developer must operate in a manner that protects the goodwill, reputation of Liberty and the service marks and trademarks of Liberty (collectively "Marks).

(c) **Site Selection** Area Developer shall provide site selection assistance in accordance with the Area Developer Operations Manual including, but not limited to, utilization of a company that we designate providing retail business intelligence solutions, and current Electronic Return Originator ("ERO") data. Final site selection must be approved by Liberty.

(d) **Franchisee Budgets, Profit and Loss Statements and Action Plans.** Area Developer shall review and approve Franchisee budgets, profit and loss statements, action plans and the Marketing Plan Generator for submission to corporate for final approval in accordance with the deadlines provided by Liberty.

(e) **Agreement Facilitation.** Area Developers shall review and facilitate Franchisee applications to Liberty for financing, transfers, fee releases, sales, terminations and the like, subject to final approval by Liberty.

(f) **Required Attendance.** Area Developer, or Area Developer's approved representative, shall attend area developer training and EOT within six months of closing. Additionally, Area Developer will attend all meetings that may be required by Liberty.

(g) **Manual.** Area Developer shall provide all assistance and support described in the Area Developer Operations Manual, the Operations Manual provided to Liberty Franchisees and Area Developers and all updates to these Manuals.

(h) **Contract Enforcement.** Upon termination or expiration of the franchise agreement between Liberty and any Franchisee (a "Former Franchisee"), Area Developer will assist Liberty in enforcing the post termination obligations set forth in its franchise agreement with that Former Franchisee ("Post Termination Obligations"), but Area Developer will have no duty to initiate court or other legal proceeding. These obligations include ensuring that all Liberty signs are removed from the Former Franchisee's offices or other premises, receiving or acquiring all telephone numbers, listings and advertisements used in relation to the Former Franchisee's business, receiving or acquiring all copies of lists and other sources of information containing the names of customers of the Former Franchisee, obtaining all Former Franchisee's customer tax returns, files, records and all copies thereof and obtaining all copies of the Former Franchisee's Operations Manual, including any updates, and performing other reasonable duties as may be assigned by Liberty to assist in the transition or closure of an office.

(i) **Fair Dealing.** Area Developer must deal fairly with Liberty and Liberty's existing Franchisees, suppliers, partners, service providers, employees and anyone else with whom Area Developer has contact related to the rights and obligations granted herein. Area Developer shall not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

1.3 **Liberty Obligations.**

(a) **Area Developer Operations Manual.** Liberty will provide an Area Developer Operations Manual and various updates to the Manual to provide requirements of operation and offer guidance in performing Area Developer services.

(b) **Initial and Advanced Training.** Liberty will provide reasonable training to Area Developer, at Area Developer's expense, in order to ensure that Area Developer has the ability to provide the services to Liberty described in Sections 1.1 and 1.2. At present, Liberty provides a three to four day initial Area Developer training course, which Area Developer and any manager working for Area Developer must attend and successfully complete within six months of closing. Liberty also requires Area Developer to attend EOT within six months of closing. Liberty may also provide and require Area Developer's attendance at advanced or other trainings that may be offered at select locations or Liberty may offer such training on the web or electronically. Although Liberty does not charge attendance at training, Area Developer must pay the cost incurred with traveling to training, and other incidental expenses such as food, lodging, and transportation incurred in attending any training that Liberty provides.

(c) **Disclosure Document.** Liberty will provide or make available to Area Developer its latest Franchise Disclosure Document to use as part of Area Developer's development services.

1.4 **Joint Duties.** Liberty and Area Developer will be responsible for the enforcement of all agreements ("Franchise Documents") executed in the awarding of a franchise to a Candidate and the monitoring of individual Franchisee performance and adherence to Liberty's Franchise system. However, Area Developer will not assert any legal claim by way of a lawsuit or otherwise, against a Franchisee without the written permission of Liberty.

1.5 **Personal Involvement.** Area Developer must render the Area Developer and support services hereunder personally, unless Area Developer submits to Liberty a general manager who attends and successfully completes Liberty's initial Area Developer training course and who is not later disapproved by Liberty. Area Developer acknowledges and agrees that Liberty shall not, and shall have no right or authority to, control Area Developer's employees. Liberty shall have no right or authority with respect to the hiring, termination, discipline, work schedules, pay rates or pay methods of Area Developer's employees. Area Developer acknowledges and agrees that all employees shall be Area Developer's exclusive employees and shall not be employees of Liberty nor joint employees of Area Developer and Liberty. Liberty neither dictates nor controls labor or employment matters for area developers and their employees.

1.6 **Reports.** Area Developer agrees to file with Liberty, at such times and in such forms as Liberty may specify, reports detailing Area Developer's activities, sales and other information that may be requested.

1.7 **Reviews.** Liberty reserves the right to review Area Developer's business operations, in person, by mail, or electronically. Liberty may inspect Area Developer's operations and obtain paper and electronic business records related to the business and any other operations taking place through Area Developer's business. Area Developer must send Liberty

any business records requested within five (5) business days of receiving Liberty's request for records and shall be responsible for any costs related to this transmission. Liberty has the right to require that Area Developer implement a plan to resolve any issues that Liberty discovers.

2. EXCLUSIVITY

2.1 **Exclusivity.** Except as otherwise permitted in this Agreement, Liberty will not appoint or authorize any other person to provide commissioned or paid Area Developer services to Liberty in the territory defined in Schedule A ("Territory"). This grant of the Territory in no way prevents or restricts Liberty from itself recruiting, soliciting or seeking new Franchisees in the Territory (including through the Internet or other means of general electronic communication) or from using unpaid referrals from other sources or as detailed in Section 2.2 in the obtaining of potential Franchisees. As indicated on Schedule A, the Territory has been divided into sub-territories ("Franchise Territories") as defined by Liberty, which will be made available to prospective Franchisees.

2.2 **Non-Area Developer-Proposed Franchisees.** If Liberty is referred, contacted by or comes into communication with any prospective Franchisee in the Territory not previously identified by Area Developer, Liberty may evaluate, recruit and award such prospective Franchisee a Franchise. Each such individual will be deemed a Franchisee for the purposes of this Agreement.

3. FEES AND COMMISSIONS

3.1 **Initial Fee.** Area Developer will pay Liberty $ _____ upon execution of this Agreement, which shall be deemed fully earned by Liberty upon payment.

3.2 **Initial Franchise Fee.** Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to ____% of the initial franchise fee and interest on promissory notes, if and only to the extent that such interest is on franchise fees (except on interest already due and owing before the first of the month following the Effective Date of this Agreement), paid to Liberty by a Franchisee for a franchise within the Territory during the Term, pursuant to the terms in the franchise agreement between Franchisee and Liberty ("Franchise Fees") except amounts already due and owing before the first of the month following the Effective Date of this Agreement. Liberty will also pay to Area Developer the same percentage of any change fees for modifying the opening schedule of a multi-territory stipulation which a Franchisee in the Territory pays to Liberty during the Term, except change fees already due and owing before the first of the month following the Effective Date of this Agreement.

3.3 **Franchise Royalties.** Pursuant to the franchise agreement between a Franchisee and Liberty, each Franchisee is required to pay royalties associated with the operation of a franchised territory ("Royalties"). Except as provided under Section 4.1, Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to _____% of all ongoing Royalties received by Liberty, if any, from a Franchisee in the Territory during the Term (except Royalties already due and owing before the first of the month following the Effective Date of the Area Developer Agreement.)

Liberty will also pay to Area Developer this same royalty percentage on company-owned stores in Area Developer's Territory if a Franchisee store becomes company-owned after the first of the month following the Effective Date of this Agreement. The royalty percentage payable to Area Developer shall be calculated as if the store were still a Franchisee store.

3.4 **Demand for Payment.** Except as authorized herein, or except upon the prior written consent of Liberty, Area Developer will not demand any payment due from a Liberty Franchisee or other person or entity to Liberty.

3.5 **Fee for Franchisee Prospects.** Liberty may provide to Area Developer leads of prospective Franchisees within the Territory. Area Developer may not opt out of receiving leads. Liberty will set fees based upon the cost and the difficulty of acquiring the leads and Area Developer agrees to pay such fees.

3.6 **Fee for Internal Sales.** If Liberty's own franchise development staff handles the selling process with a prospective Franchisee within the Territory covered by this Agreement for the sale of an undeveloped territory (meaning one that does not contain an existing Liberty Tax Service office), Area Developer shall pay Liberty 15% of the Franchise Fee (subject to a $6,000 minimum or such other amount as is established pursuant to Section 3.5). Liberty may deduct this from amounts Liberty otherwise owes to Area Developer.

3.7 **Advertising and Selling Material.** Liberty may charge and Area Developer agrees to pay a reasonable charge for preparing, procuring, printing, and/or sending advertising materials and Disclosure Documents to Area Developer.

3.8 **Terminal Services.** Liberty may charge and Area Developer agrees to pay a reasonable charge for providing computer access to information within the Liberty system and for computer access to a sales lead and contact information management system.

3.9 **Use of Franchise Broker.** Liberty may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees ("Franchise Broker"). To participate in this opportunity, Area Developer agrees to pay a proportionate share of the Broker's fee for any broker-generated Candidate who becomes a Franchisee in Area Developer's Territory. Area Developer's share of Broker's fee shall be based on the proportion of initial Franchise Fee and Royalties that Area Developer receives under Sections 3.2 and 3.3. For example, if a Broker charges Liberty $13,000 for a Candidate who becomes a Franchisee, and Area Developer receives 35% of the initial Franchise Fee and Royalties under Sections 3.2 and 3.3 above, then Area Developer's share of the initial Franchise Fee would be reduced by 35% of $13,000 which amounts to $4,550.

3.10 **Payment.** In any month that Liberty receives Franchise Fees, Royalties, interest on promissory notes for Franchise Fees (and such amounts are not already due and owing before the first of the month following the Effective Date of this agreement) from Franchisees in Area Developer's Territory, Liberty will pay Area Developer its share of these amounts not later than the last day of the next calendar month. In no case will Liberty advance funds to Area Developer, or be liable for payment on accounts receivables or unpaid Franchise Fees, Royalties or interest. Area Developer will be entitled to its share of Franchise Fees, Royalties and interest only with respect to amounts actually collected, and Liberty will be entitled to take credits

against previous payments to Area Developer to the extent that any Franchise Fees, Royalty or interest payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of Area Developer's share of Royalties, Franchise Fees, and interest will be accompanied by information in sufficient detail to allow Area Developer to determine the basis on which Area Developer's share of the Royalties, Franchise Fees and interest was calculated.

3.11 **Late Fees.** Payments for charges Liberty bills to Area Developer are due within thirty (30) days of billing and will be subject to an 12% per annum late fee, or the maximum allowed by law if less.

3.12 **Fee Amounts.** From time to time, Liberty will set and publish the fee amounts under Sections 3.5 and 3.7-3.8.

3.13 **Expenses.** Except as provided herein, each party will bear the expenses incurred by it in the performance of this Agreement.

3.14 **Referral Fees.** Liberty may offer referral fees to individuals that refer new Franchisees to Liberty. These referral fees do not apply to Area Developer for Candidates that become Franchisees in Area Developer's Territory.

3.15 **Automatic Payment Transfer**. All of the revenue that Area Developer is to receive under the Area Developer Agreement, or any other agreement between Area Developer and Liberty or Liberty's affiliate entities, shall initially be paid to Liberty. Liberty will remit any remaining balance to Area Developer from the above described revenue after deducting monies Area Developer owes to Liberty, and deducting monies to hold for application to upcoming amounts due to Liberty including, but not limited to, unbilled amounts.

3.16 **Transfer Fee.** If Area Developer transfers its rights and obligations under this Agreement, or an interest in this Agreement that results in a change in control of the entity, Area Developer must pay to Liberty a transfer fee of $10,000 at the time of transfer. This fee is subject to increase or decrease in future area developer agreements by the amount of change in the *Consumer Price Index – All Urban Consumers*, published by the U.S. Department of Labor, or a reasonably similar successor index, from the index as of the Effective Date.

4. MINIMUM AREA DEVELOPER PERFORMANCE

4.1 **Minimum Requirements.** Area Developer will provide Liberty with a minimum number of Candidates each year that open Franchise Territories with an active Liberty office in operation, as described and set forth in Schedule B (the "Minimum Requirements"). For this purpose, a year will include each fiscal year of Liberty (including any partial year) ending on April 30.

If Area Developer does not meet the Minimum Requirements, Liberty may, upon notification to Area Developer within ninety (90) days of the end of the year wherein the requirements were not met, delete from the Territory up to the number of Franchise Territories by which Area Developer failed to meet the Minimum Requirements for that year. Liberty will only be entitled to delete Undeveloped Territories. Undeveloped Territories as used herein is defined as unsold territories which have not generated at least $40,000 in Net Fees in any one of the two prior

fiscal years. Net Fees as used herein is defined as all revenue from all services and products offered by the franchisee pursuant to the franchise agreement between the franchisee and Liberty (including, but not limited to, revenue from individual, corporate, estate and partnership tax returns) after approved deductions for customer discounts/refunds, send a friends and cash in a flash. Liberty's notice will designate which Undeveloped Territories it desires to delete from the Territory, and Liberty shall have the sole discretion in making this determination. The specified Undeveloped Territories will be deemed deleted from the Territory as of the date that Liberty sends notice to Area Developer. Area Developer will thereafter not be entitled to any share of Franchise Fees, Royalties or interest paid with respect to any current or future franchisee or company-owned store within the specified Undeveloped Territories and such territories will no longer be deemed a part of this Agreement. This deletion is Liberty's sole remedy for failure to meet Minimum Requirements.

5. FRANCHISOR — FRANCHISEE RELATIONSHIP

5.1 **Disclosure.** Area Developer will comply with all federal and state franchise disclosure laws applicable to the solicitation of Franchisees, including providing the current Disclosure Document, prepared by Liberty, to all Candidates within the time frame provided by law. In most jurisdictions, this disclosure is currently required fourteen (14) calendar days before the signing of a binding agreement between the Candidate and Liberty or any payment by the Candidate to Liberty. Area Developer will ensure that any disclosure made in any form complies with the applicable franchise disclosure laws. Area Developer will be responsible for providing Liberty's most current Disclosure Document, but will not be responsible for improper disclosure due to inadequacies or errors in Liberty's most current Disclosure Document.

5.2 **Financial Performance Representations.** Except as may be expressly stated in Item 19 of Liberty's most current Franchise Disclosure Document in effect in Area Developer's Territory, Area Developer 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, Area Developer may disclose financial performance of an existing franchise for sale to a Candidate interested in such unit as may be permitted by law.

5.3 **Improper Representations.** Area Developer will make no representations to any Candidate that conflicts with Liberty's current franchise agreement or Disclosure Document or make any promises, guarantees, or warranties to any party not authorized in writing by Liberty.

5.4 **No Unauthorized Commitments.** Area Developer acknowledges that it has no authority to bind Liberty with respect to any matter, and agrees that it will not enter into any agreements or understandings with any Candidates other than as authorized in writing by Liberty.

5.5 **Indemnity.** Area Developer will indemnify, defend and hold Liberty and its parent company, affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Indemnified Parties") harmless from and against any claim, suit or proceeding (including attorneys' fees and costs) brought against any of the Indemnified Parties resulting from, relating to or arising out of a claim that Area Developer failed to make proper disclosures under Section 5.1, made any improper earnings claim as detailed in Section

5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4. Liberty will indemnify, defend and hold Area Developer and its affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Area Developer Indemnified Parties") harmless from and against any claim, suit, or proceeding brought against any of the Area Developer Indemnified Parties resulting from, relating to or arising out of a claim that Liberty failed to make proper disclosure under Section 5.1, made any improper earnings claim as detailed in Section 5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4. Area Developer agrees to reasonable cooperation in the defense of any claim. The Indemnified Parties shall have the right to control settlement and selection of counsel and defense of any claim.

6. NON-COMPETE AND NO SOLICITATION

6.1 **Non-Compete.**

(a) **In-Term.** Area Developer will not, during the Term of this Agreement, in the United States or Canada, directly or indirectly (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in any franchised business including, but not limited to, a franchised business offering income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans, except as to seeking Liberty Tax Service franchisees pursuant to the terms of this Agreement or as otherwise may be authenticated in writing by Liberty, or (ii) aid or facilitate another person or entity (except Liberty Tax Service franchisees or as otherwise may be allowed by Liberty) in the provision of paid income tax preparation offered to the public through retail outlets.

(b) **Post-Term.** Area Developer will not, for a period of two years after expiration or termination of this Agreement, in the Territory defined in Schedule A regardless of any reduction due to application of Section 4.1 (the "Original Territory"), or within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in any franchised business including, but not limited to, a franchised business offering income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans except, if applicable, in Area Developer's capacity as a Liberty Area Developer pursuant to a valid, Liberty Area Developer Agreement.

6.2 **No Solicitation.**

(a) **In-Term.** Except with the written permission of Liberty, Area Developer will not, during the term of this Agreement, in the United States or in Canada, directly or indirectly solicit for employment in a management or supervisory capacity, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service franchisee, or any Liberty Tax Service franchisee, or in the case of a franchisee which is an entity, the owners of such entity.

(b) **Post-Term.** Except with the written permission of Liberty, Area Developer will not, for a period of two years after expiration, termination or transfer of this Agreement, in the Original Territory and within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly solicit to own, operate, manage or supervise any franchised business

including, but not limited to, an income tax preparation office or income tax preparation franchise, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service franchisee, or any Liberty Tax Service franchisee, or in the case of a franchisee which is an entity, the owners of such entity, or any other entity beneficially owned by such owner or entity.

6.3 **Severability.** If any covenant or provision with Section 6.1 or 6.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement, and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this Agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

7. TERM AND TERMINATION

7.1 **Term.** This Agreement will commence upon its Effective Date and will last for a term of six (6) years (the "Term").

7.2 **Renewal.** Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement and all other agreements with Liberty and Liberty's affiliates, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least one hundred and eighty (180) days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal, and renews by signing Liberty's then current Area Developer Agreement which may contain materially different terms. The fees and percentages described in Sections 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements, as described in Section 4.1 above.

7.3 **Termination.**

(a) **Termination by Area Developer.** Area Developer may terminate this Agreement at any time through written notice of termination to Liberty. Area Developer's termination of this Agreement will be effective upon Liberty's receipt of Area Developer's termination notice.

(b) **Termination by Liberty Without Opportunity to Cure.** Liberty may terminate this Agreement effective upon the date of Liberty's sending written notice of termination to Area Developer, and without the opportunity for Area Developer to cure, for any of the following reasons:

(i) Area Developer, or someone acting under Area Developer's supervision and control, commits a violation of any law, ordinance, rule or regulation of a

government or governmental agency or department and such conduct constitutes a material violation of any franchise law, antitrust law or securities law, fraud or a similar wrong, unfair or deceptive practices, or a comparable violation of applicable law, commits any act that is or could be, in Liberty's determination, harmful, prejudicial or injurious to the Liberty brand or any of the Affiliated Companies or any employee, franchisee, area developer or agent of such companies, or if the IRS or any federal, state or local governmental entity or agency initiates a criminal, civil or administrative proceeding or takes any administrative action against Area Developer or the Area Developer Business relating to compliance with applicable tax laws and regulations or laws and regulations related to this Agreement and the Area Developer Business, and such proceeding or action is not resolved or dismissed in favor of Area Developer, or the Area Developer Business, within thirty (30) days of its initiation; or

(ii) Area Developer violates any of Sections 5.1, 5.2, 5.3 or 5.4 of this Agreement; or

(iii) Area Developer makes a misstatement of material fact on a Biographical Information Form, which is required in order to enter into this Area Developer Agreement, or the Sales Agent Disclosure Form Update, submits false reports to Liberty, knowingly maintains false books or records, or fails to disclose a material fact that is requested in any such form or report, or refuses to fill out or completely fill out such form or report, or tender supporting documentation upon reasonable request; or

(iv) Area Developer becomes insolvent, is unable to pay debts as they come due or take any steps to seek protection from creditors, or if a receiver (permanent or temporary) is appointed by a creditor or a court of competent authority, or Area Developer makes a general assignment for the benefit of creditors.

(c) **Termination by Liberty After Opportunity to Cure.** Liberty may terminate this Agreement if Area Developer fails to perform any obligation under this Agreement or any other Agreement between the parties or between Area Developer and Liberty's affiliates ("Breach") and such failure has continued for thirty (30) days after Liberty sent written notice of such Breach to Area Developer. Additionally, Liberty may terminate this Agreement if Area Developer commits any of the following breaches and such breach is not cured within fourteen (14) days after Liberty sends written notice of such breach to Area Developer:

(i) Any amount owing to Liberty Liberty's parent company or affiliate entities (collectively, "Liberty Companies"), whether related to the Territory or not, is more than thirty (30) days past due, or Liberty determines that Area Developer has materially and substantively underreported revenue; or

(ii) Area Developer abandons active operation of the business; or

(iii) Area Developer fails to provide notification of Area Developer's desire to renew within the time and manner provided for in Section 7.2 of this Agreement; or

(iv) Area Developer commits three or more breaches of this Agreement, or any other agreement with Liberty or the Liberty Companies to which Area Developer is a party, within any twelve (12) month period.

7.4 **No Refund of Initial Fee**. Liberty will have no obligation to return or refund any fee to Area Developer upon termination, cancellation, expiration, transfer of this Agreement, or exercise by Liberty of the rights provided by Section 4 and Area Developer will remain liable to Liberty for all amounts owed to Liberty.

7.5 **Survival of Obligations**. The Parties' obligations that by their nature may require performance after the termination or expiration of this Agreement, including, but not necessarily limited to, Sections 3.11, 5.5, 6, 7.4, 7.5, and 8-11, will survive the termination or expiration of this Agreement. Upon the termination or expiration of this Agreement, sale of this Agreement or sale or other transfer of Area Developer's business operated under this Agreement, Liberty will have no further obligation to pay Area Developer any share of Franchise Fees, Royalties or interest received by Liberty subsequent to the date of termination or expiration.

8. MISCELLANEOUS

8.1 **Relationship.** Notwithstanding anything herein to the contrary, this Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the parties, and no party has a fiduciary duty or other special duty or relationship with respect to the other party. The parties acknowledge that Area Developer's relationship with Liberty hereunder is that of an independent contractor.

8.2 **Intellectual Property Ownership.** Liberty owns the Franchise system, its trademarks and all other intellectual property associated with the Franchise system. To the extent Area Developer has or later obtains any intellectual property, other property rights or interests in the Franchise system by operation of law or otherwise, Area Developer hereby disclaims such rights or interests and will promptly assign and transfer such entire interest exclusively to Liberty. Area Developer will not undertake to obtain, in lieu of Liberty, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system. Area Developer will have the right to use Liberty's Marks during the Term for the sole purpose of advertising the availability of Franchises within the Territory, but Area Developer must obtain Liberty's prior written consent to such use, which consent may be withheld in Liberty's sole discretion.

8.3 **Trade and Domain Names.** Area Developer will not use the word "JTH," "LTS," "Dona Libertad," "Liberty," "Libtax", "Siempre", "SiempreTax," "SiempreTax+", "360", "360 Accounting" or the name, or any portion of the name of Liberty's affiliate entities, as any part of the name of a corporation, LLC or other entity (except as may be agreed between Area Developer and Liberty's affiliate entity in a separate franchise agreement with such affiliate entity). Further, unless Area Developer first receives Liberty's express written permission, Area Developer will not 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.

8.4 **Assignment.** Liberty may assign this Agreement to an assignee who agrees to remain bound by its terms. Liberty does not permit a sub-license of the Agreement. Area Developer's interest under this Agreement may be transferred or assigned only if Area Developer complies with the provisions in this Section. No interest may be transferred unless Area Developer is in full compliance with this Agreement and current in all monies owed to Liberty. Upon Liberty's request, any transfer of an ownership interest in this Agreement must be joined by all signatories to this Agreement, except in the case of death or legal disability.

(a) **Liberty's Right of First Refusal.** If Area Developer has received and desires to accept a signed, bona fide offer to purchase or otherwise transfer the Area Developer Agreement or any interest in it, Liberty shall have the option (the "Right of First Refusal") to purchase such interest as hereinafter provided. Within fourteen (14) days of receipt of the offer, Area Developer shall offer the Right of First Refusal to Liberty by providing written notice to Liberty which shall include a copy of the signed offer to purchase that Area Developer received ("Notice"). Liberty shall have the right to purchase the Area Developer Agreement or interest in the Area Developer Agreement for the price and upon the terms set out in the Notice, except that Liberty may substitute cash for any non-cash form of payment proposed and Liberty shall have sixty (60) days after the exercise of Liberty's Right of First Refusal to close the said purchase. Liberty will notify Area Developer in writing within fifteen (15) days of its receipt of the Notice if it plans to exercise the Right of First Refusal. Upon the transmission of notice by Liberty, there shall immediately arise between Liberty and Area Developer, or its owners, a binding contract of purchase and sale at the price and terms contained in the Notice previously provided by Area Developer.

(b) **Transfer to Controlled Entity.** A transfer to a "Controlled Entity" shall not trigger the Right of First Refusal. A "Controlled Entity" is an entity in which Area Developer (or Area Developer's managers, members, owners, partners, shareholders or officers as of the date of this Agreement) is the beneficial owner of 100% of each class of voting ownership interest. At the time of the desired transfer of interest to a Controlled Entity, Area Developer must notify Liberty 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, and provide Liberty with the applicable organizational documents of the business entity. Each such person of the Controlled Entity shall sign, on behalf of the business entity and in their respective individual capacity, the amendment and release forms and/or area developer agreement as required by Liberty at the time of transfer. Currently, Liberty does not charge a transfer fee for this type of transaction.

(c) **Transfer of Interest Within Area Developer.** A transfer of interest within an Area Developer that is an entity shall not trigger the Right of First Refusal provided that only the percentage ownership is changing and not the identity of the owners. At the time of the desired transfer of interest within an entity, Area Developer must notify Liberty in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest prior to and following the proposed transfer and provide Liberty with the applicable organizational documents of the business entity. Each such person of the Controlled Entity shall sign, on behalf of the business entity and in their individual capacity, the amendment and release forms and/or area developer agreement as required by Liberty at the time

of transfer. Further, if the transfer of interest results in a change in control of the entity, Area Developer must pay to Liberty the transfer fee required at the time of transfer.

(d) **Right of First Refusal Not Exercised By Liberty.** If Liberty does not exercise the Right of First Refusal, Area Developer may transfer the Area Developer Agreement or ownership interest therein according to the terms set forth in the Notice, provided that Area Developer satisfies the conditions in Section 8.4(e) and completes the sale within ninety (90) days from the date that Liberty received Notice from Area Developer. If Area Developer does not conclude the proposed sale transaction within this 90-day period, the Liberty's Right of First Refusal shall continue in full force and effect.

(e) **Additional Requirements and Obligations for Transfer.**

i) The proposed transferee(s) must complete Liberty's Area Developer application and pass Liberty's application screening in place at the time of transfer.

ii) The proposed transferee(s) must sign the Liberty amendment forms and/or the then current Area Developer Agreement and must personally assume and be bound by all of the terms, covenants and conditions therein.

iii) The proposed transferee(s) must attend and successfully complete Area Developer Training.

iv) Area Developer shall sign Liberty's transfer and release forms required by Liberty at the time of transfer and pay to Liberty a transfer fee of $10,000.00.

8.5 **Publicity.** Except as required by law, Area Developer may not make any press release or other public announcement involving the subject matter of this Agreement without the written agreement of Liberty as to the form of such press release or public announcement.

8.6 **Operations Manual, Specifications, and Equipment.** Liberty may issue specifications to guide Area Developer in the provision of Services hereunder. Liberty has an Area Developer Operations Manual that Area Developer agrees to follow. Liberty may issue computer and equipment requirements. At present, Area Developer is required to have business cards, a telephone and telephone line, printer, fax service and computer connected via internet to Liberty's computer network. Liberty also requires Area Developer to use an appropriate sales lead and contact information database or software to keep track of Area Developer's contacts with prospective Franchisees and may issue recommendations or requirements in this regard. Liberty may change Liberty's Area Developer Operations Manual and modify Liberty's specifications in order to maintain competitiveness, adjust for legal, technological, and economic changes, and to improve in the marketplace. Area Developer agrees to be bound by all future changes.

8.7 **Maintenance of Liberty Goodwill.** Area Developer agrees not to disparage Liberty, Liberty's parent company or affiliate entities or their current and former employees or directors. During the term of this Agreement, Area Developer also agrees not to do any act harmful, prejudicial, or injurious to any or all of the Liberty Companies.

8.8 **Governing Law.**

(a) **Virginia Law.** This Agreement is effective upon its acceptance in Virginia by Liberty's authorized officer. 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 hereto. However, the Virginia Retail Franchising Act does not apply to any claims by or on Area Developer's behalf if the Territory shown on Schedule A below is located outside of Virginia.

(b) **Jurisdiction and Venue.** In any suit brought by any or all of the Liberty Companies, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer consents to venue and personal jurisdiction in the state court in the city or county where Liberty's national office is located and the federal courts located in the State where Liberty's national office is located (presently Virginia Beach, Virginia state courts and the United States District Courts located in the Commonwealth of Virginia). In any suit brought against any or all of the Liberty Companies, including present and former employees and agents of the Liberty Companies, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, venue shall be proper only in the federal courts located in the State where Liberty's national office is located (presently, the United States District Courts located in the Commonwealth of Virginia.) or if neither federal subject matter nor diversity jurisdiction exists, in the state court located in the city or county where Liberty's National Office is located (presently the City of Virginia Beach, Virginia).

(c) **Jury Waiver.** In any trial between Area Developer and any or all of the Liberty Companies, including present and former employees and agents of Liberty, Liberty's parent company or any affiliate entity, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer and Liberty waive their respective rights to a jury trial and agree to have such action tried by a judge.

(d) **Class Action Waiver.** Area Developer agrees that any claim Area Developer may have against any or all of the Liberty Companies, including past and present employees and agents of the Liberty Companies, shall be brought individually and Area Developer shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against any or all of the Liberty Companies.

(e) **No Punitive Damages.** In any lawsuit, dispute or claim between or against Area Developer and any or all of the Liberty Companies, including present and former agents and employees of the Liberty Companies, Area Developer and Liberty waive their respective rights, if any, to seek or recover punitive or exemplary damages.

(f) **Attorneys' Fees and Costs.** Area Developer agrees to reimburse the Liberty Companies for all expenses reasonably incurred (including attorneys' fees and costs): (i) to enforce the terms of this Agreement or any obligation owed to any or all of the Liberty Companies by Area Developer (whether or not the Liberty Companies initiate the legal proceeding, unless the Liberty Companies initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim Area Developer asserts against us on which the Liberty Companies substantially prevail in court or other formal legal proceedings.

(g) **Anti-Terror.** Area Developer represents and warrants that no Area Developer signatory to this Agreement is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx. Further, Area Developer represents and warrants that no Area Developer signatory to this Agreement has violated, and agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act, U.S. Executive Order 13224, or any similar law. The foregoing constitutes continuing representations and warranties, and Area Developer shall immediately notify Liberty in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

8.9 **Severability.** If any one or more of the provisions in this Agreement or any application of such provision is held to be invalid, illegal or unenforceable in any respect by a competent tribunal, the validity, legality and enforceability of the remaining provisions in this Agreement and all other applications of the remaining provisions will not in any way be affected or impaired by such invalidity, illegality or unenforceability. Further, the obligations within Section 6 above are considered independent of any other provision in this agreement, and the existence of any claim or cause of action by either party to this agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

8.10 **Notices.** Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall be given by mail or courier, postage fully prepaid, or delivered personally, to Liberty's CEO, at Liberty's National Office, presently 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454, Telephone: (757) 493-8855. Any such notice may also be given to Area Developer in the same manner at the address indicated below the Area Developer's signature on this Agreement or such other more current address as Liberty may have on file for Area Developer. Liberty may also give notice to Area Developer by e-mail.

8.11 **Burdens and Benefits.** This Agreement will be binding upon and will inure to the benefit of the parties, their successors and assigns, as permitted hereunder.

8.12 **Entire Agreement.** This Agreement, including the Schedules, is the entire agreement between Area Developer and Liberty with respect to the subject matter contained herein. This Agreement supersedes all other prior oral and written agreements and understandings between Area Developer and Liberty with respect to the subject matter herein. However, nothing in this or any related agreement is intended to disclaim the representations Liberty made in the area developer disclosure document Liberty furnished to Area Developer.

8.13 **Amendment and Waiver.** No amendment, change, or modification of this Agreement and no waiver of any right under this Agreement will be effective unless in a written document that is signed by an authorized representative of each party. No failure to exercise and no delay in exercising any right under this Agreement will operate as a waiver.

8.14 **Financing.** If Liberty provides financing, Area Developer must submit annual financial information to Liberty including, but not limited to, income statements, balance sheets, and supporting documents. Area Developer agrees to submit the required information at the time and in the format specified by Liberty.

9. DEATH OR INCAPACITY

9.1 **Assistance and Reimbursement.** In the event of the death or incapacity of Area Developer, Liberty is entitled, but not required, to render assistance to maintain smooth and continued provision of Services. Liberty shall be entitled to reimbursement from Area Developer or Area Developer's estate for reasonable expenditures incurred.

9.2 **Required Time Frames.** Pursuant to this Section, death or incapacity shall not be grounds for termination of this Agreement unless either:

(a) Area Developer or his/her legal representative fails for a period of one hundred and eighty (180) days after such death or incapacity to commence action to assign this Agreement according to controlling state law regarding the affairs of a deceased or incapacitated person and the terms of this Agreement; or,

(b) Such assignment is not completed within one year after death or incapacity.

9.3 **Termination for Death or Incapacity.** Liberty shall have the right to terminate this Agreement if one of the conditions in Section 9.2 is not satisfied within the time frame provided. Nothing in this Section shall be construed to limit the provisions of Section 7 regarding termination. Further, the terms and conditions of Section 8.4 above apply to a transfer upon death or incapacity, in the same manner as such terms and conditions apply to any other transfer to a non-Affiliate.

10. CONFIDENTIAL INFORMATION

10.1 **Disclosure.** Liberty possesses confidential information including, but not limited to, methods of operation, service and other methods, techniques, formats, specifications, procedures, information, system, customer information, marketing information, trade secrets, intellectual property, knowledge of and experience in operating and franchising offices, operating as an Area Developer ("Confidential Information"). Liberty may disclose some or all of the Confidential Information (oral, written, electronic, or otherwise) to Area Developer and Area Developer's representatives. During the term of this Agreement and following the expiration or termination of this Agreement, Area Developer covenants not to directly or indirectly communicate, divulge, or use Confidential Information for its benefit or the benefit of any other person or legal entity except as specifically provided by the terms of this Agreement or permitted by Liberty in writing. Upon the expiration, termination or nonrenewal of this Agreement, Area Developer agrees that it will never use or disclose, and will not permit any of its representatives to use or disclose, our Confidential Information in any manner whatsoever, including, without limitation, in the design, development or operation of any business which provides services substantially similar to those stated herein. This provision shall not apply to information that: (a) at the time of disclosure is readily available to the public; (b) after disclosure becomes readily available to the trade or public other than through breach of this Agreement; (c) is subsequently lawfully and in good faith obtained by Area Developer from an

independent third party without breach of this Agreement; (d) was in Area Developer's possession prior to the date of Liberty's disclosure to Area Developer; or (e) is disclosed to others in accordance with the terms of a prior written authorization between Area Developer and Liberty. The protections granted in this Section shall be in addition to all other protections for Confidential Information provided by law or equity.

10.2 **Interest.** Area Developer will acquire no interest in Liberty's Confidential Information but is provided the right to use the Confidential Information disclosed for the purposes of developing and operating pursuant to this Agreement. Area Developer acknowledges that it would be an unfair method of competition to use or duplicate any Confidential Information other than in connection with the operation under this Agreement. No part of the Liberty franchise system nor any document or exhibit forming any part thereof shall be distributed, utilized or reproduced in any form or by any means, without our prior written consent.

10.3 **Use In Term.** Area Developer agrees that it will (a) refrain from using the Confidential Information for any purpose other than the operation pursuant to this Agreement; (b) maintain absolute confidentiality of Confidential Information during and after the term of this Agreement; (c) not make unauthorized copies of any portion of Confidential Information; and (d) adopt and implement all reasonable procedures, including but not limited to, those required by Liberty, to prevent unauthorized use of or disclosure of Confidential Information, including but not limited to, restrictions on disclosure to employees of Area Developer and the use of nondisclosure and non-competition clauses in employment agreements with employees that have access to Confidential Information.

10.4 **Use Following Term.** Upon termination of this Agreement, Area Developer will return to Liberty all Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources which contain or reflect any such Confidential Information. Notwithstanding the foregoing, Area Developer may retain Confidential Information solely for insurance, warranty, claims and archival purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

11. COUNTERPARTS AND ELECTRONIC SIGNATURE

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (e.g. "pdf") format shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," and words of similar import in the Agreement shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.) or any other similar state or federal laws.

12. HEADINGS

The headings of the various sections of this Agreement have been inserted for reference only and shall not be deemed to be a part of this Agreement.

13. AGREEMENT

The Area Developer named at the top of the following page agrees to abide by the terms of this Agreement. The Area Developer signature of an individual or individuals constitutes their personal agreement to such terms. The Area Developer signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

The individual signators signing on behalf of area developer also agree jointly and severally to perform all the obligations in and relating to this Agreement, including, but not limited to, all obligations related to the covenants not to compete, covenants not to solicit, confidentiality obligations, obligations to make payments specified herein, pay any other promissory notes and other debts due to Liberty, pay for products later ordered from Liberty and the obligations stated in **Section 8.8 above concerning governing law, including, but not limited to, the application of Virginia law, the jurisdiction and venue clause, the jury waiver, the class action waiver, and the limitation to compensatory damages only.** If the Area Developer Agreement is held in the name of a business entity and it is later determined by Liberty that the entity is no longer valid or in good standing with the laws of the applicable state of organization or that an individual has been removed as a part of the business entity pursuant to applicable state law or otherwise, Liberty shall have the right to modify the Area Developer Agreement to reflect the then current business structure with the signatures of only those that remain as valid members, officers, partners, directors or sole proprietor of the then current business structure. All Area Developer signators specifically agree to indemnify and hold Liberty harmless related to the removal of parties under this provision. All signators on the following page waive any right to presentment, demand or notice of non-performance and the right to require Liberty to proceed against the other signators. Except as specified herein, no person or entity is a third-party beneficiary of this Agreement.

Signatures on Following Page.

Area Developer: Mufeed Haddad **Entity Number: 4693**

SIGNATORS:

By: DocuSigned by: 5E29904A9B95474... (Signature)

Mufeed Haddad
(Printed Name)

Title:

Address: 4045 humboldt ln

Yorba Linda ca 92886

Ownership Percentage:_____%

By: (Signature)

(Printed Name)

Title:

Address:

Ownership Percentage:_____%

By: (Signature)

(Printed Name)

Title:

Address:

Ownership Percentage:____%

By: (Signature)

(Printed Name)

Title:

Address:

Ownership Percentage:____%

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By: DocuSigned by: 849FAC60A44640E...

Printed Name: Nicole Ossenfort

Title: CEO

Effective Date:

SCHEDULE A TO THE AREA DEVELOPER AGREEMENT
TERRITORY

Raleigh-Durham-Fayetteville, NC

Schedule A

TERRITORY

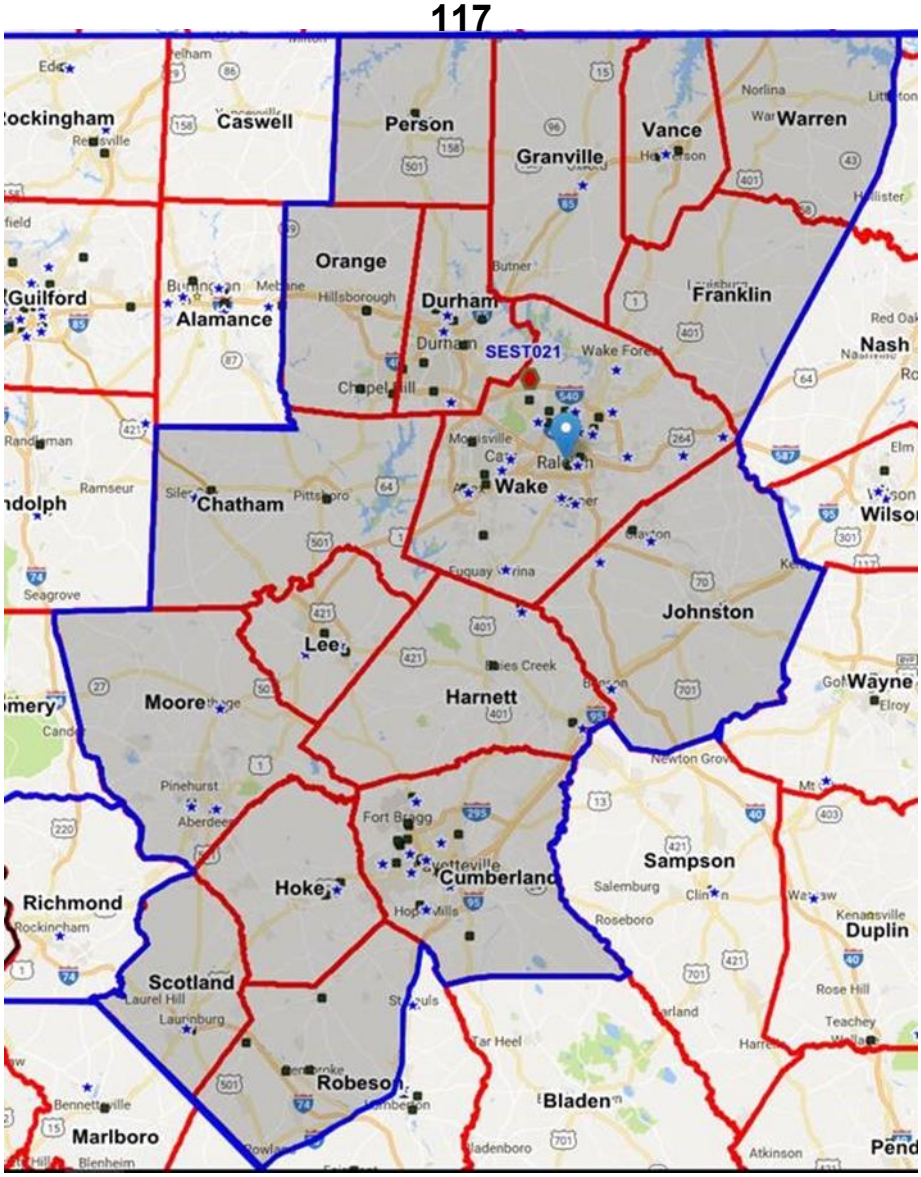
The counties of:

Person, NC
Granville, NC
Vance, NC
Warren, NC
Orange, NC
Durham, NC
Wake, NC
Franklin, NC
Chatham, NC
Moore, NC
Lee, NC
Harnett, NC
Johnston, NC
Hoke, NC
Cumberland, NC
Scotland, NC

Robeson, NC (*including **only** the following part of*):

NORTHWEST of I-95 from the Robeson/Cumberland County Line to the North Carolina/South Carolina State Line.
NORTHEAST of the North Carolina/South Carolina State Line from I-95 to the Robeson/Scotland County Line.
SOUTHEAST of the Robeson/Scotland County Line from the North Carolina/South Carolina State Line to the Robeson/Hoke County Line.
SOUTHEAST of the Robeson/Hoke County Line from the Robeson/Scotland County Line to the Robeson/Cumberland County Line.
SOUTHWEST of the Robeson/Cumberland County Line from the Robeson/Hoke County Line to I-95.

Currently divided by JTH Tax, Inc. into 68 Franchise Territories.



Schedule B

MINIMUM REQUIREMENTS

At closing there are thirty-three (33) JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchise territories with an active Liberty office currently within Area Developer's Territory, and operating pursuant to franchise agreements by and between Liberty and each Franchisee that is a party to a franchise agreement ("existing active territories"). Area Developer agrees to maintain the number of existing active territories and agrees to identify and secure additional candidates/Franchisees such that the following cumulative minimum development obligations are met during the term of the Area Developer Agreement:

Development Period Ending	Cumulative Number of Liberty Tax Service Effective Franchise Agreements in Operation with an Active Liberty Office
2019	34
2020	35
2021	37
2022	39
2023	42
2024	45
2025	48
2026	52
2027	56
2028	60

Acknowledgment of Early Renewal of Area Developer Agreement

The undersigned Area Developer acknowledges that the Area Developer Agreement entered into by and between Area Developer and JTH Tax, Inc. d/b/a Liberty Tax Service dated July 5, 2017 was for a 10 year term which is set to expire on July 5, 2027 The parties hereby acknowledge, desire, and consent to the early renewal of the Area Developer Agreement and enter into a new Area Developer Agreement for a 10 year term commencing on the effective date of this Agreement. The parties acknowledge that they are under no obligation to renew the Area Developer Agreement at this earlier date and desire and do so of their own free will. Area Developer further acknowledges that Area Developer has been accorded ample time and opportunity to consult with advisors of its own choosing about renewing the Area Developer Agreement pursuant to this Acknowledgement.

Area Developer and all of Area Developer's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge JTH Tax, Inc. d/b/a Liberty Tax Service, its past and present agents, employees, officers, directors, area developers, successors, assigns and affiliates (collectively "Liberty Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Developer could assert against the Liberty Released Parties or any of them up through and including the date of this Renewal and Release, including, but not limited to, any claim related to the early renewal of the Area Developer Agreement.

AREA DEVELOPER: Mufeed Haddad

By: DocuSigned by: 5F29904A9B95474...

Mufeed Haddad

JTH TAX, INC. d/b/a LIBERTY TAX SERVICE

By: DocuSigned by: 849FAC60A44640E...

Printed Name: Nicole Ossenfort

Title: CEO

Date: _____

CALIFORNIA RENEWAL AND SPECIFIC RELEASE

Area Developer: **Mufeed Haddad** Entity No.: **4693**

1. Release- Area Developer and all of Area Developer's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge JTH Tax, Inc. d/b/a Liberty Tax Service, its past and present agents, employees, officers, directors, area developers, successors, assigns and affiliates (collectively "Liberty Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Developer could assert against the Liberty Released Parties or any of them up through and including the date of this Renewal and Release.

2. Unknown or Unsuspected Consequences- The parties understand and acknowledge that Section 1 of this Renewal and Specific Release applies to and includes all unknown or unsuspected consequences or results arising from or relating to the transactions, occurrences, or agreements referred to in those Sections. You represent and warrant that you have read the contents of 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."

   YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542.

3. Nature of Release- Each party acknowledges that it has read this Renewal and Specific Release, that it fully understands the contents of this Renewal and Specific Release, and that THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law or the California Franchise Relations Act.

4. This Renewal and Specific Release may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Renewal and Specific Release by facsimile or in electronic (e.g. "pdf") format shall be effective as delivery of a manually executed counterpart of this Renewal and Specific Release. The words "execution," "signed," "signature," and words of similar import in the Renewal and Specific Release shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.) or any other similar state or federal laws based on the Uniform Electronic Transactions Act. This Agreement shall not be modified except in writing signed by the parties hereto.

Area Developer: Mufeed Haddad

By: DocuSigned by: 5F29904A9B95474... Mufeed Haddad

JTH Tax, Inc. d/b/a Liberty Tax Service

By: DocuSigned by: 849FAC60A44640E...

Printed Name: Nicole Ossenfort

Title: CEO

Date: _____

Los Angeles (SOUTHEAST), CA

AREA DEVELOPER AGREEMENT

EXHIBIT B

TABLE OF CONTENTS

AREA DEVELOPER AGREEMENT

WHEREAS, JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchises a system for the operation of tax return preparation offices (the "Franchise"); and

WHEREAS, area developer ("Area Developer") desires to find, solicit and recruit candidates willing to become Franchise owners ("Franchisees") and desires to provide continuing services (the "Services") on Liberty's behalf to Franchisees; and

WHEREAS, Liberty wishes to receive the Services and compensate Area Developer.

NOW, THEREFORE, for value received, Liberty and Area Developer hereby agree as follows:

1. SERVICES

1.1 Area Developer Services.

(a) **Candidate Development.** Area Developer will use best efforts to find, solicit, and recruit candidates interested in operating a Franchise within the Territory (as described in Section 2). Upon Area Developer's determination that a candidate may have the characteristics of a potential Franchisee (a "Candidate"), Area Developer will identify such Candidate in writing to Liberty for Liberty's consideration.

(b) **Franchise Award.** All Candidates must successfully pass Liberty's Effective Operations Training ("EOT") and Hands On Training ("HOT") to be awarded a Franchise.

(c) **Limitation of Services.** Area Developer may only offer those services or products through the Area Developer business as authorized by Liberty in this Agreement or the area developer operations manual ("Area Developer Operations Manual" or "Manual"), unless Liberty provides prior written approval.

1.2 Area Developer Support Services and Obligations.

(a) **Operational Support.** Area Developer will be responsible for coaching the Liberty system as described in the Area Developer Operations Manual and will provide Franchisees with timely local support, day-to-day operational help, marketing advice and feedback. Area Developer will host quarterly designated marketing area (DMA) meetings in person or through electronic means. Through these DMA meetings and as required by Liberty, Area Developer will disseminate information, collaborate with Franchisees, discuss advertising and address other issues that may arise or later be specified by Liberty. Area Developer does not have any authority to approve or disapprove Franchisee marketing or advertising.

Area Developer agrees to address reasonable company-owned store issues that may arise or be specified by Liberty. "Company-owned" refers to a store owned and operated by Liberty, an affiliate entity or an entity under the control of Liberty or any of its employees.

(b) **Customer Service.** Area Developer shall use best efforts to ensure that all Franchisees provide all appropriate services as outlined in the Franchisee Operations Manual and the Area Developer Operations Manual, abide by customer service policies issued by Liberty and timely respond to customer complaints and issues. Area Developer must operate in a manner that protects the goodwill, reputation of Liberty and the service marks and trademarks of Liberty (collectively "Marks).

(c) **Site Selection.** Area Developer shall provide site selection assistance in accordance with the Area Developer Operations Manual including, but not limited to, utilization of a company that we designate providing retail business intelligence solutions, and current Electronic Return Originator ("ERO") data. Final site selection must be approved by Liberty.

(d) **Franchisee Budgets, Profit and Loss Statements and Action Plans.** Area Developer shall review and approve Franchisee budgets, profit and loss statements, action plans and the Marketing Plan Generator for submission to corporate for final approval in accordance with the deadlines provided by Liberty.

(e) **Agreement Facilitation.** Area Developers shall review and facilitate Franchisee applications to Liberty for financing, transfers, fee releases, sales, terminations and the like, subject to final approval by Liberty.

(f) **Required Attendance.** Area Developer, or Area Developer's approved representative, shall attend area developer training and EOT within six months of closing. Additionally, Area Developer will attend all meetings that may be required by Liberty.

(g) **Manual.** Area Developer shall provide all assistance and support described in the Area Developer Operations Manual, the Operations Manual provided to Liberty Franchisees and Area Developers and all updates to these Manuals.

(h) **Contract Enforcement.** Upon termination or expiration of the franchise agreement between Liberty and any Franchisee (a "Former Franchisee"), Area Developer will assist Liberty in enforcing the post termination obligations set forth in its franchise agreement with that Former Franchisee ("Post Termination Obligations"), but Area Developer will have no duty to initiate court or other legal proceeding. These obligations include ensuring that all Liberty signs are removed from the Former Franchisee's offices or other premises, receiving or acquiring all telephone numbers, listings and advertisements used in relation to the Former Franchisee's business, receiving or acquiring all copies of lists and other sources of information containing the names of customers of the Former Franchisee, obtaining all Former Franchisee's customer tax returns, files, records and all copies thereof and obtaining all copies of the Former Franchisee's Operations Manual, including any updates, and performing other reasonable duties as may be assigned by Liberty to assist in the transition or closure of an office.

(i) **Fair Dealing.** Area Developer must deal fairly with Liberty and Liberty's existing Franchisees, suppliers, partners, service providers, employees and anyone else with whom Area Developer has contact related to the rights and obligations granted herein. Area Developer shall not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

1.3 **Liberty Obligations.**

(a) **Area Developer Operations Manual.** Liberty will provide an Area Developer Operations Manual and various updates to the Manual to provide requirements of operation and offer guidance in performing Area Developer services.

(b) **Initial and Advanced Training.** Liberty will provide reasonable training to Area Developer, at Area Developer's expense, in order to ensure that Area Developer has the ability to provide the services to Liberty described in Sections 1.1 and 1.2. At present, Liberty provides a three to four day initial Area Developer training course, which Area Developer and any manager working for Area Developer must attend and successfully complete within six months of closing. Liberty also requires Area Developer to attend EOT within six months of closing. Liberty may also provide and require Area Developer's attendance at advanced or other trainings that may be offered at select locations or Liberty may offer such training on the web or electronically. Although Liberty does not charge attendance at training, Area Developer must pay the cost incurred with traveling to training, and other incidental expenses such as food, lodging, and transportation incurred in attending any training that Liberty provides.

(c) **Disclosure Document.** Liberty will provide or make available to Area Developer its latest Franchise Disclosure Document to use as part of Area Developer's development services.

1.4 **Joint Duties.** Liberty and Area Developer will be responsible for the enforcement of all agreements ("Franchise Documents") executed in the awarding of a franchise to a Candidate and the monitoring of individual Franchisee performance and adherence to Liberty's Franchise system. However, Area Developer will not assert any legal claim by way of a lawsuit or otherwise, against a Franchisee without the written permission of Liberty.

1.5 **Personal Involvement.** Area Developer must render the Area Developer and support services hereunder personally, unless Area Developer submits to Liberty a general manager who attends and successfully completes Liberty's initial Area Developer training course and who is not later disapproved by Liberty. Area Developer acknowledges and agrees that Liberty shall not, and shall have no right or authority to, control Area Developer's employees. Liberty shall have no right or authority with respect to the hiring, termination, discipline, work schedules, pay rates or pay methods of Area Developer's employees. Area Developer acknowledges and agrees that all employees shall be Area Developer's exclusive employees and shall not be employees of Liberty nor joint employees of Area Developer and Liberty. Liberty neither dictates nor controls labor or employment matters for area developers and their employees.

1.6 **Reports.** Area Developer agrees to file with Liberty, at such times and in such forms as Liberty may specify, reports detailing Area Developer's activities, sales and other information that may be requested.

1.7 **Reviews.** Liberty reserves the right to review Area Developer's business operations, in person, by mail, or electronically. Liberty may inspect Area Developer's operations and obtain paper and electronic business records related to the business and any other operations taking place through Area Developer's business. Area Developer must send Liberty

any business records requested within five (5) business days of receiving Liberty's request for records and shall be responsible for any costs related to this transmission. Liberty has the right to require that Area Developer implement a plan to resolve any issues that Liberty discovers.

2. EXCLUSIVITY

2.1 **Exclusivity.** Except as otherwise permitted in this Agreement, Liberty will not appoint or authorize any other person to provide commissioned or paid Area Developer services to Liberty in the territory defined in Schedule A ("Territory"). This grant of the Territory in no way prevents or restricts Liberty from itself recruiting, soliciting or seeking new Franchisees in the Territory (including through the Internet or other means of general electronic communication) or from using unpaid referrals from other sources or as detailed in Section 2.2 in the obtaining of potential Franchisees. As indicated on Schedule A, the Territory has been divided into sub-territories ("Franchise Territories") as defined by Liberty, which will be made available to prospective Franchisees.

2.2 **Non-Area Developer-Proposed Franchisees.** If Liberty is referred, contacted by or comes into communication with any prospective Franchisee in the Territory not previously identified by Area Developer, Liberty may evaluate, recruit and award such prospective Franchisee a Franchise. Each such individual will be deemed a Franchisee for the purposes of this Agreement.

3. FEES AND COMMISSIONS

3.1 **Initial Fee.** Area Developer will pay Liberty $ _____ upon execution of this Agreement, which shall be deemed fully earned by Liberty upon payment.

3.2 **Initial Franchise Fee.** Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to ____% of the initial franchise fee and interest on promissory notes, if and only to the extent that such interest is on franchise fees (except on interest already due and owing before the first of the month following the Effective Date of this Agreement), paid to Liberty by a Franchisee for a franchise within the Territory during the Term, pursuant to the terms in the franchise agreement between Franchisee and Liberty ("Franchise Fees") except amounts already due and owing before the first of the month following the Effective Date of this Agreement. Liberty will also pay to Area Developer the same percentage of any change fees for modifying the opening schedule of a multi-territory stipulation which a Franchisee in the Territory pays to Liberty during the Term, except change fees already due and owing before the first of the month following the Effective Date of this Agreement.

3.3 **Franchise Royalties.** Pursuant to the franchise agreement between a Franchisee and Liberty, each Franchisee is required to pay royalties associated with the operation of a franchised territory ("Royalties"). Except as provided under Section 4.1, Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to _____% of all ongoing Royalties received by Liberty, if any, from a Franchisee in the Territory during the Term (except Royalties already due and owing before the first of the month following the Effective Date of the Area Developer Agreement.)

Liberty will also pay to Area Developer this same royalty percentage on company-owned stores in Area Developer's Territory if a Franchisee store becomes company-owned after the first of the month following the Effective Date of this Agreement. The royalty percentage payable to Area Developer shall be calculated as if the store were still a Franchisee store.

3.4 **Demand for Payment.** Except as authorized herein, or except upon the prior written consent of Liberty, Area Developer will not demand any payment due from a Liberty Franchisee or other person or entity to Liberty.

3.5 **Fee for Franchisee Prospects.** Liberty may provide to Area Developer leads of prospective Franchisees within the Territory. Area Developer may not opt out of receiving leads. Liberty will set fees based upon the cost and the difficulty of acquiring the leads and Area Developer agrees to pay such fees.

3.6 **Fee for Internal Sales.** If Liberty's own franchise development staff handles the selling process with a prospective Franchisee within the Territory covered by this Agreement for the sale of an undeveloped territory (meaning one that does not contain an existing Liberty Tax Service office), Area Developer shall pay Liberty 15% of the Franchise Fee (subject to a $6,000 minimum or such other amount as is established pursuant to Section 3.5). Liberty may deduct this from amounts Liberty otherwise owes to Area Developer.

3.7 **Advertising and Selling Material.** Liberty may charge and Area Developer agrees to pay a reasonable charge for preparing, procuring, printing, and/or sending advertising materials and Disclosure Documents to Area Developer.

3.8 **Terminal Services.** Liberty may charge and Area Developer agrees to pay a reasonable charge for providing computer access to information within the Liberty system and for computer access to a sales lead and contact information management system.

3.9 **Use of Franchise Broker.** Liberty may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees ("Franchise Broker"). To participate in this opportunity, Area Developer agrees to pay a proportionate share of the Broker's fee for any broker-generated Candidate who becomes a Franchisee in Area Developer's Territory. Area Developer's share of Broker's fee shall be based on the proportion of initial Franchise Fee and Royalties that Area Developer receives under Sections 3.2 and 3.3. For example, if a Broker charges Liberty $13,000 for a Candidate who becomes a Franchisee, and Area Developer receives 35% of the initial Franchise Fee and Royalties under Sections 3.2 and 3.3 above, then Area Developer's share of the initial Franchise Fee would be reduced by 35% of $13,000 which amounts to $4,550.

3.10 **Payment.** In any month that Liberty receives Franchise Fees, Royalties, interest on promissory notes for Franchise Fees (and such amounts are not already due and owing before the first of the month following the Effective Date of this agreement) from Franchisees in Area Developer's Territory, Liberty will pay Area Developer its share of these amounts not later than the last day of the next calendar month. In no case will Liberty advance funds to Area Developer, or be liable for payment on accounts receivables or unpaid Franchise Fees, Royalties or interest. Area Developer will be entitled to its share of Franchise Fees, Royalties and interest only with respect to amounts actually collected, and Liberty will be entitled to take credits

against previous payments to Area Developer to the extent that any Franchise Fees, Royalty or interest payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of Area Developer's share of Royalties, Franchise Fees, and interest will be accompanied by information in sufficient detail to allow Area Developer to determine the basis on which Area Developer's share of the Royalties, Franchise Fees and interest was calculated.

3.11 **Late Fees.** Payments for charges Liberty bills to Area Developer are due within thirty (30) days of billing and will be subject to an 12% per annum late fee, or the maximum allowed by law if less.

3.12 **Fee Amounts.** From time to time, Liberty will set and publish the fee amounts under Sections 3.5 and 3.7-3.8.

3.13 **Expenses.** Except as provided herein, each party will bear the expenses incurred by it in the performance of this Agreement.

3.14 **Referral Fees.** Liberty may offer referral fees to individuals that refer new Franchisees to Liberty. These referral fees do not apply to Area Developer for Candidates that become Franchisees in Area Developer's Territory.

3.15 **Automatic Payment Transfer**. All of the revenue that Area Developer is to receive under the Area Developer Agreement, or any other agreement between Area Developer and Liberty or Liberty's affiliate entities, shall initially be paid to Liberty. Liberty will remit any remaining balance to Area Developer from the above described revenue after deducting monies Area Developer owes to Liberty, and deducting monies to hold for application to upcoming amounts due to Liberty including, but not limited to, unbilled amounts.

3.16 **Transfer Fee.** If Area Developer transfers its rights and obligations under this Agreement, or an interest in this Agreement that results in a change in control of the entity, Area Developer must pay to Liberty a transfer fee of $10,000 at the time of transfer. This fee is subject to increase or decrease in future area developer agreements by the amount of change in the *Consumer Price Index – All Urban Consumers*, published by the U.S. Department of Labor, or a reasonably similar successor index, from the index as of the Effective Date.

4. MINIMUM AREA DEVELOPER PERFORMANCE

4.1 **Minimum Requirements.** Area Developer will provide Liberty with a minimum number of Candidates each year that open Franchise Territories with an active Liberty office in operation, as described and set forth in Schedule B (the "Minimum Requirements"). For this purpose, a year will include each fiscal year of Liberty (including any partial year) ending on April 30.

If Area Developer does not meet the Minimum Requirements, Liberty may, upon notification to Area Developer within ninety (90) days of the end of the year wherein the requirements were not met, delete from the Territory up to the number of Franchise Territories by which Area Developer failed to meet the Minimum Requirements for that year. Liberty will only be entitled to delete Undeveloped Territories. Undeveloped Territories as used herein is defined as unsold territories which have not generated at least $40,000 in Net Fees in any one of the two prior

fiscal years. Net Fees as used herein is defined as all revenue from all services and products offered by the franchisee pursuant to the franchise agreement between the franchisee and Liberty (including, but not limited to, revenue from individual, corporate, estate and partnership tax returns) after approved deductions for customer discounts/refunds, send a friends and cash in a flash. Liberty's notice will designate which Undeveloped Territories it desires to delete from the Territory, and Liberty shall have the sole discretion in making this determination. The specified Undeveloped Territories will be deemed deleted from the Territory as of the date that Liberty sends notice to Area Developer. Area Developer will thereafter not be entitled to any share of Franchise Fees, Royalties or interest paid with respect to any current or future franchisee or company-owned store within the specified Undeveloped Territories and such territories will no longer be deemed a part of this Agreement. This deletion is Liberty's sole remedy for failure to meet Minimum Requirements.

5. FRANCHISOR — FRANCHISEE RELATIONSHIP

5.1 **Disclosure.** Area Developer will comply with all federal and state franchise disclosure laws applicable to the solicitation of Franchisees, including providing the current Disclosure Document, prepared by Liberty, to all Candidates within the time frame provided by law. In most jurisdictions, this disclosure is currently required fourteen (14) calendar days before the signing of a binding agreement between the Candidate and Liberty or any payment by the Candidate to Liberty. Area Developer will ensure that any disclosure made in any form complies with the applicable franchise disclosure laws. Area Developer will be responsible for providing Liberty's most current Disclosure Document, but will not be responsible for improper disclosure due to inadequacies or errors in Liberty's most current Disclosure Document.

5.2 **Financial Performance Representations.** Except as may be expressly stated in Item 19 of Liberty's most current Franchise Disclosure Document in effect in Area Developer's Territory, Area Developer 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, Area Developer may disclose financial performance of an existing franchise for sale to a Candidate interested in such unit as may be permitted by law.

5.3 **Improper Representations.** Area Developer will make no representations to any Candidate that conflicts with Liberty's current franchise agreement or Disclosure Document or make any promises, guarantees, or warranties to any party not authorized in writing by Liberty.

5.4 **No Unauthorized Commitments.** Area Developer acknowledges that it has no authority to bind Liberty with respect to any matter, and agrees that it will not enter into any agreements or understandings with any Candidates other than as authorized in writing by Liberty.

5.5 **Indemnity.** Area Developer will indemnify, defend and hold Liberty and its parent company, affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Indemnified Parties") harmless from and against any claim, suit or proceeding (including attorneys' fees and costs) brought against any of the Indemnified Parties resulting from, relating to or arising out of a claim that Area Developer failed to make proper disclosures under Section 5.1, made any improper earnings claim as detailed in Section

5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4. Liberty will indemnify, defend and hold Area Developer and its affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Area Developer Indemnified Parties") harmless from and against any claim, suit, or proceeding brought against any of the Area Developer Indemnified Parties resulting from, relating to or arising out of a claim that Liberty failed to make proper disclosure under Section 5.1, made any improper earnings claim as detailed in Section 5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4. Area Developer agrees to reasonable cooperation in the defense of any claim. The Indemnified Parties shall have the right to control settlement and selection of counsel and defense of any claim.

6. NON-COMPETE AND NO SOLICITATION

6.1 **Non-Compete.**

(a) **In-Term.** Area Developer will not, during the Term of this Agreement, in the United States or Canada, directly or indirectly (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in any franchised business including, but not limited to, a franchised business offering income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans, except as to seeking Liberty Tax Service franchisees pursuant to the terms of this Agreement or as otherwise may be authenticated in writing by Liberty, or (ii) aid or facilitate another person or entity (except Liberty Tax Service franchisees or as otherwise may be allowed by Liberty) in the provision of paid income tax preparation offered to the public through retail outlets.

(b) **Post-Term.** Area Developer will not, for a period of two years after expiration or termination of this Agreement, in the Territory defined in Schedule A regardless of any reduction due to application of Section 4.1 (the "Original Territory"), or within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in any franchised business including, but not limited to, a franchised business offering income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans except, if applicable, in Area Developer's capacity as a Liberty Area Developer pursuant to a valid, Liberty Area Developer Agreement.

6.2 **No Solicitation.**

(a) **In-Term.** Except with the written permission of Liberty, Area Developer will not, during the term of this Agreement, in the United States or in Canada, directly or indirectly solicit for employment in a management or supervisory capacity, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service franchisee, or any Liberty Tax Service franchisee, or in the case of a franchisee which is an entity, the owners of such entity.

(b) **Post-Term.** Except with the written permission of Liberty, Area Developer will not, for a period of two years after expiration, termination or transfer of this Agreement, in the Original Territory and within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly solicit to own, operate, manage or supervise any franchised business

including, but not limited to, an income tax preparation office or income tax preparation franchise, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service franchisee, or any Liberty Tax Service franchisee, or in the case of a franchisee which is an entity, the owners of such entity, or any other entity beneficially owned by such owner or entity.

6.3 **Severability.** If any covenant or provision with Section 6.1 or 6.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement, and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this Agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

7. TERM AND TERMINATION

7.1 **Term.** This Agreement will commence upon its Effective Date and will last for a term of six (6) years (the "Term").

7.2 **Renewal.** Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement and all other agreements with Liberty and Liberty's affiliates, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least one hundred and eighty (180) days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal, and renews by signing Liberty's then current Area Developer Agreement which may contain materially different terms. The fees and percentages described in Sections 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements, as described in Section 4.1 above.

7.3 **Termination.**

(a) **Termination by Area Developer.** Area Developer may terminate this Agreement at any time through written notice of termination to Liberty. Area Developer's termination of this Agreement will be effective upon Liberty's receipt of Area Developer's termination notice.

(b) **Termination by Liberty Without Opportunity to Cure.** Liberty may terminate this Agreement effective upon the date of Liberty's sending written notice of termination to Area Developer, and without the opportunity for Area Developer to cure, for any of the following reasons:

(i) Area Developer, or someone acting under Area Developer's supervision and control, commits a violation of any law, ordinance, rule or regulation of a

government or governmental agency or department and such conduct constitutes a material violation of any franchise law, antitrust law or securities law, fraud or a similar wrong, unfair or deceptive practices, or a comparable violation of applicable law, commits any act that is or could be, in Liberty's determination, harmful, prejudicial or injurious to the Liberty brand or any of the Affiliated Companies or any employee, franchisee, area developer or agent of such companies, or if the IRS or any federal, state or local governmental entity or agency initiates a criminal, civil or administrative proceeding or takes any administrative action against Area Developer or the Area Developer Business relating to compliance with applicable tax laws and regulations or laws and regulations related to this Agreement and the Area Developer Business, and such proceeding or action is not resolved or dismissed in favor of Area Developer, or the Area Developer Business, within thirty (30) days of its initiation; or

(ii) Area Developer violates any of Sections 5.1, 5.2, 5.3 or 5.4 of this Agreement; or

(iii) Area Developer makes a misstatement of material fact on a Biographical Information Form, which is required in order to enter into this Area Developer Agreement, or the Sales Agent Disclosure Form Update, submits false reports to Liberty, knowingly maintains false books or records, or fails to disclose a material fact that is requested in any such form or report, or refuses to fill out or completely fill out such form or report, or tender supporting documentation upon reasonable request; or

(iv) Area Developer becomes insolvent, is unable to pay debts as they come due or take any steps to seek protection from creditors, or if a receiver (permanent or temporary) is appointed by a creditor or a court of competent authority, or Area Developer makes a general assignment for the benefit of creditors.

(c) **Termination by Liberty After Opportunity to Cure.** Liberty may terminate this Agreement if Area Developer fails to perform any obligation under this Agreement or any other Agreement between the parties or between Area Developer and Liberty's affiliates ("Breach") and such failure has continued for thirty (30) days after Liberty sent written notice of such Breach to Area Developer. Additionally, Liberty may terminate this Agreement if Area Developer commits any of the following breaches and such breach is not cured within fourteen (14) days after Liberty sends written notice of such breach to Area Developer:

(i) Any amount owing to Liberty Liberty's parent company or affiliate entities (collectively, "Liberty Companies"), whether related to the Territory or not, is more than thirty (30) days past due, or Liberty determines that Area Developer has materially and substantively underreported revenue; or

(ii) Area Developer abandons active operation of the business; or

(iii) Area Developer fails to provide notification of Area Developer's desire to renew within the time and manner provided for in Section 7.2 of this Agreement; or

(iv) Area Developer commits three or more breaches of this Agreement, or any other agreement with Liberty or the Liberty Companies to which Area Developer is a party, within any twelve (12) month period.

7.4 **No Refund of Initial Fee**. Liberty will have no obligation to return or refund any fee to Area Developer upon termination, cancellation, expiration, transfer of this Agreement, or exercise by Liberty of the rights provided by Section 4 and Area Developer will remain liable to Liberty for all amounts owed to Liberty.

7.5 **Survival of Obligations**. The Parties' obligations that by their nature may require performance after the termination or expiration of this Agreement, including, but not necessarily limited to, Sections 3.11, 5.5, 6, 7.4, 7.5, and 8-11, will survive the termination or expiration of this Agreement. Upon the termination or expiration of this Agreement, sale of this Agreement or sale or other transfer of Area Developer's business operated under this Agreement, Liberty will have no further obligation to pay Area Developer any share of Franchise Fees, Royalties or interest received by Liberty subsequent to the date of termination or expiration.

8. MISCELLANEOUS

8.1 **Relationship.** Notwithstanding anything herein to the contrary, this Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the parties, and no party has a fiduciary duty or other special duty or relationship with respect to the other party. The parties acknowledge that Area Developer's relationship with Liberty hereunder is that of an independent contractor.

8.2 **Intellectual Property Ownership.** Liberty owns the Franchise system, its trademarks and all other intellectual property associated with the Franchise system. To the extent Area Developer has or later obtains any intellectual property, other property rights or interests in the Franchise system by operation of law or otherwise, Area Developer hereby disclaims such rights or interests and will promptly assign and transfer such entire interest exclusively to Liberty. Area Developer will not undertake to obtain, in lieu of Liberty, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system. Area Developer will have the right to use Liberty's Marks during the Term for the sole purpose of advertising the availability of Franchises within the Territory, but Area Developer must obtain Liberty's prior written consent to such use, which consent may be withheld in Liberty's sole discretion.

8.3 **Trade and Domain Names.** Area Developer will not use the word "JTH," "LTS," "Dona Libertad," "Liberty," "Libtax", "Siempre", "SiempreTax," "SiempreTax+", "360", "360 Accounting" or the name, or any portion of the name of Liberty's affiliate entities, as any part of the name of a corporation, LLC or other entity (except as may be agreed between Area Developer and Liberty's affiliate entity in a separate franchise agreement with such affiliate entity). Further, unless Area Developer first receives Liberty's express written permission, Area Developer will not 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.

8.4 **Assignment.** Liberty may assign this Agreement to an assignee who agrees to remain bound by its terms. Liberty does not permit a sub-license of the Agreement. Area Developer's interest under this Agreement may be transferred or assigned only if Area Developer complies with the provisions in this Section. No interest may be transferred unless Area Developer is in full compliance with this Agreement and current in all monies owed to Liberty. Upon Liberty's request, any transfer of an ownership interest in this Agreement must be joined by all signatories to this Agreement, except in the case of death or legal disability.

(a) **Liberty's Right of First Refusal.** If Area Developer has received and desires to accept a signed, bona fide offer to purchase or otherwise transfer the Area Developer Agreement or any interest in it, Liberty shall have the option (the "Right of First Refusal") to purchase such interest as hereinafter provided. Within fourteen (14) days of receipt of the offer, Area Developer shall offer the Right of First Refusal to Liberty by providing written notice to Liberty which shall include a copy of the signed offer to purchase that Area Developer received ("Notice"). Liberty shall have the right to purchase the Area Developer Agreement or interest in the Area Developer Agreement for the price and upon the terms set out in the Notice, except that Liberty may substitute cash for any non-cash form of payment proposed and Liberty shall have sixty (60) days after the exercise of Liberty's Right of First Refusal to close the said purchase. Liberty will notify Area Developer in writing within fifteen (15) days of its receipt of the Notice if it plans to exercise the Right of First Refusal. Upon the transmission of notice by Liberty, there shall immediately arise between Liberty and Area Developer, or its owners, a binding contract of purchase and sale at the price and terms contained in the Notice previously provided by Area Developer.

(b) **Transfer to Controlled Entity.** A transfer to a "Controlled Entity" shall not trigger the Right of First Refusal. A "Controlled Entity" is an entity in which Area Developer (or Area Developer's managers, members, owners, partners, shareholders or officers as of the date of this Agreement) is the beneficial owner of 100% of each class of voting ownership interest. At the time of the desired transfer of interest to a Controlled Entity, Area Developer must notify Liberty 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, and provide Liberty with the applicable organizational documents of the business entity. Each such person of the Controlled Entity shall sign, on behalf of the business entity and in their respective individual capacity, the amendment and release forms and/or area developer agreement as required by Liberty at the time of transfer. Currently, Liberty does not charge a transfer fee for this type of transaction.

(c) **Transfer of Interest Within Area Developer.** A transfer of interest within an Area Developer that is an entity shall not trigger the Right of First Refusal provided that only the percentage ownership is changing and not the identity of the owners. At the time of the desired transfer of interest within an entity, Area Developer must notify Liberty in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest prior to and following the proposed transfer and provide Liberty with the applicable organizational documents of the business entity. Each such person of the Controlled Entity shall sign, on behalf of the business entity and in their individual capacity, the amendment and release forms and/or area developer agreement as required by Liberty at the time

of transfer. Further, if the transfer of interest results in a change in control of the entity, Area Developer must pay to Liberty the transfer fee required at the time of transfer.

(d) **Right of First Refusal Not Exercised By Liberty.** If Liberty does not exercise the Right of First Refusal, Area Developer may transfer the Area Developer Agreement or ownership interest therein according to the terms set forth in the Notice, provided that Area Developer satisfies the conditions in Section 8.4(e) and completes the sale within ninety (90) days from the date that Liberty received Notice from Area Developer. If Area Developer does not conclude the proposed sale transaction within this 90-day period, the Liberty's Right of First Refusal shall continue in full force and effect.

(e) **Additional Requirements and Obligations for Transfer.**

i) The proposed transferee(s) must complete Liberty's Area Developer application and pass Liberty's application screening in place at the time of transfer.

ii) The proposed transferee(s) must sign the Liberty amendment forms and/or the then current Area Developer Agreement and must personally assume and be bound by all of the terms, covenants and conditions therein.

iii) The proposed transferee(s) must attend and successfully complete Area Developer Training.

iv) Area Developer shall sign Liberty's transfer and release forms required by Liberty at the time of transfer and pay to Liberty a transfer fee of $10,000.00.

8.5 **Publicity.** Except as required by law, Area Developer may not make any press release or other public announcement involving the subject matter of this Agreement without the written agreement of Liberty as to the form of such press release or public announcement.

8.6 **Operations Manual, Specifications, and Equipment.** Liberty may issue specifications to guide Area Developer in the provision of Services hereunder. Liberty has an Area Developer Operations Manual that Area Developer agrees to follow. Liberty may issue computer and equipment requirements. At present, Area Developer is required to have business cards, a telephone and telephone line, printer, fax service and computer connected via internet to Liberty's computer network. Liberty also requires Area Developer to use an appropriate sales lead and contact information database or software to keep track of Area Developer's contacts with prospective Franchisees and may issue recommendations or requirements in this regard. Liberty may change Liberty's Area Developer Operations Manual and modify Liberty's specifications in order to maintain competitiveness, adjust for legal, technological, and economic changes, and to improve in the marketplace. Area Developer agrees to be bound by all future changes.

8.7 **Maintenance of Liberty Goodwill.** Area Developer agrees not to disparage Liberty, Liberty's parent company or affiliate entities or their current and former employees or directors. During the term of this Agreement, Area Developer also agrees not to do any act harmful, prejudicial, or injurious to any or all of the Liberty Companies.

8.8 **Governing Law.**

(a) **Virginia Law.** This Agreement is effective upon its acceptance in Virginia by Liberty's authorized officer. 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 hereto. However, the Virginia Retail Franchising Act does not apply to any claims by or on Area Developer's behalf if the Territory shown on Schedule A below is located outside of Virginia.

(b) **Jurisdiction and Venue.** In any suit brought by any or all of the Liberty Companies, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer consents to venue and personal jurisdiction in the state court in the city or county where Liberty's national office is located and the federal courts located in the State where Liberty's national office is located (presently Virginia Beach, Virginia state courts and the United States District Courts located in the Commonwealth of Virginia). In any suit brought against any or all of the Liberty Companies, including present and former employees and agents of the Liberty Companies, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, venue shall be proper only in the federal courts located in the State where Liberty's national office is located (presently, the United States District Courts located in the Commonwealth of Virginia.) or if neither federal subject matter nor diversity jurisdiction exists, in the state court located in the city or county where Liberty's National Office is located (presently the City of Virginia Beach, Virginia).

(c) **Jury Waiver.** In any trial between Area Developer and any or all of the Liberty Companies, including present and former employees and agents of Liberty, Liberty's parent company or any affiliate entity, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer and Liberty waive their respective rights to a jury trial and agree to have such action tried by a judge.

(d) **Class Action Waiver.** Area Developer agrees that any claim Area Developer may have against any or all of the Liberty Companies, including past and present employees and agents of the Liberty Companies, shall be brought individually and Area Developer shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against any or all of the Liberty Companies.

(e) **No Punitive Damages.** In any lawsuit, dispute or claim between or against Area Developer and any or all of the Liberty Companies, including present and former agents and employees of the Liberty Companies, Area Developer and Liberty waive their respective rights, if any, to seek or recover punitive or exemplary damages.

(f) **Attorneys' Fees and Costs.** Area Developer agrees to reimburse the Liberty Companies for all expenses reasonably incurred (including attorneys' fees and costs): (i) to enforce the terms of this Agreement or any obligation owed to any or all of the Liberty Companies by Area Developer (whether or not the Liberty Companies initiate the legal proceeding, unless the Liberty Companies initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim Area Developer asserts against us on which the Liberty Companies substantially prevail in court or other formal legal proceedings.

(g) **Anti-Terror.** Area Developer represents and warrants that no Area Developer signatory to this Agreement is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx. Further, Area Developer represents and warrants that no Area Developer signatory to this Agreement has violated, and agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act, U.S. Executive Order 13224, or any similar law. The foregoing constitutes continuing representations and warranties, and Area Developer shall immediately notify Liberty in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

8.9 **Severability.** If any one or more of the provisions in this Agreement or any application of such provision is held to be invalid, illegal or unenforceable in any respect by a competent tribunal, the validity, legality and enforceability of the remaining provisions in this Agreement and all other applications of the remaining provisions will not in any way be affected or impaired by such invalidity, illegality or unenforceability. Further, the obligations within Section 6 above are considered independent of any other provision in this agreement, and the existence of any claim or cause of action by either party to this agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

8.10 **Notices.** Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall be given by mail or courier, postage fully prepaid, or delivered personally, to Liberty's CEO, at Liberty's National Office, presently 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454, Telephone: (757) 493-8855. Any such notice may also be given to Area Developer in the same manner at the address indicated below the Area Developer's signature on this Agreement or such other more current address as Liberty may have on file for Area Developer. Liberty may also give notice to Area Developer by e-mail.

8.11 **Burdens and Benefits.** This Agreement will be binding upon and will inure to the benefit of the parties, their successors and assigns, as permitted hereunder.

8.12 **Entire Agreement.** This Agreement, including the Schedules, is the entire agreement between Area Developer and Liberty with respect to the subject matter contained herein. This Agreement supersedes all other prior oral and written agreements and understandings between Area Developer and Liberty with respect to the subject matter herein. However, nothing in this or any related agreement is intended to disclaim the representations Liberty made in the area developer disclosure document Liberty furnished to Area Developer.

8.13 **Amendment and Waiver.** No amendment, change, or modification of this Agreement and no waiver of any right under this Agreement will be effective unless in a written document that is signed by an authorized representative of each party. No failure to exercise and no delay in exercising any right under this Agreement will operate as a waiver.

8.14 **Financing.** If Liberty provides financing, Area Developer must submit annual financial information to Liberty including, but not limited to, income statements, balance sheets, and supporting documents. Area Developer agrees to submit the required information at the time and in the format specified by Liberty.

9. DEATH OR INCAPACITY

9.1 **Assistance and Reimbursement.** In the event of the death or incapacity of Area Developer, Liberty is entitled, but not required, to render assistance to maintain smooth and continued provision of Services. Liberty shall be entitled to reimbursement from Area Developer or Area Developer's estate for reasonable expenditures incurred.

9.2 **Required Time Frames.** Pursuant to this Section, death or incapacity shall not be grounds for termination of this Agreement unless either:

(a) Area Developer or his/her legal representative fails for a period of one hundred and eighty (180) days after such death or incapacity to commence action to assign this Agreement according to controlling state law regarding the affairs of a deceased or incapacitated person and the terms of this Agreement; or,

(b) Such assignment is not completed within one year after death or incapacity.

9.3 **Termination for Death or Incapacity.** Liberty shall have the right to terminate this Agreement if one of the conditions in Section 9.2 is not satisfied within the time frame provided. Nothing in this Section shall be construed to limit the provisions of Section 7 regarding termination. Further, the terms and conditions of Section 8.4 above apply to a transfer upon death or incapacity, in the same manner as such terms and conditions apply to any other transfer to a non-Affiliate.

10. CONFIDENTIAL INFORMATION

10.1 **Disclosure.** Liberty possesses confidential information including, but not limited to, methods of operation, service and other methods, techniques, formats, specifications, procedures, information, system, customer information, marketing information, trade secrets, intellectual property, knowledge of and experience in operating and franchising offices, operating as an Area Developer ("Confidential Information"). Liberty may disclose some or all of the Confidential Information (oral, written, electronic, or otherwise) to Area Developer and Area Developer's representatives. During the term of this Agreement and following the expiration or termination of this Agreement, Area Developer covenants not to directly or indirectly communicate, divulge, or use Confidential Information for its benefit or the benefit of any other person or legal entity except as specifically provided by the terms of this Agreement or permitted by Liberty in writing. Upon the expiration, termination or nonrenewal of this Agreement, Area Developer agrees that it will never use or disclose, and will not permit any of its representatives to use or disclose, our Confidential Information in any manner whatsoever, including, without limitation, in the design, development or operation of any business which provides services substantially similar to those stated herein. This provision shall not apply to information that: (a) at the time of disclosure is readily available to the public; (b) after disclosure becomes readily available to the trade or public other than through breach of this Agreement; (c) is subsequently lawfully and in good faith obtained by Area Developer from an

independent third party without breach of this Agreement; (d) was in Area Developer's possession prior to the date of Liberty's disclosure to Area Developer; or (e) is disclosed to others in accordance with the terms of a prior written authorization between Area Developer and Liberty. The protections granted in this Section shall be in addition to all other protections for Confidential Information provided by law or equity.

10.2 **Interest.** Area Developer will acquire no interest in Liberty's Confidential Information but is provided the right to use the Confidential Information disclosed for the purposes of developing and operating pursuant to this Agreement. Area Developer acknowledges that it would be an unfair method of competition to use or duplicate any Confidential Information other than in connection with the operation under this Agreement. No part of the Liberty franchise system nor any document or exhibit forming any part thereof shall be distributed, utilized or reproduced in any form or by any means, without our prior written consent.

10.3 **Use In Term.** Area Developer agrees that it will (a) refrain from using the Confidential Information for any purpose other than the operation pursuant to this Agreement; (b) maintain absolute confidentiality of Confidential Information during and after the term of this Agreement; (c) not make unauthorized copies of any portion of Confidential Information; and (d) adopt and implement all reasonable procedures, including but not limited to, those required by Liberty, to prevent unauthorized use of or disclosure of Confidential Information, including but not limited to, restrictions on disclosure to employees of Area Developer and the use of nondisclosure and non-competition clauses in employment agreements with employees that have access to Confidential Information.

10.4 **Use Following Term.** Upon termination of this Agreement, Area Developer will return to Liberty all Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources which contain or reflect any such Confidential Information. Notwithstanding the foregoing, Area Developer may retain Confidential Information solely for insurance, warranty, claims and archival purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

11. COUNTERPARTS AND ELECTRONIC SIGNATURE

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (e.g. "pdf") format shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," and words of similar import in the Agreement shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.) or any other similar state or federal laws.

12. HEADINGS

The headings of the various sections of this Agreement have been inserted for reference only and shall not be deemed to be a part of this Agreement.

13. AGREEMENT

The Area Developer named at the top of the following page agrees to abide by the terms of this Agreement. The Area Developer signature of an individual or individuals constitutes their personal agreement to such terms. The Area Developer signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

The individual signators signing on behalf of area developer also agree jointly and severally to perform all the obligations in and relating to this Agreement, including, but not limited to, all obligations related to the covenants not to compete, covenants not to solicit, confidentiality obligations, obligations to make payments specified herein, pay any other promissory notes and other debts due to Liberty, pay for products later ordered from Liberty and the obligations stated in **Section 8.8 above concerning governing law, including, but not limited to, the application of Virginia law, the jurisdiction and venue clause, the jury waiver, the class action waiver, and the limitation to compensatory damages only.** If the Area Developer Agreement is held in the name of a business entity and it is later determined by Liberty that the entity is no longer valid or in good standing with the laws of the applicable state of organization or that an individual has been removed as a part of the business entity pursuant to applicable state law or otherwise, Liberty shall have the right to modify the Area Developer Agreement to reflect the then current business structure with the signatures of only those that remain as valid members, officers, partners, directors or sole proprietor of the then current business structure. All Area Developer signators specifically agree to indemnify and hold Liberty harmless related to the removal of parties under this provision. All signators on the following page waive any right to presentment, demand or notice of non-performance and the right to require Liberty to proceed against the other signators. Except as specified herein, no person or entity is a third-party beneficiary of this Agreement.

Signatures on Following Page.

Area Developer: M&M Business Group L.P. **Entity Number: 2532**

SIGNATORS:

By: DocuSigned by: 90550E42EA174DF... (Signature)

Michael Budka
(Printed Name)

Title: Partner

Address: 375 S CAMEO WAY

BREA CA 92823

Ownership Percentage: 50 %

By: DocuSigned by: 5F29904A9B95474... (Signature)

Mufeed Haddad
(Printed Name)

Title: CFO/COO

Address: 4045 humboldt ln

Yorba Linda, ca. 92886

Ownership Percentage: 50 %

By: _____
(Signature)

_____
(Printed Name)

Title: _____

Address: _____

_____

Ownership Percentage: _____%

By: _____
(Signature)

_____
(Printed Name)

Title: _____

Address: _____

_____

Ownership Percentage: ____%

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By: _____

Printed Name: _____

Title: _____

Effective Date: _____

SCHEDULE A TO THE AREA DEVELOPER AGREEMENT
TERRITORY

Los Angeles (SOUTHEAST), CA

Schedule A

TERRITORY

The counties of:

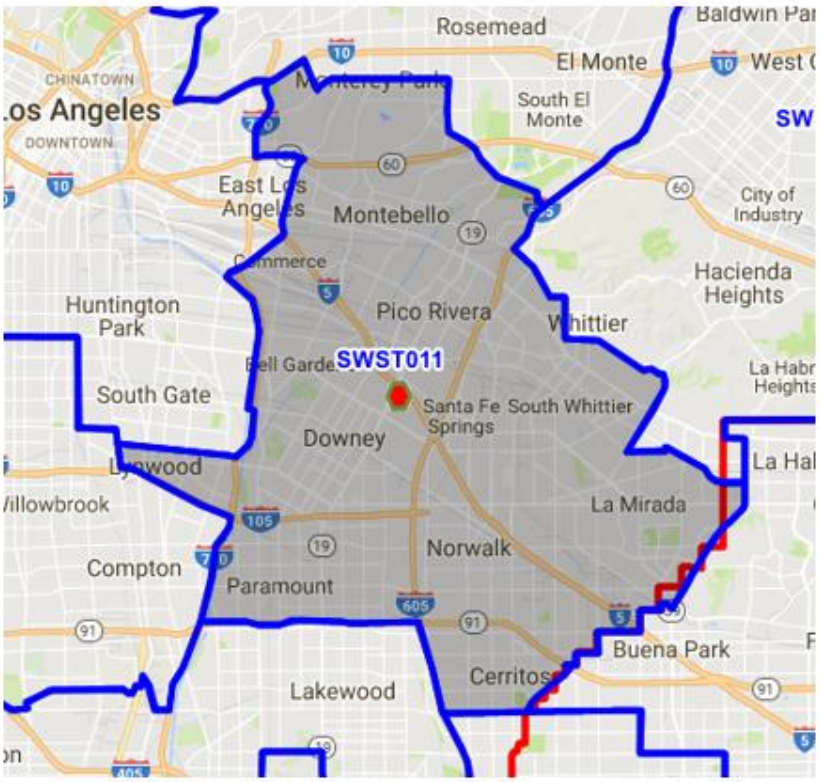
Los Angeles County, CA (Included part of):

NORTHWEST of SR-39 from the Los Angeles/Orange County Line to Stage Rd.
NORTHEAST of Stage Rd from SR-39 to the Los Angeles/Orange County Line.
NORTHWEST of the Los Angeles/Orange County Line from Stage Rd to SR-91.
SOUTHWEST of SR-91 from the Los Angeles/Orange County Line to Coyote Creek.
NORTHWEST of Coyote Creek from SR-91 to Del Amo Blvd.
NORTH of Del Amo Blvd from Coyote Creek to I-605.
EAST of I-605 from Del Amo Blvd to SR-91.
NORTH of SR-91 from I-605 to I-710.
EAST of I-710 from SR-91 to I-105.
NORTHEAST of I-105 from I-710 to S Alameda St.
EAST of S Alameda St from I-105 to Martin Luther King Blvd.
SOUTH of Martin Luther King Blvd continuing SOUTH of Century Blvd continuing SOUTH of Abbott Rd from S Alameda St to I-710.
SOUTHEAST of I-710 from Abbott Rd to SR-42.
NORTH of SR-42 from I-710 to Los Angeles River.
EAST of Los Angeles River from SR-42 to S Atlantic Blvd.
SOUTHEAST of S Atlantic Blvd from Los Angeles River to SR-60.
NORTH of SR-60 from S Atlantic Blvd to I-710.
EAST of I-710 from SR-60 to I-10.
SOUTHEAST of I-10 from I-710 to S Fremont Ave.
SOUTHWEST of S Fremont Ave from I-10 to S Monterey Pass Rd.
SOUTHEAST of S Monterey Pass Rd continuing SOUTH of W Garvey Ave from S Fremont Ave to San Gabriel Blvd.
WEST of San Gabriel Blvd continuing SOUTHWEST of N San Gabriel Blvd from W Garvey Ave to Whittier Narrows Dam County Recreational Area.
SOUTHWEST of Whittier Narrows Dam County Recreational Area from N San Gabriel Blvd to I-605.
NORTHWEST of I-605 from Whittier Narrows Dam County Recreational Area to Beverly Blvd.
SOUTHWEST of Beverly Blvd from I-605 to Pickering Ave.
WEST of Pickering Ave from Beverly Blvd to Mar Vista St.
SOUTHWEST of Mar Vista St from Pickering Ave to Colima Rd.
NORTHWEST of Colima Rd from Mar Vista St to Mulberry Dr.
SOUTH of Mulberry Dr from Colima Rd to Scott Ave.
EAST of Scott Ave from Mulberry Dr to Lambert Rd.
SOUTHWEST of Lambert Rd continuing SOUTH of W Lambert Rd from Scott Ave to the Los Angeles/Orange County Line.
WEST of the Los Angeles/Orange County Line from W Lambert Rd to SR-39.

Orange County, CA (Included Part of):

WEST of continuing NORTHWEST of Beach Blvd from W Lambert Rd to the Los Angeles/Orange County Line.
EAST of the Los Angeles/Orange County Line from S Beach Blvd to W Lambert R.
SOUTH of W Lambert Rd from the Los Angeles/Orange County Line to S Beach Blvd.

Currently divided by JTH Tax, Inc. into 22 Franchise Territories.



Schedule B

MINIMUM REQUIREMENTS

At closing there are twelve (12) JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchise territories with an active Liberty office currently within Area Developer's Territory, and operating pursuant to franchise agreements by and between Liberty and each Franchisee that is a party to a franchise agreement ("existing active territories"). Area Developer agrees to maintain the number of existing active territories and agrees to identify and secure additional candidates/Franchisees such that the following cumulative minimum development obligations are met during the term of the Area Developer Agreement:

Development Period Ending	Cumulative Number of Liberty Tax Service Effective Franchise Agreements in Operation with an Active Liberty Office
2019	13
2020	13
2021	15
2022	15
2023	17
2024	17
2025	19
2026	19
2027	21
2028	21

SPECIAL STIPULATION TO THE LIBERTY AREA DEVELOPER AGREEMENT

To the extent of any conflict between the following and the provisions of the Area Developer Agreement ("Area Developer Agreement"), the Special Stipulation shall control:

1. Section 3.1 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

   The initial fee listed in the Area Developer Agreement dated November 15, 2006 ("Original Area Developer Agreement") was $192,291. Area Developer will pay Liberty no additional development fees upon renewal of said agreement. Notwithstanding any debt still owed to Liberty under said Agreement or otherwise will remain due and owing to Liberty pursuant to the terms.

2. Section 3.2 of the Area Developer Agreement is hereby deleted and replaced with the following:

   Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to 50% of the initial franchise fee and interest on promissory notes, if and only to the extent that such interest is on Franchise Fees or Royalties (except on interest already due and owing prior to the Effective Date of the Original Area Developer Agreement), paid to Liberty by a Franchisee for a franchise within the Territory during the Term, pursuant to the terms in the franchise agreement between Franchisee and Liberty ("Franchise Fees") except Franchise Fees already due and owing prior to the Effective Date of the Original Area Developer Agreement. Liberty will also pay to Area Developer the same percentage of any change fees for modifying the opening schedule of a multi-territory stipulation which a Franchisee in the Territory pays to Liberty during the Term, except change fees already due and owing prior to the Effective Date of the Original Area Developer Agreement.

3. Section 3.3 of the Area Developer Agreement is hereby deleted and replaced with the following:

   Pursuant to the franchise agreement between a Franchisee and Liberty, each Franchisee is required to pay royalties associated with the operation of a franchised territory ("Royalties"). Except as provided under Section 4.1, Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to 50% of all ongoing Royalties paid by Franchisees to Liberty in Area Developer's Territory during the Term, if any, (except Royalties due and owing before the Effective Date of the Original Area Developer Agreement).

   Liberty will also pay to Area Developer this same royalty percentage on company-owned stores in Area Developer's Territory if a Franchisee store becomes company-owned after the Effective Date of the Original Area Developer Agreement. The royalty percentage payable to Area Developer shall be calculated as if the store were still a Franchisee store.

4. Section 3.5 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

   From time to time, Liberty may provide to Area Developer leads of prospective franchisees possibly interested in buying a Liberty franchise within the Territory. If Liberty provides any such leads to Area Developer, Liberty will set fees from time to time based upon the cost and the difficulty of acquiring the leads. If so provided, Area Developer agrees to purchase up to $6,500 of leads per year, and may purchase more if offered, but is not obligated to.

5. Section 7.1 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

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

6. Section 7.2 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

   Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services to Liberty similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least 180 days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal and renews by signing our then current Area Developer Agreement. The fees and percentages described in paragraphs 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements as described in paragraph 4.1.

By executing this Agreement, you, your officers and principles, individually and on behalf of all heirs, legal representatives, successors and assigns, and each assignee of this agreement by accepting assignment of the same, hereby forever releases and discharges Liberty, its past and present employees, agents, officers, area developers, directors, its subsidiary and affiliated corporations and franchisees, their respective past and present employees, agents, officers, directors, from any and all claims which could be asserted by you against any such persons and entities through the date of this Agreement, except obligations set forth or re-affirmed herein.

This Special Stipulation supersedes any prior similar Special Stipulation between the parties with respect to this subject matter. Except to the extent modified above, the terms of the Area Developer Agreement remain in full force and effect unless otherwise modified in writing signed by the parties.

Area Developer: M&M Business Group, L.P.

DocuSigned by:
By: _____ 90550E42EA174DF...
Michael Budka, Individually and as Manager

DocuSigned by:
By: _____ 5F29904A9B95474...
Mufeed Haddad, Individually and as Manager

JTH TAX, Inc. d/b/a LIBERTY TAX SERVICE

DocuSigned by:
By: _____ 849FAC60A44640E...

Printed Name: Nicole Ossenfort

Title: CEO

Effective Date: _____

Indianapolis, IN DMA

AREA DEVELOPER AGREEMENT

EXHIBIT B

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Indianapolis, IN DMA

AREA DEVELOPER AGREEMENT

WHEREAS, JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchises a system for the operation of tax return preparation offices (the "Franchise"); and

WHEREAS, area developer ("Area Developer") desires to find, solicit and recruit candidates willing to become Franchise owners ("Franchisees") and desires to provide continuing services (the "Services") on Liberty's behalf to Franchisees; and

WHEREAS, Liberty wishes to receive the Services and compensate Area Developer.

NOW, THEREFORE, for value received, Liberty and Area Developer hereby agree as follows:

1. SERVICES

1.1 Area Developer Services.

(a) **Candidate Development.** Area Developer will use best efforts to find, solicit, and recruit candidates interested in operating a Franchise within the Territory (as described in Section 2). Upon Area Developer's determination that a candidate may have the characteristics of a potential Franchisee (a "Candidate"), Area Developer will identify such Candidate in writing to Liberty for Liberty's consideration.

(b) **Franchise Award.** All Candidates must successfully pass Liberty's Effective Operations Training ("EOT") and Hands On Training ("HOT") to be awarded a Franchise.

(c) **Limitation of Services.** Area Developer may only offer those services or products through the Area Developer business as authorized by Liberty in this Agreement or the area developer operations manual ("Area Developer Operations Manual" or "Manual"), unless Liberty provides prior written approval.

1.2 Area Developer Support Services and Obligations.

(a) **Operational Support.** Area Developer will be responsible for coaching the Liberty system as described in the Area Developer Operations Manual and will provide Franchisees with timely local support, day-to-day operational help, marketing advice and feedback. Area Developer will host quarterly designated marketing area (DMA) meetings in person or through electronic means. Through these DMA meetings and as required by Liberty, Area Developer will disseminate information, collaborate with Franchisees, discuss advertising and address other issues that may arise or later be specified by Liberty. Area Developer does not have any authority to approve or disapprove Franchisee marketing or advertising.

Area Developer agrees to address reasonable company-owned store issues that may arise or be specified by Liberty. "Company-owned" refers to a store owned and operated by Liberty, an affiliate entity or an entity under the control of Liberty or any of its employees.

(b) **Customer Service.** Area Developer shall use best efforts to ensure that all Franchisees provide all appropriate services as outlined in the Franchisee Operations Manual and the Area Developer Operations Manual, abide by customer service policies issued by Liberty and timely respond to customer complaints and issues. Area Developer must operate in a manner that protects the goodwill, reputation of Liberty and the service marks and trademarks of Liberty (collectively "Marks).

(c) **Site Selection.** Area Developer shall provide site selection assistance in accordance with the Area Developer Operations Manual including, but not limited to, utilization of a company that we designate providing retail business intelligence solutions, and current Electronic Return Originator ("ERO") data. Final site selection must be approved by Liberty.

(d) **Franchisee Budgets, Profit and Loss Statements and Action Plans.** Area Developer shall review and approve Franchisee budgets, profit and loss statements, action plans and the Marketing Plan Generator for submission to corporate for final approval in accordance with the deadlines provided by Liberty.

(e) **Agreement Facilitation.** Area Developers shall review and facilitate Franchisee applications to Liberty for financing, transfers, fee releases, sales, terminations and the like, subject to final approval by Liberty.

(f) **Required Attendance.** Area Developer, or Area Developer's approved representative, shall attend area developer training and EOT within six months of closing. Additionally, Area Developer will attend all meetings that may be required by Liberty.

(g) **Manual.** Area Developer shall provide all assistance and support described in the Area Developer Operations Manual, the Operations Manual provided to Liberty Franchisees and Area Developers and all updates to these Manuals.

(h) **Contract Enforcement.** Upon termination or expiration of the franchise agreement between Liberty and any Franchisee (a "Former Franchisee"), Area Developer will assist Liberty in enforcing the post termination obligations set forth in its franchise agreement with that Former Franchisee ("Post Termination Obligations"), but Area Developer will have no duty to initiate court or other legal proceeding. These obligations include ensuring that all Liberty signs are removed from the Former Franchisee's offices or other premises, receiving or acquiring all telephone numbers, listings and advertisements used in relation to the Former Franchisee's business, receiving or acquiring all copies of lists and other sources of information containing the names of customers of the Former Franchisee, obtaining all Former Franchisee's customer tax returns, files, records and all copies thereof and obtaining all copies of the Former Franchisee's Operations Manual, including any updates, and performing other reasonable duties as may be assigned by Liberty to assist in the transition or closure of an office.

(i) **Fair Dealing.** Area Developer must deal fairly with Liberty and Liberty's existing Franchisees, suppliers, partners, service providers, employees and anyone else with whom Area Developer has contact related to the rights and obligations granted herein. Area Developer shall not take unfair advantage through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

1.3 **Liberty Obligations.**

(a) **Area Developer Operations Manual.** Liberty will provide an Area Developer Operations Manual and various updates to the Manual to provide requirements of operation and offer guidance in performing Area Developer services.

(b) **Initial and Advanced Training.** Liberty will provide reasonable training to Area Developer, at Area Developer's expense, in order to ensure that Area Developer has the ability to provide the services to Liberty described in Sections 1.1 and 1.2. At present, Liberty provides a three to four day initial Area Developer training course, which Area Developer and any manager working for Area Developer must attend and successfully complete within six months of closing. Liberty also requires Area Developer to attend EOT within six months of closing. Liberty may also provide and require Area Developer's attendance at advanced or other trainings that may be offered at select locations or Liberty may offer such training on the web or electronically. Although Liberty does not charge attendance at training, Area Developer must pay the cost incurred with traveling to training, and other incidental expenses such as food, lodging, and transportation incurred in attending any training that Liberty provides.

(c) **Disclosure Document.** Liberty will provide or make available to Area Developer its latest Franchise Disclosure Document to use as part of Area Developer's development services.

1.4 **Joint Duties.** Liberty and Area Developer will be responsible for the enforcement of all agreements ("Franchise Documents") executed in the awarding of a franchise to a Candidate and the monitoring of individual Franchisee performance and adherence to Liberty's Franchise system. However, Area Developer will not assert any legal claim by way of a lawsuit or otherwise, against a Franchisee without the written permission of Liberty.

1.5 **Personal Involvement.** Area Developer must render the Area Developer and support services hereunder personally, unless Area Developer submits to Liberty a general manager who attends and successfully completes Liberty's initial Area Developer training course and who is not later disapproved by Liberty. Area Developer acknowledges and agrees that Liberty shall not, and shall have no right or authority to, control Area Developer's employees. Liberty shall have no right or authority with respect to the hiring, termination, discipline, work schedules, pay rates or pay methods of Area Developer's employees. Area Developer acknowledges and agrees that all employees shall be Area Developer's exclusive employees and shall not be employees of Liberty nor joint employees of Area Developer and Liberty. Liberty neither dictates nor controls labor or employment matters for area developers and their employees.

1.6 **Reports.** Area Developer agrees to file with Liberty, at such times and in such forms as Liberty may specify, reports detailing Area Developer's activities, sales and other information that may be requested.

1.7 **Reviews.** Liberty reserves the right to review Area Developer's business operations, in person, by mail, or electronically. Liberty may inspect Area Developer's operations and obtain paper and electronic business records related to the business and any other operations taking place through Area Developer's business. Area Developer must send Liberty any business records requested within five (5) business days of receiving Liberty's request for records and shall be responsible for any costs related to this transmission. Liberty has the right to require that Area Developer implement a plan to resolve any issues that Liberty discovers.

2. EXCLUSIVITY

2.1 **Exclusivity.** Except as otherwise permitted in this Agreement, Liberty will not appoint or authorize any other person to provide commissioned or paid Area Developer services to Liberty in the territory defined in Schedule A ("Territory"). This grant of the Territory in no way prevents or restricts Liberty from itself recruiting, soliciting or seeking new Franchisees in the Territory (including through the Internet or other means of general electronic communication) or from using unpaid referrals from other sources or as detailed in Section 2.2 in the obtaining of potential Franchisees. As indicated on Schedule A, the Territory has been divided into sub-territories ("Franchise Territories") as defined by Liberty, which will be made available to prospective Franchisees.

2.2 **Non-Area Developer-Proposed Franchisees.** If Liberty is referred, contacted by or comes into communication with any prospective Franchisee in the Territory not previously identified by Area Developer, Liberty may evaluate, recruit and award such prospective Franchisee a Franchise. Each such individual will be deemed a Franchisee for the purposes of this Agreement.

3. FEES AND COMMISSIONS

3.1 **Initial Fee.** Area Developer will pay Liberty $ _____ upon execution of this Agreement, which shall be deemed fully earned by Liberty upon payment.

3.2 **Initial Franchise Fee.** Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to ____% of the initial franchise fee and interest on promissory notes, if and only to the extent that such interest is on franchise fees (except on interest already due and owing before the first of the month following the Effective Date of this Agreement), paid to Liberty by a Franchisee for a franchise within the Territory during the Term, pursuant to the terms in the franchise agreement between Franchisee and Liberty ("Franchise Fees") except amounts already due and owing before the first of the month following the Effective Date of this Agreement. Liberty will also pay to Area Developer the same percentage of any change fees for modifying the opening schedule of a multi-territory stipulation which a Franchisee in the Territory pays to Liberty during the Term, except change fees already due and owing before the first of the month following the Effective Date of this Agreement.

3.3 **Franchise Royalties.** Pursuant to the franchise agreement between a Franchisee and Liberty, each Franchisee is required to pay royalties associated with the operation of a franchised territory ("Royalties"). Except as provided under Section 4.1, Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to _____% of all ongoing Royalties received by Liberty, if any, from a Franchisee in the Territory during the Term (except Royalties already due and owing before the first of the month following the Effective Date of the Area Developer Agreement.)

Liberty will also pay to Area Developer this same royalty percentage on company-owned stores in Area Developer's Territory if a Franchisee store becomes company-owned after the first of the month following the Effective Date of this Agreement. The royalty percentage payable to Area Developer shall be calculated as if the store were still a Franchisee store.

3.4 **Demand for Payment.** Except as authorized herein, or except upon the prior written consent of Liberty, Area Developer will not demand any payment due from a Liberty Franchisee or other person or entity to Liberty.

3.5 **Fee for Franchisee Prospects.** Liberty may provide to Area Developer leads of prospective Franchisees within the Territory. Area Developer may not opt out of receiving leads. Liberty will set fees based upon the cost and the difficulty of acquiring the leads and Area Developer agrees to pay such fees.

3.6 **Fee for Internal Sales.** If Liberty's own franchise development staff handles the selling process with a prospective Franchisee within the Territory covered by this Agreement for the sale of an undeveloped territory (meaning one that does not contain an existing Liberty Tax Service office), Area Developer shall pay Liberty 15% of the Franchise Fee (subject to a $6,000 minimum or such other amount as is established pursuant to Section 3.5). Liberty may deduct this from amounts Liberty otherwise owes to Area Developer.

3.7 **Advertising and Selling Material.** Liberty may charge and Area Developer agrees to pay a reasonable charge for preparing, procuring, printing, and/or sending advertising materials and Disclosure Documents to Area Developer.

3.8 **Terminal Services.** Liberty may charge and Area Developer agrees to pay a reasonable charge for providing computer access to information within the Liberty system and for computer access to a sales lead and contact information management system.

3.9 **Use of Franchise Broker.** Liberty may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees ("Franchise Broker"). To participate in this opportunity, Area Developer agrees to pay a proportionate share of the Broker's fee for any broker-generated Candidate who becomes a Franchisee in Area Developer's Territory. Area Developer's share of Broker's fee shall be based on the proportion of initial Franchise Fee and Royalties that Area Developer receives under Sections 3.2 and 3.3. For example, if a Broker charges Liberty $13,000 for a Candidate who becomes a Franchisee, and Area Developer receives 35% of the initial Franchise Fee and Royalties under Sections 3.2

and 3.3 above, then Area Developer's share of the initial Franchise Fee would be reduced by 35% of $13,000 which amounts to $4,550.

3.10 **Payment.** In any month that Liberty receives Franchise Fees, Royalties, interest on promissory notes for Franchise Fees (and such amounts are not already due and owing before the first of the month following the Effective Date of this agreement) from Franchisees in Area Developer's Territory, Liberty will pay Area Developer its share of these amounts not later than the last day of the next calendar month. In no case will Liberty advance funds to Area Developer, or be liable for payment on accounts receivables or unpaid Franchise Fees, Royalties or interest. Area Developer will be entitled to its share of Franchise Fees, Royalties and interest only with respect to amounts actually collected, and Liberty will be entitled to take credits against previous payments to Area Developer to the extent that any Franchise Fees, Royalty or interest payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of Area Developer's share of Royalties, Franchise Fees, and interest will be accompanied by information in sufficient detail to allow Area Developer to determine the basis on which Area Developer's share of the Royalties, Franchise Fees and interest was calculated.

3.11 **Late Fees.** Payments for charges Liberty bills to Area Developer are due within thirty (30) days of billing and will be subject to an 12% per annum late fee, or the maximum allowed by law if less.

3.12 **Fee Amounts.** From time to time, Liberty will set and publish the fee amounts under Sections 3.5 and 3.7-3.8.

3.13 **Expenses.** Except as provided herein, each party will bear the expenses incurred by it in the performance of this Agreement.

3.14 **Referral Fees.** Liberty may offer referral fees to individuals that refer new Franchisees to Liberty. These referral fees do not apply to Area Developer for Candidates that become Franchisees in Area Developer's Territory.

3.15 **Automatic Payment Transfer**. All of the revenue that Area Developer is to receive under the Area Developer Agreement, or any other agreement between Area Developer and Liberty or Liberty's affiliate entities, shall initially be paid to Liberty. Liberty will remit any remaining balance to Area Developer from the above described revenue after deducting monies Area Developer owes to Liberty, and deducting monies to hold for application to upcoming amounts due to Liberty including, but not limited to, unbilled amounts.

3.16 **Transfer Fee.** If Area Developer transfers its rights and obligations under this Agreement, or an interest in this Agreement that results in a change in control of the entity, Area Developer must pay to Liberty a transfer fee of $10,000 at the time of transfer. This fee is subject to increase or decrease in future area developer agreements by the amount of change in the *Consumer Price Index – All Urban Consumers*, published by the U.S. Department of Labor, or a reasonably similar successor index, from the index as of the Effective Date.

4. MINIMUM AREA DEVELOPER PERFORMANCE

4.1 **Minimum Requirements.** Area Developer will provide Liberty with a minimum number of Candidates each year that open Franchise Territories with an active Liberty office in operation, as described and set forth in Schedule B (the "Minimum Requirements"). For this purpose, a year will include each fiscal year of Liberty (including any partial year) ending on April 30.

If Area Developer does not meet the Minimum Requirements, Liberty may, upon notification to Area Developer within ninety (90) days of the end of the year wherein the requirements were not met, delete from the Territory up to the number of Franchise Territories by which Area Developer failed to meet the Minimum Requirements for that year. Liberty will only be entitled to delete Undeveloped Territories. Undeveloped Territories as used herein is defined as unsold territories which have not generated at least $40,000 in Net Fees in any one of the two prior fiscal years. Net Fees as used herein is defined as all revenue from all services and products offered by the franchisee pursuant to the franchise agreement between the franchisee and Liberty (including, but not limited to, revenue from individual, corporate, estate and partnership tax returns) after approved deductions for customer discounts/refunds, send a friends and cash in a flash. Liberty's notice will designate which Undeveloped Territories it desires to delete from the Territory, and Liberty shall have the sole discretion in making this determination. The specified Undeveloped Territories will be deemed deleted from the Territory as of the date that Liberty sends notice to Area Developer. Area Developer will thereafter not be entitled to any share of Franchise Fees, Royalties or interest paid with respect to any current or future franchisee or company-owned store within the specified Undeveloped Territories and such territories will no longer be deemed a part of this Agreement. This deletion is Liberty's sole remedy for failure to meet Minimum Requirements.

5. FRANCHISOR — FRANCHISEE RELATIONSHIP

5.1 **Disclosure.** Area Developer will comply with all federal and state franchise disclosure laws applicable to the solicitation of Franchisees, including providing the current Disclosure Document, prepared by Liberty, to all Candidates within the time frame provided by law. In most jurisdictions, this disclosure is currently required fourteen (14) calendar days before the signing of a binding agreement between the Candidate and Liberty or any payment by the Candidate to Liberty. Area Developer will ensure that any disclosure made in any form complies with the applicable franchise disclosure laws. Area Developer will be responsible for providing Liberty's most current Disclosure Document, but will not be responsible for improper disclosure due to inadequacies or errors in Liberty's most current Disclosure Document.

5.2 **Financial Performance Representations.** Except as may be expressly stated in Item 19 of Liberty's most current Franchise Disclosure Document in effect in Area Developer's Territory, Area Developer 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, Area Developer may disclose financial performance of an existing franchise for sale to a Candidate interested in such unit as may be permitted by law.

5.3 **Improper Representations.** Area Developer will make no representations to any Candidate that conflicts with Liberty's current franchise agreement or Disclosure Document or make any promises, guarantees, or warranties to any party not authorized in writing by Liberty.

5.4 **No Unauthorized Commitments.** Area Developer acknowledges that it has no authority to bind Liberty with respect to any matter, and agrees that it will not enter into any agreements or understandings with any Candidates other than as authorized in writing by Liberty.

5.5 **Indemnity.** Area Developer will indemnify, defend and hold Liberty and its parent company, affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Indemnified Parties") harmless from and against any claim, suit or proceeding (including attorneys' fees and costs) brought against any of the Indemnified Parties resulting from, relating to or arising out of a claim that Area Developer failed to make proper disclosures under Section 5.1, made any improper earnings claim as detailed in Section 5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4. Liberty will indemnify, defend and hold Area Developer and its affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Area Developer Indemnified Parties") harmless from and against any claim, suit, or proceeding brought against any of the Area Developer Indemnified Parties resulting from, relating to or arising out of a claim that Liberty failed to make proper disclosure under Section 5.1, made any improper earnings claim as detailed in Section 5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4. Area Developer agrees to reasonable cooperation in the defense of any claim. The Indemnified Parties shall have the right to control settlement and selection of counsel and defense of any claim.

6. NON-COMPETE AND NO SOLICITATION

6.1 **Non-Compete.**

(a) **In-Term.** Area Developer will not, during the Term of this Agreement, in the United States or Canada, directly or indirectly (i) recruit, search for, or solicit franchisees or prospective franchisees to engage in any franchised business including, but not limited to, a franchised business offering income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans, except as to seeking Liberty Tax Service franchisees pursuant to the terms of this Agreement or as otherwise may be authenticated in writing by Liberty, or (ii) aid or facilitate another person or entity (except Liberty Tax Service franchisees or as otherwise may be allowed by Liberty) in the provision of paid income tax preparation offered to the public through retail outlets.

(b) **Post-Term.** Area Developer will not, for a period of two years after expiration or termination of this Agreement, in the Territory defined in Schedule A regardless of any reduction due to application of Section 4.1 (the "Original Territory"), or within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in any franchised business including, but not limited to, a

franchised business offering income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans except, if applicable, in Area Developer's capacity as a Liberty Area Developer pursuant to a valid, Liberty Area Developer Agreement.

6.2 **No Solicitation.**

(a) **In-Term.** Except with the written permission of Liberty, Area Developer will not, during the term of this Agreement, in the United States or in Canada, directly or indirectly solicit for employment in a management or supervisory capacity, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service franchisee, or any Liberty Tax Service franchisee, or in the case of a franchisee which is an entity, the owners of such entity.

(b) **Post-Term.** Except with the written permission of Liberty, Area Developer will not, for a period of two years after expiration, termination or transfer of this Agreement, in the Original Territory and within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly solicit to own, operate, manage or supervise any franchised business including, but not limited to, an income tax preparation office or income tax preparation franchise, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service franchisee, or any Liberty Tax Service franchisee, or in the case of a franchisee which is an entity, the owners of such entity, or any other entity beneficially owned by such owner or entity.

6.3 **Severability.** If any covenant or provision with Section 6.1 or 6.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement, and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this Agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

7. TERM AND TERMINATION

7.1 **Term.** This Agreement will commence upon its Effective Date and will last for a term of six (6) years (the "Term").

7.2 **Renewal.** Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement and all other agreements with Liberty and Liberty's affiliates, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least one hundred and eighty (180) days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal, and renews by signing Liberty's then

current Area Developer Agreement which may contain materially different terms. The fees and percentages described in Sections 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements, as described in Section 4.1 above.

7.3 **Termination.**

(a) **Termination by Area Developer.** Area Developer may terminate this Agreement at any time through written notice of termination to Liberty. Area Developer's termination of this Agreement will be effective upon Liberty's receipt of Area Developer's termination notice.

(b) **Termination by Liberty Without Opportunity to Cure.** Liberty may terminate this Agreement effective upon the date of Liberty's sending written notice of termination to Area Developer, and without the opportunity for Area Developer to cure, for any of the following reasons:

(i) Area Developer, or someone acting under Area Developer's supervision and control, commits a violation of any law, ordinance, rule or regulation of a government or governmental agency or department and such conduct constitutes a material violation of any franchise law, antitrust law or securities law, fraud or a similar wrong, unfair or deceptive practices, or a comparable violation of applicable law, commits any act that is or could be, in Liberty's determination, harmful, prejudicial or injurious to the Liberty brand or any of the Affiliated Companies or any employee, franchisee, area developer or agent of such companies, or if the IRS or any federal, state or local governmental entity or agency initiates a criminal, civil or administrative proceeding or takes any administrative action against Area Developer or the Area Developer Business relating to compliance with applicable tax laws and regulations or laws and regulations related to this Agreement and the Area Developer Business, and such proceeding or action is not resolved or dismissed in favor of Area Developer, or the Area Developer Business, within thirty (30) days of its initiation; or

(ii) Area Developer violates any of Sections 5.1, 5.2, 5.3 or 5.4 of this Agreement; or

(iii) Area Developer makes a misstatement of material fact on a Biographical Information Form, which is required in order to enter into this Area Developer Agreement, or the Sales Agent Disclosure Form Update, submits false reports to Liberty, knowingly maintains false books or records, or fails to disclose a material fact that is requested in any such form or report, or refuses to fill out or completely fill out such form or report, or tender supporting documentation upon reasonable request; or

(iv) Area Developer becomes insolvent, is unable to pay debts as they come due or take any steps to seek protection from creditors, or if a receiver (permanent or temporary) is appointed by a creditor or a court of competent authority, or Area Developer makes a general assignment for the benefit of creditors.

(c) **Termination by Liberty After Opportunity to Cure.** Liberty may terminate this Agreement if Area Developer fails to perform any obligation under this Agreement or any other Agreement between the parties or between Area Developer and Liberty's affiliates ("Breach") and such failure has continued for thirty (30) days after Liberty sent written notice of such Breach to Area Developer. Additionally, Liberty may terminate this Agreement if Area Developer commits any of the following breaches and such breach is not cured within fourteen (14) days after Liberty sends written notice of such breach to Area Developer:

(i) Any amount owing to Liberty Liberty's parent company or affiliate entities (collectively, "Liberty Companies"), whether related to the Territory or not, is more than thirty (30) days past due, or Liberty determines that Area Developer has materially and substantively underreported revenue; or

(ii) Area Developer abandons active operation of the business; or

(iii) Area Developer fails to provide notification of Area Developer's desire to renew within the time and manner provided for in Section 7.2 of this Agreement; or

(iv) Area Developer commits three or more breaches of this Agreement, or any other agreement with Liberty or the Liberty Companies to which Area Developer is a party, within any twelve (12) month period.

7.4 **No Refund of Initial Fee**. Liberty will have no obligation to return or refund any fee to Area Developer upon termination, cancellation, expiration, transfer of this Agreement, or exercise by Liberty of the rights provided by Section 4 and Area Developer will remain liable to Liberty for all amounts owed to Liberty.

7.5 **Survival of Obligations**. The Parties' obligations that by their nature may require performance after the termination or expiration of this Agreement, including, but not necessarily limited to, Sections 3.11, 5.5, 6, 7.4, 7.5, and 8-11, will survive the termination or expiration of this Agreement. Upon the termination or expiration of this Agreement, sale of this Agreement or sale or other transfer of Area Developer's business operated under this Agreement, Liberty will have no further obligation to pay Area Developer any share of Franchise Fees, Royalties or interest received by Liberty subsequent to the date of termination or expiration.

8. MISCELLANEOUS

8.1 **Relationship.** Notwithstanding anything herein to the contrary, this Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the parties, and no party has a fiduciary duty or other special duty or

relationship with respect to the other party. The parties acknowledge that Area Developer's relationship with Liberty hereunder is that of an independent contractor.

8.2 **Intellectual Property Ownership.** Liberty owns the Franchise system, its trademarks and all other intellectual property associated with the Franchise system. To the extent Area Developer has or later obtains any intellectual property, other property rights or interests in the Franchise system by operation of law or otherwise, Area Developer hereby disclaims such rights or interests and will promptly assign and transfer such entire interest exclusively to Liberty. Area Developer will not undertake to obtain, in lieu of Liberty, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system. Area Developer will have the right to use Liberty's Marks during the Term for the sole purpose of advertising the availability of Franchises within the Territory, but Area Developer must obtain Liberty's prior written consent to such use, which consent may be withheld in Liberty's sole discretion.

8.3 **Trade and Domain Names.** Area Developer will not use the word "JTH," "LTS," "Dona Libertad," "Liberty," "Libtax", "Siempre", "SiempreTax," "SiempreTax+", "360", "360 Accounting" or the name, or any portion of the name of Liberty's affiliate entities, as any part of the name of a corporation, LLC or other entity (except as may be agreed between Area Developer and Liberty's affiliate entity in a separate franchise agreement with such affiliate entity). Further, unless Area Developer first receives Liberty's express written permission, Area Developer will not 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.

8.4 **Assignment.** Liberty may assign this Agreement to an assignee who agrees to remain bound by its terms. Liberty does not permit a sub-license of the Agreement. Area Developer's interest under this Agreement may be transferred or assigned only if Area Developer complies with the provisions in this Section. No interest may be transferred unless Area Developer is in full compliance with this Agreement and current in all monies owed to Liberty. Upon Liberty's request, any transfer of an ownership interest in this Agreement must be joined by all signatories to this Agreement, except in the case of death or legal disability.

(a) **Liberty's Right of First Refusal.** If Area Developer has received and desires to accept a signed, bona fide offer to purchase or otherwise transfer the Area Developer Agreement or any interest in it, Liberty shall have the option (the "Right of First Refusal") to purchase such interest as hereinafter provided. Within fourteen (14) days of receipt of the offer, Area Developer shall offer the Right of First Refusal to Liberty by providing written notice to Liberty which shall include a copy of the signed offer to purchase that Area Developer received ("Notice"). Liberty shall have the right to purchase the Area Developer Agreement or interest in the Area Developer Agreement for the price and upon the terms set out in the Notice, except that Liberty may substitute cash for any non-cash form of payment proposed and Liberty shall have sixty (60) days after the exercise of Liberty's Right of First Refusal to close the said purchase. Liberty will notify Area Developer in writing within fifteen (15) days of its receipt of the Notice if it plans to exercise the Right of First Refusal. Upon the transmission of notice by Liberty, there shall immediately arise between Liberty

and Area Developer, or its owners, a binding contract of purchase and sale at the price and terms contained in the Notice previously provided by Area Developer.

(b) **Transfer to Controlled Entity.** A transfer to a "Controlled Entity" shall not trigger the Right of First Refusal. A "Controlled Entity" is an entity in which Area Developer (or Area Developer's managers, members, owners, partners, shareholders or officers as of the date of this Agreement) is the beneficial owner of 100% of each class of voting ownership interest. At the time of the desired transfer of interest to a Controlled Entity, Area Developer must notify Liberty 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, and provide Liberty with the applicable organizational documents of the business entity. Each such person of the Controlled Entity shall sign, on behalf of the business entity and in their respective individual capacity, the amendment and release forms and/or area developer agreement as required by Liberty at the time of transfer. Currently, Liberty does not charge a transfer fee for this type of transaction.

(c) **Transfer of Interest Within Area Developer.** A transfer of interest within an Area Developer that is an entity shall not trigger the Right of First Refusal provided that only the percentage ownership is changing and not the identity of the owners. At the time of the desired transfer of interest within an entity, Area Developer must notify Liberty in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest prior to and following the proposed transfer and provide Liberty with the applicable organizational documents of the business entity. Each such person of the Controlled Entity shall sign, on behalf of the business entity and in their individual capacity, the amendment and release forms and/or area developer agreement as required by Liberty at the time of transfer. Further, if the transfer of interest results in a change in control of the entity, Area Developer must pay to Liberty the transfer fee required at the time of transfer.

(d) **Right of First Refusal Not Exercised By Liberty.** If Liberty does not exercise the Right of First Refusal, Area Developer may transfer the Area Developer Agreement or ownership interest therein according to the terms set forth in the Notice, provided that Area Developer satisfies the conditions in Section 8.4(e) and completes the sale within ninety (90) days from the date that Liberty received Notice from Area Developer. If Area Developer does not conclude the proposed sale transaction within this 90-day period, the Liberty's Right of First Refusal shall continue in full force and effect.

(e) **Additional Requirements and Obligations for Transfer.**

i) The proposed transferee(s) must complete Liberty's Area Developer application and pass Liberty's application screening in place at the time of transfer.

ii) The proposed transferee(s) must sign the Liberty amendment forms and/or the then current Area Developer Agreement and must personally assume and be bound by all of the terms, covenants and conditions therein.

iii) The proposed transferee(s) must attend and successfully complete Area Developer Training.

iv) Area Developer shall sign Liberty's transfer and release forms required by Liberty at the time of transfer and pay to Liberty a transfer fee of $10,000.00.

8.5 **Publicity.** Except as required by law, Area Developer may not make any press release or other public announcement involving the subject matter of this Agreement without the written agreement of Liberty as to the form of such press release or public announcement.

8.6 **Operations Manual, Specifications, and Equipment.** Liberty may issue specifications to guide Area Developer in the provision of Services hereunder. Liberty has an Area Developer Operations Manual that Area Developer agrees to follow. Liberty may issue computer and equipment requirements. At present, Area Developer is required to have business cards, a telephone and telephone line, printer, fax service and computer connected via internet to Liberty's computer network. Liberty also requires Area Developer to use an appropriate sales lead and contact information database or software to keep track of Area Developer's contacts with prospective Franchisees and may issue recommendations or requirements in this regard. Liberty may change Liberty's Area Developer Operations Manual and modify Liberty's specifications in order to maintain competitiveness, adjust for legal, technological, and economic changes, and to improve in the marketplace. Area Developer agrees to be bound by all future changes.

8.7 **Maintenance of Liberty Goodwill.** Area Developer agrees not to disparage Liberty, Liberty's parent company or affiliate entities or their current and former employees or directors. During the term of this Agreement, Area Developer also agrees not to do any act harmful, prejudicial, or injurious to any or all of the Liberty Companies.

8.8 **Governing Law.**

(a) **Virginia Law.** This Agreement is effective upon its acceptance in Virginia by Liberty's authorized officer. 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 hereto. However, the Virginia Retail Franchising Act does not apply to any claims by or on Area Developer's behalf if the Territory shown on Schedule A below is located outside of Virginia.

(b) **Jurisdiction and Venue.** In any suit brought by any or all of the Liberty Companies, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer consents to venue and personal jurisdiction in the state court in the city or county where Liberty's national office is located and the federal courts located in the State where Liberty's national office is located (presently Virginia Beach, Virginia state courts and the United States District Courts located in the Commonwealth of Virginia). In any suit brought against any or all of the Liberty Companies, including present and former employees and agents of the Liberty Companies, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, venue shall be proper only in the federal courts located in the State where Liberty's national office is located (presently, the United States District Courts located in the Commonwealth of Virginia.) or if neither federal subject matter nor diversity jurisdiction exists, in

the state court located in the city or county where Liberty's National Office is located (presently the City of Virginia Beach, Virginia).

(c) **Jury Waiver.** In any trial between Area Developer and any or all of the Liberty Companies, including present and former employees and agents of Liberty, Liberty's parent company or any affiliate entity, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer and Liberty waive their respective rights to a jury trial and agree to have such action tried by a judge.

(d) **Class Action Waiver.** Area Developer agrees that any claim Area Developer may have against any or all of the Liberty Companies, including past and present employees and agents of the Liberty Companies, shall be brought individually and Area Developer shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against any or all of the Liberty Companies.

(e) **No Punitive Damages.** In any lawsuit, dispute or claim between or against Area Developer and any or all of the Liberty Companies, including present and former agents and employees of the Liberty Companies, Area Developer and Liberty waive their respective rights, if any, to seek or recover punitive or exemplary damages.

(f) **Attorneys' Fees and Costs.** Area Developer agrees to reimburse the Liberty Companies for all expenses reasonably incurred (including attorneys' fees and costs): (i) to enforce the terms of this Agreement or any obligation owed to any or all of the Liberty Companies by Area Developer (whether or not the Liberty Companies initiate the legal proceeding, unless the Liberty Companies initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim Area Developer asserts against us on which the Liberty Companies substantially prevail in court or other formal legal proceedings.

(g) **Anti-Terror.** Area Developer represents and warrants that no Area Developer signatory to this Agreement is identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx. Further, Area Developer represents and warrants that no Area Developer signatory to this Agreement has violated, and agrees not to violate, any law prohibiting corrupt business practices, money laundering or the aid or support of Persons who conspire to commit acts of terror against any Person or government, including acts prohibited by the U.S. Patriot Act, U.S. Executive Order 13224, or any similar law. The foregoing constitutes continuing representations and warranties, and Area Developer shall immediately notify Liberty in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate or misleading.

8.9 **Severability.** If any one or more of the provisions in this Agreement or any application of such provision is held to be invalid, illegal or unenforceable in any respect by a competent tribunal, the validity, legality and enforceability of the remaining provisions in this

Agreement and all other applications of the remaining provisions will not in any way be affected or impaired by such invalidity, illegality or unenforceability. Further, the obligations within Section 6 above are considered independent of any other provision in this agreement, and the existence of any claim or cause of action by either party to this agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

8.10 **Notices.** Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall be given by mail or courier, postage fully prepaid, or delivered personally, to Liberty's CEO, at Liberty's National Office, presently 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454, Telephone: (757) 493-8855. Any such notice may also be given to Area Developer in the same manner at the address indicated below the Area Developer's signature on this Agreement or such other more current address as Liberty may have on file for Area Developer. Liberty may also give notice to Area Developer by e-mail.

8.11 **Burdens and Benefits.** This Agreement will be binding upon and will inure to the benefit of the parties, their successors and assigns, as permitted hereunder.

8.12 **Entire Agreement.** This Agreement, including the Schedules, is the entire agreement between Area Developer and Liberty with respect to the subject matter contained herein. This Agreement supersedes all other prior oral and written agreements and understandings between Area Developer and Liberty with respect to the subject matter herein. However, nothing in this or any related agreement is intended to disclaim the representations Liberty made in the area developer disclosure document Liberty furnished to Area Developer.

8.13 **Amendment and Waiver.** No amendment, change, or modification of this Agreement and no waiver of any right under this Agreement will be effective unless in a written document that is signed by an authorized representative of each party. No failure to exercise and no delay in exercising any right under this Agreement will operate as a waiver.

8.14 **Financing.** If Liberty provides financing, Area Developer must submit annual financial information to Liberty including, but not limited to, income statements, balance sheets, and supporting documents. Area Developer agrees to submit the required information at the time and in the format specified by Liberty.

9. DEATH OR INCAPACITY

9.1 **Assistance and Reimbursement.** In the event of the death or incapacity of Area Developer, Liberty is entitled, but not required, to render assistance to maintain smooth and continued provision of Services. Liberty shall be entitled to reimbursement from Area Developer or Area Developer's estate for reasonable expenditures incurred.

9.2 **Required Time Frames.** Pursuant to this Section, death or incapacity shall not be grounds for termination of this Agreement unless either:

(a) Area Developer or his/her legal representative fails for a period of one hundred and eighty (180) days after such death or incapacity to commence action to assign this Agreement according to controlling state law regarding the affairs of a deceased or incapacitated person and the terms of this Agreement; or,

(b) Such assignment is not completed within one year after death or incapacity.

9.3 **Termination for Death or Incapacity.** Liberty shall have the right to terminate this Agreement if one of the conditions in Section 9.2 is not satisfied within the time frame provided. Nothing in this Section shall be construed to limit the provisions of Section 7 regarding termination. Further, the terms and conditions of Section 8.4 above apply to a transfer upon death or incapacity, in the same manner as such terms and conditions apply to any other transfer to a non-Affiliate.

10. CONFIDENTIAL INFORMATION

10.1 **Disclosure.** Liberty possesses confidential information including, but not limited to, methods of operation, service and other methods, techniques, formats, specifications, procedures, information, system, customer information, marketing information, trade secrets, intellectual property, knowledge of and experience in operating and franchising offices, operating as an Area Developer ("Confidential Information"). Liberty may disclose some or all of the Confidential Information (oral, written, electronic, or otherwise) to Area Developer and Area Developer's representatives. During the term of this Agreement and following the expiration or termination of this Agreement, Area Developer covenants not to directly or indirectly communicate, divulge, or use Confidential Information for its benefit or the benefit of any other person or legal entity except as specifically provided by the terms of this Agreement or permitted by Liberty in writing. Upon the expiration, termination or nonrenewal of this Agreement, Area Developer agrees that it will never use or disclose, and will not permit any of its representatives to use or disclose, our Confidential Information in any manner whatsoever, including, without limitation, in the design, development or operation of any business which provides services substantially similar to those stated herein. This provision shall not apply to information that: (a) at the time of disclosure is readily available to the public; (b) after disclosure becomes readily available to the trade or public other than through breach of this Agreement; (c) is subsequently lawfully and in good faith obtained by Area Developer from an independent third party without breach of this Agreement; (d) was in Area Developer's possession prior to the date of Liberty's disclosure to Area Developer; or (e) is disclosed to others in accordance with the terms of a prior written authorization between Area Developer and Liberty. The protections granted in this Section shall be in addition to all other protections for Confidential Information provided by law or equity.

10.2 **Interest.** Area Developer will acquire no interest in Liberty's Confidential Information but is provided the right to use the Confidential Information disclosed for the purposes of developing and operating pursuant to this Agreement. Area Developer acknowledges that it would be an unfair method of competition to use or duplicate any Confidential Information other than in connection with the operation under this Agreement. No part of the Liberty franchise system nor any document or exhibit forming any part thereof shall be

distributed, utilized or reproduced in any form or by any means, without our prior written consent.

10.3 **Use In Term.** Area Developer agrees that it will (a) refrain from using the Confidential Information for any purpose other than the operation pursuant to this Agreement; (b) maintain absolute confidentiality of Confidential Information during and after the term of this Agreement; (c) not make unauthorized copies of any portion of Confidential Information; and (d) adopt and implement all reasonable procedures, including but not limited to, those required by Liberty, to prevent unauthorized use of or disclosure of Confidential Information, including but not limited to, restrictions on disclosure to employees of Area Developer and the use of nondisclosure and non-competition clauses in employment agreements with employees that have access to Confidential Information.

10.4 **Use Following Term.** Upon termination of this Agreement, Area Developer will return to Liberty all Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources which contain or reflect any such Confidential Information. Notwithstanding the foregoing, Area Developer may retain Confidential Information solely for insurance, warranty, claims and archival purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

11. COUNTERPARTS AND ELECTRONIC SIGNATURE

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (e.g. "pdf") format shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," and words of similar import in the Agreement shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.) or any other similar state or federal laws.

12. HEADINGS

The headings of the various sections of this Agreement have been inserted for reference only and shall not be deemed to be a part of this Agreement.

13. AGREEMENT

The Area Developer named at the top of the following page agrees to abide by the terms of this Agreement. The Area Developer signature of an individual or individuals constitutes their personal agreement to such terms. The Area Developer signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

The individual signators signing on behalf of area developer also agree jointly and severally to perform all the obligations in and relating to this Agreement, including, but not limited to, all obligations related to the covenants not to compete, covenants not to solicit, confidentiality obligations, obligations to make payments specified herein, pay any other promissory notes and other debts due to Liberty, pay for products later ordered from Liberty and the obligations stated in **Section 8.8 above concerning governing law, including, but not limited to, the application of Virginia law, the jurisdiction and venue clause, the jury waiver, the class action waiver, and the limitation to compensatory damages only.** If the Area Developer Agreement is held in the name of a business entity and it is later determined by Liberty that the entity is no longer valid or in good standing with the laws of the applicable state of organization or that an individual has been removed as a part of the business entity pursuant to applicable state law or otherwise, Liberty shall have the right to modify the Area Developer Agreement to reflect the then current business structure with the signatures of only those that remain as valid members, officers, partners, directors or sole proprietor of the then current business structure. All Area Developer signators specifically agree to indemnify and hold Liberty harmless related to the removal of parties under this provision. All signators on the following page waive any right to presentment, demand or notice of non-performance and the right to require Liberty to proceed against the other signators. Except as specified herein, no person or entity is a third-party beneficiary of this Agreement.

Signatures on Following Page.

Indianapolis, IN DMA

Area Developer: Mike Budka and Mufeed Haddad **Entity Number: 4711**

SIGNATORS:

DocuSigned by:

By: _____
80550E42EA174DF...
(Signature)

Mike Budka
(Printed Name)

Title: _____

Address: 375 CAMEO WAY
BREA CA 92823

Ownership Percentage: ____%

By: _____
(Signature)

(Printed Name)

Title: _____

Address: _____

Ownership Percentage: ____%

DocuSigned by:

By: _____
5F29904A9B95474...
(Signature)

Mufeed Haddad
(Printed Name)

Title: _____

Address: 4045 humboldt ln
yorba linda, ca. 92886

Ownership Percentage: ____%

By: _____
(Signature)

(Printed Name)

Title: _____

Address: _____

Ownership Percentage: ____%

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By: _____

Printed Name: _____

Title: _____

Effective Date: 7/13/18

SCHEDULE A TO THE AREA DEVELOPER AGREEMENT
TERRITORY

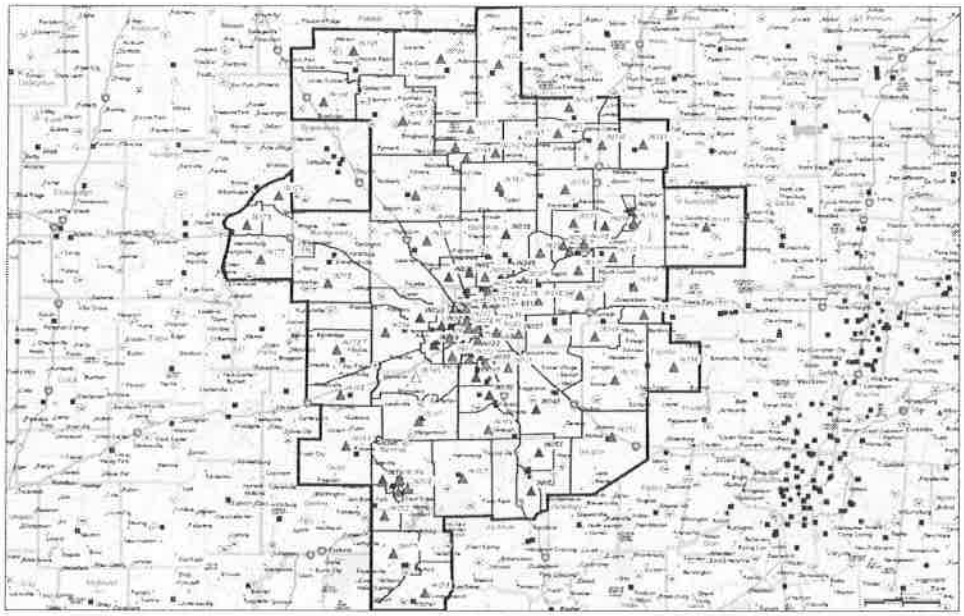
Indianapolis, IN DMA

TERRITORY

The counties of :

White, IN
Cass, IN
Miami, IN
Carroll, IN
Howard, IN
Grant, IN
Blackford, IN
Clinton, IN
Tipton, IN
Fountain, IN
Montgomery, IN
Boone, IN
Hamilton, IN
Madison, IN
Delaware, IN
Randolph, IN
Putnam, IN
Hendricks, IN
Marion, IN
Hancock, IN
Henry, IN
Morgan, IN
Johnson, IN
Shelby, IN
Rush, IN
Fayette, IN
Owen, IN
Monroe, IN
Brown, IN
Bartholomew, IN
Decatur, IN
Lawrence, IN

Currently divided by JTH Tax, Inc. into 100 Franchise Territories.



Schedule B

MINIMUM REQUIREMENTS

At closing there are 25 JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchise territories with an active Liberty office currently within Area Developer's Territory, and operating pursuant to franchise agreements by and between Liberty and each Franchisee that is a party to a franchise agreement ("existing active territories"). Area Developer agrees to maintain the number of existing active territories and agrees to identify and secure additional candidates/Franchisees such that the following cumulative minimum development obligations are met during the term of the Area Developer Agreement:

Development Period Ending	**Cumulative Number of Liberty Tax Service Effective Franchise Agreements in Operation with an Active Liberty Office**
2019	27
2020	30
2021	33
2022	38
2023	43
2024	48
2025	53
2026	58
2027	63
2028	68

4711

INDIANA ADDENDUM
TO THE AREA DEVELOPER AGREEMENT

This Addendum forms a part of the Area Developer Agreement dated _____, between Liberty Tax Service and Mike Budka and Mufeed Haddad, the Area Developer. To the extent this Addendum shall be deemed to be inconsistent with any of the terms or conditions of the Area Developer Agreement or its Exhibits, the terms of this Addendum shall govern.

1. Section 5.5 of the Area Developer agreement is supplemented with the addition of the following language: "Notwithstanding the foregoing, you do not indemnify us for liability caused by your proper reliance on or use of procedures or materials provided by us or caused by our negligence."

2. Section 7.2 of the Area Developer agreement is modified to provide that upon renewal you will not be required to release us as to any liabilities arising under Indiana Code § 23-2-2.7.

3. Section 7.2 concerning Renewal is modified to delete the requirement that Area Developer must give Liberty a general release to renew.

4. Section 8.8 concerning Governing Law is deleted and in its place is substituted the following language:

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

AREA DEVELOPER:
Mike Budka and Mufeed Haddad

By: DocuSigned by: _____ 90550E42EA174DF...
Mike Budka

By: DocuSigned by: _____ 5F29804A9B95474...
Mufeed Haddad

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By: _____

Printed Name: _____

Title: _____

Entity 4711

SCHEDULE "C" TO THE AREA DEVELOPER AGREEMENT

Special Stipulation to the Area Developer Agreement- Term

To the extent of any conflict between the following and the provisions of the Area Developer Agreement ("Agreement") between Area Developer and JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty"), the Special Stipulation shall control:

The following language is removed from Section 7.1 of the Area Developer Agreement:

Term. This Agreement will commence upon its Effective Date and will last for a term of six (6) years (the "Term").

And is replaced with the following:

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

By executing this Agreement, you, your officers and principles, individually and on behalf of all heirs, legal representatives, successors and assigns, and each assignee of this agreement by accepting assignment of the same, hereby forever releases and discharges Liberty, its past and present employees, agents, officers, area developers, directors, its subsidiary and affiliated corporations and franchisees, their respective past and present employees, agents, officers, directors, from any and all claims which could be asserted by you against any such persons and entities through the date of this Agreement, except obligations set forth or re-affirmed herein.

This Stipulation may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single instrument. Delivery of an executed counterpart of a signature page to this Stipulation by facsimile or in electronic (e.g. "pdf") format shall be effective as delivery of a manually executed counterpart of this Stipulation. The words "execution," "signed," "signature," and words of similar import in the Stipulation shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.) or any other similar state or federal laws.

Except as modified by this Special Stipulation, the terms of the Area Developer Agreement remain in full force and effect. This Special Stipulation supersedes any prior similar Special Stipulation between the parties with respect to this subject matter.

Area Developer:
Mike Budka and Mufeed Haddad

DocuSigned by:
By: _____ 90550E42EA174DF...
Mike Budka

DocuSigned by:
By: _____ 6F20004A9B95474...
Mufeed Haddad

JTH Tax, Inc. d/b/a Liberty Tax Service

By: _____

Printed Name: _____

Title: _____

Effective Date: 7/13/18

SPECIAL STIPULATION TO THE LIBERTY AREA DEVELOPER AGREEMENT

To the extent of any conflict between the following and the provisions of the Area Developer Agreement ("Area Developer Agreement"), the Special Stipulation shall control:

1. Section 7.2 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

   Renewal. Upon the completion of the Term of this Agreement, provided Area Developer with the right to enter into a new agreement with Liberty for the provision of the services to Liberty similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least 180 days before the expiration of this Agreement. There will be no fee for he renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal, and renews by signing our then current Area Developer Agreement. The fees and percentages described in paragraphs 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements, as described in paragraph 4.1 above.

By executing this Agreement, you, your officers and principles, individually and on behalf of all heirs, legal representatives, successors and assigns, and each assignee of this agreement by accepting assignment of the same, hereby forever releases and discharges Liberty, its past and present employees, agents, officers, area developers, directors, its subsidiary and affiliated corporations and franchisees, their respective past and present employees, agents, officers, directors, from any and all claims which could be asserted by you against any such persons and entities through the date of this Agreement, except obligations set forth or re-affirmed herein.

This Special Stipulation supersedes any prior similar Special Stipulation between the parties with respect to this subject matter. Except to the extent modified above, the terms of the Area Developer Agreement remain in full force and effect unless otherwise modified in writing signed by the parties.

Area Developer:
Mike Budka and Mufeed Haddad

DocuSigned by:
By: _____ 90550E42EA174DF...
Mike Budka

DocuSigned by:
By: _____ 5E29804A9B95474...
Mufeed Haddad

JTH TAX, Inc. d/b/a
LIBERTY TAX SERVICE

By: _____

Printed Name: _____

Title: _____

Effective Date: 7/13/18

4711

SPECIAL STIPULATION TO THE LIBERTY AREA DEVELOPER AGREEMENT
LEADS

To the extent of any conflict between the following and the provisions of the Area Developer Agreement ("Area Developer Agreement"), the Special Stipulation shall control:

1. Section 3.5 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

   Fee for Franchisee Prospects. From time to time, Liberty may provide to Area Developer leads of prospective franchisees possibly interested in buying a Liberty franchise within the Territory. If Liberty provides any such leads to Area Developer, Liberty will set fees from time to time based upon the cost and the difficulty of acquiring the leads. If so provided, Area Developer agrees to purchase up to $6,500 of leads per year, and may purchase more if offered, but is not obligated to.

By executing this Agreement, you, your officers and principles, individually and on behalf of all heirs, legal representatives, successors and assigns, and each assignee of this agreement by accepting assignment of the same, hereby forever releases and discharges Liberty, its past and present employees, agents, officers, area developers, directors, its subsidiary and affiliated corporations and franchisees, their respective past and present employees, agents, officers, directors, from any and all claims which could be asserted by you against any such persons and entities through the date of this Agreement, except obligations set forth or re-affirmed herein.

This Special Stipulation supersedes any prior similar Special Stipulation between the parties with respect to this subject matter. Except to the extent modified above, the terms of the Area Developer Agreement remain in full force and effect unless otherwise modified in writing signed by the parties.

Area Developer:
Mike Budka and Mufeed Haddad

DocuSigned by:
By: _____
90550E42EA174DF...
Mike Budka

DocuSigned by:
By: _____
5F29904A9B95474...
Mufeed Haddad

JTH TAX, Inc. d/b/a
LIBERTY TAX SERVICE

By: _____

Printed Name: _____

Title: _____

Effective Date: 7/13/18

Acknowledgment of Early Renewal of Area Developer Agreement

The undersigned Area Developer acknowledges that the Area Developer Agreement entered into by and between Area Developer and JTH Tax, Inc. d/b/a Liberty Tax Service dated April 20, 2007 was for a ten (10) year term which was extended to a twelve year term via a Special Stipulation dated August 5, 2010, and is now set to expire on April 20, 2019. The parties hereby acknowledge, desire, and consent to the early renewal of the Area Developer Agreement and enter into a new Area Developer Agreement for a ten (10) year term commencing on the effective date of this Agreement. The parties acknowledge that they are under no obligation to renew the Area Developer Agreement at this earlier date and desire and do so of their own free will. Area Developer further acknowledges that Area Developer has been accorded ample time and opportunity to consult with advisors of its own choosing about renewing the Area Developer Agreement pursuant to this Acknowledgement.

Area Developer and all of Area Developer's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge JTH Tax, Inc. d/b/a Liberty Tax Service, its past and present agents, employees, officers, directors, area developers, successors, assigns and affiliates (collectively "Liberty Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Developer could assert against the Liberty Released Parties or any of them up through and including the date of this Renewal and Release, including, but not limited to, any claim related to the early renewal of the Area Developer Agreement.

AREA DEVELOPER:
Mike Budka and Mufeed Haddad

By: DocuSigned by: 90550E42EA174DF...
Mike Budka

By: DocuSigned by: 5F29904A9B95474...
Mufeed Haddad

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By: _____

Printed Name: _____

Title: _____

Date: 7/13/18

SPECIAL STIPULATION TO THE LIBERTY AREA DEVELOPER AGREEMENT

To the extent of any conflict between the following and the provisions of the Area Developer Agreement ("Area Developer Agreement"), the Special Stipulation shall control:

1. Section 3.1 of the JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") Area Developer Agreement is hereby deleted and replaced with the following:

   Initial fee paid by Area Developer to Liberty in the Area Developer Agreement dated April 20, 2007 was $2,395,000. Area Developer will pay Liberty no additional development fees upon renewal of said agreement, all or any debt still owed under said Agreement will remain in effect upon execution of this Agreement, which shall be deemed fully earned by Liberty upon payment.

2. Section 3.2 of the Area Developer Agreement is hereby deleted and replaced with the following:

   Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to 50% of the initial franchise fee and interest on promissory notes, if and only to the extent that such interest is on Franchise Fees or Royalties (except on interest already due and owing before the first of the month following the Effective Date of the original area developer agreement dated April 20, 2007 ("Original Area Developer Agreement")), paid to Liberty by a Franchisee for a franchise within the Territory during the Term, pursuant to the terms in the franchise agreement between Franchisee and Liberty ("Franchise Fees") except amounts already due and owing before the first of the month following the Effective Date of the Original Area Developer Agreement. Liberty will also pay to Area Developer the same percentage of any change fees for modifying the opening schedule of a multi-territory stipulation which a Franchisee in the Territory pays to Liberty during the Term, except change fees already due and owing before the first of the month following the Effective Date of the Original Area Developer Agreement.

3. Section 3.3 of the Area Developer Agreement is hereby deleted and replaced with the following:

   Pursuant to the franchise agreement between a Franchisee and Liberty, each Franchisee is required to pay royalties associated with the operation of a franchised territory ("Royalties"). Except as provided under Section 4.1, Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to 50% of all ongoing Royalties paid by Franchisees to Liberty in Area Developer's Territory during the Term, if any, (except Royalties due and owing before the first of the month following the Effective Date of Original Area Developer Agreement).

   Liberty will also pay to Area Developer this same royalty percentage on company-owned stores in Area Developer's Territory if a Franchisee store becomes company-owned after the first of the month following the Effective Date of this Agreement. The royalty percentage payable to Area Developer shall be calculated as if the store were still a Franchisee store.

By executing this Agreement, you, your officers and principles, individually and on behalf of all heirs, legal representatives, successors and assigns, and each assignee of this agreement by accepting assignment of the same, hereby forever releases and discharges Liberty, its past and present employees, agents, officers, area developers, directors, its subsidiary and affiliated corporations and franchisees, their respective past and present employees, agents, officers, directors, from any and all claims which could be asserted by you against any such persons and entities through the date of this Agreement, except obligations set forth or re-affirmed herein.

This Special Stipulation supersedes any prior similar Special Stipulation between the parties with respect to this subject matter. Except to the extent modified above, the terms of the Area Developer Agreement remain in full force and effect unless otherwise modified in writing signed by the parties.

AREA DEVELOPER:
Mike Budka and Mufeed Haddad

DocuSigned by:
By:_____
90550E42EA174DF...
Mike Budka

DocuSigned by:
By:_____
5F29904A9B95474...
Mufeed Haddad

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By:_____

Printed Name: _____

Title:_____

Effective Date: 7/13/18

CALIFORNIA RENEWAL AND SPECIFIC RELEASE

Area Developer: Mike Budka and Mufeed Haddad **Entity No.: 4711**

1. Release- Area Developer and all of Area Developer's guarantors, members, employees, agents, successors, assigns and affiliates fully and finally release and forever discharge JTH Tax, Inc. d/b/a Liberty Tax Service, its past and present agents, employees, officers, directors, area developers, successors, assigns and affiliates (collectively "Liberty Released Parties") from any and all claims, actions, causes of action, contractual rights, demands, damages, costs, loss of services, expenses and compensation which Area Developer could assert against the Liberty Released Parties or any of them up through and including the date of this Renewal and Release.

2. Unknown or Unsuspected Consequences- The parties understand and acknowledge that Section 1 of this Renewal and Specific Release applies to and includes all unknown or unsuspected consequences or results arising from or relating to the transactions, occurrences, or agreements referred to in those Sections. You represent and warrant that you have read the contents of 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."

   YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542.

3. Nature of Release- Each party acknowledges that it has read this Renewal and Specific Release, that it fully understands the contents of this Renewal and Specific Release, and that THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT. The above Release shall not apply to any liabilities arising under the California Franchise Investment Law or the California Franchise Relations Act.

4. This Renewal and Specific Release may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Renewal and Specific Release by facsimile or in electronic (e.g. "pdf") format shall be effective as delivery of a manually executed counterpart of this Renewal and Specific Release. The words "execution," "signed," "signature," and words of similar import in the Renewal and Specific Release shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000 (15 USC § 7001 et seq.) or any other similar state or federal laws based on the Uniform Electronic Transactions Act. This Agreement shall not be modified except in writing signed by the parties hereto.

Area Developer: Mike Budka and Mufeed Haddad

DocuSigned by:
By:_____ 90550E42EA174DF...
Mike Budka

DocuSigned by:
By:_____ 5F29904A9B95474...
Mufeed Haddad

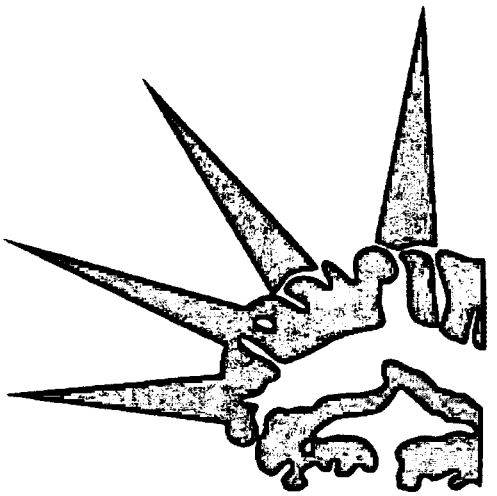
JTH Tax, Inc. d/b/a Liberty Tax Service

By:_____

Printed Name: _____

Title: _____

Date: _____



AREA DEVELOPER AGREEMENT

EXHIBIT B

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AREA DEVELOPER AGREEMENT

WHEREAS, JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchises a system for the operation of tax return preparation offices (the "Franchise"); and

WHEREAS, area developer ("Area Developer") desires to find, solicit and recruit candidates willing to become Franchise owners ("Franchisees") and desires to provide continuing services (the "Services") on Liberty's behalf to Franchisees; and

WHEREAS, Liberty wishes to receive the Services and compensate Area Developer.

NOW, THEREFORE, for value received, Liberty and Area Developer hereby agree as follows:

1. SERVICES

1.1 Area Developer Services.

(a) **Candidate Development.** Area Developer will use best efforts to find, solicit, and recruit candidates interested in operating a Franchise within the Territory (as described in Section 2). Upon Area Developer's determination that a candidate may have the characteristics of a potential Franchisee (a "Candidate"), Area Developer will identify such Candidate in writing to Liberty for Liberty's consideration.

(b) **Franchise Award.** All Candidates must successfully pass Liberty's Effective Operations Training ("EOT") and Hands On Training ("HOT") to be awarded a Franchise.

(c) **Limitation of Services.** Area Developer may only offer those services or products through the Area Developer business as authorized by Liberty in this Agreement or the area developer operations manual ("Area Developer Operations Manual" or "Manual"), unless Liberty provides prior written approval.

1.2 Area Developer Support Services and Obligations.

(a) **Operational Support.** Area Developer will be responsible for coaching the Liberty system as described in the Area Developer Operations Manual and will provide Franchisees with timely local support, day-to-day operational help, marketing advice and feedback. Area Developer will host quarterly designated marketing area (DMA) meetings in person or through electronic means. Through these DMA meetings and as required by Liberty, Area Developer will disseminate information, collaborate with Franchisees, discuss advertising and address other issues that may arise or later be specified by Liberty. Area Developer does not have any authority to approve or disapprove Franchisee marketing or advertising. Area Developer agrees to address reasonable company-owned store issues that may arise or be specified by Liberty. "Company-owned" refers to a store owned and operated by Liberty or an entity under the control of Liberty or any of its employees.

(b) **Customer Service.** Area Developer shall use best efforts to ensure that all Franchisees provide all appropriate services as outlined in the Franchisee Operations Manual and the Area Developer Operations Manual, abide by customer service policies issued by Liberty and timely respond to customer complaints and issues. Area Developer must operate in a manner that protects the goodwill, reputation of Liberty and the service marks and trademarks of Liberty (collectively "Marks).

(c) **Site Selection.** Area Developer shall provide site selection assistance in accordance with the Area Developer Operations Manual including, but not limited to, utilization of a company that we designate providing retail business intelligence solutions, and current Electronic Return Originator ("ERO") data. Final site selection must be approved by Liberty.

(d) **Budgets, Profit and Loss Statements and Action Plans.** Area Developer shall review and approve Franchisee budgets, profit and loss statements, action plans and the Marketing Plan Generator for submission to corporate for final approval in accordance with the deadlines provided by Liberty.

(e) **Agreement Facilitation.** Area Developers shall review and facilitate Franchisee applications to Liberty for financing, transfers, fee releases, sales, terminations and the like, subject to final approval by Liberty.

(f) **Required Attendance.** Area Developer, or Area Developer's approved representative, shall attend area developer training and EOT within six months of closing. Additionally, Area Developer will attend all meetings that may be required by Liberty.

(g) **Manual.** Area Developer shall provide all assistance and support described in the Area Developer Operations Manual, the Operations Manual provided to Liberty Franchisees and Area Developers and all updates to these Manuals.

(h) **Contract Enforcement.** Upon termination or expiration of the franchise agreement between Liberty and any Franchisee (a "Former Franchisee"), Area Developer will assist Liberty in enforcing the post termination obligations set forth in its franchise agreement with that Former Franchisee ("Post Termination Obligations"), but Area Developer will have no duty to initiate court or other legal proceeding. These obligations include ensuring that all Liberty signs are removed from the Former Franchisee's offices or other premises, receiving or acquiring all telephone numbers, listings and advertisements used in relation to the Former Franchisee's business, receiving or acquiring all copies of lists and other sources of information containing the names of customers of the Former Franchisee, obtaining all Former Franchisee's customer tax returns, files, records and all copies thereof and obtaining all copies of the Former Franchisee's Operations Manual, including any updates, and performing other reasonable duties as may be assigned by Liberty to assist in the transition or closure of an office.

1.3 **Liberty Obligations.**

(a) **Area Developer Operations Manual.** Liberty will provide an Area Developer Operations Manual and various updates to the Manual to provide requirements of operation and offer guidance in performing Area Developer services.

(b) **Initial and Advanced Training.** Liberty will provide reasonable training to Area Developer, at Area Developer's expense, in order to ensure that Area Developer has the ability to provide the services to Liberty described in Sections 1.1 and 1.2. At present, Liberty provides a three to four day initial Area Developer training course, which Area Developer and any manager working for Area Developer must attend and successfully complete within six months of closing. Liberty also requires Area Developer to attend EOT within six months of closing. Liberty may also provide and require Area Developer's attendance at advanced or other trainings that may be offered at select locations or Liberty may offer such training on the web or electronically. Although Liberty does not charge attendance at training, Area Developer must pay the cost incurred with traveling to training, and other incidental expenses such as food, lodging, and transportation incurred in attending any training that Liberty provides.

(c) **Disclosure Document.** Liberty will provide or make available to Area Developer its latest Franchise Disclosure Document to use as part of Area Developer's Development Services.

1.4 **Joint Duties.** Liberty and Area Developer will be responsible for the enforcement of all agreements ("Franchise Documents") executed in the awarding of a franchise to a Candidate and the monitoring of individual Franchisee performance and adherence to Liberty's Franchise system. However, Area Developer will not assert any legal claim by way of a lawsuit or otherwise, against a Franchisee without the written permission of Liberty.

1.5 **Personal Involvement.** Area Developer must render the Area Developer and support services hereunder personally, unless Area Developer submits to Liberty a general manager who attends and successfully completes our initial Area Developer training course and who is not later disapproved by Liberty.

1.6 **Reports.** Area Developer agrees to file with Liberty, at such times and in such forms as Liberty may specify, reports detailing Area Developer's activities, sales and other information that may be requested.

1.7 **Reviews.** Liberty reserves the right to review Area Developer's business operations, in person, by mail, or electronically. Liberty may inspect Area Developer's operations and obtain paper and electronic business records related to the business and any other operations taking place through Area Developer's business. Area Developer must send Liberty any business records requested within five (5) business days of receiving Liberty's request for records and shall be responsible for any costs related to this transmission. Liberty has the right to require that Area Developer implement a plan to resolve any issues that Liberty discovers.

2. EXCLUSIVITY

2.1 **Exclusivity.** Except as otherwise permitted in this Agreement, Liberty will not appoint or authorize any other person to provide commissioned or paid Area Developer services to Liberty in the territory defined in Schedule A ("Territory"). This grant of the Territory in no way prevents or restricts Liberty from itself recruiting, soliciting or seeking new Franchisees in the Territory (including through the Internet or other means of general electronic communication)

or from using unpaid referrals from other sources or as detailed in Section 2.2 in the obtaining of potential Franchisees. As indicated on Schedule A, the Territory has been divided into sub-territories ("Franchise Territories") as defined by Liberty, which will be made available to prospective Franchisees.

2.2 **Non-Area Developer-Proposed Franchisees.** If Liberty is referred, contacted by or comes into communication with any prospective Franchisee in the Territory not previously identified by Area Developer, Liberty may evaluate, recruit and award such prospective Franchisee a Franchise. Each such individual will be deemed a Franchisee for the purposes of this Agreement.

3. FEES AND COMMISSIONS

3.1 **Initial Fee.** Area Developer will pay Liberty $ **622,000** upon execution of this Agreement, which shall be deemed fully earned by Liberty upon payment.

3.2 **Initial Franchise Fee.** Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to **50%** of the initial franchise fee and interest on promissory notes, if and only to the extent that such interest is on franchise fees or royalties (except on interest already due and owing before the date of this Agreement), paid to Liberty by a Franchisee during the Term, pursuant to the terms in the franchise agreement between Franchisee and Liberty ("Franchise Fees" and "Royalties"), for the first time that a territory is purchased by a franchisee, except Franchise Fees already due and owing before the Effective Date of this Agreement. Liberty will also pay to Area Developer the same percentage of any change fees for modifying the opening schedule of a multi-territory stipulation which a Franchisee pays to Liberty during the Term, except change fees already due and owing before the Effective Date of this Agreement.

3.3 **Franchise Royalties.** Except as provided under Section 4.1, Liberty will pay Area Developer, as detailed under Section 3.10, an amount equal to **50%** of all ongoing Royalties received by Liberty, if any, from a Franchisee during the Term except Royalties already due and owing before the Effective Date of this Agreement.

Liberty will also pay to Area Developer this same royalty percentage on company-owned stores in Area Developer's Territory if a Franchisee store becomes company-owned after the Effective Date of this Agreement. The royalty percentage payable to Area Developer shall be calculated as if the store were still a Franchisee store.

3.4 **Demand for Payment.** Except as authorized herein, or except upon the prior written consent of Liberty, Area Developer will not demand any payment due from a Liberty Franchisee or other person or entity to Liberty.

3.5 **Fee for Franchisee Prospects.** Liberty may provide to Area Developer leads of prospective Franchisees within the Territory. If Liberty provides any such leads to Area Developer, Liberty will set fees based upon the cost and the difficulty of acquiring the leads and Area Developer agrees to pay these fees.

3.6 **Fee for Internal Sales.** If Liberty's own franchise development staff handles the selling process with a prospective Franchisee within the Territory covered by this Agreement for the sale of an undeveloped territory (meaning one that does not contain an existing Liberty Tax Service office), Area Developer shall pay Liberty 15% of the Franchise Fee (provided that in the case of a prospective Franchisee under a special stipulation agreement whereby no Franchisee Fee is paid, this amount shall be deemed to be payable under section 3.5 and be $6,000 or such other amount as is established pursuant to Section 3.5). Liberty may deduct this from amounts Liberty otherwise owes to Area Developer.

3.7 **Advertising and Selling Material.** Liberty may charge and Area Developer agrees to pay a reasonable charge for preparing, procuring, printing, and/or sending advertising materials and Disclosure Documents to Area Developer.

3.8 **Terminal Services.** Liberty may charge and Area Developer agrees to pay a reasonable charge for providing computer access to information within the Liberty system and for computer access to a sales lead and contact information management system.

3.9 **Use of Franchise Broker.** Liberty may use the services of franchise brokers to identify Candidates who are potentially interested in becoming Franchisees ("Franchise Broker"). To participate in this opportunity, Area Developer agrees to pay a proportionate share of the Broker's fee for any broker-generated Candidate who becomes a Franchisee in Area Developer's Territory. Area Developer's share of Broker's fee shall be based on the proportion of initial Franchise Fee and Royalties that Area Developer receives under Sections 3.2 and 3.3. For example, if a Broker charges Liberty $13,000 for a Candidate who becomes a Franchisee, and Area Developer receives 35% of the initial Franchise Fee and Royalty under Sections 3.2 and 3.3 above, then Area Developer's share of the initial Franchise Fee would be reduced by 35% of $13,000 which amounts to $4,550.

3.10 **Payment.** In any month that Liberty receives Franchise Fees, Royalties, or interest on promissory notes (if such interest is on Franchise Fees or Royalties and are not already due and owing before the date of this agreement) from Franchisees in Area Developer's Territory, Liberty will pay Area Developer its share of Royalties, Franchise Fees and interest not later than the last day of the next calendar month. In no case will Liberty advance funds to Area Developer, or be liable for payment on accounts receivables or unpaid Franchise Fees, Royalties or interest. Area Developer will be entitled to its share of Royalties only with respect to Royalties actually collected, and Liberty will be entitled to take credits against previous Royalty payments to Area Developer to the extent that any Royalty payments from a Franchisee are subject to a subsequent refund, offset or other credit. Each payment of Area Developer's share of Royalties, Franchise Fees, and interest will be accompanied by information in sufficient detail to allow Area Developer to determine the basis on which Area Developer's share of the Royalties, Franchise Fees and interest was calculated.

3.11 **Late Fees.** Payments for charges Liberty bills to Area Developer are due within 30 days of billing and will be subject to an 12% per annum late fee, or the maximum allowed by law if less.

3.12 **Fee Amounts.** From time to time, Liberty will set and publish the fee amounts under Sections 3.5 and 3.7-3.8.

3.13 **Expenses.** Except as provided herein, each party will bear the expenses incurred by it in the performance of this Agreement.

3.14 **Referral Fees.** Liberty may offer referral fees to individuals that refer new Franchisees to Liberty. These referral fees do not apply to Area Developer for Candidates that become Franchisees in Area Developer's Territory.

4. MINIMUM AREA DEVELOPER PERFORMANCE

4.1 **Minimum Requirements.** Area Developer will provide Liberty with a minimum number of Candidates each year that open Franchise Territories with an active Liberty office in operation, as described and set forth in Schedule B (the "Minimum Requirements"). For this purpose, a year will include each fiscal year of Liberty (including any partial year) ending on April 30. If Area Developer does not meet the Minimum Requirements, Liberty may, upon notification to Area Developer within ninety (90) days of the end of the year wherein the requirements were not met, delete from the Territory up to the number of Franchise Territories by which Area Developer failed to meet the Minimum Requirements for that year. Liberty's notice will designate which unsold Franchise Territories it desires to delete from the Territory, and Liberty shall have the sole discretion in making this determination. The specified Franchise Territories will be deemed deleted from the Territory as of the date that Liberty sends notice to Area Developer. Area Developer will thereafter not be entitled to any share of Franchise Fees and Royalties paid with respect to Franchisees appointed within those Franchise Territories ("Liberty Franchisees") and Liberty Franchisees will not be deemed Franchisees for the purposes of this Agreement. This deletion is Liberty's sole remedy for failure to meet Minimum Requirements.

Liberty's notice will be accompanied by a credit to amounts owed by Area Developer to Liberty or a payment to Area Developer, as Liberty selects. Such credit or payment shall equal the amount of the Initial Fee that is calculated by multiplication of the Initial Fee with a fraction the numerator of which is the total population of the deleted Territories and the denominator of which is the total population of the Franchise Territories (Initial Fee x (Total Population of Deleted Territories/Total Population of Franchised Territories)). For this calculation, Liberty may choose to use either the population figures that existed at the time of entering into this Agreement or more current data available to Liberty.

5. FRANCHISOR — FRANCHISEE RELATIONSHIP

5.1 **Disclosure.** Area Developer will comply with all federal and state franchise disclosure laws applicable to the solicitation of Franchisees, including providing the Disclosure Document, prepared by Liberty, to all Candidates within the time frame provided by law. In most jurisdictions, this disclosure is currently required fourteen (14) calendar days before the signing of a binding agreement between the Candidate and Liberty or making any payment by the Candidate to Liberty. Area Developer will ensure that any disclosure made in any form complies with the applicable franchise disclosure laws. Area Developer will be responsible for providing

Liberty's most current Disclosure Document, but will not be responsible for improper disclosure due to inadequacies or errors in Liberty's most current Disclosure Document.

5.2 **Financial Performance Representations.** Except as may be expressly stated in Item 19 of Liberty's most current unit Franchise Disclosure Document in effect in Area Developer's Territory, Area Developer 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, Area Developer may disclose financial performance of an existing franchise for sale to a Candidate interested in such unit as may be permitted by law.

5.3 **Improper Representations.** Area Developer will make no representations to any Candidate that conflicts with Liberty's current franchise agreement or Disclosure Document or make any promises, guarantees, or warranties to any party not authorized in writing by Liberty.

5.4 **No Unauthorized Commitments.** Area Developer acknowledges that it has no authority to bind Liberty with respect to any matter, and agrees that it will not enter into any agreements or understandings with any Candidates other than as authorized in writing by Liberty.

5.5 **Indemnity.** Area Developer will indemnify, defend and hold Liberty and its affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Indemnified Parties") harmless from and against any claim, suit or proceeding brought against any of the Indemnified Parties resulting from, relating to or arising out of a claim that Area Developer failed to make proper disclosures under Section 5.1, made any improper earnings claim as detailed in Section 5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4.

Liberty will indemnify, defend and hold Area Developer and its affiliates, officers, directors, members, partners, employees, agents, contractors, advisors and representatives (the "Area Developer Indemnified Parties") harmless from and against any claim, suit, or proceeding brought against any of the Area Developer Indemnified Parties resulting from, relating to or arising out of a claim that Liberty failed to make proper disclosure under Section 5.1, made any improper earnings claim as detailed in Section 5.2, made any improper representations under Section 5.3, or entered into any unauthorized agreements under Section 5.4.

6. NON-COMPETE AND NO SOLICITATION

6.1 **Non-Compete.**

(a) **In-Term.** Area Developer will not, during the Term of this Agreement, in the United States or Canada, directly or indirectly (i) recruit, search for, or solicit Franchisees or prospective Franchisees to engage in income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans, except as to seeking Liberty Tax Service Franchisees pursuant to the terms of this Agreement, or (ii) aid or facilitate another person or entity (except Liberty Tax Service Franchisees) in the provision of paid income tax preparation offered to the public through retail outlets.

(b) **Post-Term.** Area Developer will not, for a period of two years after expiration or termination of this Agreement, in the Territory defined in Schedule A regardless of any reduction due to application of Section 4.1 (the "Original Territory"), or within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly recruit, search for, or solicit Franchisees or prospective Franchisees to engage in income tax return preparation, electronic filing of tax returns, or the provision of refund anticipation loans.

6.2 **No Solicitation.**

(a) **In-Term.** Except with the permission of Liberty, Area Developer will not, during the term of this Agreement, in the United States or in Canada, directly or indirectly solicit for employment in a management or supervisory capacity, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service Franchisee, or any Liberty Tax Service Franchisee, or in the case of a Franchisee which is an entity, the owners of such entity.

(b) **Post-Term.** Except with the permission of Liberty, Area Developer will not, for a period of two years after expiration, termination or transfer of this Agreement, in the Original Territory and within twenty-five (25) miles of the boundaries of the Original Territory, directly or indirectly solicit to own, operate, manage or supervise an income tax preparation office or income tax preparation franchise, any management or supervisory personnel employed by Liberty, any management or supervisory personnel employed by a Liberty Tax Service Franchisee, or any Liberty Tax Service Franchisee, or in the case of a Franchisee which is an entity, the owners of such entity, or any other entity beneficially owned by such owner or entity.

6.3 **Severability.** If any covenant or provision with Section 6.1 or 6.2 is determined to be void or unenforceable, in whole or in part, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement, and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this Agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

7. TERM AND TERMINATION

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

7.2 **Renewal.** Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least one hundred and eighty (180) days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal, and renews by

signing Liberty's then current Area Developer Agreement. The fees and percentages described in Sections 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements, as described in Section 4.1 above.

7.3 **Termination.**

(a) **Termination by Area Developer.** Area Developer may terminate this Agreement at any time through written notice of termination to Liberty. Area Developer's termination of this Agreement will be effective upon Liberty's receipt of Area Developer's termination notice.

(b) **Termination by Liberty Without Opportunity to Cure.** Liberty may terminate this Agreement effective upon the date of Liberty's sending written notice of termination to Area Developer, and without the opportunity for Area Developer to cure, for any of the following reasons:

(i) Area Developer commits a violation of any law, ordinance, rule or regulation of a government or governmental agency or department and such conduct constitutes a material violation of any franchise law, antitrust law or securities law, fraud or a similar wrong, unfair or deceptive practices, or a comparable violation of applicable law, or the Area Developer is convicted of a felony; or

(ii) Area Developer violates any of Sections 5.1, 5.2, 5.3 or 5.4 of this Agreement; or

(iii) Area Developer makes a misstatement of material fact on a Biographical Information Form, which is required in order to enter into this Area Developer Agreement, or the Sales Agent Disclosure Form Update, or fails to disclose a material fact that is requested in any such form, or refuses to fill out or completely fill out such form or tender supporting documentation upon reasonable request. The present versions of these Forms are appended to the accompanying Disclosure Document as Exhibits D-2 and D-3.

(c) **Termination by Liberty After Opportunity to Cure.** Liberty may terminate this Agreement if Area Developer fails to perform any obligation under this Agreement or any other Agreement between the parties ("Breach") and such failure has continued for thirty (30) days after Liberty sent written notice of such Breach to Area Developer. In the case of past due monies owed by Area Developer to Liberty under this Agreement or for any other debt to Liberty, Liberty may terminate this Agreement fourteen (14) days after Liberty sends written notice of delinquency to Area Developer. If Area Developer fails to provide notification of Area Developer's desire to renew within the time and manner provided for in Section 7.2 of this Agreement, Liberty may terminate this Agreement fourteen (14) days after Liberty sends written notice to cure.

7.4 **No Refund of Initial Fee**. Liberty will have no obligation to return or refund any fee to Area Developer upon termination of this Agreement.

7.5 **Survival of Obligations**. The Parties' obligations that by their nature may require performance after the termination or expiration of this Agreement, including, but not necessarily limited to, Sections 3.11, 5.5, 6, 7.4, 7.5, and 8-11, will survive the termination or expiration of this Agreement. Upon the termination or expiration of this Agreement, sale of this Agreement or sale or other transfer of Area Developer's business operated under this Agreement, Liberty will have no further obligation to pay Area Developer any share of Franchise Fees, Royalties or interest received by Liberty subsequent to the date of termination or expiration.

8. MISCELLANEOUS

8.1 **Relationship.** Notwithstanding anything herein to the contrary, this Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the parties, and no party has a fiduciary duty or other special duty or relationship with respect to the other party. The parties acknowledge that Area Developer's relationship with Liberty hereunder is that of an independent contractor.

8.2 **Intellectual Property Ownership.** Liberty owns the Franchise system, its trademarks and all other intellectual property associated with the Franchise system. To the extent Area Developer has or later obtains any intellectual property, other property rights or interests in the Franchise system by operation of law or otherwise, Area Developer hereby disclaims such rights or interests and will promptly assign and transfer such entire interest exclusively to Liberty. Area Developer will not undertake to obtain, in lieu of Liberty, copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the Franchise system. Area Developer will have the right to use Liberty's Marks during the Term for the sole purpose of advertising the availability of Franchises within the Territory, but Area Developer must obtain Liberty's prior written consent to such use, which consent may be withheld in Liberty's sole discretion.

8.3 **Trade and Domain Names. Area Developer will not use the name "Liberty," "libtax," or "JTH" as any part of the name of a corporation, LLC or other entity**. Further, unless Area Developer first receives Liberty's express written permission, Area Developer will not 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.

8.4 **Assignment.** Liberty may assign this Agreement to an assignee who agrees to remain bound by its terms. Liberty does not permit a sub-license of the Agreement. Area Developer's interest under this Agreement may be transferred or assigned only if Area Developer complies with the provisions in this Section. No interest may be transferred unless Area Developer is in full compliance with this Agreement and current in all monies owed to Liberty. Upon Liberty's request, any transfer of an ownership interest in this Agreement must be joined by all signatories to this Agreement, except in the case of death or legal disability.

(a) **Liberty's Right of First Refusal.** If Area Developer has received and desires to accept a signed, bona fide offer to purchase or otherwise transfer the Area Developer Agreement or

any interest in it, Liberty shall have the option (the "Right of First Refusal") to purchase such interest as hereinafter provided. Within fourteen (14) days of receipt of the offer, Area Developer shall offer the Right of First Refusal to Liberty by providing written notice to Liberty which shall include a copy of the signed offer to purchase that Area Developer received ("Notice"). Liberty shall have the right to purchase the Area Developer Agreement or interest in the Area Developer Agreement for the price and upon the terms set out in the Notice, except that Liberty may substitute cash for any non-cash form of payment proposed and Liberty shall have sixty (60) days after the exercise of our Right of First Refusal to close the said purchase. Liberty will notify Area Developer in writing within fifteen (15) days of its receipt of the Notice if it plans to exercise the Right of First Refusal. Upon the transmission of notice by Liberty, there shall immediately arise between Liberty and Area Developer, or its owners, a binding contract of purchase and sale at the price and terms contained in the Notice previously provided by Area Developer.

(b) **Transfer to Controlled Entity.** A transfer to a "Controlled Entity" shall not trigger the Right of First Refusal. A "Controlled Entity" is an entity in which Area Developer is the beneficial owner of 100% of each class of voting ownership interest. At the time of the desired transfer of interest to a Controlled Entity, Area Developer must notify Liberty in writing of the name of the Controlled Entity and the name and address of each officer, director, shareholder, member, partner, or similar person and their respective ownership interest. Each such person of the Controlled Entity shall sign the amendment and release forms and/or Area Developer Agreement as required by Liberty at the time of transfer. Currently, Liberty does not charge a transfer fee for this type of transaction.

(c) **Transfer of Interest Within Area Developer.** A transfer of interest within an Area Developer which is an entity shall not trigger the Right of First Refusal provided that only the percentage ownership, rather than the identity of the owners, is changing. At the time of the desired transfer of interest within an entity, Area Developer must notify Liberty in writing of the name and address of each officer, director, shareholder, member, partner or similar person and their respective ownership interest prior to and following the proposed transfer. Each such person of the Controlled Entity shall sign the amendment and release forms and/or Area Developer Agreement as required by Liberty at the time of transfer. Currently, Liberty does not charge a transfer fee for this type of transaction.

(d) **Right of First Refusal Not Exercised By Liberty.** If Liberty does not exercise the Right of First Refusal, Area Developer may transfer the Area Developer Agreement or ownership interest therein according to the terms set forth in the Notice, provided that Area Developer satisfies the conditions in Section 8.4(e) and completes the sale within ninety (90) days from the date that Liberty received Notice from Area Developer. If Area Developer does not conclude the proposed sale transaction within this 90-day period, the Liberty's Right of First Refusal shall continue in full force and effect.

(e) **Additional Requirements and Obligations for Transfer.**

i) The proposed transferee(s) must complete Liberty's Area Developer application and pass Liberty's application screening in place at the time of transfer.

ii) The proposed transferee(s) must sign the Liberty amendment forms and/or Area

Developer Agreement in place at the time of transfer and must personally assume and be bound by all of the terms, covenants and conditions therein.

iii) The proposed transferee(s) must attend and successfully complete Area Developer Training.

iv) Area Developer shall sign Liberty's transfer and release forms required by Liberty at the time of transfer and pay to Liberty a transfer fee of $10,000.00.

8.5 **Publicity.** Except as required by law, Area Developer may not make any press release or other public announcement involving the subject matter of this Agreement without the written agreement of Liberty as to the form of such press release or public announcement.

8.6 **Operations Manual, Specifications, and Equipment.** Liberty may issue specifications to guide Area Developer in the provision of Services hereunder. Liberty has an Area Developer Operations Manual that Area Developer agrees to follow. Liberty may issue computer and equipment requirements. At present, Area Developer is required to have business cards, a telephone and telephone line, printer, fax service and computer connected via internet to Liberty's computer network. Liberty also requires Area Developer to use an appropriate sales lead and contact information database or software to keep track of Area Developer's contacts with prospective Franchisees and may issue recommendations or requirements in this regard. Liberty may change Liberty's Area Developer Operations Manual and modify Liberty's specifications in order to maintain competitiveness, adjust for legal, technological, and economic changes, and to improve in the marketplace. Area Developer agrees to be bound by all future changes.

8.7 **Maintenance of Liberty Goodwill.** Area Developer agrees not to disparage Liberty or its current and former employees or directors. During the term of this Agreement, Area Developer also agrees not to do any act harmful, prejudicial, or injurious to Liberty.

8.8 **Governing Law.**

(a) **Virginia Law.** This Agreement is effective upon its acceptance in Virginia by our authorized officer. 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 hereto. However, the Virginia Retail Franchising Act does not apply to any claims by or on Area Developer's behalf if the Territory shown on Schedule A below is located outside of Virginia.

(b) **Jurisdiction and Venue.** In any suit brought by Liberty, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer consents to venue and personal jurisdiction in the state and federal court of the city or county of Liberty's National Office, presently Virginia Beach state courts and the United States District Court in Norfolk, Virginia. In any suit brought against Liberty, including Liberty's present and former employees and agents, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, venue shall be proper only in the federal court located nearest Liberty's National Office (presently the U.S. District Court in Norfolk, Virginia), or if neither

federal subject matter or diversity jurisdiction exists, in the city or county state court located where Liberty's National Office is (presently the City of Virginia Beach, Virginia).

(c) **Jury Waiver.** In any trial between any of the parties hereto, including present and former employees and agents of Liberty, which in any way relates to or arises out of this Agreement, or any of the dealings of the parties hereto, Area Developer and Liberty agree to waive our rights to a jury trial and instead have such action tried by a judge.

(d) **Class Action Waiver.** Area Developer agrees that any claim Area Developer may have against Liberty, including Liberty's past and present employees and agents, shall be brought individually and Area Developer shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against Liberty.

(e) **No Punitive Damages.** In any lawsuit, dispute or claim between or against any of the parties hereto, including present and former agents and employees of Liberty, Area Developer and Liberty agree to waive our rights, if any, to seek or recover punitive damages.

8.9 **Severability.** If any one or more of the provisions in this Agreement or any application of such provision is held to be invalid, illegal or unenforceable in any respect by a competent tribunal, the validity, legality and enforceability of the remaining provisions in this Agreement and all other applications of the remaining provisions will not in any way be affected or impaired by such invalidity, illegality or unenforceability. Further, the obligations within Section 6 above are considered independent of any other provision in this agreement, and the existence of any claim or cause of action by either party to this agreement against the other, whether based upon this agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

8.10 **Notices.** Any notice, authorization, consent or other communication required or permitted under this Agreement must be made in writing and shall be given by mail or courier, postage fully prepaid, or delivered personally, to Liberty's CEO, at Liberty's National Office, presently 1716 Corporate Landing Parkway, Virginia Beach, Virginia 23454, Telephone: (757) 493-8855. Any such notice may also be given to Area Developer in the same manner at the address indicated below the Area Developer's signature on this Agreement or such other more current address as Liberty may have on file for Area Developer. Liberty may also give notice to Area Developer by e-mail.

8.11 **Burdens and Benefits.** This Agreement will be binding upon and will inure to the benefit of the parties, their successors and assigns, as permitted hereunder.

8.12 **Entire Agreement.** This Agreement, including the Schedules, is the entire agreement between Area Developer and Liberty with respect to the subject matter contained herein. This Agreement supersedes all other prior oral and written agreements and understandings between Area Developer and Liberty with respect to the subject matter herein. However, nothing in this or any related agreement is intended to disclaim the representations Liberty made in the franchise disclosure document Liberty furnished to Area Developer.

8.13 **Amendment and Waiver.** No amendment, change, or modification of this Agreement and no waiver of any right under this Agreement will be effective unless in a written document that is signed by an authorized representative of each party. No failure to exercise and no delay in exercising any right under this Agreement will operate as a waiver.

8.14 **Financing.** If Liberty provides financing, Area Developer must submit annual financial information to Liberty including, but not limited to, income statements, balance sheets, and supporting documents. Area Developer agrees to submit the required information at the time and in the format specified by Liberty.

9. DEATH OR INCAPACITY

9.1 **Assistance and Reimbursement.** In the event of the death or incapacity of Area Developer, Liberty is entitled, but not required, to render assistance to maintain smooth and continued provision of Services. Liberty shall be entitled to reimbursement from Area Developer or Area Developer's estate for reasonable expenditures incurred.

9.2 **Required Time Frames.** Pursuant to this Section, death or incapacity shall not be grounds for termination of this Agreement unless either:

(a) Area Developer or his/her legal representative fails for a period of 180 days after such death or incapacity to commence action to assign this Agreement according to controlling state law regarding the affairs of a deceased or incapacitated person and the terms of this Agreement; or,

(b) Such assignment is not completed within one year after death or incapacity.

9.3 **Termination for Death or Incapacity.** Liberty shall have the right to terminate this Agreement if one of the conditions in Section 9.2 is not satisfied within the time frame provided. Nothing in this Section shall be construed to limit the provisions of Section 7 regarding termination. Further, the terms and conditions of Section 8.4 above apply to a transfer upon death or incapacity, in the same manner as such terms and conditions apply to any other transfer to a non-Affiliate.

10. CONFIDENTIAL INFORMATION

10.1 **Disclosure.** Liberty possesses confidential information including, but not limited to, methods of operation, service and other methods, techniques, formats, specifications, procedures, information, system, customer information, marketing information, trade secrets, intellectual property, knowledge of and experience in operating and franchising offices, operating as an Area Developer ("Confidential Information"). Liberty may disclose some or all of the Confidential Information (oral, written, electronic, or otherwise) to Area Developer and Area Developer's representatives. During the term of this Agreement and following the expiration or termination of this Agreement, Area Developer covenants not to directly or indirectly communicate, divulge, or use Confidential Information for its benefit or the benefit of any other person or legal entity except as specifically provided by the terms of this Agreement or permitted by Liberty in writing. Upon the expiration, termination or nonrenewal of this Agreement, Area Developer agrees that it will never use or disclose, and will not permit any of its representatives

to use or disclose, our Confidential Information in any manner whatsoever, including, without limitation, in the design, development or operation of any business which provides services substantially similar to those stated herein. This provision shall not apply to information that: (a) at the time of disclosure is readily available to the public; (b) after disclosure becomes readily available to the trade or public other than through breach of this Agreement; (c) is subsequently lawfully and in good faith obtained by Area Developer from an independent third party without breach of this Agreement; (d) was in Area Developer's possession prior to the date of Liberty's disclosure to Area Developer; or (e) is disclosed to others in accordance with the terms of a prior written authorization between Area Developer and Liberty. The protections granted in this Section shall be in addition to all other protections for Confidential Information provided by law or equity.

10.2 **Interest.** Area Developer will acquire no interest in Liberty's Confidential Information but is provided the right to use the Confidential Information disclosed for the purposes of developing and operating pursuant to this Agreement. Area Developer acknowledges that it would be an unfair method of competition to use or duplicate any Confidential Information other than in connection with the operation under this Agreement. No part of the Liberty franchise system nor any document or exhibit forming any part thereof shall be distributed, utilized or reproduced in any form or by any means, without our prior written consent.

10.3 **Use In Term.** Area Developer agrees that it will (a) refrain from using the Confidential Information for any purpose other than the operation pursuant to this Agreement; (b) maintain absolute confidentiality of Confidential Information during and after the term of this Agreement; (c) not make unauthorized copies of any portion of Confidential Information; and (d) adopt and implement all reasonable procedures, including but not limited to, those required by Liberty, to prevent unauthorized use of or disclosure of Confidential Information, including but not limited to, restrictions on disclosure to employees of Area Developer and the use of nondisclosure and non-competition clauses in employment agreements with employees that have access to Confidential Information.

10.4 **Use Following Term.** Upon termination of this Agreement, Area Developer will return to Liberty all Confidential Information embodied in tangible form, and will destroy, unless otherwise agreed, all other sources which contain or reflect any such Confidential Information. Notwithstanding the foregoing, Area Developer may retain Confidential Information solely for insurance, warranty, claims and archival purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

11. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts shall constitute one and the same instrument.

12. HEADINGS

The headings of the various sections of this Agreement have been inserted for reference only and shall not be deemed to be a part of this Agreement.

13. AGREEMENT

The Area Developer named at the top of the following page agrees to abide by the terms of this Agreement. The signature of an individual or individuals constitutes their personal agreement to such terms. The signature of an individual or individuals on behalf of an entity constitutes the entity's agreement to such terms.

In addition, the Area Developer signatures of all individuals to this Agreement in, any capacity, also constitute their personal joint and several agreement to perform all the obligations in and relating to this Agreement, including, but not limited to, the obligations stated in **Section 8.8 above concerning governing law, including, but not limited to, the application of Virginia law, the jurisdiction and venue clause, the jury waiver, the class action waiver, and the limitation to compensatory damages only,** the obligation to make payments specified herein, pay any other promissory notes and other debts due to Liberty, and pay for products later ordered from Liberty. All signators on the following page waive any right to presentment, demand or notice of non-performance and the right to require Liberty to proceed against the other signators.

Area Developer: Mufeed Haddad **Entity Number:** 7700

SIGNATORS:

By: [signature] (Signature)

MUFEED HADDAD (Printed Name)

Title:

Address: 3793 QUARTER HORSE DR
YORBA LINDA, CA. 92886

Ownership Percentage: 100 %

By: (Signature)

(Printed Name)

Title:

Address:

Ownership Percentage: ____%

By: (Signature)

(Printed Name)

Title:

Address:

Ownership Percentage: ____%

By: (Signature)

(Printed Name)

Title:

Address:

Ownership Percentage: ____%

JTH TAX, INC. d/b/a
LIBERTY TAX SERVICE

By:

Printed Name: John Hewitt

Title: CEO

Effective Date: 2/28/14

Charleston-Hunting, WV-KY-OH

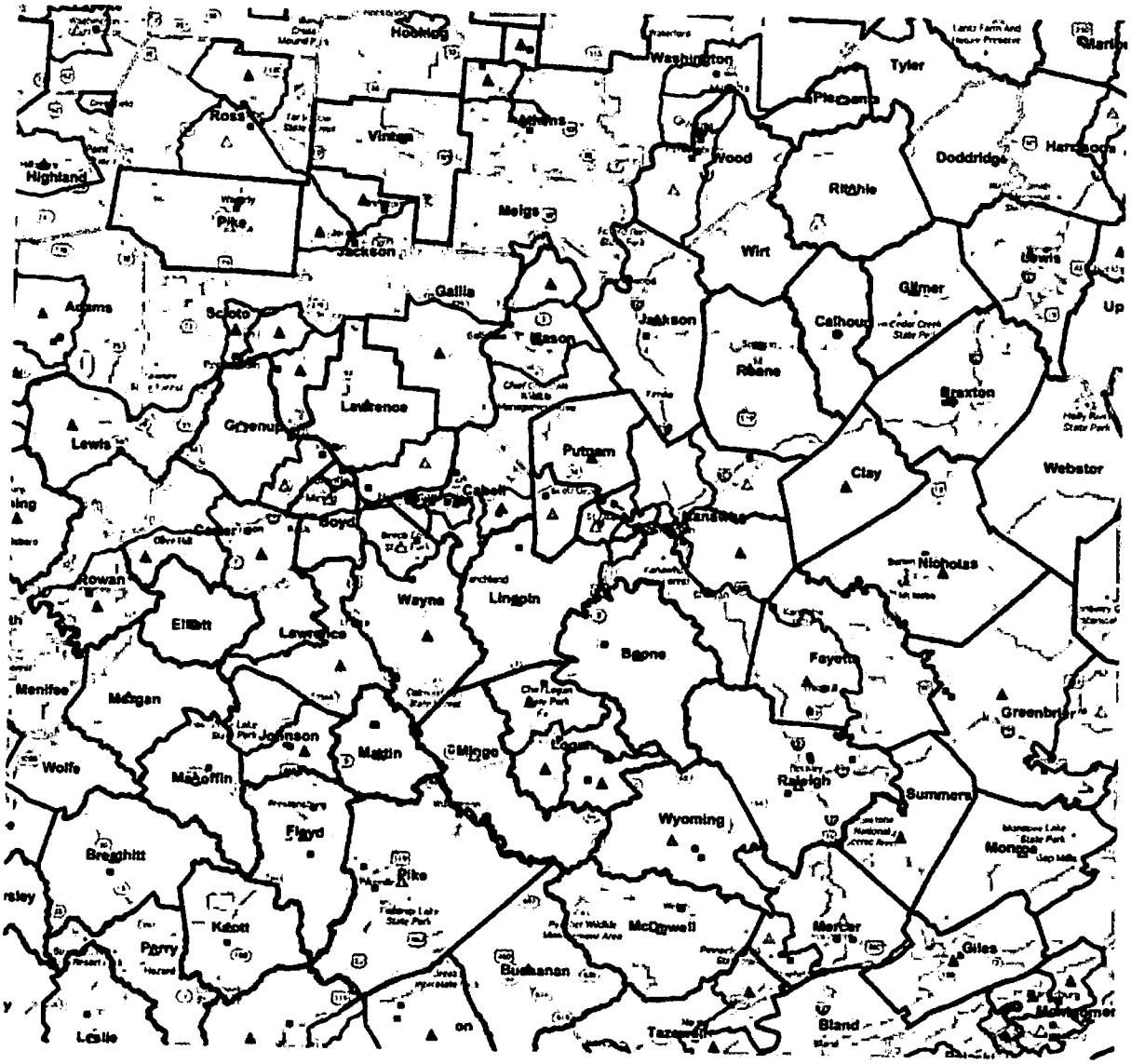
Schedule A

TERRITORY

The counties of :

Boyd County, KY
Carter County, KY
Elliott County, KY
Floyd County, KY
Greenup County, KY
Johnson County, KY
Lawrence County, KY
Lewis County, KY
Martin County, KY
Pike County, KY
Athens County, OH
Gallia County, OH
Jackson County, OH
Lawrence County, OH
Meigs County, OH
Scioto County, OH
Vinton County, OH
Boone County, WV
Braxton County, WV
Cabell County, WV
Calhoun County, WV
Clay County, WV
Jackson County, WV
Kanawha County, WV
Lincoln County, WV
Logan County, WV
Mason County, WV
Mingo County, WV
Nicholas County, WV
Putnam County, WV
Roane County, WV
Wayne County, WV
Wirt County, WV

currently divided by JTH Tax, Inc. into 59 Franchise Territories.


Hocking
Washington
Tyler
Ross
Vinton
Athens
Wood
Doddridge
Highland
Pike
Meigs
Ritchie
Jackson
Wirt
Gallia
Gilmer
Adams
Scioto
Mason
Jackson
Calhoun
Roane
Braxton
Lawrence
Lewis
Putnam
Clay
Webster
Boyd
Kanawha
Nicholas
Rowan
Wayne
Lincoln
Elliott
Boone
Fayette
Menifee
Morgan
Greenbrier
Johnson
Martin
Mingo
Wolfe
Magoffin
Raleigh
Summers
Wyoming
Floyd
Monroe
Breathitt
Pike
Knott
McDowell
Mercer
Giles
Perry
Buchanan
Bland
Leslie

Schedule B

MINIMUM REQUIREMENTS

At closing there are 15 JTH Tax, Inc. d/b/a Liberty Tax Service ("Liberty") franchise territories with an active Liberty office currently within Area Developer's Territory, and operating pursuant to franchise agreements by and between Liberty and each Franchisee that is a party to a franchise agreement ("existing active territories"). Area Developer agrees to maintain the number of existing active territories and agrees to identify and secure additional candidates/Franchisees such that the following cumulative minimum development obligations are met during the term of the Area Developer Agreement:

Development Period Ending	**Cumulative Number of Liberty Tax Service Effective Franchise Agreements in Operation with an Active Liberty Office**
April 30, 2014	15
April 30, 2015	16
April 30, 2016	17
April 30, 2017	18
April 30, 2018	19
April 30, 2019	20
April 30, 2020	21
April 30, 2021	23
April 30, 2022	25
April 30, 2023	29
April 30, 2024	33

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	Case No. 2:19-cv-653
	)	
v.	)	
	)	
FRANCHISE GROUP INTERMEDIATE L 1, LLC, d/b/a LIBERTY TAX SERVICE,	)	
	)	
Defendant.	)	

COMPLAINT

The United States brings this Complaint pursuant to 26 U.S.C. (the Internal Revenue Code ("I.R.C.")) § 7402(a) for entry of an order requiring Defendant, Franchise Group Intermediate L 1, LLC, doing business as Liberty Tax Service and formerly operated within sub-entities of Liberty Tax, Inc. and JTH Holding, Inc. ("Liberty Tax"), and all those in active concert or participation with Liberty Tax, to refrain from specific acts, to enact and/or maintain specific controls to prevent the preparation of false or fraudulent tax returns at Liberty Tax Service stores, and to prevent the transmission of false or fraudulent tax returns by Liberty Tax to the IRS.

Jurisdiction and Venue

1. Jurisdiction is conferred on this Court by 26 U.S.C § 7402(a), granting that "[t]he district courts of the United States at the instance of the United States shall have such jurisdiction to make and issue in civil actions, writs and orders of injunction … and such other orders and processes, and to render such judgments and decrees as may be necessary or appropriate for the enforcement of the internal revenue laws."

2. Venue is proper in this Court pursuant to 28 U.S.C. § 1391(b) because a substantial portion of the events giving rise to this action occurred within this judicial district, and Liberty Tax conducts business in this judicial district.

Defendant

3. Franchise Group Intermediate L 1, LLC ("Liberty Tax") is a subsidiary of Franchise Group, Inc., a publicly traded, Delaware corporation headquartered in Virginia Beach, Virginia.

4. Liberty Tax markets tax return preparation services throughout the United States and Canada. Among its operations, Liberty Tax owns Liberty Tax Service-branded store locations and contracts with others as a franchisor of tax preparation stores branded as Liberty Tax Service (or operating as other brands).

5. John T. Hewitt established the Liberty Tax Service brand, founded the company, and opened its first store locations in the United States in 1998. Hewitt served as the Chief Executive Officer of the company up to 2017. Until 2018, Hewitt was Chairman of the company's Board of Directors and controlling shareholder with the authority to select a majority of the board members.

6. To expand the business, Liberty Tax engages third parties, known as "area developers," to sell the rights to franchise territories throughout the United States. According to Liberty Tax, these area developers, in addition to having responsibility for selling Liberty Tax Service franchises, also serve as a "mentor and coach" responsible for "assist[ing]" other owners of Liberty Tax Service franchises within defined geographic areas with "all facets of [their] business, including office site selection and operational guidance, including marketing, training,

and staffing." Area developers typically receive 50% of both the franchise fee and royalties owed by franchisees under Liberty Tax Service franchise agreements.

7. According to the annual report filed by Liberty Tax, Inc. with the SEC in 2019, Liberty Tax has more than 2,800 franchise and company-owned tax return preparation offices in the United States. Liberty Tax also directly owns tax preparation stores. However, most Liberty Tax Service stores throughout the United States operate as franchisees in over 1,400 separate franchise territories, which in some instances include multiple store locations. Between 2015 and 2019, through the stores it owned directly and franchised throughout the United States, Liberty Tax filed approximately 1.3 to 1.9 million tax returns each year on behalf of its customers, making it one of the largest tax preparation businesses in the United States.

8. Typically, tax return preparers at Liberty Tax franchise and company-owned stores prepare federal income tax returns at individual store locations using Liberty Tax software, which transmits each tax return electronically to Liberty Tax. Liberty Tax, in turn, electronically files each federal tax return with the IRS.

9. For tax years from 2012 to 2018, over 88% of the electronically filed federal income tax returns prepared at stores Liberty Tax owned directly or franchised in the United States included a claim for a tax refund. In total, those income tax returns claimed over $28 billion in federal tax refunds.

10. In addition to direct control of company-owned stores, under terms of its franchise agreements, operations manuals, and other written guidelines created by Liberty Tax, Liberty Tax maintains a substantial degree of control over operations at Liberty Tax Service franchise locations by, *inter alia*:

A. Mandatory use by franchisees of tax preparation software designed by Liberty Tax that the company distributes to Liberty Tax Service stores.

B. Requiring franchisees to use computers and other equipment that Liberty Tax selects and to consent to Liberty Tax monitoring of franchisee computer systems.

C. Providing hardcopy forms to franchisees for use in collecting information from customers to report on federal income tax returns.

D. Requiring franchisees to establish a management structure at their Liberty Tax Service stores to supervise tax return preparers employed by franchisees.

E. Requiring franchisee store locations to maintain specific hours of operation set by Liberty Tax.

F. Mandatory adherence by franchisees to guidelines established by Liberty Tax for how Liberty Tax Service stores market services to the public and use Liberty Tax trademarks.

G. Requiring franchisees to comply with a common physical layout and appearance for Liberty Tax Service stores, as determined by Liberty Tax.

H. Requiring Liberty Tax franchisees to obtain approval from Liberty Tax for any store location.

I. Mandatory disclosures by franchisees to Liberty Tax of financial information involving store locations (*e.g.* gross receipt reports, profit and loss statements).

J. Requiring franchisees to disclose to Liberty Tax the existence of any IRS or government investigation or audit of their stores and any results of the investigation or audit.

K. Offering financial products approved by Liberty Tax for sale to customers at franchisee-owned Liberty Tax Service stores (and prohibiting use of alternative financial products).

L. Mandatory customer service requirements and adherence to customer service policies by franchisees, as determined by Liberty Tax.

M. Providing loans and funding to franchisees for the operation of their Liberty Tax Service stores.

N. Both mandatory and optional operations and tax preparation training to franchise owners and their employees, including "Tax School" classes designed to train individuals to prepare federal income tax returns.

11. Liberty Tax also maintains control over disbursement of federal tax refunds and distribution of fees charged to customers from the preparation of federal tax returns. Through its franchise and company-owned stores, Liberty Tax offers customers the ability to defer payment of fees charged by Liberty Tax Service stores. For these customers, Liberty Tax obtains custody over federal tax refunds after the IRS disburses them (before franchisees or customers receive any portion of them) and collects fees from the proceeds of the refunds. Typically, Liberty Tax then: (1) retains portions of the refund, either as royalties owed to the company as the franchisor, or as fees owed by customers from the preparation of tax returns at company-owned stores; (2) distributes any portion of the refund due to franchisees as fees owed by the customers from the preparation of the tax return, or applies those fees to outstanding debt owed by the franchisee to Liberty Tax; and (3) disburses any remaining amount of the refund to customers (either directly to the customer or through a Liberty Tax Service location).

12. Liberty Tax's internal systems and the structure of its franchise operation also give the company the control and capability to prevent the filing of potentially false or fraudulent federal tax returns with the IRS. For example:

A. Through use of its tax preparation software and internal analytic tools, Liberty Tax evaluates information reported on federal tax returns prepared at Liberty Tax Service stores, both before and after transmission to the IRS. Liberty Tax can identify tax returns that contain anomalous patterns or potentially false or fraudulent claims, including through use of an alert system that issues "red flag" or "fraud alerts" both internally at Liberty Tax and to store locations.

B. Because store locations prepare tax returns using Liberty Tax software, which transmits each tax return to Liberty Tax prior to filing with the IRS, Liberty Tax has the capability to prevent electronic filing of federal tax returns that it identifies as containing potentially false or fraudulent information.

C. Liberty Tax has the capability to prevent electronic filing of federal tax returns prepared by individual tax return preparers working at store locations it owns or owned by its franchisees, if the tax return includes the correct Preparer Identification Number ("PTIN") of the preparer as required by federal law. Therefore, Liberty Tax can bar individuals from filing tax returns through its systems that it identifies as having filed improper, false, or fraudulent federal tax returns in the past, or identifies as high risk for filing improper, false, or fraudulent federal tax returns.

13. Liberty Tax Service franchise agreements also provide multiple grounds for Liberty Tax to terminate franchise agreements without notice or opportunity to cure. Grounds for termination include a determination by Liberty Tax that a franchisee, or any person under its

supervision and control, has committed a material violation of any law, rule, or regulation of a government agency associated with the operation of the franchise.

Fraud and Misconduct at
Liberty Tax Service Franchise Locations

14. Between 2013 and 2018, the United States filed 10 separate civil law enforcement actions in U.S. District Courts throughout the United States against 12 franchisees of Liberty Tax, or their owners, former owners, or former managers, including:

A. *United States v. Doletzky et al.*, Case No: 8:18-cv-00780-CEH-CPT (M.D. Fla.) (the "Doletzky Litigation"): pending lawsuit against Steven Doletzky, who was a franchisee, Liberty Tax Service area developer, officer of a Liberty Tax insurance subsidiary, and nationwide trainer of Liberty Tax Service franchisees. The Complaint also names Michael Garno and Michael Bass (as well as a company he owned to operate Liberty Tax Service stores) as additional Defendants, each of whom operated separate Liberty Tax Service franchises in the St. Petersburg, Florida area.

B. *United States v. Davis et al.*, Case No: 2:17-cv-10055-DPH-MKM (E.D. Mich.) (the "Davis Litigation"): judgment entered in favor of the United States in September 2017 against a former Liberty Tax Service store manager in Detroit, Michigan;

C. *United States v. Comer et al.*, Case No: 2:16-cv-10299-PDB-SDD (E.D. Mich.) (the "Comer Litigation"): judgment entered in favor of the United States in November 2016 against a Liberty Tax Service franchisee who operated in Detroit, Michigan.

D. *United States v. Haynes,* Case No: 3:16-cv-00373-MGL (D.S.C.) (the "Haynes Litigation"): judgment entered in favor of the United States in October 2016 against a Liberty Tax Service area developer and franchisee in Columbia, South Carolina.

E. *United States v. Kone et al.,* Case No: 1:16-cv-02441-JFM (D. Md.) (the "Kone Litigation"): judgment entered in favor of the United States in August 2016 against a Liberty Tax Service franchisee shortly after her criminal conviction by the State of Maryland arising from her operation of Liberty Tax Service stores in Baltimore.

F. *United States v. Sanchez,* Case No: 8:16-cv-00083-JVS-DFM (C.D. Cal.) (the "Sanchez Litigation"): judgment entered in favor of the United States in March 2016 against a Liberty Tax Service franchisee operating in central California.

G. *United States v. Ahmed, et al.,* Case No: 2:15-cv-11461-GAD-EAS (E.D. Mich.) (the "Ahmed Litigation"): judgment entered in favor of the United States in November 2015 against a Liberty Tax Service franchisee who operated multiple Liberty Tax Service stores in Illinois and Michigan.

H. *United States v. Hueble,* Case No: 8:15-cv-02213-HMH (D.S.C.) (the "Hueble Litigation"): judgment entered in favor of the United States in October 2015 against a franchisee operating Liberty Tax Service stores in South Carolina.

I. *United States v. Brock,* Case No: 1:14-cv-00157-LG-JMR (S.D. Miss.) (the "Brock Litigation"): judgment entered in favor of the United States in April 2014 against a Liberty Tax Service franchisee operating in Mississippi and Florida.

J. *United States v. Leger, et al.,* Case No: 1:13-cv-03153-TWT (N.D. Ga.) (the "Leger Litigation"): judgment entered in favor of the United States in January 2014 against a Liberty Tax Service franchisee in Georgia.

Earned Income Tax Credit Fraud

15. The Earned Income Tax Credit ("EITC") is a benefit for working taxpayers with low to moderate income. The amount of the EITC for which taxpayers may qualify increases in relation to their "earned income" until they reach a certain threshold, over which they become ineligible to claim the EITC. The EITC of a qualifying taxpayer increases with each additional eligible dependent claimed, up to three dependents. Therefore, under some circumstances, a taxpayer may improperly qualify for the EITC by reporting fictitious income.

16. Income that can qualify a taxpayer for the EITC includes:

A. Wage income by employers as reported on federal Forms W-2 and line 7 on Form 1040 federal income tax returns ("W-2 Income");

B. Income earned by individuals who do business as sole proprietorships, which taxpayers report on Schedule C on Form 1040 federal income tax returns ("Schedule C Income"). Individuals with Schedule C Income are subject to self-employment taxes; and

C. Wages earned from household work ("HSH Income"), such as housekeeping, babysitting, gardening, and other services, when the taxpayer's annual income is less than an amount that the IRS requires employers to report on a Form W-2. Taxpayers who properly report HSH Income are not subject to self-employment taxes.

17. Unlike W-2 Income, the IRS does not receive independent verification from an employer of the existence and amount of a taxpayer's Schedule C Income or HSH Income. Therefore, the accuracy of Schedule C Income and HSH Income reported on a federal income tax return used to claim the EITC depends upon the taxpayer and his/her tax return preparer.

18. The IRS estimates that between 21% and 26% of EITC claims are paid in error – both due to unintentional error as well as intentional disregard of the law. Given the potential for abuse in claiming the EITC, Congress authorized the Secretary of the Treasury to impose due diligence requirements on federal tax return preparers claiming the EITC for their customers. Due diligence requirements mandate that a tax return preparer must conduct an inquiry to verify whether his/her customer qualifies for the EITC amount claimed and must not know, or have reason to know, that any information used by the tax return preparer in determining the taxpayer's eligibility for, or the amount of, the EITC is incorrect. To verify compliance with due diligence requirements, a due diligence questionnaire must be submitted to the IRS along with any claim for the EITC.

19. In addition, federal law requires tax return preparers to retain records of individuals for whom they prepare federal tax returns, including copies of documents the preparer relied upon when preparing a federal tax return that claims the EITC. Liberty Tax Service stores typically retain these records in hardcopy customer files located either at each store or storage locations near each store.

20. A substantial portion of the tax returns prepared at Liberty Tax franchise and company-owned store locations and electronically filed with the IRS by Liberty Tax claim the EITC. For tax years from 2012 to 2018, approximately 41% of federal income tax returns that Liberty Tax electronically filed with the IRS included a claim the EITC – more than double the proportion compared against all other federal income tax returns electronically filed with the IRS during that period. In total, the EITC claimed by federal tax returns electronically filed by Liberty Tax during this timeframe exceeded $12 billion.

21. At the Liberty Tax Service stores operated by 10 of the 12 individuals sued in the civil law enforcement actions commenced by the United States referenced above, including against Doletzky, Garno, Bass, Davis, Comer, Haynes, Kone, Sanchez, Ahmed, and Hueble, tax return preparers committed EITC fraud and violations of earned income due diligence requirements when reporting Schedule C Income on federal income tax returns. Specifically, during a period from 2010 to as recently as 2016, employees of Liberty Tax Service stores owned or operated by these Liberty Tax Service franchisees (and in some instances, these individuals personally) prepared federal income tax returns for customers that claimed false EITCs by:

A. Reporting Schedule C Income for businesses that did not exist.

B. Reporting inflated Schedule C income for customers who had Schedule C businesses in order to increase the amount of the claimed EITC.

C. Ignoring earned income due diligence requirements by failing to ask questions to customers appearing on due diligence forms, reporting false responses to due diligence questions, or otherwise failing to make reasonable inquiries as to whether the Schedule C Income as well as Schedule C expenses reported on the tax return were accurate or existed.

D. Failing to comply with federal law requiring retention of customer records within Liberty Tax Service customer files to support claims for the EITC, including documents that preparers reported on federal income tax returns as records they relied upon to claim the EITC.

E. Completing blank forms provided by Liberty Tax with false information to include in customer files to give the appearance that preparers interviewed customers to reconstruct Schedule C Income when customers lacked business records.

22. Similarly, at four of the Liberty Tax franchisees sued by the United States (Kone, Doletzky, Bass, and Garno), employees of these Liberty Tax Service stores (and in some instances, these individuals personally) prepared federal income tax returns that reported false HSH Income in order to claim the EITC for customers. Each of these four Liberty Tax franchisees recruited customers, including homeless individuals, and then prepared fraudulent federal income tax returns on their behalf that reported fake HSH Income to claim the EITC or incorrectly reported Schedule C Income as HSH Income, thereby evading self-employment taxes. For example:

A. In 2015, the Liberty Tax Service franchise owned and operated by Kone prepared over 1,000 tax returns that claimed HSH Income and the EITC. The fraudulent tax returns included over 350 tax returns that each reported the exact same amount of HSH Income ($6,400) and over 300 tax returns that each reported exactly $7,200 of HSH Income.

B. At Liberty Tax Service stores operated by Doletzky, as a result of instructions he gave to his employees, during 2014 over 20% of federal income tax returns (*i.e.*, over 800 tax returns) prepared at his offices claimed HSH Income and the EITC. Doletzky's employees: (a) concocted non-existent HSH Income to report on tax returns and claim the EITC without the customers' knowledge; (b) claimed HSH Income on tax returns to qualify the customer for the EITC for work that should have been reported as Schedule C Income subject to self-employment taxes; and (c) reported HSH

Income and claimed the EITC on tax returns for customers who signed blank HSH forms that included no information as to the amount or source of *any* income.

23. Liberty Tax transmitted tax returns to the IRS, prepared at Liberty Tax Service stores operated by Doletzky, Garno, Bass, Davis, Comer, Haynes, Kone, Sanchez, Ahmed, and Hueble, that reported false Schedule C and/or HSH Income and made fraudulent claims for the EITC. Liberty Tax had notice (or should have had notice) of EITC fraud involving Schedule C and HSH Income at Liberty Tax Service franchise locations, but failed to take adequate measures to stop the practice. For example:

A. Liberty Tax tracked data showing anomalous patterns involving Schedule C and EITC claims on tax returns prepared at Liberty Tax Service franchise locations that the United States later sued in U.S. District Court, including risk assessments of potential fraud. In response to these reports, however, Liberty Tax neither conducted sufficient inquiries, such as onsite reviews of these store locations, to stop Schedule C/EITC fraud, nor otherwise required these franchisees to provide Liberty Tax with support to verify claims for the EITC based on Schedule C Income.

B. Federal tax returns prepared at locations owned by these Liberty Tax Service franchisees that claimed false HSH Income used nearly identical forms that franchisees distributed among themselves. Liberty Tax neither required franchisees to obtain approval for these forms, nor adequately examined practices at these Liberty Tax Service franchisees involving these forms. A review of customer files at franchisee locations by Liberty Tax, including these HSH forms, would have revealed the fraudulent nature of HSH Income/EITC claims at Liberty Tax Service stores because: (1) non-compliance with EITC due diligence requirements and the absence of documentation

substantiating reported HSH Income was evident from the HSH forms and associated customer files; (2) the forms often reported income that, even if valid, could not qualify as HSH Income because the income did not derive from household work, was in fact Schedule C Income, and thereby evaded customer payment of self-employment taxes; and (3) the use of these identical or near-identical forms across multiple Liberty Tax Service franchisees revealed a pattern of their misuse and improper claims of HSH Income across multiple Liberty Tax Service franchisees.

C. In early January 2014, Liberty Tax, including its CEO at the time, John T. Hewitt, received complaints that franchisees had prepared tax returns with potentially false HSH Income/EITC claims. Despite these complaints, the number of e-filed tax returns transmitted to the IRS by Liberty Tax claiming HSH Income rose and the problem continued throughout the 2014 and later tax seasons. Specifically:

(i) EITC fraud involving HSH Income continued at Liberty Tax Service stores owned by Kone and Doletzky after Hewitt received complaints in 2014, continued as recently as 2015 at the Liberty Tax Service franchise owned by Garno, and as recently as 2016 at Liberty Tax Service stores owned by Bass (through his company).

(ii) As early as 2014, Liberty Tax programed its alert system to issue "fraud" or "red flag" alerts internally at Liberty Tax and to franchisees to identify franchisees that transmitted tax returns to Liberty Tax with abnormally high claims of HSH Income that included EITC claims, but the problem continued to at least 2016.

(iii) For the 2013 tax year (typically tax returns prepared in 2014), by the end of that tax season in April 2014, the number of tax returns Liberty Tax transmitted to the IRS that claimed HSH Income grew by 35% compared against e-filed tax returns for the 2012 tax year (typically tax returns prepared in 2013). Even as late as the 2014 tax year (typically tax returns prepared in 2015), the number of tax returns Liberty Tax transmitted to the IRS that claimed HSH Income was 24% above the volume filed for the 2012 tax year.

D. Although Liberty Tax had the right to terminate franchisees for violation of federal tax laws and regulations without notice under its franchise agreements, Liberty Tax failed to exercise this right, even in circumstances when it identified violations involving the EITC. In 2016, for example, Liberty Tax conducted an onsite compliance review of Garno's customer files, found errors in over 80% of the reviewed customer files that claim the EITC, and gave Garno an overall EITC compliance grade of "F." Nevertheless, Liberty Tax only terminated Garno as a Liberty Tax franchisee after the United States initiated a civil enforcement action against him in 2018.

Improper Dependent Claims, False Expenses, Fraudulent Claims for Refundable Education Credits, and PTIN Violations

24. In addition to inflating income to claim improper EITC refunds, a pattern of additional misconduct existed at Liberty Tax Service franchisees that included the 12 franchisees, owners, former owners, or former managers sued by the United States in the civil enforcement actions described above. From as early as 2012 to as recently as 2017, these Liberty Tax Service franchisees prepared federal income tax returns that included improper dependent claims, false claims for expenses, fraudulent claims for refundable education credits, and violations of federal Preparer Tax Identification Number ("PTIN") regulations as follows:

A. Nine of the 12 Liberty Tax franchisees or franchisee managers that the United States filed civil enforcement actions against, referenced above, also claimed improper dependents on federal income tax returns (Doletzky, Garno, Bass, Davis, Comer, Haynes, Sanchez, Ahmed, and Hueble). Typically, these claimed dependents had a relationship to the customer, but the preparer at the Liberty Tax franchise location either knew that the dependent did not qualify for that status, or failed to make sufficient inquiries to determine whether the claimed dependent qualified for that status. These dependent claims, in turn, resulted in erroneous tax refunds for tax returns claiming improper head-of-household filing status, child tax credits, or inflated EITC refunds.

B. Fraudulent claims for expenses reported on tax returns prepared at Liberty Tax Service stores occurred at 8 of the 12 Liberty Tax franchisees/franchisee managers listed above (Doletzky, Garno, Davis, Comer, Haynes, Sanchez, Ahmed, and Hueble). These expenses improperly reduced the federal income tax liabilities of Liberty Tax customers. In each instance, tax return preparers employed at the Liberty Tax franchised stores either reported bogus expenses on Schedule A of federal tax returns (*e.g.*,

unreimbursed employee expenses, medical expenses, mileage expenses in connection to employment), or fictitious losses from a sole proprietorship reported on Schedule C of federal income tax returns.

C. For 6 of the 12 Liberty Tax franchisees referenced above (Doletzky, Garno, Bass, Ahmed, Brock, and Leger), their employees prepared federal income tax returns that included false claims for refundable education credits. These credits were available to taxpayers with qualified education expenses at eligible educational institutions. Because these credits were refundable, if the credit reduced the tax to less than zero, the taxpayer received a tax refund. For example, customer tax returns prepared at Liberty Tax Service stores owned by Doletzky, Bass, and Garno (either individually or through their companies) claimed over 1,200 false education credits between 2013 and 2015 from educational institutions that never reported those expenses on IRS Forms 1098-T, which colleges and universities use to report education expenses to the IRS.

D. Preparer Tax Identification Number ("PTIN") violations occurred at multiple Liberty Tax franchises. Anyone who prepares or assists in preparing federal tax returns for compensation must have a valid PTIN issued by the IRS. Paid preparers must include their PTIN on each tax return they prepare and file with the IRS, and the IRS prohibits individuals from sharing PTINs. PTINs serve as an essential part of tax administration and the Government's effort to ensure compliance with the internal revenue laws by allowing the IRS to identify paid tax preparers on tax returns. At Liberty Tax Service stores owned or operated by five of the Liberty Tax franchisees referenced above (Doletzky, Garno, Bass, Comer, and Haynes), each improperly

employed individuals without PTINs to prepare tax returns and/or allowed employees to share PTINs.

25. Liberty Tax was capable of tracking (or in fact did track) each form of misconduct described in Paragraph 24 and had the ability, both in practice and legally under its franchise agreements, to take additional measures to prevent violations of federal law or terminate franchisees for those violations. For example:

A. Liberty Tax issued "red flag" or "fraud alerts" for franchisees that prepared unusually high numbers of tax returns that claimed refundable education credits. Nevertheless, Liberty Tax either took no action or took insufficient additional measures in response, such as onsite reviews of Liberty Tax Service stores. Onsite reviews or even remote reviews of customer files would have revealed the presence of unreliable (including incomplete and blank) "Education Expenses Detail Sheets" distributed among Liberty Tax franchisees to purportedly substantiate education credits in place of Forms 1098-T.

B. Liberty Tax's systems tracked PTIN use. For example, in 2014, from those systems, Liberty Tax's compliance personnel knew that at one of Doletzky's Liberty Tax Service stores, of 1,597 tax returns prepared during that year, implausibly, 1,528 (*i.e.*, nearly 97%) of those returns identified two individuals as the only preparers of the returns.

C. Similarly, had Liberty Tax taken measures to review customer files located at these Liberty Tax Service stores, the company would have discovered the absence of required supporting documentation for claimed expenses reported on tax returns to improperly reduce customers' federal income tax liabilities. These steps would

have also revealed inconsistent or lack of any documentation to support dependent claims reported on tax returns.

"Elite 18" and "Million Dollar Club" Franchisees

26. Liberty Tax marketed franchisees it considered top performers in the Liberty Tax Service system as examples for other franchisees to follow, including at meetings and events held by Liberty Tax for its franchisees.

27. Liberty Tax designated certain franchisees as the "Elite 18" of the Liberty Tax Service system. In April 2012, according to Liberty Tax, this status was "reserved" for top franchisees and "was created to recognize a special category of franchisees who's [sic] performance and attitude have set the standard for the [Liberty Tax Service] organization." Liberty Tax invited franchisee members of the "Elite 18" to attend special events, such as retreats led by senior executives of Liberty Tax.

28. Similarly, Liberty Tax created what it designated as the "Million Dollar Club" and selected franchisees to be its members. In September 2013, according to Liberty Tax, "[t]his club was formed to provide specialized trainings to select franchisees who have demonstrated an elevated pattern of success in the hopes that they will join the exclusive rank of 'Elite 18,' a group of franchisees who represent [the] highest revenue producing entities." Liberty Tax informed franchisees that "[p]articipants of the Million Dollar Club [would] be invited to attend specialized training and conference calls held throughout the year," including meetings with Liberty Tax's then "CEO, John Hewitt and other franchisees producing at their level to discuss issues they deem important."

29. Liberty Tax focused on the financial performance of franchisees when designating franchisees as "Elite 18" members or members of the "Million Dollar Club," while failing to

maintain adequate controls to scrutinize the tax return preparation practices of those franchisees and/or failing to timely terminate franchisees despite indications of improper or fraudulent tax return preparation practices.

30. Of the 12 Liberty Tax franchisee Defendants referenced above, Liberty Tax designated 6 of them as members of the "Elite 18" or the "Million Dollar Club," including Doletzky (Elite 18), Comer (Elite 18), Haynes (Million Dollar Club), Kone (Million Dollar Club), Sanchez (Elite 18), and Ahmed (Elite 18).

Necessity for an I.R.C. § 7402(a) Order

31. Liberty Tax's annual report filed in 2019 admitted that the company "did not maintain effective internal control over financial reporting as of April 30, 2019," and "[t]he control environment, risk assessment, control activities, information and communication, and monitoring controls were not effective. 'Tone at the top' issues contributed to an ineffective control environment." Moreover, that annual report also disclosed weaknesses in "contemplating fraud risks," "identifying and assessing changes in the business that could impact the system of internal controls," and:

> [M]aterial weakness relating to: (i) commitment to integrity and ethical values, (ii) the ability of the Board of Directors to effectively exercise oversight of the development and performance of internal control, as a result of failure to communicate relevant information within the organization and, in some cases, withholding information, (iii) appropriate organizational structure, reporting lines, and authority and responsibilities in pursuit of objectives, (iv) commitment to attract, develop, and retain competent individuals, and (v) holding individuals accountable for their internal control related responsibilities.

32. As described in detail above, common forms of tax fraud and tax law violations occurred across Liberty Tax Service franchisees, including the following (with an "X" indicating a common form of fraud/tax law violation):

	Earned Income Tax Credit Fraud (fake income)	*Fabricated Expenses (Schedule A or Schedule C)*	*False or Improper Dependents*	*Fraudulent Claims for Education Credits*	*PTIN Violations*
Doletzky Litigation (Doletzky)	**X**	**X**	**X**	**X**	**X**
Doletzky Litigation (Garno)	**X**	**X**	**X**	**X**	**X**
Doletzky Litigation (Bass)	**X**		**X**	**X**	**X**
Davis Litigation	**X**	**X**	**X**		
Comer Litigation	**X**	**X**	**X**		**X**
Haynes Litigation	**X**	**X**	**X**		**X**
Kone Litigation	**X**				
Sanchez Litigation	**X**	**X**	**X**		
Ahmed Litigation	**X**	**X**	**X**	**X**	
Hueble Litigation	**X**	**X**	**X**		
Brock Litigation				**X**	
Leger Litigation				**X**	

33. In sum, Liberty Tax's failure to maintain adequate controls over financial reporting extended to controls over tax returns prepared by its franchisees that it transmitted to the IRS. For each of the forms of fraud or improper claims reported on federal income tax returns addressed above, Liberty Tax tracked information that revealed anomalies that warranted further investigation or action by Liberty Tax. Liberty Tax, however, failed to take sufficient measures to prevent fraud and errors on tax returns prepared at its stores. In many cases, Liberty

Tax only terminated franchisees that filed fraudulent federal tax returns after the United States or other law enforcement agencies commenced actions against the franchisee. Liberty Tax knew or should have known of misconduct at Liberty Tax Service franchisees and failed to timely or to effectively act to prevent the continued filing of false or fraudulent federal income tax returns. For these reasons, an Order issued by this Court under I.R.C. § 7402(a) requiring Liberty Tax to take specific tax law compliance measures and implement and/or maintain specific controls to prevent the filing of false or fraudulent federal tax returns is "necessary or appropriate for the enforcement of the internal revenue laws."

34. Moreover, the scope of the resources spent by the United States to date to enforce tax law compliance at Liberty Tax Service stores, as well as the harm discovered as a result, provide further support for the necessity and appropriateness of an Order by this Court under I.R.C. § 7402(a). Specifically:

A. For tax years from 2012 to 2016, the IRS has examined thousands of tax returns prepared at Liberty Tax Service stores and assessed over 25,000 separate penalties against tax return preparers for tax returns prepared at Liberty Tax's franchises and company-owned tax return preparation stores.

B. For tax years from 2012 to 2017, the IRS conducted over 28,000 audits of Liberty Tax Service customer tax returns (excluding audits where a taxpayer failed to respond to the IRS's notification of the audit). The IRS found that over 20,000 of their federal tax returns (*i.e.*, over 70%) prepared at Liberty Tax Service stores required changes to correct false or incorrect items reported on each return.

C. Since 2012, IRS agents spent over 20,000 hours investigating Liberty Tax Service franchisees for potential referrals to the Department of Justice to commence civil

enforcement actions against them, or otherwise supported Department of Justice attorneys in filed civil actions in U.S. District Courts.

D. Since 2012, litigation teams at the Tax Division of the Department of Justice spent over 8,000 hours to date on the 10 individual franchise cases filed in U.S. District Courts (referenced above) on both pre-suit matters and post-filing of complaints.

35. As addressed above, Liberty Tax Service files over 1 million tax returns each year and is one of the largest tax preparation companies in the United States. Liberty Tax has the capacity to maintain and, ultimately, improve controls to prevent the filing of false or fraudulent federal tax returns with the IRS. At the same time, the United States, including the IRS, has finite resources to detect false or fraudulent federal income tax returns, recoup improper tax refunds, and initiate civil enforcement actions in U.S. District Courts. Therefore, court-ordered enhancements to Liberty Tax's tax law compliance measures through an Order under I.R.C. § 7402(a) are "necessary or appropriate for the enforcement of the internal revenue laws."

REQUESTED RELIEF UNDER I.R.C. § 7402(a)

36. The United States incorporates by reference paragraphs 1 through 35.

37. Under I.R.C. § 7402(a), this District Court has "such jurisdiction to make and issue in civil actions, writs and orders of injunction … and such other orders and processes, and to render such judgments and decrees as may be necessary or appropriate for the enforcement of the internal revenue laws."

38. Unless the Court enters an order pursuant to I.R.C. § 7402(a) that requires Liberty Tax to refrain from specific acts and to enact and/or maintain specific controls to prevent the preparation of false or fraudulent tax returns at Liberty Tax Service stores, Liberty Tax Service stores are likely to continue to engage in improper conduct, including the preparation of false or

fraudulent federal income tax returns. Without an I.R.C. § 7402(a) order, the United States will suffer irreparable injury by wrongfully providing federal income tax refunds to individuals not entitled to receive them.

39. The irreparable injury posed by the United States if the Court does not enter an I.R.C. § 7402(a) order outweighs the harm to Liberty Tax – in this instance the financial cost of maintaining and enhancing Liberty Tax's controls to prevent the preparation of false or fraudulent tax returns at Liberty Tax Service stores.

40. An order pursuant to I.R.C. § 7402(a) is in the public interest because, backed by the Court's contempt power if needed, it will cause Liberty Tax to refrain from specific acts and to enact and/or maintain specific controls to prevent the preparation of false or fraudulent tax returns at Liberty Tax Service stores. The impact of an I.R.C. § 7402(a) order, and the resulting benefit to the public fisc from the filing of accurate federal income tax returns is a particularly compelling public interest given the size of Liberty Tax's business – transmitting over 1 million federal income tax returns to the IRS each year.

41. Pursuant to I.R.C. § 7402(a), the Court should enter an order requiring Liberty Tax, and all those in active concert or participation with Liberty Tax, to enact and/or maintain specific controls to prevent the preparation of false or fraudulent tax returns at Liberty Tax Service stores and to prevent the transmission of false or fraudulent tax returns by Liberty Tax to the IRS.

WHEREFORE, the United States seeks, *inter alia*, a Section 7402(a) Order that:

A. Permanently bars Liberty Tax from hiring or otherwise engaging John T. Hewitt, founder and former chief executive officer of Liberty Tax, as an executive, advisor, consultant, employee, area developer, or franchisee of Liberty Tax as well as from

nominating John T. Hewitt to Liberty Tax's board of directors (or the board of directors of any parent entity or entities of Liberty Tax) or granting John T. Hewitt any options or other rights to acquire any equity interest in Liberty Tax (or any parent entity or entities of Liberty Tax).

B. Requires Liberty Tax to fully disclose in writing to the United States the content and findings of any internal or external review or investigation within the past sixty (60) months of officers or employees of Liberty Tax that found violations under Title 26 of the U.S. Code by the officer or employee or any willful, reckless, or negligent failure by the officer or employee to prevent violations of Title 26 of the U.S. Code.

C. Permanently bars Liberty Tax from hiring or otherwise engaging as officers or employees of Liberty Tax any individual who:

1. Violated Title 26 of the U.S. Code or willfully, recklessly, or negligently failed to prevent violations of Title 26 of the U.S. Code according to any internal or external review or investigation conducted by Liberty Tax;
2. Liberty Tax terminated in whole or in part due to a failure, individually or through ownership of any entity, to comply with federal tax laws; and
3. Based on inquiry by Liberty Tax had an Electronic Filing Identification Number ("EFIN") revoked by the IRS (that was not subsequently reinstated by the IRS), had a Preparer Tax Identification Number ("PTIN") revoked by the IRS (that was not subsequently reinstated by the IRS), was assessed penalties under Titles 26 or 31 of the U.S. Code, or has more than $5,000 of outstanding federal tax liabilities and has not entered into an installment plan with the IRS to pay such outstanding liabilities.

D. Requires Liberty Tax to disclose findings of any conduct potentially subject to penalty under 26 U.S.C. §§ 6694, 6695, and/or 6701 and/or any potential criminal violation of the federal laws by tax return preparers at Liberty Tax Service stores to a law enforcement official designated to serve in that capacity by the United States for sixty (60) months.

E. Requires Liberty Tax to maintain sufficient resources to monitor, detect, and report non-compliance with federal law, tax laws, and regulations, as well as to ensure effective quality control over tax return preparation throughout the Liberty Tax Service system.

F. Requires Liberty Tax to implement onsite compliance measures at Liberty Tax Service stores, including, for no less than sixty (60) months, a minimum number of reviews of the content of customer files that examine specific items identified in any Order issued by this Court and a minimum number of mystery shopper visits that test compliance with the tax laws at Liberty Tax Service stores.

G. Requires Liberty Tax to implement specific internal tax compliance enhancements to its training programs, to terms in its franchise agreements, and to its internal controls, including to Liberty Tax's: (1) internal red flag/fraud alert system; (2) procedures to blacklist individuals as tax return preparers who are a higher risk for preparing false or fraudulent federal tax returns; (3) controls to prevent unauthorized changes to federal tax returns prepared at Liberty Tax Services stores; (4) systems to automatically hold transmission of tax returns to the IRS prepared at Liberty Tax Service stores that have a high risk of false or fraudulent claims; and (5) minimum qualifications for individuals who work at Liberty Tax Service stores, train Liberty

Tax Service preparers, serve as area developers on behalf of Liberty Tax, or manage tax compliance staff at Liberty Tax.

H. Requires Liberty Tax to enact specific substantiation requirements at Liberty Tax Service stores for tax returns that claim itemized deductions (Schedule A of a Form 1040 federal income tax return) or report income from a sole proprietorship (Schedule C of a Form 1040 federal income tax return) used to claim the Earned Income Tax Credit (EITC).

I. Requires Liberty Tax to maintain a whistleblower program to encourage employees, franchisees, and franchisee employees to report suspected fraudulent activity.

J. Requires Liberty Tax to notify any prospective purchaser of a franchise territory of information in its possession regarding the tax compliance history at pre-existing Liberty Tax Service stores in the franchise territory and any resulting actions taken by Liberty Tax regarding any related findings prior to the purchase.

K. Imposes restrictions on Liberty Tax financial products and financial incentives to Liberty Tax Service customers.

L. Requires Liberty Tax, at its own expense, to engage an independent monitor approved by the United States, to review, evaluate, and report to a civil law enforcement official designated by the United States: (1) Liberty Tax controls to prevent the preparation of false or fraudulent federal income tax returns at Liberty Tax Service stores; (2) Liberty Tax's controls to prevent the transmission of false or fraudulent tax returns by Liberty Tax to the IRS; and (3) Liberty Tax's compliance with all terms contained in any Order issued by this Court under I.R.C. § 7402(a) as result of this Complaint.

M. Includes any additional requirements as the Court deems necessary or appropriate for the enforcement of the internal revenue laws pursuant to I.R.C. § 7402(a).

Dated: December 3, 2019.

Respectfully submitted,

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Dear US and Canadian Franchise Partners:

Today, we submitted a press release on behalf of NextPoint Financial addressing our ongoing restructure process. I would like to take this opportunity to provide further clarity on the statements made in the press release, ensuring that everyone is aligned with the steps being taken. These measures are crucial in establishing a solid financial foundation, and I am excited to share them with you.

- **Sale of Liberty Tax and Community Tax**: The Supreme Court of British Columbia has granted approval for the sale of Liberty Tax and Community Tax to Basepoint Capital and Drake Enterprises, respectively. Both companies will continue to operate as strong partners under a single parent company structure, as they do today. The transaction is expected to officially close by mid-November, after obtaining approval from the US Delaware Court, which a hearing is scheduled for 11/6. The name of the new parent company has not been disclosed as of now.
- **Transfer of LoanMe and Other Assets**: Non-critical assets, liabilities, and contracts at NextPoint Financial that are unrelated to the future success of Liberty Tax and Community Tax will be transferred to a different entity and subsequently wound-down. In the press release, this entity is referred to as "ResidualCos," but you can think of it as encompassing NexPoint Financial, LoanMe, and any other components that will not be part of our future.
- **Board of Directors Changes**: The Board of Directors has resigned from NextPoint Financial since the entity is being wound-down. These Directors will not move forward to the new Liberty Tax and Community Tax company. Peter Kravitz, our Chief Restructuring Officer, will oversee the wind-down process of NextPoint Financial.
- **CEO Role**: I will remain as the CEO of the Liberty Tax/Community Tax company. I have resigned as the CEO of NextPoint Financial since that entity is being dissolved.

These are indeed exciting times for us. We have always been a resilient company with a strong brand, and now we are poised to continue our journey with new owners, a robust strategy, and a promising future. I would like to thank you all for your patience and unwavering support as we navigate through the final portions of the restructuring process.

We will continue to provide updates to you as we follow the conclusion of this process through the next few weeks. Should you have any questions, please continue to email them to questions@libtax.com or visit the Liberty Resource Center or Liberty Resource Centre.

Regards,

Scott Terrell | CEO

A Message to Our Franchisees: Strengthening Liberty Tax for the Future

July 25, 2023

Dear Franchisees,

Our franchise partners are absolutely essential to our business, and we have always believed that our relationship is based on mutual success. Today, I am writing to share an important step we are taking that will strengthen Liberty Tax for the future – and better enable us to succeed together.

As you know, our team has been working hard to grow our business by doubling down on our core strength in tax preparation and redefining our strategic vision through three pillars of success: growing and retaining customers, focusing on our valued franchise partners like you, and building a winning culture. With your support and partnership, we have made significant headway – even in a market environment that remains challenging and highly dynamic.

Notwithstanding our progress, Liberty Tax's parent company, NextPoint Financial, continues to carry an unsustainable amount of legacy debt. We have been actively working with our lenders to address this.

Today, I am pleased to share that we have achieved a comprehensive solution. Our lenders have agreed to a sale transaction that will substantially reduce our debt and best position Liberty Tax for long-term success – all while operating as usual. To efficiently implement this agreed-upon transaction, NextPoint Financial Inc. and its subsidiaries have initiated Companies' Creditors Arrangement Act (CCAA) proceedings in Canada and are seeking recognition of these proceedings in the U.S.

Business as Usual – No Changes for Liberty Tax Franchisees or Your Stakeholders

It is important to note that Liberty Tax franchises are not included in the proceedings. During this process, we anticipate no changes whatsoever to our relationship, and our agreement with you will remain in place. We have sufficient funds and will continue honoring all of our obligations to you – and you should plan to do the same.

For those who may be unfamiliar, CCAA and U.S. recognition proceedings are proven processes that allow a company to operate as usual while restructuring – or fixing – its finances and sometimes changing its ownership structure. That is exactly what we intend to do here.

The steps we are taking now will ensure that Liberty Tax and our franchise operators can continue on a path of mutual success. At the end of this process, we will enjoy a stronger, more stable franchise system – benefitting everyone – and be able to once again grow our franchise base as we work to enhance the Liberty Tax brand overall.

Supporting You & Ensuring You Are Prepared to Respond to Questions

I appreciate that you may have questions regarding this development. To hear more about our path forward, please be sure to watch my **video message** in the Liberty Resource Center, where you will also find a set of **FAQs**. If you have additional questions about the announcement, please submit them to questions@libtax.com, and we

will get back to you. For day-to-day matters, please continue to reach out to your field consultant. And as we move through this process, we will be sure to communicate around any notable developments.

Your staff members or customers may have questions about what this means for them. In the Liberty Resource Center, you will find a **Franchisee Toolkit**, which includes information to use in your responses. **The most important message to emphasize is that Liberty Tax is open for business, and customers can expect the same great experience and same access to the tax advice and tools they need**.

Consistent with normal protocol, if you receive an inquiry from a member of the media, please do not respond and instead immediately submit an issue in Issue Tracker so it can be escalated and handled appropriately.

Looking Ahead to Our Bright Future

As I have said before, Liberty Tax is a strong company with a proud brand and is part of an enterprise with incredible organizational resilience. The fundamental strength of our business model, the loyalty of our customers, and your fierce dedication are just a few of the many reasons why I am confident in our bright future. In taking this next step, we will be on stronger financial footing to build on Liberty Tax's legacy so that we can continue our mutual success together.

Above all, a huge thank you to each and every one of you for everything you do for Liberty Tax. I look forward to seeing many of you at Convention next month.

Regards,

Scott Terrell
CEO, NextPoint

UPDATED AS OF 8/3/2023

Franchisee FAQ
Strengthening Liberty Tax for the Future

**** FOR INTERNAL USE ONLY – NOT FOR DISTRIBUTION ****

1. **Will the CCAA/Chapter 15 proceedings affect franchisees?**

   No. Our Liberty Tax franchised locations are not included in the proceedings. During this process, we anticipate no changes whatsoever to our relationship, and our agreement with you will remain in place. We have sufficient funds and will continue honoring all of our obligations to you – and you should plan to do the same.

2. **Will I be able to continue to run my existing franchised location(s) as usual?**

   Absolutely. Our Liberty Tax franchised locations, along with our other locations and businesses, will continue to operate as usual.

3. **Will any franchises be closed as part of the process?**

   We have no current plans to close any franchises as part of the process. As always, we will continue to evaluate our franchised locations and franchise agreements as a matter of course.

4. **Will Liberty Tax be able to open more franchised locations?**

   In the U.S., an active franchise disclosure document (FDD) is a requirement to open new franchises. While Liberty Tax recently has been unable to issue FDDs to new franchisees given its financial situation, we look forward to being able to issue new FDDs once we have a strengthened capital structure in place as a result of the transaction we just announced.

5. **Will we still have the Convention in August?**

   Yes! We look forward to seeing you at the Liberty Tax Annual Convention on August 20-23 at the Gaylord Texan Resort & Convention Center in Grapevine. If you haven't already signed up to attend, the registration link is available in the Liberty Resource Center.

6. **What do I tell my employees about the announcement?**

   You can tell your employees that Liberty Tax franchised locations are not included in the proceedings, and nothing will change for them. Liberty Tax is open for business as usual, and their day-to-day roles and responsibilities and the way we service customers will remain the same.

7. What do I tell my customers about the announcement?

You can tell customers that Liberty Tax is open for business, and customers can expect the same great experience and same access to the tax advice and tools they need.

8. What do I tell my vendors about the announcement?

You should tell your vendors that your franchised operation is not included in the court proceedings and everything will continue as usual.

9. What should I do if I am approached by the media?

Consistent with normal protocol, if you receive an inquiry from a member of the media, please do not respond and instead immediately submit an issue in Issue Tracker so it can be escalated and handled appropriately.

10. NEW: What is the legal notice I received about NextPoint's court proceedings? Why did I receive it?

This notice has been mailed to various NextPoint stakeholders, including Liberty Tax franchisees, to announce the beginning of NextPoint's financial restructuring process and keep stakeholders informed about the proceedings. This notice, like others you may receive during the course of the proceedings, is required by law, customary, and intended to be informational in nature. While most stakeholders will not be impacted by the proceedings, you should review the materials you received to determine if any action is required by you.

Please note that Liberty Tax franchised locations are not included in the proceedings referenced in the notice.

11. What if I have more questions about the CCAA/Chapter 15 proceedings?

You should feel free to submit any remaining questions to questions@libtax.com.

FORM 4

NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIATE AN AGREEMENT

To FTI Consulting Canada Inc., in its capacity as court-appointed monitor (the "**Monitor**"), and M&M Business Group L.P.,

Take notice that:

1. Proceedings under the *Companies' Creditors Arrangement Act* ("**the Act**") in respect of NextPoint Financial, Inc. and its subsidiaries, including JTH Tax, LLC (converted from JTH Tax, Inc.), were commenced on the 25th day of July, 2023 in the Supreme Court of British Columbia, Vancouver Registry under No. S-235288, which proceedings were recognized as foreign main proceedings under Chapter 15 of the U.S. Bankruptcy Code by the U.S. Bankruptcy Court for the District of Delaware, Case No. 23-10983, on the 16th day of August, 2023.

2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement (including any amendments thereto):

   Area Developer Agreement dated as of August 15, 2018 by and among JTH Tax, Inc. and M&M Business Group L.P. (Entity 2532).

3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the agreement is not to be disclaimed or resiliated.

4. In accordance with paragraph 32(5)(*a*) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is disclaimed or resiliated on the 26th day of November, 2023, being 30 days after the day on which this notice has been given.

Dated at Hurst, Texas on October 27, 2023

DocuSigned by:
Scott Terrell
5D34C834D175472...
NextPoint Financial, Inc.

The Monitor approves the proposed disclaimer or resiliation.

Dated at Vancouver, British Columbia on October 27, 2023

DocuSigned by:
Craig Munro
A71F983316254A5...
FTI Consulting Canada, Inc.

FORM 4

NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIATE AN AGREEMENT

To FTI Consulting Canada Inc., in its capacity as court-appointed monitor (the "**Monitor**"), and Mufeed Haddad,

Take notice that:

1. Proceedings under the *Companies' Creditors Arrangement Act* ("**the Act**") in respect of NextPoint Financial, Inc. and its subsidiaries, including JTH Tax, LLC (converted from JTH Tax, Inc.), were commenced on the 25th day of July, 2023 in the Supreme Court of British Columbia, Vancouver Registry under No. S-235288, which proceedings were recognized as foreign main proceedings under Chapter 15 of the U.S. Bankruptcy Code by the U.S. Bankruptcy Court for the District of Delaware, Case No. 23-10983, on the 16th day of August, 2023.

2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement (including any amendments thereto):

   Area Developer Agreement dated as of February 28, 2014 by and among JTH Tax, Inc. and Mufeed Haddad (Entity 7700).

3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the agreement is not to be disclaimed or resiliated.

4. In accordance with paragraph 32(5)(*a*) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is disclaimed or resiliated on the 26th day of November, 2023, being 30 days after the day on which this notice has been given.

Dated at Hurst, Texas on October 27, 2023

DocuSigned by:
Scott Terrell
5D34C934D175472...

NextPoint Financial, Inc.

The Monitor approves the proposed disclaimer or resiliation.

Dated at Vancouver, British Columbia on October 27, 2023

DocuSigned by:
Craig Munro
A71F9833162544A5...

FTI Consulting Canada, Inc.

FORM 4

NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIATE AN AGREEMENT

To FTI Consulting Canada Inc., in its capacity as court-appointed monitor (the "**Monitor**"), and Mike Budka and Mufeed Haddad,

Take notice that:

1. Proceedings under the *Companies' Creditors Arrangement Act* ("**the Act**") in respect of NextPoint Financial, Inc. and its subsidiaries, including JTH Tax, LLC (converted from JTH Tax, Inc.), were commenced on the 25th day of July, 2023 in the Supreme Court of British Columbia, Vancouver Registry under No. S-235288, which proceedings were recognized as foreign main proceedings under Chapter 15 of the U.S. Bankruptcy Code by the U.S. Bankruptcy Court for the District of Delaware, Case No. 23-10983, on the 16th day of August, 2023.

2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement (including any amendments thereto):

   Area Developer Agreement dated as of July 13, 2018 by and among JTH Tax, Inc. and Mike Budka and Mufeed Haddad (Entity 4711).

3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the agreement is not to be disclaimed or resiliated.

4. In accordance with paragraph 32(5)(*a*) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is disclaimed or resiliated on the 26th day of November, 2023, being 30 days after the day on which this notice has been given.

Dated at Hurst, Texas on October 27, 2023

DocuSigned by:
Scott Terrell
5D34C934D175472...

NextPoint Financial, Inc.

The Monitor approves the proposed disclaimer or resiliation.

Dated at Vancouver, British Columbia on October 27, 2023

DocuSigned by:
Craig Munro
A71F98331625 4A5...

FTI Consulting Canada, Inc.

FORM 4

NOTICE BY DEBTOR COMPANY TO DISCLAIM OR RESILIATE AN AGREEMENT

To FTI Consulting Canada Inc., in its capacity as court-appointed monitor (the "**Monitor**"), and Mufeed Haddad,

Take notice that:

1. Proceedings under the *Companies' Creditors Arrangement Act* ("**the Act**") in respect of NextPoint Financial, Inc. and its subsidiaries, including JTH Tax, LLC (converted from JTH Tax, Inc.), were commenced on the 25th day of July, 2023 in the Supreme Court of British Columbia, Vancouver Registry under No. S-235288, which proceedings were recognized as foreign main proceedings under Chapter 15 of the U.S. Bankruptcy Code by the U.S. Bankruptcy Court for the District of Delaware, Case No. 23-10983, on the 16th day of August, 2023.

2. In accordance with subsection 32(1) of the Act, the debtor company gives you notice of its intention to disclaim or resiliate the following agreement (including any amendments thereto):

   Area Developer Agreement dated as of August 15, 2018 by and among JTH Tax, Inc. and Mufeed Haddad (Entity 4693).

3. In accordance with subsection 32(2) of the Act, any party to the agreement may, within 15 days after the day on which this notice is given and with notice to the other parties to the agreement and to the Monitor, apply to court for an order that the agreement is not to be disclaimed or resiliated.

4. In accordance with paragraph 32(5)(*a*) of the Act, if no application for an order is made in accordance with subsection 32(2) of the Act, the agreement is disclaimed or resiliated on the 26th day of November, 2023, being 30 days after the day on which this notice has been given.

Dated at Hurst, Texas on October 27, 2023

DocuSigned by:
Scott Terrell
5D34C934D175472...

NextPoint Financial, Inc.

The Monitor approves the proposed disclaimer or resiliation.

Dated at Vancouver, British Columbia on October 27, 2023

DocuSigned by:
Craig Munro
A71F983316254A5...

FTI Consulting Canada, Inc.

This is the 1st affidavit of Teri Stevens in this case and was made on the 21st of November, 2023.

COURT OF APPEAL FILE NO. CA _____

COURT OF APPEAL

ON APPEAL FROM the order of Madam Justice Fitzpatrick of the Supreme Court of British Columbia pronounced on October 31, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

AFFIDAVIT #1 OF TERI STEVENS

I, Teri Stevens, legal assistant, c/o 1600-925 West Georgia Street, Vancouver, British Columbia, AFFIRM THAT:

1. I am a legal assistant at Lawson Lundell LLP, counsel for the appellants in this proposed appeal, and, as such, I have personal knowledge of the facts and matters hereinafter deposed to, except where the same are stated to be made upon information and belief, and as to such facts I verily believe the same to be true.

2. Attached hereto and marked as **Exhibits A** and **B** to this affidavit are true copies of Exhibits "E" and "F" to the Affidavit #1 of Peter Kravitz, filed July 25, 2023 in the below *CCAA* proceeding, being NextPoint's unaudited financial statements for the years ending December 21, 2022 and 2021.

3. Attached hereto and marked as **Exhibit C** to this affidavit is a true copy of a Plaintiffs' Memorandum in Opposition to JTH Tax, LLC d/b/a/ Liberty Tax Service's Demurrer dated March 9, 2023, filed in the following action: *Mufeed Haddad et al. v.*

JTH Tax LLC, Virginia Beach Circuit Court, Case No. CL21-441 (the **Virginia Beach Action**).

4. Attached hereto and marked as **Exhibit D** to this affidavit is a true copy of a Plaintiffs' Reply to Defendant JTH Tax LLC's Memorandum in Opposition dated November 15, 2022, filed in the Virginia Beach Action.

AFFIRMED BEFORE ME at the City of Vancouver, in the Province of British Columbia, this 21st day of November, 2023.

A Commissioner for Taking Affidavits for the Province of British Columbia

TERI STEVENS

SARAH B. HANNIGAN
Barrister & Solicitor
1600 - 925 WEST GEORGIA ST.
VANCOUVER, B.C. V6C 3L2
(604) 685-3456

This is Exhibit "A" referred to in the affidavit of Teri Stevens affirmed before me at Vancouver, British Columbia, this 21 day of November, 2023.

A Commissioner for taking Affidavits within British Columbia

	FY22 Dec YTD Actual Base USD_Reporting E001-NextPoint Consolidated	FY22 Dec YTD Actual Base USD_Reporting E002-NP HoldCo Consolidated	FY22 Dec YTD Actual Base USD_Reporting E105-NP HoldCo	FY22 Dec YTD Actual Base USD_Reporting E020-Liberty Tax Consolidated	FY22 Dec YTD Actual Base USD_Reporting E030-LoanMe Consolidated	FY22 Dec YTD Actual Base USD_Reporting E040-Community Tax Consolidated	FY22 Dec YTD Actual Base USD_Reporting E920-Segment Eliminations	FY22 Dec YTD Actual Base USD_Reporting E101-NextPoint	FY22 Dec YTD Actual Base USD_Reporting E120-NextPoint Eliminations	
N40100000_Net Interest Income	61,886,441	61,886,441	-	2,060,783	59,825,658	-	-	-	-	-
N40200000_Change in Fair Value of Loans	(39,349,493)	(39,349,493)	-	-	(39,349,493)	-	-	-	-	-
N40300000_Gain on Sale of Loans	-	-	-	-	-	-	-	-	-	-
N40400000_Service Revenue	150,334,635	150,334,635	-	116,309,213	393,312	33,632,110	-	-	-	-
N40000000_Total Revenues	**172,871,583**	**172,871,583**	**-**	**118,369,996**	**20,869,477**	**33,632,110**	**-**	**-**	**-**	**-**
N6000_Salaries	39,910,503	40,363,262	-	24,568,561	5,549,848	10,244,853	-	(452,758)	-	-
N6001_Salaries-Contra	(2,218,221)	(2,218,221)	-	(2,218,221)	-	-	-	-	-	-
N6002_Overtime Wages	746,064	744,376	-	615,193	-	129,183	-	1,688	-	-
N6003_Bonuses	2,583,470	1,565,459	-	818,899	29,000	717,560	-	1,018,010	-	-
N6004_Stock Compensation Expense	2,711,016	688,367	-	313,748	30,400	344,219	-	2,022,649	-	-
N6005_Sales Commission Expense	2,779,229	2,779,229	-	394,992	-	2,384,237	-	-	-	-
N6006_Payroll Processing Fees	493,657	493,657	-	457,262	16,356	20,039	-	-	-	-
N6007_Temporary and Contract Labor	979,549	952,409	-	569,295	-	383,114	-	27,140	-	-
N6008_Relocation and Recruitment	277,218	168,910	-	85,685	32,480	50,745	-	108,308	-	-
N6009_FICA	2,633,981	2,420,134	-	1,405,557	255,259	759,318	-	213,847	-	-
N6010_FUTA	45,864	43,949	-	29,402	-	14,547	-	1,915	-	-
N6011_SUTA	378,217	369,637	-	300,104	-	69,533	-	8,580	-	-
N6012_Workers Compensation Insurance	101,880	101,880	-	84,785	17,094	-	-	-	-	-
N6013_Employee Health Insurance	2,441,217	2,276,610	-	1,569,290	335,787	371,533	-	164,607	-	-
N6014_Employee Health Canada Contra	-	-	-	-	-	-	-	-	-	-
N6015_401k Match	624,253	582,462	-	430,716	57,564	94,182	-	41,791	-	-
N6016_Employee Benefit Costs	(151,031)	(153,683)	-	2,590	(210,497)	54,223	-	2,652	-	-
N6017_Vacation Benefits	-	-	-	-	-	-	-	-	-	-
N60100000_Employee Compensation	54,336,866	51,178,438	-	29,427,859	6,113,292	15,637,287	-	3,158,428	-	-
N60512000_Bad Debt Expense	73,135,680	73,135,680	-	1,211,461	71,924,218	-	-	-	-	-
N60200000_Advertising Expense	25,778,597	25,775,061	-	13,797,908	475,556	11,501,598	-	3,536	-	-
N60300000_Servicing Expense	4,793,793	4,793,793	-	-	4,793,793	-	-	-	-	-
N60500000_Selling, General and Administrative	161,687,294	158,375,079	4,797	72,024,789	65,054,567	21,290,926	-	3,312,214	-	-
N60000000_Total Operating Expenses	**319,732,229**	**313,258,051**	**4,797**	**116,462,018**	**148,361,426**	**48,429,810**	**-**	**6,474,178**	**-**	**-**
N00000001_Income From Operations	**(146,860,646)**	**(140,386,468)**	**(4,797)**	**1,907,978**	**(127,491,949)**	**(14,797,700)**	**-**	**(6,474,178)**	**-**	**-**
N70000000_Interest Expense, Net	(31,078,692)	(22,041,619)	-	(2,070,351)	(10,578,021)	(9,393,247)	-	(9,037,073)	-	-
N80000000_Other Income (Expense)	(11,548,455)	(16,080,455)	8,753,079	(1,803,966)	(23,029,568)	-	-	4,532,000	-	-
N00000002_Income Before Income Taxes	**(189,487,793)**	**(178,508,542)**	**8,748,282**	**(1,966,338)**	**(161,099,538)**	**(24,190,947)**	**-**	**(10,979,251)**	**-**	**-**
N90000000_Income Tax Expense, Net	**5,320**	**5,343**	**-**	**243**	**5,100**	**-**	**-**	**(23)**	**-**	**-**
N00000000_Net Income	**(189,482,472)**	**(178,503,198)**	**8,748,282**	**(1,966,095)**	**(161,094,438)**	**(24,190,947)**	**-**	**(10,979,274)**	**-**	**-**

NEXTPOINT FINANCIAL INC.

(Formerly NextPoint Acquisition Corp.)

Consolidated Financial Statements

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

As at December 31, 2021 and 2020

(Expressed in U.S. Dollars)

This is Exhibit "B" referred to in the affidavit of Teri Stevens affirmed before me at Vancouver, British Columbia, this 21 day of November, 2023.

A Commissioner for taking Affidavits within British Columbia.

Independent Auditor's Report

To the Shareholders and the Board of Directors of NextPoint Financial, Inc.

Opinion
We have audited the consolidated financial statements of NextPoint Financial, Inc. (the "Company"), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisitions— Refer to Note 2 to the financial statements

Key Audit Matter Description
The Company completed acquisitions of Liberty Tax, LoanMe, and Community Tax during the current year. The assets acquired and liabilities assumed in the acquisitions are recorded at fair value.

Given the fair value determination of certain acquired assets and liabilities, including intangible assets, requires management to make significant estimates and assumptions related to the forecasts of future cash flows and the selection of the discount rate, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to forecasted information, discount rates, and the estimated fair value assigned to certain assets acquired and liabilities assumed, such as intangible assets, for the acquired companies included the following, among others:

- We evaluated the reasonableness of management's revenue forecasts by comparing the forecasts to historical revenues.
- We evaluated the impact of actual results compared to management's forecasts from the acquisition date to December 31, 2021.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodologies and (2) discount rate by:

- Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
- Developing a range of independent estimates and comparing those to the discount rate selected by management.

Expected credit losses— Refer to Notes 1 and 5 to the financial statements

Key Audit Matter Description
The Company recognizes an allowance for expected credit losses of the Company's consumer and business loans receivable. The Company recognizes expected credit losses measured as the expected value of cash shortfalls expected to result from defaults over the relative time horizon, calculated using a probability-weighted approach that utilizes information about historical loss rates, post-charge off recoveries, current conditions and forward indicators. Loans are grouped according to product type, customer tenure and aging for the purpose of assessing expected credit losses.

Given the significant amount of judgment required by management when developing expected credit losses including the estimates and assumptions utilized, performing audit procedures to evaluate the reasonableness of the estimated allowance for expected credit losses required a high degree of auditor judgment and an increased extent of effort.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to the evaluation of allowance for expected credit losses included the following, among others:

- We tested the accuracy and evaluated the relevance of the historical loss data as an input to the estimate.
- We evaluated the reasonableness of the methodology, the incorporation of the applicable assumptions and tested the computational accuracy.
- We obtained the loss data from external sources used by the Company to determine its relevance to the Company's consumer and business loan portfolio and consistency with external data from other sources.
- We evaluated management's consideration of qualitative adjustments to the historical loss rates, including assessing the basis for any adjustments and the reasonableness of the significant assumptions.

Goodwill Impairment— Refer to Notes 1 and 10 to the financial statements

Key Audit Matter Description
The Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each cash generating unit to its carrying value. The Company used the discounted cash flow model to estimate value in use, which requires management to make estimates and assumptions related to discount rates and forecasts of future cash flows. Based on the evaluation, management concluded the carrying value of the LoanMe cash generating unit ("LoanMe") exceeded its recoverable amount as of the measurement date and, therefore, an impairment of $14.4 million was recognized.

Given the significant judgments made by management to estimate the fair value of LoanMe and the difference between its recoverable amount and carrying value, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to selection of the discount rate and forecasts of future cash flows required a high degree of auditor judgment and an increased extent of effort.

How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to the impairment assessment of goodwill included the following, among others:

- We evaluated the impact of changes in management's forecasts from the July 2, 2021, acquisition date to December 31, 2021.
- We evaluated the reasonableness of management's forecasts of future cash flows by comparing the forecasts to:
  - Historical revenues and operating margins.
  - Internal communications to management and the Board of Directors.
- We evaluated the reasonableness of the discount rate by:
  - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
  - Developing a range of independent estimates and comparing those to the discount rate selected by management.

Other Information
Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable 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 responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 a guarantee that an audit conducted in accordance with Canadian GAAS or U.S. GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS or U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Company's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bradley Vineyard.

/s/ Deloitte & Touche LLP

Richmond, Virginia, USA
January 15, 2023

Deloitte LLP
Bay Adelaide East
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Independent Auditor's Report

To the Shareholders and the Board of Directors of NextPoint Financial Inc.

Opinion

We have audited the financial statements of NextPoint Financial Inc. (formerly NextPoint Acquisition Corp.) (the "Company"), which comprise the balance sheet as at December 31, 2020, and the statements of loss, shareholders' equity and cash flows for the period from July 16, 2020 to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the period from July 16, 2020 to

December 31, 2020 in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the period from July 16, 2020 to December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no other key audit matters to communicate in our auditor's report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mervyn Ramos.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 13, 2021

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NEXTPOINT FINANCIAL INC.

Consolidated Balance Sheets

As at December 31, 2021 and 2020

(In thousands, $USD)	Notes	As at December 31, 2021	As at December 31, 2020
Assets			
Current assets:			
Cash and cash equivalents		$ 8,544	$ 2,061
Restricted cash and securities held in escrow account		5,912	200,048
Current receivables, net	4	41,539	—
Consumer and business loan receivable, at fair value	5	246,616	—
Interest receivable, net		16,943	—
Bonds and subordinated certificates in securitized trusts	6	7,536	—
Other current assets		13,522	54
Total current assets		340,612	202,163
Goodwill	10	207,321	—
Intangible assets	10	178,544	—
Property, plant & equipment, net	9	5,816	—
Non-current receivables, net	4	3,571	—
Right-of-use assets	11	16,844	—
Net investment in sublease	11	1,674	—
Other non-current assets		2,728	—
Total assets		$ 757,110	$ 202,163
Liabilities and Shareholders' Equity			
Current liabilities:			
Long-term obligations, current	7	$ 376,181	$ —
Lease liabilities, current	11	6,341	—
Accounts payable and accrued expenses		32,423	1,242
Class A restricted voting units		—	195,469
Warrants, net		5,150	5,768
Other current liabilities		31,008	—
Total current liabilities		451,103	202,479
Long-term obligations, non-current	7	77,326	—
Lease liabilities, non-current	11	12,833	—
Other non-current liabilities		2,841	—
Total liabilities		544,103	202,479
Shareholders' equity:			
Share capital, net		—	5,860
Common shares	12 and 13	205	—
Proportionate voting shares	12	169	—
Additional paid-in capital	12	309,606	—
Accumulated other comprehensive income, net of taxes		49,210	—
Retained deficit		(146,183)	(6,176)
Total shareholders' equity		213,007	(316)
Total liabilities and shareholders' equity		$ 757,110	$ 202,163

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:

By:

"M. *Brent Turner*"

CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD

NEXTPOINT FINANCIAL INC.

Consolidated Statements of Income (Loss)

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

(In thousands, $USD, except share count and per share data)	Notes	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Revenues:			
Interest income		$ 56,365	$ —
Interest expense		13,059	—
Net interest income		43,306	—
Loss on sale of loans		(2,857)	—
Service and other revenue		16,459	—
Total revenue	3	56,908	—
Expenses:			
Employee compensation		22,497	—
Provision for loan losses		120,367	—
Advertising expense		11,839	—
Servicing expense		4,206	—
Selling, general, and administrative expenses	18	73,872	5,491
Total operating expenses		232,781	5,491
Operating loss		(175,873)	(5,491)
Finance costs, net	7	(8,168)	—
Net unrealized gain (loss) on change in warrants liabilities		516	(685)
Foreign currency transaction loss		(220)	—
Other gain	3	6,037	—
Loss before income tax		(177,708)	(6,176)
Income tax benefit	14	(36,952)	—
Net loss		$ (140,756)	$ (6,176)
Weighted-average shares outstanding of Class B shares - basic and diluted:	13	—	5,750,000
Net loss per Class B share - basic and diluted	13	$ —	$ (1.07)
Weighted-average shares outstanding of ordinary shares - basic and diluted:	13	27,579,688	—
Net loss per ordinary share - basic and diluted	13	$ (5.10)	$ —

The accompanying notes are an integral part of these consolidated financial statements.

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NEXTPOINT FINANCIAL INC.

Consolidated Statements of Comprehensive Income (Loss)

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

(In thousands, $USD)	Notes	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Net loss		$ (140,756)	$ (6,176)
Items that may be subsequently reclassified to profit or loss:			
Unrealized gain on consumer and business loans receivable at fair value through other comprehensive income, net of tax		11,187	—
Allowance for credit losses, net of tax		37,970	—
Net gain on interest rate swap agreement		23	—
Exchange gain on translation of foreign operations		30	—
Total other comprehensive income		49,210	—
Total comprehensive loss		$ (91,546)	$ (6,176)

The accompanying notes are an integral part of these consolidated financial statements.

NEXTPOINT FINANCIAL INC.

Consolidated Statements of Changes in Shareholders' Equity

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

(In thousands, $USD, except share amounts not in $USD)	Class B Shares (Note 1)		Proportionate Voting Shares (Note 1)		Common Shares (Note 13)		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	5,750	$ 5,860	—	$ —	—	$ —	$ —	$ —	$ (6,176)	$ (316)
Offering costs	—	(2,228)	—	—	—	—	(2,044)	—	—	(4,272)
Conversion of Class A restricted voting shares to common shares (Note 1)	—	—	—	—	4,955	50	49,520	—	—	49,570
Conversion of Class B shares to proportionate voting shares (Note 1)	(5,750)	(3,632)	58	58	—	—	3,574	—	—	—
Issuance of private placement (Note 1)	—	—	—	—	11,260	113	112,485	—	—	112,598
Shares issued related to Liberty Tax acquisition (Note 2)	—	—	67	67	—	—	74,005	—	749	74,821
Shares issued related to LoanMe acquisition, including LoanMe converted options (Note 2)	—	—	44	44	—	—	49,358	—	—	49,402
Restricted Shares to LoanMe employees (Note 12)	—	—	—	—	323	3	—	—	—	3
Shares issued related to Community Tax acquisition (Note 2)	—	—	—	—	4,266	43	21,714	—	—	21,757
Share-based compensation expense	—	—	—	—	—	—	990	—	—	990
Forfeiture of restricted shares (Note 12)	—	—	—	—	(281)	(4)	4	—	—	—
Total other comprehensive income	—	—	—	—	—	—	—	49,210	—	49,210
Net loss	—	—	—	—	—	—	—	—	(140,756)	(140,756)
Balance at December 31, 2021	—	$ —	169	$ 169	20,523	$ 205	$ 309,606	$ 49,210	$ (146,183)	$ 213,007

(In thousands, $USD)	Class B Shares (Note 1)		Retained Deficit	Total Shareholders' Equity
	Shares	Amount		
Balance at July 16, 2020 (date of incorporation)	—	$ —	$ —	$ —
Issuance of Class B shares to founder (Note 1)	5,150	25	—	25
Issuance of Class B shares to sponsor (Note 1)	600	5,850	—	5,850
Transaction costs	—	(15)	—	(15)
Net loss	—	—	(6,176)	(6,176)
Balance at December 31, 2020	5,750	$ 5,860	$ (6,176)	$ (316)

NEXTPOINT FINANCIAL INC.

Consolidated Statements of Changes in Shareholders' Equity

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

The accompanying notes are an integral part of these consolidated financial statements.

NEXTPOINT FINANCIAL INC.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

(In thousands, $USD)	Notes	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Operating activities			
Net loss		$ (140,756)	$ (6,176)
Adjustments for:			
Provision for loan losses	4 and 5	120,367	—
Depreciation, amortization and impairment charges	9, 10 and 11	43,167	3,022
Amortization of debt issuance costs	7	315	—
Amortization of fair value premium		18,599	—
Loss on disposal of fixed assets		38	—
Net unrealized (gain) loss on change of warrants liabilities		(516)	685
Unrealized loss on investments		52	—
Stock-based compensation	12	990	—
Gain on bargain purchases and sales of Company-owned offices		(899)	—
Loss on sale of consumer and business loans	3	2,857	—
Gain on sale of Trilogy	3	(8,467)	—
Deferred income taxes	14	(36,955)	—
Consumer and business loans originated		(62,852)	—
Principal repayments on consumer and business loans		37,402	—
Change in operating assets and liabilities:			
Receivables		1,871	—
Interest receivable		(17,411)	—
Other assets		(215)	(54)
Accounts payable and accrued expenses		20,734	1,291
Other liabilities		(5,773)	—
Interest paid		(6,412)	
Taxes paid		(123)	
Net cash used in operating activities		$ (33,987)	$ (1,232)
Investing activities			
Issuance of operating loans to franchisees and area developers ("AD's")		(23)	—
Payments received on operating loans to franchisees and AD's		59	—
Purchases of Company-owned offices, AD rights and acquired customer lists	10	(14,011)	—
Purchases of property, equipment and software	9 and 10	(4,628)	—
Acquisitions	2	(308,503)	—
Investment held in escrow		(83,617)	(200,048)
Cash released from escrow including Private Placement funds received before June 30,		282,296	—
Net change in bonds and subordinated certificates in securitized trusts	6	514	—
Net cash used in investing activities		$ (127,913)	$ (200,048)
Financing activities			
Redemption of Class A restricted voting shares	1	(150,495)	—
Borrowings under revolving credit facilities	7	181,442	—
Repayments under revolving credit facilities	7	(28,334)	—
Borrowings of other long-term obligations	7	73,782	—
Repayment of other long-term obligations	7	(7,801)	—
Repayment of lease liabilities	11	(3,461)	—
Proceeds from Private Placement, net of underwriting and offering costs	13	105,600	—
Proceeds from sale of Class B shares to founders and sponsors		—	6,025
Proceeds from the sale of Class A restricted voting shares		—	200,000
Transaction costs allocated to Class A restricted voting shares		—	(2,602)
Transaction costs allocated to Class A warrants		—	(67)
Transaction costs allocated to Class B shares		—	(15)
Payment of debt issuance costs		(2,342)	—
Net cash provided by financing activities		$ 168,391	$ 203,341
Foreign exchange losses on cash and cash equivalents		(8)	—
Net change in cash		$ 6,483	$ 2,061
Cash at beginning of period		$ 2,061	$ —
Cash at end of period		$ 8,544	$ 2,061

NEXTPOINT FINANCIAL INC.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2021 and for the Period from July 16, 2020 (inception) to December 31, 2020

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 - Basis of the Preparation and Accounting Policies

Nature of the Business

NextPoint Financial Inc. (formerly, NextPoint Acquisition Corp.) (the "**Company**") is a marketplace for financial services targeting consumers and small businesses. The Company was incorporated on July 16, 2020, under the Business Corporations Act (British Columbia), and is domiciled in Canada. The registered office of the Company is located at 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, BC, V7X 1L3, Canada. The head office of the Company is located at 500 Grapevine HWY, Suite 402, Hurst, Texas, 76054. The Company was a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization, or any other similar business combination involving the Company (a "**Qualifying Acquisition**"). The Company's Qualifying Acquisition pursuant to which it acquired all of the equity interests of each of Franchise Group Intermediate L 1, LLC ("**Liberty Tax**") and LoanMe, Inc. ("**LoanMe Inc.**") (collectively the "**Target Businesses**") was completed on July 2, 2021 (the "**Acquisition Closing Date**") at which time the Company changed its name to NextPoint Financial Inc.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on January 15, 2023.

Significant Events

On July 2, 2021, the Company announced that, pursuant to definitive purchase agreements with respect to each of Liberty Tax (the "**Liberty Agreement**") and LoanMe Inc. (the "**LoanMe Agreement**") (collectively the "**Transaction Agreements**") it had completed the acquisition of all of the equity interests of each of the Target Businesses. The Transaction constituted the Company's Qualifying Acquisition pursuant to the Toronto Stock Exchange ("**TSX**") Company Manual.

Pursuant to the Company's articles, upon closing of the Transaction (i) all outstanding Class A restricted voting shares ("**Class A Restricted Voting Shares**") of the Company not submitted for redemption were converted into common shares of the Company ("**Common Shares**") on a one for one basis, and (ii) all outstanding Class B Shares of the Company were converted into proportionate voting shares of the Company ("**Proportionate Voting Shares**") on the basis of one hundred (100) Class B Shares for one (1) Proportionate Voting Share. Additionally, in connection with the closing of the Transaction, the outstanding warrants of the Company ("**Warrants**") now represent a share purchase warrant to acquire a Common Share. Trading in the Common Shares and Warrants commenced on the TSX under the symbols "NPF.U" and "NPF.WT.U", respectively, on July 6, 2021.

In connection with the qualifying acquisition, the Company entered into a $200.0 million revolving credit facility (the "**Credit Facility**") and concurrently completed a private placement pursuant to which investors ultimately received 11,260,000 Common Shares at $10.00 per share (the "**Private Placement**"), which includes 500,000 shares to pay offering costs that relate to the Company's initial public offering. The Company received net proceeds of $107.6 million related to the Private Placement.

Pursuant to the terms of the Liberty Agreement, the Company directly purchased all limited liability company interests of Liberty Tax owned by its sole member and, immediately thereafter, Liberty Tax became a wholly-owned subsidiary of the Company. In connection with closing, Liberty Tax shareholder received aggregate consideration of approximately $182.1 million in cash and 67,400 Proportionate Voting Shares.

Pursuant to the terms of the LoanMe Agreement, on closing of the qualifying acquisition, a newly-formed wholly-owned subsidiary of the Company ("**MergerSub**") merged with and into the sole stockholder of LoanMe Inc., with the MergerSub continuing as the surviving entity as a wholly-owned subsidiary of the Company. In connection with closing, LoanMe Inc. shareholder received aggregate consideration of approximately $18.0 million in cash, 43,650 Proportionate Voting Shares, and 162,195 options to purchase Common Shares were issued to employees of LoanMe Inc, and the Company paid-off approximately $44.6 million of LoanMe Inc.'s outstanding corporate debt.

The cash portion of the purchase prices payable in the Liberty Tax and LoanMe Inc. transactions was funded with cash remaining on deposit in the Company's escrow account holding the proceeds from its initial public offering and a combination of the proceeds of the Private Placement and advances against the Credit Facility. In connection with the qualifying acquisition, an aggregate of 15,044,636 Class A Restricted Voting Shares were redeemed for approximately $150.4 million. Following closing of the Transaction and the Private Placement, there were 16,538,170 Common Shares and 168,550 Proportionate Voting Shares outstanding.

On December 30, 2021, the Company completed the Acquisition (the "**Acquisition**") of Chicago based Community Tax LLC ("**Community Tax**"), a fast-growing leader in tax debt resolution and other tax-related services for consideration of approximately $94.6 million (subject to certain closing adjustments) consisting of (i) $72.8 million in cash, including a $1.9 million closing adjustment and (ii) $20.0 million of common shares of the Company (the "**Consideration Shares**"), calculated based on the 5-day volume weighted average trading price of the common shares of the Company on the Toronto Stock Exchange ("**TSX**"). The fair value of the Consideration Shares on the acquisition date were approximately $21.8 million. See "Note 2 - Acquisitions" for further detail on the fair value of consideration transferred.

Pursuant to the membership interest purchase agreement dated December 30, 2021 (the "**Purchase Agreement**"), the Company, through a newly formed subsidiary ("**CTAX Acquisition**"), acquired all of the issued and outstanding membership interests of Community Tax. Each of the parties to the Purchase Agreement made certain customary representations and warranties in the Purchase Agreement. The cash consideration was funded with $70.0 million in borrowings made under new credit facilities entered into by CTAX Acquisition which holds all the equity interests of Community Tax. The credit facilities are secured by CTAX Acquisition and all of its assets. See "Note 7 - Long-Term Obligations" for additional information on the financing facilities. In connection with the Acquisition, the former owners of Community Tax entered into customary lock-up agreements which provide that that they would not transfer 50% of the Consideration Shares for a period of 12 months following the closing of the Acquisition.

Refer to "Note 20 - Subsequent Events" for a description of significant events that occurred after December 31, 2021.

Segment Information

As at December 31, 2021, the Company operated in three reportable segments: "Liberty Tax", "LoanMe" and "Community Tax". The Liberty Tax segment provides income tax services in the United States of America ("U.S") and Canada. The LoanMe segment is a specialty finance lender in the U.S and had been engaged in the business of originating, acquiring, and marketing unsecured consumer installment loans to individuals and businesses. As further described in "Note 20 - Subsequent Events", LoanMe ceased originating new loans in June 2022, and during the second half of 2022, the Company determined that it would cease operating the business and wind down the LoanMe segment. The Community Tax segment provides tax debt resolution services and other tax related services in the U.S. See "Note 17 - Geographic and Segment Information" for additional discussion and information around the Company's reportable segments.

Basis of Presentation

The consolidated financial statements of the Company for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements were based on IFRS issued and outstanding as at December 31, 2021.

The consolidated financial statements of the Company have been prepared on the historical cost basis, except for financial instruments measured at fair value as explained in sub header *Summary of Significant Accounting Policies*, below.

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all of the companies that it controls. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This includes all wholly owned subsidiaries and a structured entity where the Company has control but does not have ownership of a majority of voting rights.

As at December 31, 2021, the Company's wholly-owned subsidiaries were NextPoint Holdco LLC, NPLM Holdco LLC, LoanMe, LLC, LoanMe Funding, LLC, LM Retention Holdings LLC, LoanMe Trust SBL 2019-1, LM BP Holdings LLC, InsightsLogic LLC, LM 2016 NLP SPE LLC, LM 2014 BP III SPE LLC, LM 2017 MP I SPE LLC, LM 2014 HC SPE LLC, LM 2020 CM I SPE LLC, LM 2015 NLP SPE LLC, LM 2014 BP SPE LLC, LM 2014 BP II SPE LLC, LM 2015 BP I SPE LLC, LT Holdco LLC, LT Holdco Intermediate LLC, SiempreTax LLC, JTH Tax LLC, JTH Financial, LLC, JTH Properties 1632, LLC, Wefile, LLC, Liberty Credit Repair LLC, JTH Tax Office Properties LLC, LTS Software LLC, JTH Court Plaza LLC, LTS Properties LLC, Liberty Tax Service Inc. Canada, CTAX Acquisition LLC, Community Tax Puerto Rico LLC, Community Tax LLC.

All intra-group transactions and balances are eliminated on consolidation.

Functional and presentation currency

The Company's functional currency is the currency of its primary economic environment, the United States of America, and as such, is the U.S. dollar. The Consolidated Financial Statements are also presented in U.S. dollars, which is the Company's presentation currency, and all amounts have been rounded to the nearest thousand, unless otherwise noted.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at year-end rates. Any resulting exchange differences are taken to the consolidated statement of income (loss).

Assets and liabilities of the Company's Canadian operations reported in Canadian dollars are translated into U.S. dollars at year-end exchange rates. Income and expenses are translated into U.S. dollars at the annual weighted average rates of exchange.

Differences arising from the translation of net assets of foreign operations, together with differences arising from the translation of the net results for the year of foreign operations, are presented in accumulated other comprehensive income in the consolidated balance sheets.

Summary of Significant Accounting Policies

Financial Instruments

The Company follows IFRS 9, *Financial Instruments*. Financial assets and financial liabilities are recognized in the Company's consolidated balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs capitalized are then amortized over the expected life of the instrument using the effective interest rate method.

Financial assets - Classification and Measurement

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Company classifies financial assets in the following categories:

- measured at amortized cost;
- measured at fair value through other comprehensive income (abbreviated as FVTOCI); and
- measured at fair value through the consolidated income statement (abbreviated as FVTPL, fair value through profit or loss).

For an equity investment that is not held for trading, the Company may irrevocably elect to classify it as measured at FVTOCI. This election is made at initial recognition on an investment-by-investment basis.

A debt instrument that meets the following two conditions must be measured at amortized cost unless the asset is designated at FVTPL under the fair value option:

- Business model test - The financial asset is held within a business model whose objective is to hold the financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realize changes in fair value).
- Cash flow characteristics test - The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that meets the cash flow characteristics test and is not designated at FVTPL under the fair value option must be measured at FVTOCI if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets.

The Company's consumer and business loans receivable met the cash flow characteristics test and are managed on a "hold to collect and for sale" basis. These financial assets are carried at FVTOCI and unrealized gains or losses resulting from changes in fair value are recognized in Other Comprehensive Income ("OCI"). When these assets are derecognized, the gains or losses previously recognized in OCI are reclassified to profit or loss.

Bonds and subordinated certificates in securitized trusts that meet the cash flow characteristics test, are held to maturity for investment purposes and are managed on a "hold to collect" basis. Therefore, they are carried at amortized cost. Interest income on these securities is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount. When calculating the

effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial asset. Bonds and subordinated certificates in securitized trusts may be subject to impairment if future discounted cash flows expected for these securities are less than the carrying amounts.

Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers control of the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of the Company's loans receivable classified at FVTOCI, the cumulative gain or loss previously accumulated in OCI is reclassified to profit or loss.

Impairment of Financial Assets

The Company assesses whether its financial assets carried at amortized cost and FVTOCI are impaired on the basis of expected credit losses ("ECL"). The majority of the Company's financial assets subject to expected credit losses are accounts and note receivables to franchisees, loans receivable and bonds and subordinated certificates in securitized trusts.

The Company recognizes lifetime expected credit losses for accounts receivables from franchisees. For notes receivable from franchisees, loans receivable and bonds and subordinated certificates in securitized trusts the Company recognizes lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. The amount of the ECL is updated at each reporting period to reflect changes in credit risk since initial recognition of each financial instrument. Under this model, credit losses are provided for, at each reporting date, based on when they are expected to transpire in future years irrespective of whether a loss has been incurred. Stage 1 consists of performing financial instruments that have not had a significant increase in credit risk since initial recognition. Underperforming financial instruments that have experienced a significant increase in credit risk since initial recognition, including modifications, are classified as Stage 2, and financial instruments considered to be credit-impaired are classified as Stage 3. The provision for expected credit losses on both Stage 2 and Stage 3 is measured as lifetime ECLs. The provision for expected credit losses on Stage 1 financial instruments is measured at an amount equal to 12-month of ECLs, representing the portion of lifetime ECLs expected to result from default events possible within 12 months of the reporting date.

The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for certain factors and considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Typically, the measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default based on various probability-weighted scenarios.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information

that is available without undue cost or effort. To the extent needed, forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations such as interest rates and credit availability. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the performance of the financial instruments such as delinquencies;
- actual and expected significant deterioration in the debtor's capacity to meet its contractual cash flow obligations to repay the instrument;
- significant increases in credit risk on other financial instruments of the same debtor; and
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

As the Company issues unsecured loans to high credit risk individuals and small business customers, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when a borrower misses the first contractual payment due.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term do not reduce the ability of the borrower to fulfil its contractual cash flow obligations.
- The Company considers a financial asset to have low credit risk when the asset is performing. Performing means that the counterparty is complying with the instrument contractual terms, and/or has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default for consumer and business loans

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of the contractual terms by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full.

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Modified loans

In cases where a borrower experiences financial difficulty, the Company may grant certain concessionary modifications to the terms and conditions of a loan. Modifications may include payment deferrals, extension of amortization periods, rate reductions and other modifications intended to minimize the economic loss. The Company has policies in place to determine the appropriate remediation strategy based on the individual borrower. If the Company determines that a modification results in the expiry of cash flows, the original asset is derecognized while a new asset is recognized based on the new contractual terms. Significant increase in credit risk is assessed relative to the risk of default on the new financial instrument at the date of derecognition. A gain or loss is assessed at the date of modification or derecognition equal to the difference between the fair value of the cash flows under the original and modified terms. If the Company determines that a modification does not result in derecognition, significant increase in credit risk is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For loans that were modified while having lifetime ECLs, the loans can revert to having 12-month ECLs after a period of performance and improvement in the borrower's financial condition.

Credit impaired loans

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or past due event; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy for loans

Loans receivable that are delinquent 120 days or more are written off against the allowance for expected credit losses. If a write-off is later recovered, the recovery is credited to provision for loan losses.

Measurement and recognition of expected credit losses

Loans receivable

ECLs are measured as the expected value of cash shortfalls (i.e., actual cash flows are less than contracted cash flows) expected to result from defaults over the relative time horizon, calculated on collective basis and using a probability-weighted approach that reflects reasonable and supportable information about historical loss rates, post-charge off recoveries, current conditions and forward indicators. Loans are grouped according to product type, customer tenure and aging for the purpose of assessing ECLs. Historical loss rates and probability weights are re-assessed on an on-going basis and subject to management review.

The key inputs in the measurement of ECL provision include:

- The probability of default is an estimate of the likelihood of default over a given time horizon;
- The exposure at default is an estimate of the exposure at a future default date;
- The loss given default is an estimate of the loss arising at each Stage where a default occurs
- Forward indicators related to credit and economic information.

The Company recognizes a provision for loan losses in profit or loss for all loans receivable measured at FVTOCI, by measuring the change in required allowance for loan losses between reporting periods. The Company records a provision equal to the change in the allowance at each reporting date with a corresponding increase or decrease to Accumulated Other Comprehensive Income ("AOCI"). The Company does not reduce the gross carrying amount of loans receivable on the balance sheet.

The Company evaluates expected credit losses on its investments in bonds and subordinated certificates and recognizes an impairment loss in profit or loss when the impact of expected credit losses reduces the investments' fair value below their carrying amounts. The allowance for credit losses in bonds and subordinated certificates offsets the gross carrying amount of the investments on the balance sheet.

Notes receivable from franchisees and AD's

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The Company will evaluate a range of possible expected credit losses outcomes by stressing upward and downward the market multiple considered to estimate the fair value of the franchisee (i.e., the fair value of the collateral). The Company also considers that changes in expected credit losses should be directionally consistent with changes in related observable data from period to period consistent with trends observed on payment status.

The adequacy of the expected credit losses allowance is assessed on a regular basis and adjusted as deemed necessary. Management believes the recorded allowance is adequate based upon its consideration of the estimated value of the franchises and AD's areas, which collateralize the receivables. Any adverse change in the individual franchisees' or ADs' areas could affect the Company's estimate of the allowance.

Financial Liabilities - Classification and Measurement

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities – Recognition and derecognition

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are

substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Financial liabilities – Measurement

Financial liabilities are initially recognized at amortized cost using the effective interest method. However, when a financial liability measured at FVTPL is recognized, the issuance costs are expensed immediately. Subsequently, any gains or losses arising on changes in fair value will be recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains' line item in profit or loss.

With the exception of the 2019 securitization bonds, which are measured at FVTPL, all of the Company's long-term obligations are measured at amortized cost.

Derivative Instruments and Hedging Activities

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated in hedging relationships, changes in fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in accumulated other comprehensive loss to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings.

The Company only enters into a derivative contract when it intends to designate the contract as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. For derivative instruments that are designated and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk; the derivative expires or is sold, terminated, or exercised; the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring; or management determines to remove the designation of the cash flow hedge.

In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in its fair value in earnings. When it is no longer probable that a forecasted transaction will occur, the Company discontinues hedge accounting and

recognizes immediately in earnings gains and losses that were accumulated in other comprehensive loss related to the hedging relationship.

Leases

The Company's lease portfolio primarily consists of leases for its retail store locations and office space. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Leases with an term of 12 months or less are not recorded on the consolidated balance sheets.

For leases with an initial term in excess of 12 months, lease right-of-use assets and lease liabilities are recognized based on the present value of the future lease payments over the committed lease term at the lease commencement date. The Company uses the effective interest rate method to subsequently account for the lease liability, while the right-of-use asset is generally amortized on a straight-line basis. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate and the information available at the lease commencement date in determining the present value of future lease payments. Most leases include one or more options to renew and the exercise of renewal options is at the Company's sole discretion. The Company does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. Right-of-use assets are depreciated on a straight-line basis over the lease term and are periodically reviewed for impairment losses. The Company applies IAS 36, Impairment of Assets, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company also leases certain office equipment. The Company subleases some of its real estate leases, for which it evaluates classification as either an operating lease or a finance lease by reference to the right-of-use asset arising from the head lease. In the case of a sublease being classified as finance, the Company derecognizes the right-of-use asset relating to the head lease, recognizing the net investment in the sublease, and retaining the lease liability relating to the sublease.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are maintained in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in its cash and cash equivalents balances.

Restricted Cash and Securities Held in Escrow

The Company maintains bank accounts to collect and remit funds for its lenders under the terms of the various loan agreements. Cash balances related to such accounts are not available for general corporate purposes and were approximately $5.9 million and $0.0 million at December 31, 2021 and December 31, 2020, respectively. As of December 31, 2020, the Company held approximately $200.0 million of cash and U.S Treasury Bills in escrow at a Canadian chartered bank.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. Depreciation and amortization on property, plant and equipment is recognized in selling, general and administrative expenses on the consolidated statements of income (loss).

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired. The Goodwill resulting from the Liberty Tax and Community Tax acquisitions will be deductible for income tax purposes, since it is an asset acquisition for tax purposes. The goodwill resulting from the LoanMe acquisition will not be deductible for income tax purposes, since it was a stock acquisition. The operations of Liberty Tax, LoanMe and Community Tax have been identified as individual cash generating units ("CGU's") for the purposes of impairment assessment related to Goodwill recognized from each acquisition. The CGU for the acquisition of assets from various franchisees is considered to be the franchise territory, and these assets are operated as Company-owned offices. Goodwill is not amortized, but instead tested for impairment at least annually. Goodwill is tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. The Company performs its annual impairment testing during the third week of July.

Intangible Assets with Indefinite Useful Lives

Intangible assets with indefinite useful lives include the Liberty Tax, LoanMe and Community Tax tradenames. The tradenames are not amortized but rather tested for impairment at least annually or on an interim basis if an event or circumstances indicate that that an impairment loss may have been incurred.

Intangible Assets and Asset Impairment

Amortization of intangible assets is calculated using the straight-line method over the estimated useful lives of the assets, generally from two to ten years. Amortization expense for intangible assets is recognized in selling, general and administrative expenses on the consolidated statements of income (loss). Long-lived assets, such as property, equipment, and software, and other purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Certain allowable costs of software developed or obtained for internal use are capitalized and typically amortized over the estimated useful life of the software. The Company applies IAS 36, Impairment of Assets, to determine whether long-lived assets are impaired and account for any identified impairment loss.

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Current and Deferred Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdictions where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items.

Revenue Recognition and related performance obligations

Information about the Company's service revenue streams and related performance obligations are summarized below:

Interest Income on Consumer and Business Loans Recognition- Interest on financial assets including loans, bonds and subordinated certificates in securitized trusts, is recognized in interest income using the effective interest method. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as interest income over the expected term of such instruments using the effective interest method. The effective interest rate is applied to the gross

carrying amount of loans classified Stage 1 and 2. When a financial asset is credit-impaired (Stage 3), interest income is calculated by applying the effective interest rate to the net carrying amount of the asset, which is the gross carrying amount less the related ECL. Interest income on credit-impaired loans is calculated by applying the effective interest rate to the amortized cost of the loan, as opposed to the gross carrying amount of the loan. Accrual of interest income is suspended when a loan is contractually delinquent for 120 days or more.

Interest income on notes to franchisees and area developers- Interest income on notes receivable is recognized based on the stage of the expected credit losses impairment model in accordance with IFRS 9. IFRS 9 requires the Company to recognize 12 months of expected credit losses upon initial recognition of the receivable, referred to as Stage 1. Stage 2 occurs when there is significant deterioration of credit quality since initial recognition and requires the Company to recognize the lifetime expected credit losses of the receivable. Stage 3 occurs when the credit quality has deteriorated to a level at which a credit loss actually occurs and also requires the Company to recognize the lifetime expected credit losses of the receivable.

For notes receivables from franchisees and area developers that are performing, interest income is recognized based on the gross carrying amount of the note receivables. For notes receivables where the collectability of interest is considered uncertain, based primarily on the ratio of the franchisee's or area developer's debt to the value of their respective territories, interest income is recorded on a cash basis. Interest income on accounts receivable from franchisees is recognized based on the outstanding receivable balance over 30 days old, net of an allowance. Interest income on notes receivable from franchisees and area developers is due per the terms of the underlying promissory note and interest income related to overdue accounts receivable is due immediately.

Gain on Sale of Loans and Advance Deposits- Gain on sale of loans is recognized when loan transfers to third parties qualify for derecognition and proceeds received exceed the carrying amounts and transaction costs. Advances received prior to the sale of loans are classified as advance deposits. Deposits are derecognized when the loans are delivered and are included in gain on sale of consumer and business loans in the consolidated statements of income (loss) and comprehensive income.

Service Revenue

Service revenue of the Company consists of the following revenue streams:

Initial franchise fees- Typically, franchise rights are granted to franchisees for an initial term of five years with an option to renew at no additional cost. In exchange for initial franchise fees, royalties and advertising fees, the Company is obligated by its franchise agreements to provide training, an operations manual, site selection guidance, tax preparation software, operational assistance, tax and technical support, the ability to perform electronic filing, and marketing and advertising. The services that the Company provides related to the initial franchise fees the Company receives from franchisees do not contain separate and distinct performance obligations from the franchise right. Accordingly, initial franchise fees, as constrained for amounts the Company does not expect to collect, will be recognized over the initial term of the franchise agreement, which is generally five years. The Company believes the straight-line method provides a faithful depiction of the transfer of goods or services. Initial franchise fees are due upon the execution of the franchise agreement or if financed with the Company over the term of the promissory note which generally correlates with the franchise agreement term of five years.

AD fees- The rights to develop a new territory are granted to an AD for an initial term of six or ten years with an option to renew at no additional cost. AD fees, as constrained for amounts the Company does not expect to collect, are recognized as revenue on a straight-line basis over the initial contract term of each AD agreement. Amounts due to ADs for their services under an AD agreement are expensed as the related franchise fees and royalty revenues are recognized. AD fees are due upon the execution of the agreement or if financed with the Company over the term of the promissory note which generally correlates

with the AD agreement term of six to ten years. The Company has decided to no longer offer AD agreements and will no longer renew AD agreements when they expire.

Royalties and advertising fees- Royalties and advertising fees, which are based on a percentage of the franchisees' sales, are recognized at the time the underlying sales occur. The Company has elected to use the right to invoice practical expedient for recognition of minimum royalties. The Company believes the franchisees' sales provides a faithful depiction of the transfer of goods or services. Royalties and advertising fees are due within thirty days.

Financial products- Revenue from financial products represents fees the Company earns for the facilitation of refund transfer and refund-based advance loan products provided by a third-party financial institution. Financial product revenue is recorded when the Company has delivered on all performance obligations associated with the facilitation of refund transfers and advance loans. Performance obligations are considered satisfied when the return is accepted by the Internal Revenue Service ("IRS") for refund transfers and when the loan is approved by the bank for advance loans. Refund transfer products and refund-based advance loans are recorded on a net basis as the Company is acting as an agent. This is due to the bank maintaining full discretion in establishing pricing and because the bank is primarily responsible for fulfilling the promise to provide the products, while Liberty is a facilitator operating on the financial institution's behalf.

Assisted tax preparation fees- Assisted tax preparation fees, net of discounts, are recorded at the time the return is filed. The related discounts are recorded as reductions to revenues. Assisted tax preparation fees are due upon the filing of the customers tax return.

Electronic filing fees- Electronic filing fees are recorded in the period the tax return is electronically filed. The electronic filing fees, net of the franchisees' share in such fees, are recorded as revenues in the consolidated income statements. Electronic filing fees are due upon the filing of the customers tax return.

Structured Entity

As part of the Company's overall funding strategy and as part of its effort to support its liquidity from varying sources, the Company has established a securitization program through several facilities, LoanMe Trust Prime 2018-1 ("**2018 Securitization**"), LoanMe Trust SBL 2019-1 ("**2019 Securitization**") and LoanMe 2014 BP II SPE LLC, LoanMe 2014 BP III SPE LLC and LoanMe 2020 CM I SPE LLC, collectively ("**BasePoint Securitization**"). The Company transferred certain loan receivables to these entities, which issue notes backed by the underlying loan receivables to an unrelated third-party lender. Therefore, those entities were formed to acquire loan receivables from the Company and collect and remit payments on the loan receivables to lenders. For both the 2019 Securitization and the BasePoint Securitization, the Company was engaged as the primary servicer of the securitized loan receivables. For the 2018 Securitization the Company was not engaged as the primary servicer. The Company is required to evaluate the structured entities for consolidation.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks only and the relevant activities are directed by means of contractual arrangements. It is assessed that there is insufficient equity financing to allow the entities involved in the 2019 Securitization and the BasePoint Securitization to finance their activities without the non-equity financial support. Therefore, the Company concluded that the entities involved in the 2019 Securitization and the BasePoint Securitization are structured entities under IFRS 10 *Consolidated Financial Statement*.

The Company has determined that for the 2019 Securitization and the BasePoint Securitization, the Company has the ability to direct the activities of each structured entity that most significantly impact the economic performance of the entity as the named primary servicer of the securitized loan receivables. Additionally, the Company has the right to receive residual payments,

which expose it to potentially significant losses and returns, and the ability to affect those residual payments. Accordingly, the Company has determined it controls the entities under the 2019 Securitization and the BasePoint Securitization and is required to consolidate those entities. The assets and liabilities related to the 2019 Securitization and the BasePoint Securitization are included in the Company's consolidated financial statements and are accounted for as a secured borrowing. See "Note 7 - Long-Term Obligations" for additional information on the 2019 Securitization and the BasePoint Securitization.

The Company has determined that for the 2018 Securitization, that while the Company has the right to receive residual payments, which expose it to potentially significant losses and returns, the Company does not have the ability to direct the activities of the structured entity that most significantly impact the economic performance of the entity as the Company is not the named primary servicer and has no ability to replace the primary servicer. Accordingly, the Company is not required to consolidate the 2018 Securitization.

Employee Compensation

The Company records the cost of its employee stock-based compensation as compensation expense in its consolidated income statements. Compensation costs related to stock options are based on the grant-date fair value of awards using the Black-Scholes-Merton option pricing model and considering forfeitures. Compensation costs related to restricted stock units are based on the grant-date fair value, which is the stock price on the date of grant. The Company recognizes compensation costs for an award that has a graded vesting schedule using the accelerated method over the requisite service period for each of the award tranches.

Advertising expense

Advertising costs consist primarily of direct mail, radio, print media and online advertisements intended to attract new franchisees, customers, and obtain leads on new consumer and small business loan originations. The Company expenses advertising costs in the period incurred.

Servicing expense

Servicing costs consist primarily of third-party fees related to the ongoing servicing of the loan portfolio of the Company. The Company utilizes third parties to service all loans originated by the Company and does not service loans itself. The Company expenses servicing costs in the period incurred.

Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Financial instruments risk and policies – "Note 8 – Financial Instruments" of the consolidated financial statements.
- Sensitivity analysis disclosures – "Note 1 – Basis of the Preparation and Accounting Policies" sub header *Significant and Critical Accounting Policies*, "Note 5 - Loans Receivable", "Note 8 – Financial Instruments", and "Note 10 – Goodwill and Intangible Assets".

Impact of COVID-19 Pandemic

The Company's business has been impacted by the COVID-19 pandemic, which has created significant societal and economic disruptions. The COVID-19 pandemic has had a broad impact across industries and the economy, including by affecting consumer confidence, global financial markets, regional and international travel, supply chain distribution of various products for many industries, government and private sector operations, the price of consumer goods, country-wide lockdowns in various regions of the world, and numerous other impacts on daily life and commerce. As a result of active vaccination campaigns, improvements in the containing of outbreaks have been observed, and the economies in which the Company operates have been reopened, with governments having signaled their intent to encourage these economies to remain open. However, the ever-changing and rapidly evolving effects of COVID-19, the duration, extent and severity of which are currently unknown, on investors, businesses, the economy, society and the financial markets could, among other things, add volatility to the global stock markets, change interest rate environments, and increase delinquencies and defaults. Therefore, the COVID-19 virus and the measures to prevent its spread may continue to contribute to a higher level of uncertainty with respect to management's judgements and estimates.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Provision for expected credit losses

The ECL method is applied in determining the allowance for credit losses on the Company's franchise accounts and notes receivable. The key inputs in the measurement of ECL provision, all of which are subject to accounting judgements, estimates and assumptions are discussed above in "Note 1 – Basis of the Preparation and Accounting Policies" and "Note 4 – Receivables" of the consolidated financial statements.

The ECL method is applied in determining the allowance for credit losses on consumer and business loans receivable. The key inputs in the measurement of the ECL provision, all of which are subject to accounting judgements, estimates and assumptions are discussed above in "Note 1 - Basis of the Preparation and Accounting Policies" and "Note 5 - Loans Receivable" of the consolidated financial statements.

Impairment on nonfinancial assets

Indicators of impairment are based on management's judgement. If an indication of impairment exists, or when annual testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. See "Note 1 – Basis of the Preparation and Accounting Policies" sub headers *Goodwill, Intangible Assets with Indefinite Useful Lives* and *Intangible Assets and Asset Impairment* and "Note 10 - Goodwill and Intangible Assets" of the consolidated financial statements for further information.

The areas where estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Fair value measurement of consumer and business loans receivable

Consumer and business loans receivable are measured at fair value, which is remeasured at each reporting period. Changes in fair value are recorded in OCI based on the Company's business model. With the assistance of a third-party valuation firm, the Company estimates the fair value of the consumer and business loans receivable by estimating the amount and time of cash flows to be received using assumptions about such cash flows management believes market participants would use in evaluating the loans. See "Note 5 - Loans Receivable" and Note 8 - Financial Instruments" for additional information.

Fair value of franchisees and company-owned stores

The Company uses an operating multiple that is updated annually to estimate the fair value of the franchisees or AD's collateral when using the ECL model. See "Note 4 – Receivables" for further information surrounding the estimates and judgements used in the ECL model. To develop this operating multiple the Company uses a market approach to determine fair value. The Company utilizes the Franchisee-to-Franchisee Method under the market approach, which is further supplemented by an income related approach.

The Company also uses the operating multiple in estimating the fair value of the underlying company owned store to determine if the fair value of the non-financial assets less cost to dispose exceed the carrying amount of the non-financial assets. See "Note 10 - Goodwill and Intangible Assets" for further information.

Modifications to existing accounting standards

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform – Phase II

On August 27, 2020, the IASB published "Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) related to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. These amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. These amendments had no material impact on the December 31, 2021, consolidated financial statements of the Company.

Note 2 - Acquisitions

On July 2, 2021, the Company announced it had completed its acquisition of Liberty Tax and LoanMe Inc. which constituted the Company's qualifying acquisition pursuant to the TSX Company Manual. On December 30, 2021, the Company announced it had completed its acquisition of Community Tax.

The assets acquired and liabilities assumed in the acquisitions below are recorded at fair value in accordance with IFRS 3 - "Business Combinations". Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill acquired from the Liberty Tax and Community Tax acquisitions is deductible for income tax purposes, while the goodwill acquired from the LoanMe acquisition is not deductible for income tax purposes. During the year ended December 31, 2021, the Company incurred transaction costs of $6.3 million related to the Liberty Tax and LoanMe qualifying acquisition and incurred $1.4 million of transaction costs associated with the Community Tax acquisition. Transaction costs include advisory and consulting costs, legal costs, and other direct transaction costs. During the year ended December 31, 2021, these costs are included in selling, general and administrative costs on the consolidated income statement.

Liberty Tax Acquisition

The fair value of the consideration transferred at the acquisition date was $256.1 million, consisting of $182.1 million in cash and $74.0 million in equity interests. The table below summarizes the fair values of the identifiable assets acquired and liabilities assumed in the Liberty Tax acquisition as of July 2, 2021.

(In thousands, $USD)	July 2, 2021 Fair value
Cash and cash equivalents	$ 1,684
Current receivables, net	30,964
Interest receivable, net	1,464
Other current assets	9,045
Goodwill	76,604
Intangible assets	145,570
Property, plant and equipment, net	5,056
Non-current receivables, net	2,988
Right-of-use assets	6,917
Net investment in sublease	2,364
Deferred tax asset	1,624
Other non-current assets	853
Total assets	285,133
Long-term obligations, current	356
Lease liabilities, current	5,431
Accounts payable and accrued expenses	10,179
Other current liabilities	4,996
Long-term obligations, non-current	1,468
Lease liabilities, non-current	4,434
Other non-current liabilities	2,141
Total liabilities	29,005
Consideration transferred	$ 256,128

The goodwill of approximately $76.6 million largely reflects the synergies of combining and streamlining the operations of Liberty Tax with LoanMe, the other segment acquired as part of the Company's qualifying acquisition. Goodwill in the amount of $50.3 million is deductible for tax purposes.

As of July 2, 2021, the fair value of the acquired franchise receivables, including interest receivable, was approximately $35.4 million. The gross carrying amount of the franchise receivables is approximately $52.4 million. The difference between the fair value and carrying amount is the result of discounting the expected future cash collections, representing $5.5 million of the difference, and adjustments for receivables the Company does not expect to collect as of the acquisition date, which accounts for the remaining $11.4 million of the difference.

During the three months ended December 31, 2021, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were adjusted, resulting in a net decrease in goodwill of $.056 million. The Company also adjusted the right of use asset balance and the net investment in sublease balance, resulting in a $1.1 million decrease in the right of use asset balance and a corresponding increase in the net investment in sublease balance.

LoanMe Inc. Acquisition

The fair value of the consideration transferred at the acquisition date was $112.0 million, consisting of $18.0 million in cash, $49.4 million in equity interest (including 162,195 vested stock options) and approximately $44.6 million of LoanMe corporate debt paid-off by the Company as part of the acquisition. The table below summarizes the fair values of the identifiable assets acquired and liabilities assumed in the LoanMe Inc. acquisition as of July 2, 2021.

(In thousands, $USD)	July 2, 2021 Fair value
Cash and cash equivalents	$ 5,634
Current receivables, net	2,014
Consumer and business loans receivable, at fair value	286,319
Interest receivable, net	13,588
Bonds and subordinated certificates in securitized trusts	8,209
Other current assets	761
Goodwill	51,990
Intangible assets	15,800
Property, plant and equipment, net	293
Right-of-use assets	6,824
Other non-current assets	6,288
Total assets	397,720
Long-term obligations, current	207,791
Lease liabilities, current	1,089
Accounts payable and accrued expenses	5,465
Other current liabilities	7,725
Long-term obligations, non-current	36,103
Lease liabilities, non-current	5,734
Other non-current liabilities	21,838
Total liabilities	285,745
Consideration transferred	$ 111,975

The goodwill of approximately $52.0 million largely reflected the synergies expected from combining and streamlining the operations of LoanMe with Liberty Tax, the other segment which was acquired as part of the Company's qualifying acquisition. Goodwill related to the LoanMe segment is not deductible for tax purposes.

The acquired consumer and business loans receivable and interest receivable comprise gross contractual amounts due of approximately $311.9 million, of which the Company does not expect to collect approximately $12.0 million as of the date of acquisition.

During the three months ended December 31, 2021, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were adjusted, resulting in a decrease in goodwill of $15.5 million. The decrease in goodwill was primarily due to a net increase of $13.0 million in the fair value assigned to consumer and business loans receivable and interest receivable, $4.7 million decrease in the fair value assigned to long-term obligations, current, offset by a $2.7 million increase in the deferred tax liability included in other non-current liabilities.

Community Tax Acquisition

The fair value of the consideration transferred at the acquisition date was $94.6 million, consisting of $70.9 million in cash at closing, $21.8 million in equity interest and an additional $1.9 million in cash for post-closing adjustments paid-out in March of 2022. As of December 31, 2021, the additional cash owed for the post-closing adjustment is included in accounts payable and accrued expenses on the consolidated balance sheets.

The table below summarizes the fair values of the identifiable assets acquired and liabilities assumed in the Community Tax acquisition as of December 30, 2021.

(In thousands, $USD)	December 30, 2021 Fair value
Cash and cash equivalents	$ 901
Current receivables, net	6,958
Other current assets	166
Goodwill	92,430
Intangible assets	17,029
Property, plant and equipment, net	248
Right-of-use assets	1,310
Other non-current assets	38
Total assets	119,080
Lease liabilities, current	275
Accounts payable and accrued expenses	821
Other current liabilities	22,346
Lease liabilities, non-current	1,035
Total liabilities	24,477
Consideration transferred	$ 94,603

The goodwill of approximately $92.4 million largely reflects the synergies of combining and streamlining the Company's current business with Community Tax's operations. Goodwill is deductible for income tax purposes.

Pro forma financial information

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the Liberty Tax, LoanMe, and Community Tax Acquisitions (the "Acquisitions") as if they had occurred on January 1, 2021.

(In thousands, $USD)	Year Ended December 31, 2021
Revenue	$ 262,478
Net Income (loss)	(100,372)

The pro forma financial information includes pro forma adjustments resulting from the acquisitions, including amortization charges of the intangible assets identified from the acquisitions, interest expense adjustments resulting from debt incurred or settled arising from the acquisitions, the reversal of amortization expense related to issuance costs on Class A Restricted Voting Shares (as the Class A Restricted Voting Shares would have been converted into common shares of the Company as a result of the Transactions), incremental stock-based compensation expense related to shares granted as part of the transactions, and the related tax effects as if the aforementioned companies were combined as at January 1, 2021.

Note 3 – Revenue

Contract balances

The following table reflects advanced payments from service providers and the estimated franchise and AD fees expected to be recognized in the future related to performance obligations that are unsatisfied:

	As at	
(In thousands, $USD)	December 31, 2021	December 31, 2020
Within one year	$ 3,922	$ —
More than one year	1,491	—

The following table provides information about receivables, contract liabilities (deferred revenue) from contracts with customers and customer deposits:

	As at	
(In thousands, $USD)	December 31, 2021	December 31, 2020
Franchise receivables and interest receivable	$ 45,644	$ —
Unbilled receivables	6,958	
Contract liabilities	5,413	—
Customer deposits	13,226	—

Customer deposits relate to payments received in advance for contracts, which allow the customer to terminate a contract and receive a pro rata refund for the unused portion of payments received to date. In these arrangements, the Company has concluded there are no enforceable rights and obligations during the period in which the option to cancel is exercisable by the customer. Therefore, the consideration received is recorded as a customer deposit liability, which is included in other current liabilities on the consolidated balance sheet.

Changes in deferred revenue are as follows:

	Year Ended
(In thousands, $USD)	December 31, 2021
Deferred revenue at beginning of period	$ —
Deferred revenue acquired as part of Liberty Tax, LoanMe, and Community Tax Acquisitions	9,051
Revenue recognized during the period	(4,195)
New deferred revenue recognized during period	557
Deferred revenue at end of period	$ 5,413

The following represents the disaggregated revenue by reportable segment for the year ended December 31, 2021:

	Year Ended December 31, 2021				
(In thousands, $USD)	Liberty Tax	LoanMe	Community Tax	Corporate	Consolidated
Interest income	$ 1,346	$ 55,019	$ —	$ —	$ 56,365
Interest expense	—	(13,059)	—	—	(13,059)
Net interest income	1,346	41,960	—	—	43,306
Loss on sale of loans	—	(2,857)	—	—	(2,857)
Service revenue:					
Franchise fees	398	—	—	—	398
Area developer fees	318	—	—	—	318
Royalties and advertising fees	5,511	—	—	—	5,511
Financial products	5,672	—	—	—	5,672
Assisted tax preparation fees, net of discounts	623	—	—	—	623
Electronic filing fees	104	—	—	—	104
Other revenues	3,034	799	—	—	3,833
Total service and other revenue	15,660	799	—	—	16,459
Total revenue	$ 17,006	$ 39,902	$ —	$ —	$ 56,908

During the period of July 16, 2020 (inception) through December 31, 2020, the Company operated as a special purpose acquisition corporation and did not earn revenue during that period.

Other gain (loss)

During the year ended December 31, 2021, the Company recognized an $8.5 million gain related to the sale of Trilogy Software Inc. (**"Trilogy"**), in which the Company, through its Liberty Tax segment, held an approximate 17% equity ownership. The sale of Trilogy closed on December 30, 2021, for which the Company received approximately $6.0 million of cash and 27,098 shares in Xero Limited ("Buyer"), valued at approximately $2.8 million as of December 30, 2021, in exchange for the previously held equity interest in Trilogy. As of December 30, 2021, the carrying amount of the Company's equity investment in Trilogy was approximately $0.5 million. As of December 31, 2021, the cash portion of the purchase consideration is included in current receivables, net on the consolidated balance sheet, since the Company did not receive the cash portion of the purchase consideration until January 2022.

Note 4 - Receivables

Receivables, net as of December 31, 2021 and December 31, 2020 are presented in the consolidated balance sheets as follows:

(In thousands, $USD)	As at December 31, 2021	As at December 31, 2020
Current franchise receivables, net	$ 21,559	$ —
Unbilled receivables	6,958	—
Other current receivables	13,022	—
Current receivables, net	41,539	—
Non-current franchise receivables, net	3,571	—
Non-current receivables, net	$ 3,571	$ —

Current and non-current franchise receivables, net include an allowance for credit losses in the amount of $4.6 million and $.6 million, respectively. Other current receivables consist primarily of the $6.0 million cash portion of the Trilogy equity sale and $4.6 million related to employee retention credits in the U.S.

The Company provides select financing to ADs and franchisees for the purchase of franchises, areas, Company-owned offices, and operating loans to our Canadian franchisees for working capital and equipment needs. The franchise-related notes generally are payable over five years and the operating loans generally are due within one year. Most notes bear interest at 12%.

Franchise receivables, net, as of December 31, 2021 and December 31, 2020 consist of the following:

(In thousands, $USD)	As at December 31, 2021	As at December 31, 2020
Accounts receivable - current	$ 16,951	$ —
Notes receivable - current, net	6,555	—
Allowance for expected credit losses- current	(1,947)	—
Current franchise receivables, net	21,559	—
Notes receivable - non-current, net	3,819	—
Allowance for expected credit losses - non-current	(248)	—
Non-current franchise receivables, net	$ 3,571	$ —

Management considers specific accounts and notes receivable to be impaired if the net amounts due exceed the fair value of the underlying franchise at the time of the annual valuation and estimates an expected credit loss ("ECL") based on that excess. The adequacy of the expected credit losses allowance is assessed on a regular basis and adjusted as deemed necessary. Management believes the recorded allowance is adequate based upon its consideration of the estimated value of the franchises and AD areas, which serve as collateral for the receivables. Any adverse change in the individual franchisees' or ADs' areas could affect the Company's estimate of the allowance.

(In thousands, $USD)	As at December 31, 2021	As at December 31, 2020
Impaired:		
Accounts receivable	$ 4,533	$ —
Notes receivable	1,554	—
Less amounts due to ADs and franchisees	(41)	—
Amounts receivable less amounts due to ADs and franchisees	6,046	—
Expected credit loss for credit impaired accounts and notes receivable	(1,450)	—
Non-impaired:		
Accounts receivable	12,420	—
Notes receivable	8,819	—
Less amounts due to ADs and franchisees	(475)	—
Amounts receivable less amounts due to ADs and franchisees	20,764	—
Expected credit loss for non-credit impaired accounts and notes receivable	(745)	—
Total:		
Accounts receivable	16,953	—
Notes receivable	10,373	—
Less amounts due to ADs and franchisees	(516)	—
Amounts receivable less amounts due to ADs and franchisees	26,810	—
Total expected credit loss	$ (2,195)	$ —

Activity in the total expected credit loss for the year ended December 31, 2021 was as follows:

(In thousands, $USD)	Year Ended December 31, 2021
Balance at beginning of period	$ —
Provision for expected credit losses	2,195
Balance at end of period	$ 2,195

Note 5 - Loans Receivable

Consumer and business loans receivable represent amounts advanced to customers and includes unsecured consumer loans for prime and non-prime individual borrowers, as well as unsecured small business loans. Unsecured prime loans to individuals are originated in amounts ranging from $7,500 up to $100,000, bear annual interest at rates ranging from 9.9% to 22.9%, and have terms up to 180 months.

Unsecured non-prime loans to individuals and small businesses are originated in amounts ranging from $1,000 up to $250,000, bear annual interest at rates ranging from 0% to 210%, and have terms from 6 to 120 months.

In the Community Tax segment, consumer loans include participation interests in unsecured consumer loans originated by third parties of up to 95% of the loan principal balance. Pursuant to the participation agreement, the Company may purchase the remaining 5% of the principal balance based on an agreed upon formula if the loan becomes 65 days or more delinquent. The participation consumer loans have a 36-month term and bear annual interest at rates ranging from 85% to 210%.

Loans receivable measured at fair value at December 31, 2021 and December 31, 2020 are as follows:

(In thousands, $USD)	As at December 31, 2021	As at December 31, 2020
Unsecured consumer and business loans	$ 185,616	$ —
Fair value adjustment	61,000	—
Loans receivable, at fair value	$ 246,616	$ —

Loans receivable measured at fair value at December 31, 2021 and December 31, 2020, based on loan type are as follows:

(In thousands, $USD)	As at December 31, 2021	As at December 31, 2020
Unsecured consumer non-prime loans	$ 115,813	$ —
Unsecured business loans	129,806	—
Unsecured consumer prime loans	997	—
Loans receivable, at fair value	$ 246,616	$ —

In accordance with paragraph 5.5.2 of IFRS 9, an entity shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A. However, the ECL allowance shall be recognized in AOCI and shall not reduce the carrying amount of the financial asset in the balance sheet.

The following table provides a breakdown of the consumer and business loans receivable at fair value. It also presents the allowance for expected credit losses by aging bucket, which represents the assessment of credit risk exposure and the IFRS 9 ECL measurement stage. The Company anticipates a significant number of loans in Stage 1 will experience significant credit deterioration based on historical patterns. The entire loan is presented based on its oldest individual past due balance to align with the stage groupings used in calculating the allowance for expected credit losses under IFRS 9.

As at December 31, 2021 and December 31, 2020:

(In thousands, $USD)		Balance at December 31, 2021			
Credit Risk Category	Days Past Due	Stage 1	Stage 2	Stage 3	Total
Satisfactory	Not past due	$ 187,246	$ —	—	$ 187,246
Lower risk	1-30 days	—	27,366	—	27,366
Moderate risk	31-60 days	—	12,511	—	12,511
Higher risk	61-90 days	—	10,141	—	10,141
Credit-impaired	91+ days	—	—	9,352	9,352
Loans receivable, at fair value		187,246	50,018	9,352	246,616
Allowance for loan losses - OCI		$ 16,871	$ 27,500	$ 8,834	$ 53,205

(In thousands, $USD)		Balance at December 31, 2020			
Credit Risk Category	Days Past Due	Stage 1	Stage 2	Stage 3	Total
Satisfactory	Not past due	$ —	$ —	—	$ —
Lower risk	1-30 days	—	—	—	—
Moderate risk	31-60 days	—	—	—	—
Higher risk	61-90 days	—	—	—	—
Credit-impaired	91+ days	—	—	—	—
Loans receivable, at fair value		—	—	—	—
Allowance for loan losses - OCI		$ —	$ —	$ —	$ —

The overall changes in the allowance for credit losses of consumer and business loans receivable are summarized below:

(In thousands, $USD)	Year Ended December 31, 2021
Balance at beginning of period	$ —
Provision for expected credit losses:	
Increase due to lending and collection activities	81,850
Changes in credit risk parameters	36,334
Amounts written-off against allowance, net of recoveries	(64,979)
Balance at end of period	$ 53,205

Note 6 – Bonds and Subordinated Certificates in Securitized Trusts

During 2018, LoanMe participated in a securitization transaction secured by $144.0 million in consumer loans from its prime portfolio. All loans were originated by LoanMe, including $71.0 million transferred from its portfolio and the remaining $73.0 million transferred by an unrelated party who previously purchased similar loans from LoanMe. Pursuant to the transaction's private placement memorandum ("PPM"), 4.75% Class A bonds, 5.00% Class B bonds, 5.00% Class C bonds and non-interest-bearing subordinated trust certificates were issued, whereby LoanMe retained a 5% portion of the A and B Bonds, 100% of the C Bonds and 27.50% of the subordinated trust certificates. The trust certificates represent beneficial equity interests in the Trust, which are subordinated to the A, B and C bonds and are not secured by any pledge of loans. Accordingly, to the extent the assets of the Trust are insufficient to pay all the bonds, the subordinated trust certificates bear the first and full risk of loss. Pursuant to the PPM, LoanMe is not required to cover any shortfalls and/or repurchase any loans subject to the securitization.

The initial amortized cost of the aforementioned retained Class A, B and C bonds and subordinated trust certificates in the securitized trusts was determined using fair value and based on the Company's internal model used to compute the net present value of future expected cash flows, using observable market participant assumptions, where available. The Company's assumptions include its expectations of inputs that other market participants would use in pricing these assets. These assumptions include judgments about the underlying collateral, prepayment speeds, estimated future credit losses, discount rate requirements and certain other factors which management expects market participants would require.

The bonds and subordinated certificates are classified as held for investment, carried at amortized cost and measured for impairment at each reporting period. Interest on these securities is recognized using the effective interest method.

As of December 31, 2021:

(In thousands, $USD)	Carrying amount	Discount rate	Collateral	Estimated fair value	Maximum loss exposure
2018 Securitization					
Bonds	$ 2,876	4.97% - 7.75%	Prime loans	$ 2,876	$ 2,876
Subordinated certificates	4,660	18.00 %		4,660	4,660
Total	$ 7,536			$ 7,536	$ 7,536

Note 7 – Long-Term Obligations

Long-term obligations at December 31, 2021 and December 31, 2020 are as follows:

	As at	
(In thousands, $USD)	December 31, 2021	December 31, 2020
Revolving corporate credit facility	$ 158,000	$ —
BP SSL Trust (BasePoint)	162,779	—
CC Bank Revolver	5,145	—
Chilmark Administrative, LLC	10,782	—
2019 Securitization bonds	26,870	—
Frontier Capital	6,110	—
Community Tax term loans, net of debt issuance costs	68,691	—
Other long-term obligations	8,382	—
Fair value premium on acquired debt from LoanMe acquisition	6,748	—
Total long-term obligations	453,507	—
Less current installments	(376,181)	—
Total long-term obligations, excluding current installments, net	$ 77,326	$ —

NextPoint Financial Corporate Credit Facility

In connection with the qualifying acquisition, the Company entered into a $200.0 million revolving credit facility (the "Credit Facility"), with affiliates of BasePoint Capital, (the "**Lenders**" or "**BasePoint**"). Draws under the Credit Facility were used to partially fund the cash portion of the purchase prices payable pursuant to the Transaction Agreements, and could be used for working capital and general corporate purposes, including to finance future acquisitions.

On November 1, 2022, the Company and BasePoint entered into a Waiver and Amendment to the Revolving Credit Agreement, which, among, others, set the maximum revolving Credit Facility commitment at $130.0 million and provided for a new $74.4 million term loan to LT Holdco, LLC. Refer to "Note 20 - Subsequent Events" for additional information about the amendment and the breach of certain of the covenants associated with the Credit Facility in 2022.

The draw period under the original Credit Facility commenced on the Transaction Closing Date and terminated on the earlier of (a) (i) in the event Andrew Neuberger is no longer a member of the Company's Board of Directors, (ii) in the event Brent Turner is no longer the Chief Executive Officer of the Company two years after the Acquisition Closing Date or (iii) in the event Jonathan Williams is no longer the President of Lending of the Company (or equivalent position), and, in each case the Company fails to replace such applicable person(s) with one or more individuals acceptable to the administrative agent in its sole discretion within 90 days and (b) the occurrence of certain triggering events, including the Company's failure (including the failure of any of our subsidiaries) to perform its respective obligations under the Credit Facility and (c) two years after the Transaction Closing Date, provided that the draw period can be extended for successive incremental one (1) year periods upon agreement of the Company and Lenders. All principal and interest under the Credit Facility were due and payable on the earlier to occur of (i) the date that is two years following the end of the draw period, (ii) the ten-year anniversary of the Acquisition Closing Date or (iii) the acceleration of obligations following an event of default under the Credit Facility. Effective December 15, 2021, Jonathan Williams resigned as President of Lending of the Company and had been replaced by Eric Norona. The Company received approval from BasePoint on December 15, 2021, that Eric Norona was an acceptable replacement as President of Lending.

Amounts outstanding under the Credit Facility accrued interest at a rate per annum equal to 12%, which would increase by 4.5% upon an event of default. Interest was payable monthly. A one-time commitment fee of $2.25 million was paid upon the first draw from the Credit Facility. As of December 31, 2021, the Company had drawn down $158.0 million from the Credit Facility.

The obligations under the Credit Facility were guaranteed by all of the Company's existing and certain newly acquired subsidiaries, including LoanMe Inc., Liberty and their respective subsidiaries, subject to certain exceptions and were also secured by all of the assets of NextPoint Financial and its subsidiaries, subject to certain exceptions, and were subordinated only to certain existing and prospective warehouse facilities secured by receivables originated by the Company and its subsidiaries in the normal course of business. Due to the structure of the financing for the Community Tax acquisition, Community Tax was excluded from the Credit Facility and not part of the guarantee described above, and Community Tax's assets are not part of the Company's assets that secure the Credit Facility.

Amounts outstanding under the Credit Facility may be prepaid at any time without any prepayment penalty, and the Credit Facility may be terminated at any time so long as the aggregate outstanding balance of all draws has been repaid in full. As of September 30, 2021, the Company was not in compliance with the tangible net worth covenant as defined in the Credit Facility. On November 23, 2021, the Company obtained a waiver and amended the Credit Facility to waive the tangible net worth covenant until March 31, 2022, increasing the interest rate on the facility from 12% per annum to 13% per annum beginning in June 2022. The Company paid a $2.0 million fee as part of obtaining the covenant waiver and amending the Credit Facility

in April 2022. As of December 31, 2021, this amount is included in accounts payable and accrued expenses on the consolidated balance sheets.

The Credit Facility is included in Long-term obligations, current, in the Consolidated balance sheet, consistent with the Company's use of draws under the facility to meet short-term operational requirements.

BP SLL Trust (BasePoint)

As part of the BasePoint Securitization, LoanMe entered into two credit facility agreements during 2014 with maximum borrowing capacity totaling $420.0 million with BasePoint to fund consumer loans originated by the Company. Such credit facilities were secured by the related consumer loans, bore interest ranging from 12.5% to 15.5% per annum and required weekly payments of principal and interest as defined in the agreements. The unpaid principal balance due on such credit facilities totaled $162.8 million on December 31, 2021. The covenants included portfolio covenants, affirmative covenants, and financial covenants. The performance triggers included loan collections, first payment default, delinquency, and charge-offs. On December 31, 2021, the Company was in compliance with all covenants and performance triggers.

Under the facility agreements, the borrowing capacity was set to mature at various dates through December 2022. On the borrowing capacity maturity date for each facility the Company would no longer be able to draw on that facility, and the unpaid principal balance on each facility on the date the borrowing capacity matures would be due in monthly payments of principal and interest, required to be repaid in full two years from the borrowing capacity maturity date.

On September 30, 2022, the Company and BasePoint entered into two Assignment of Interest and Foreclosure Consent Agreements, under which BasePoint received 100% of the equity in the two LoanMe special purpose entities ("SPE's") for consideration. Refer to "Note 20 - Subsequent Events" for additional information.

Chilmark Administrative, LLC

As part of the BasePoint Securitization, LoanMe entered into a loan and security agreement in June 2020 for $11.0 million with Chilmark Administrative, LLC to fund consumer loans originated by LoanMe. The loan security agreement is secured by the related consumer loans, bears interest at 11% per annum and matured in June 2022. The unpaid principal balance due on the loan and security agreement totaled approximately $10.8 million on December 31, 2021. Refer to "Note 20 - Subsequent Events" for additional information.

CC Bank Revolver

On July 26, 2021, the Company entered into a one year revolving business loan agreement with Capital Community Bank ("CC Bank") with borrowing capacity totaling $5.0 million to fund near prime loans originated by the Company. The revolver is secured by the related near prime loans, bears interest at 6.25% and requires monthly payments of accrued interest. The borrowing capacity matured on July 5, 2022. On November 1, 2021, the Company and CC Bank amended the agreement, increasing the borrowing capacity to $7.0 million. All other terms and conditions remained the same, including the maturity date for the principal balance of November 5, 2022. As of December 31, 2021, the unpaid principal balance due was approximately $5.1 million.

2019 Securitization Bonds

During 2019, LoanMe participated in a securitization transaction secured by $70,000,000 in loans from its small business portfolio originated by LoanMe. Pursuant to the transaction's PPM, 5.25% Class A bonds, 10.00% Class B bonds 11.25% Class

C bonds and non-interest-bearing subordinated trust certificates were issued. As part of the securitization, LoanMe retained all of the subordinated trust certificates. As such, the 2019 Securitization is consolidated in the Company's consolidated financial statements. As of December 31, 2021, the unpaid principal balance of the Class A, B and C bonds was approximately $2.4 million, $17.5 million and $7.0 million, respectively. As of December 31, 2021, $32.9 million of loans receivable at fair value and approximately $0.8 million of interest receivable included in the consolidated balance sheet are related to the 2019 Securitization, whose future cash flows will be used to repay the Class A, B and C bonds.

Frontier Capital, LLC

On October 29, 2021, the Company entered into a two year revolving line of credit with Frontier Capital, LLC with a borrowing capacity totaling $10.0 million to fund near prime loans originated by the Company. The line of credit is secured by the related near prime loans, bears interest at 12% per annum and requires monthly interest payments beginning November 28, 2021, and continuing on the same day of each successive month thereafter, until October 28, 2023, at which point the outstanding principal balance under the facility is due in full. The Company is able to prepay the outstanding principal balance and any accrued unpaid interest under the facility at any time with no prepayment penalty. As of December 31, 2021, the unpaid principal balance due was approximately $6.1 million. Refer to "Note 20 - Subsequent Events" for additional information.

Community Tax Acquisition term loan financing

Republic Bank and Trust Company

On December 30, 2021, the Company entered into a six month, senior, single-advance term loan with an initial aggregate principal balance of $25.0 million, which was used to finance the Community Tax acquisition. The term loan bears interest at 8% per annum, matures June 30, 2022, and requires monthly interest payments beginning February 1, 2022. The Company is able to prepay principal amounts as part of the monthly payments without penalty, but principal payments are not required.

The total outstanding principal balance plus any accrued interest was due in full on June 30, 2022. The Company refinanced the loan on June 6, 2022, as further described in "Note 20 - Subsequent Events".

PCIP Credit IV, LLC

On December 30, 2021, the Company entered into a three-year $45.0 million term loan with PCIP Credit IV, LLC to fund the acquisition of Community Tax. The term loan bears interest at 11% per annum and required monthly interest payments from February 1, 2022 through January 2023, at which point the Company would have to make monthly principal and interest payments until the loan matured in December 2024. The Company refinanced the loan on June 6, 2022, as further described in "Note 20 - Subsequent Events".

Compliance with Debt Covenants

The Company's various long-term debt and revolving credit facilities impose restrictive covenants on it, including requirements to meet certain ratios. As of December 31, 2021, the Company was in compliance with all financial covenants under these agreements. However, during 2022, the Company breached certain of the covenants associated with the Credit Facility, which is further discussed in "Note 20 - Subsequent Events".

Finance costs, net

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Interest on term loan payables, mortgage, and credit facility including deferred financing costs	$ (8,036)	$ —
Interest on lease liabilities	(226)	—
Interest income from the investment in the sublease	94	—
Interest income on restricted cash and securities held in escrow account	—	48
Interest on restricted cash and securities held in escrow account	—	(48)
Total finance costs, net	$ (8,168)	$ —

Note 8 – Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value when the Company becomes a party to the contractual provision of the financial instrument.

The Company's financial instruments consist of cash and cash equivalents, franchise receivables, loan receivables, interest receivable, derivative assets, accounts payable, long-term obligations and derivatives. In view of their nature, the fair value of most of the financial instruments approximates their carrying amounts.

Financial assets

The settlement date is used for initial recognition and derecognition of financial assets as these transactions are generally under contracts whose terms require delivery within the time frame established by regulation or convention in the marketplace (regular-way purchase or sale). Financial assets are derecognized when substantially all the Company's rights to cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

For consumer loans receivable, the Company applies assumptions which market participants would use based on the product type, age of the loan pools and any other specific matters associated with the loan pools. Such assumptions include the principal collection rate, interest collection rate and the discount rate. Inherent in the principal collection rate assumption are default rates and prepayment rates. Default rates are assumed to have a 100% severity. Default and prepayment rates impact each other, and changes in a single assumption are not significant. For example, an increase in prepayment speeds will generally result in lower defaults. A discount rate is then applied which management believes represents the rate that an investor in these cash flows would apply in the current circumstances. This rate assumes that the buyer and seller are independent and that the sale is not a forced or liquidation sale.

Bonds and subordinated certificates in securitized trusts, as discussed in "Note 6 - Bonds and Subordinated Certificates in Securitized Trusts", were initially recognized at fair value and subsequently accounted for at amortized cost and measured for impairment at each reporting period. At December 31, 2021, since an impairment loss was recognized, the fair value of the bonds and subordinated certificates is equal to their carrying values.

Financial assets such as accounts receivable are initially measured at the transaction price if the accounts receivables do not contain significant financing components or if the practical expedient was applied as specified in IFRS 15.63. Financial assets are initially recognized at fair value plus directly attributable transaction costs. However, when a financial asset measured at FVTPL is recognized, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their categorization, which is revisited at each reporting date.

Financial liabilities

Financial liabilities are initially recognized at fair value through profit or loss, and in the case of loans and borrowings and payables, net of transaction costs incurred. Subsequent to initial measurement, with the exception of the 2019 securitization bonds, financial liabilities are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the consolidated statement of income (loss) over the contractual terms using the effective interest rate method. This category includes lease liabilities and other financial liabilities. The 2019 securitization bonds are measured at FVTPL.

Financial liabilities at amortized cost are classified as current or non-current depending on whether these are due within 12 months after the balance sheet date or beyond. Financial liabilities are derecognized (in full or partly) when either the Company is discharged from its obligation, they expire, are cancelled or replaced by a new liability with substantially modified terms.

Measurement of financial instruments

	Balance at December 31, 2021			
(In thousands, $USD)	At amortized cost	At FVTPL	At FVTOCI	Total
Classes				
Cash and cash equivalents	$ 8,544	$ —	$ —	$ 8,544
Restricted cash and securities held in escrow	5,912	—	—	5,912
Franchise receivables	25,130	—	—	25,130
Consumer and business loans receivable	—	—	246,616	246,616
Bonds and subordinated certificates in securitized trusts	7,536	—	—	7,536
Total financial assets	47,122	—	246,616	293,738
Accounts payable	23,289	—	—	23,289
Long-term obligations	422,589	30,918	—	453,507
Warrant liability	—	5,150	—	5,150
Derivative liabilities	—	—	67	67
Total financial liabilities	445,878	36,068	67	482,013
Net financial position	$ (398,756)	$ (36,068)	$ 246,549	$ (188,275)

	Balance at December 31, 2020			
(In thousands, $USD)	At amortized cost	At FVTPL	At FVTOCI	Total
Classes				
Cash and cash equivalents	$ 2,061	$ —	$ —	$ 2,061
Restricted cash and securities held in escrow	200,048	—	—	200,048
Total financial assets	202,109	—	—	202,109
Accounts payable	1,242	—	—	1,242
Class A restricted voting units	195,469	—	—	195,469
Warrant liability	—	5,768	—	5,768
Derivative liabilities	—	—	—	—
Total financial liabilities	196,711	5,768	—	202,479
Net financial position	$ 5,398	$ (5,768)	$ —	$ (370)

Fair value hierarchy of financial instruments

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

- Level 1: the fair value of financial instruments quoted in active markets is based on their quoted closing price at the balance sheet date. Examples include exchange-traded commodity derivatives and financial assets such as investments in publicly traded equity and debt securities.
- Level 2: the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions. For example, the fair value of forward exchange contracts, currency swaps and interest rate swaps are determined by discounting estimated future cash flows.
- Level 3: the fair value of financial instruments that are measured on the basis of entity specific valuations using inputs that are not based on observable market data (unobservable inputs). When the fair value of unquoted instruments cannot be measured with sufficient reliability, the Company carries such instruments at cost less impairment, if applicable.

The Company has assessed that the fair values of cash and cash equivalents, accounts payable and accrued expenses and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Due to most of the Company's debt being either recently acquired debt measured at fair value or short-term in nature, the Company has determined for the long-term obligations measured at amortized cost that fair values approximate their carrying amounts. The 2019 securitization bonds are carried at fair value, classified as FVTPL, and included as Level 3 measurements in the table below.

	Balance at December 31, 2021		Balance at December 31, 2020	
(In thousands, $USD)	Carrying Value	Fair Value	Carrying Value	Fair Value
Warrant liabilities	$ (5,150)	$ (5,150)	$ (5,768)	$ (5,768)
Prices quoted in active markets (Level 1)	(5,150)	(5,150)	(5,768)	(5,768)
Long-term obligations	(422,589)	(422,589)	—	—
Derivative liabilities	(67)	(67)	—	—
Valuation techniques based on observable market data (Level 2)	(422,656)	(422,656)	—	—
Consumer and business loans receivable	246,616	246,616	—	—
Bonds and subordinated certificates in securitized trusts	7,536	7,536	—	—
Long-term obligations	(30,918)	(30,918)	—	—
Valuation techniques based on unobservable market data (Level	223,234	223,234	—	—
Total financial instruments at fair value	$ (204,572)	$ (204,572)	$ (5,768)	$ (5,768)

There have been no transfers between the different hierarchy levels in any of the periods presented in the consolidated financial statements.

The following table presents quantitative information about the valuation techniques and unobservable inputs applied to recurring Level 3 fair value measurements as of December 31, 2021:

Financial Instrument Measured at FVTOCI	Valuation Technique	Unobservable Inputs	Range of Inputs December 31, 2021	Range of Inputs December 31, 2020
Consumer and business loans receivable	Discounted Cash Flow (DCF)	Lifetime loss Discount rate	19.00% - 55.00% 5.16% - 34.28%	N/A

The discounted cash flow technique for Consumer and business loans receivable considers the contractual cash flows from the loans adjusted for expected lifetime losses and using management's best estimate of discount rates market participants would require. Interrelationships between significant unobservable inputs and fair value are as follows:

- An increase in lifetime loss would result in reduced fair value.
- An increase in discount rate would result in reduced fair value.

A one percent increase in the discount rate applied to Consumer and business loans receivable would result in a decrease of approximately $3.1 million on the fair value of consumer and business loans receivable and related unrealized gains (losses) reflected in OCI. A one percent decrease in the discount rate applied would result in an increase of approximately $3.3 million on the fair value of consumer and business loans receivable and related unrealized gains (losses) reflected in OCI. A five percent adverse change in lifetime losses would result in a decrease of approximately $11.0 million on the fair value of consumer and business loans receivable and related unrealized gains (losses) reflected in OCI.

Financial Instrument Measured at FVTPL	Valuation Technique	Unobservable Inputs	Range of Inputs December 31, 2021	Range of Inputs December 31, 2020
2019 securitization bonds	DCF	Lifetime loss Discount rate	31.20% 2.45% - 6.05%	N/A

The discounted cash flow technique for the 2019 securitization bonds considers the contractual cash flows from the bonds adjusted for expected lifetime losses and using management's best estimate of discount rates market participants would require. Interrelationships between significant unobservable inputs and fair value are as follows:

- An increase in discount rate would result in reduced fair value.

A one percent increase in the discount rate applied to the 2019 securitization bonds would result in a decrease of approximately 7.45% of par on the fair value of the 2019 securitization bonds and related unrealized gains (losses) reflected in OCI. A one

percent decrease in the discount rate applied would result in an increase of approximately 7.74% of par on the fair value of the 2019 securitization bonds and related unrealized gains (losses) reflected in OCI.

The following table presents quantitative information about the valuation techniques and unobservable inputs applied to non-recurring Level 3 fair value measurements as of December 31, 2021:

Financial Instrument Measured at Amortized	Valuation	Unobservable Inputs	Range of Inputs December 31, 2021	Range of Inputs December 31, 2020
Bonds in securitized trusts	DCF	Discount rate	4.97% - 7.75%	N/A
Subordinated certificates in securitized trusts	DCF	Lifetime loss Discount rate	25.00% 18.00%	N/A

Note 9 – Property, Plant and Equipment, Net

Property, Plant and Equipment ("PP&E") at December 31, 2021 and December 31, 2020 is as follows:

(In thousands, $USD)	Land and land improvements	Buildings and building improvements	Leasehold improvement	Furniture, fixtures and equipment	Construction in Progress	Total
Balance at December 31, 2020	$ —	$ —	$ —	$ —	$ —	$ —
Acquisition of Liberty Tax, LoanMe and Community Tax	983	2,617	341	1,457	197	5,595
Additions	—	—	13	93	356	462
Transfers to/from CIP	—	46	8	17	(71)	—
Disposals	—	—	—	(70)	—	(70)
Balance at December 31, 2021	**$ 983**	**$ 2,663**	**$ 362**	**$ 1,497**	**$ 482**	**$ 5,987**
Depreciation and Impairment						
Balance at December 31, 2020	$ —	$ —	$ —	$ —	$ —	$ —
Depreciation	—	44	15	116	—	175
Impairment	—	—	—	—	—	—
Disposals	—	—	—	(4)	—	(4)
Balance at December 31, 2021	**$ —**	**$ 44**	**$ 15**	**$ 112**	**$ —**	**$ 171**
Net Book Value at December 31, 2021	**$ 983**	**$ 2,619**	**$ 347**	**$ 1,385**	**$ 482**	**$ 5,816**

The useful lives are as follows:

Land	Not depreciated
Building	15 - 30 years
Leasehold improvements	Lesser of the lease term or the estimated useful life of the asset
Furniture, fixtures and equipment	3 - 7 years
Construction in progress	Not depreciated until assets are substantially complete and ready for their intended use

Useful lives, components, and residual amounts are reviewed annually. Such review takes into consideration the nature of the assets, their intended use, including, but not limited to, the closure of company-owned stores and evolution of the technology and competitive pressures that may lead to their obsolescence.

Note 10 – Goodwill and Intangible Assets

Goodwill

Goodwill is initially recognized as part of a business combination and is subsequently measured at cost less impairment.

Changes in the carrying amount of goodwill for the year ended December 31, 2021 are as follows:

(In thousands, $USD)	Liberty Tax	LoanMe	Community Tax	Total
Balance at December 31, 2020	$ —	$ —	$ —	$ —
Acquisitions of Liberty Tax, LoanMe and Community Tax	76,604	51,990	92,430	221,024
Acquisitions of franchisees	697	—	—	697
Impairment	—	(14,400)	—	(14,400)
Balance at December 31, 2021	$ 77,301	$ 37,590	$ 92,430	$ 207,321

Intangible assets

Intangible assets consist of tradenames, AD rights, software, customer lists from third parties and franchisees, customer relationships and reacquired franchise rights.

Components of amortizable intangible assets as of December 31, 2021 and December 31, 2020 are as follows:

(In thousands, $USD)	Tradename (1)	AD rights	Software	Customer lists	Customer relationships	Re-acquired rights and Non-Compete Agreements	Total
Balance at December 31, 2020	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Acquisitions of Liberty Tax, LoanMe and Community Tax	34,200	23,500	15,495	3,300	100,800	1,100	178,395
Acquisition of franchisees	—	—	—	228	—	217	445
Additions	—	13,270	4,285	—	—	—	17,555
Disposals	—	—	—	(638)	—	(97)	(735)
Balance at December 31, 2021	$ 34,200	$ 36,770	$ 19,780	$ 2,890	$ 100,800	$ 1,220	$ 195,660
Amortization and impairment							
At December 31, 2020	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Amortization	—	4,624	1,675	404	10,267	176	17,146
Impairment	—	78	—	—	—	—	78
Disposals	—	—	—	(55)	—	(53)	(108)
Balance at December 31, 2021	$ —	$ 4,702	$ 1,675	$ 349	$ 10,267	$ 123	$ 17,116
Net Book Value at December 31, 2021	$ 34,200	$ 32,068	$ 18,105	$ 2,541	$ 90,533	$ 1,097	$ 178,544

(1) The Company's Tradenames have an indefinite life and are tested as part of the Company's annual impairment testing, or when there is an indication of impairment. Tradenames are allocated between the Community Tax, Liberty and LoanMe CGU's in the amounts of $15.7 million, $13.0 million and $5.5 million, respectively.

Software includes both internally developed software and purchased software. Included in software are $7.5 million and $0.0 of assets that had not been placed into service at December 31, 2021 and December 31, 2020, respectively.

Impairment of goodwill and intangible assets

Impairment of goodwill and intangible assets is presented in selling, general and administrative expenses in the consolidated income statements.

Goodwill is tested for impairment at least annually and when there is an indication of impairment. Finite life intangible assets are tested when there is an indication of impairment. The Liberty Tax, LoanMe and Community Tax tradenames are not amortized, but rather tested for impairment at least annually and when there is an indication of impairment.

The annual impairment test is performed at the CGU level. The Company defines its CGU for goodwill impairment testing based on the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, which is at the segment reporting level for the goodwill arising from the acquisition of Liberty Tax, LoanMe and Community Tax and the individual store level for goodwill arising from the acquisition of franchisees. The impairment test for goodwill arising from the Liberty Tax, LoanMe and Community Tax acquisitions is performed at the segment CGU level by comparing the carrying value of the assets of the CGU with their recoverable amount, which is the higher of the fair value of the segment less costs of disposal or the value in use. The impairment test for goodwill arising from the acquisition of franchisees is performed by comparing the carrying value of the assets of the CGU with their recoverable amount, based on the fair value of the underlying franchise less costs of disposal. In estimating the fair value of the CGU used to determine the recoverable amount the Company uses an operating multiple that is updated annually. The operating multiple is developed using a market approach referred to as the Franchisee-to-Franchisee Method as further supplemented by an income related approach.

The Company performs its annual impairment test during the third week of July every year. The Company considers the relationship between its market capitalization and its book value and actual results compared to budgeted and forecasted results, among other factors, when reviewing for indicators of impairment.

As at December 31, 2021, the market capitalization of the Company was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segments. In addition, the actual results of the LoanMe segment for the period July 2, 2021 through December 31, 2021, were significantly different than the budgeted and forecasted amounts for that period, further indicating a potential impairment specific to the LoanMe segment.

Liberty Tax Segment CGU

The recoverable amount of the Liberty Tax segment was determined based on a value in use calculation, using cash flow projections from financial forecasts approved by senior management, covering a five-year period. The discount rate applied to the cash flow projections is 16.0%, and cash flows beyond the five-year period utilize a 2.5% growth rate, which is based on historical growth rates of the Liberty Tax business. As a result of the analysis, management did not identify any impairment for the Liberty Tax segment as part of its annual impairment assessment or the interim assessment performed in December 2021.

LoanMe Segment CGU

The recoverable amount of the LoanMe segment was also determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 15.0%, and cash flows beyond the five-year period are extrapolated using a 3.5% growth rate, which is based on 2% expected long-term inflation expectation for the U.S. plus a component of real GDP. The extrapolation of cash flows beyond the five-year period also reflects loan originations, net of repayments, as a percentage of revenue, which was calculated to be 30.2%. This reflected management's expectation that LoanMe would not continue to grow originations at a high growth rate indefinitely, and that when origination volume did slow down, the Company expects to generate positive operating cash flows. The calculated amount falls within the range of industry averages.

It was concluded that the fair value less cost to dispose did not exceed the value in use. As a result of this analysis, management has recognized an impairment charge of $14.4 million in the year ended December 31, 2021 related to its LoanMe segment. The impairment charge is included within selling, general and administrative costs on the consolidated statement of income (loss) and was driven by use of updated five-year cash flow projections as compared to the projections incorporated in the initial purchase accounting of July 2, 2021. Refer to "Note 20 - Subsequent Events" for additional information about the evolution of the LoanMe segment.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for both the Liberty Tax and LoanMe segments is most sensitive to the following assumptions:

- Discount rates
- Growth rates to extrapolate cash flows beyond the forecast period
- Loan originations, net of repayments as a percentage of revenue in the terminal year (LoanMe segment only)

Discount rates – represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. An increase in the discount rate to 15.5% (+0.5%) in the LoanMe segment would result in additional impairment expense of $18.0 million. An increase in the discount rate to 23.8% (+7.8%) in the Liberty Tax segment would result in an impairment loss of $.7 million.

Growth rate estimates - initially developed based on historical growth rates of the individual segments and compared to published industry research, comparable public companies, and published economic metrics to ensure the rates are reasonable. A decrease in the growth rate to 2.5% (-1.0%) in the LoanMe segment would result in additional impairment of $27.9 million. In the Liberty segment, a decrease in the growth rate to 0% (-2.5%) would not result in the recognition of an impairment loss.

Loan originations, net of repayments as a percentage of revenue in terminal year - developed based on the Company's plan for the LoanMe segment where origination volume is not expected to grow at a high growth rate indefinitely. The Company will eventually slow down origination volume at which point the Company would expect to begin to generate positive operating cash flows. The rate was then compared to a range of guideline public companies to ensure the rate selected is within the industry convention. A rise in loan originations, net of repayments as a percentage of revenue to 32.2% (+2.0%) in the LoanMe segment would result in additional impairment expense of $25.0 million.

Note 11 – Leases

Lessee

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date, except for short-term leases of 12 months or less, which are expensed in the consolidated income statement on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses an incremental borrowing rate specific to the country, term and currency of the contract. Lease payments can include fixed payments, variable payments that depend on an index or rate known at the commencement date, and extension option payments or purchase options the Company is reasonably certain to exercise. The lease liability is subsequently measured at amortized cost using the effective interest rate method and remeasured (with a corresponding adjustment to the related ROU asset) when there is a change in future lease payments due to renegotiation, changes in an index or rate, or when there is a reassessment of the available options.

At inception, the ROU asset comprises the initial lease liability, initial direct costs and the obligations to refurbish the asset, less any incentives granted by the lessor. The ROU asset is depreciated, generally on a straight-line basis, over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The Company also subleases some of its real estate leases, for which it evaluates classification as either an operating lease or a finance lease by reference to the right-of-use asset arising from the head lease. In the case of a sublease being classified as a finance lease, the Company derecognizes the right-of-use asset relating to the head lease, recognizing the net investment in the sublease, and retains the lease liability related to the sublease.

Description of lease activities

The Company leases office space for its corporate owned stores as well as for certain franchisees. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Company also leases equipment to a lesser scale.

Below are the carrying amounts of the ROU assets recognized and the movements during the period:

(In thousands, $USD)	Real Estate	Equipment	Total
Balance at December 31, 2020	$ —	$ —	$ —
Acquisitions of Liberty Tax, LoanMe and Community Tax	14,846	204	15,050
Additions/Remeasurements	4,495	91	4,586
Depreciation	(2,703)	(92)	(2,795)
Foreign Exchange	3	—	3
Balance at December 31, 2021	$ 16,641	$ 203	$ 16,844

Impairment of ROU assets is presented in selling, general and administrative expenses in the consolidated income statements.

Below are the carrying amounts of the lease liabilities and the activity during the period:

(In thousands, $USD)	Real Estate	Equipment	Total
Balance at December 31, 2020	$ —	$ —	$ —
Acquisitions of Liberty Tax, LoanMe and Community Tax	17,795	204	17,999
Additions	4,428	91	4,519
Accretion of interest	139	1	140
Payments	(3,362)	(99)	(3,461)
Foreign Exchange	(23)	—	(23)
Balance at December 31, 2021	$ 18,977	$ 197	$ 19,174

Other lease disclosures

As of December 31, 2021, maturities of lease liabilities are as follows:

(In thousands, $USD)	
2022	$ 6,735
2023	5,052
2024	3,737
2025	3,224
2026	1,200
Thereafter	198
Total undiscounted lease payments	20,146
Less: imputed interest	(972)
Total lease liabilities	$ 19,174

The following are the amounts recognized in net income during the year ended December 31, 2021:

(In thousands, $USD)	December 31, 2021
Depreciation expense of ROU assets	$ 2,795
Impairment expense of ROU assets	—
Interest expense on lease liabilities	226
Expense related to short-term leases	32
Variable lease payments	445
Sublease income	(94)
Total amount recognized in net income	$ 3,404

The total cash outflow for leases amounted to $3.9 million for the year ended December 31, 2021. Total cash outflow for leases for the period from July 16, 2020 (inception) to December 31, 2020 was $-0-, as the Company did not have leases.

Lessor

The Company currently subleases certain leased offices to its franchisees. The subleases are classified as operating and financing leases by the sublessor under IFRS 16. These leases have terms ranging from less than one year to 7 years.

Sublease income

(In thousands, $USD)	December 31, 2021
Operating lease income	$ 86
Finance lease income on the net investment in sublease	8
Total sublease income	$ 94

Maturity analysis - undiscounted finance lease income as of December 31, 2021

(In thousands, $USD)	
2022	$ 981
2023	458
2024	157
2025	71
2026	34
Thereafter	9
Total future minimum lease payments receivable	1,710
Unearned finance income	(36)
Net investment in sublease	$ 1,674

Maturity analysis - operating lease payments to be received as of December 31, 2020

(In thousands, $USD)	
2022	$ 98
2023	18
2024	—
2025	—
2026	—
Thereafter	—
Total future minimum lease payments receivable	$ 116

Note 12 - Stock Compensation Plan

The Company has adopted an equity incentive plan (the "Equity Incentive Plan"). The Equity Incentive Plan provides for a variety of awards, including stock options, restricted share units, performance share units, stock appreciation rights, and restricted stock (collectively, "grants"). The aggregate number of common shares that may be issued pursuant to grants made under the Equity Incentive Plan, together with all other security-based compensation arrangements of the Company, is equal to 10% of the aggregate number of outstanding Common Shares (assuming conversion of proportionate voting shares). Grants under the Equity Incentive Plan may be made to the Company's officers, employees, or consultants or advisors. At December 31, 2021, 3,018,673 shares of common stock remained available for grant.

The Company has also adopted a deferred share unit plan for non-employee directors (the "DSU Plan"). The DSU Plan allows non-employee directors of the Company to receive their compensation, or a portion thereof, in the form of deferred share units ("DSUs")

Effective on the closing of the qualifying acquisition, each option to purchase Common Shares of the parent of LoanMe Inc., which were all fully vested, was converted into an option to purchase Common Shares on substantially the same terms and conditions. In connection therewith, the Company assumed 162,195 converted options with an exercise price of $2.16. Following the close of the qualifying acquisition, the Company issued to certain former LoanMe Inc. employees an aggregate of 322,806 Restricted Stock Common Shares subject to a vesting period of six months.

Stock Options

Stock option activity during the year ended December 31, 2021 was as follows:

	Number of options	Weighted-average exercise price
Outstanding at December 31, 2020	—	$ —
Converted options of LoanMe employees	162,195	2.16
Forfeited or expired	(24,030)	2.16
Outstanding at December 31, 2021	138,165	$ 2.16

The following table summarizes information about stock options outstanding and exercisable at December 31, 2021:

Exercise Price	Number of options outstanding and exercisable	Weighted-average remaining contractual life (in years)
$2.16	66,079	0.25
$2.16	72,086	8.04
	138,165	

Restricted Share Units

The Company has awarded restricted share units to its officers and employees. The Company recognizes expense based on the estimated fair value of the restricted share units granted over the vesting period on a straight-line basis. The fair value of restricted share units is determined using the Company's closing stock price on the date of the grant and generally vest at the end of a three year period. At December 31, 2021, unrecognized compensation cost related to restricted share units was $3.3 million. These costs are expected to be recognized through 2025.

	Number of RSUs	Weighted-average fair value at grant date
Outstanding at December 31, 2020	—	$ —
Granted	443,842	7.89
Outstanding at December 31, 2021	443,842	$ 7.89

Restricted Stock

The Company has awarded restricted stock to certain former employees of LoanMe Inc. The Company recognizes expense based on the estimated fair value of the restricted shares granted over the vesting period on a straight-line basis. The fair value of the restricted shares is determined using the Company's closing stock price on the date of the grant and vest at the end of a six month period. At December 31, 2021, there was no unrecognized compensation cost related to restricted shares.

	Number of Restricted Shares	Weighted-average fair value at grant date
Outstanding at December 31, 2020	—	$ —
Granted	322,806	10.99
Vested	—	—
Forfeited or expired	(280,748)	10.99
Outstanding at December 31, 2021	42,058	$ 10.99

Performance Share Units

The Company has awarded performance share units to certain employees. The fair value of performance share units is determined using the Company's closing stock price on the date of the grant and generally vest over a two year period based on long-term performance targets. At December 31, 2021, unrecognized compensation cost related to performance share units was $0.5 million.

	Number of PSUs	Weighted-average fair value at grant date
Outstanding at December 31, 2020	—	$ —
Granted	90,907	5.50
Vested	—	—
Forfeited or expired	—	—
Outstanding at December 31, 2021	90,907	$ 5.50

Deferred Share Units

During the year ended December 31, 2021 and the period from July 16, 2020 (inception) to December 31, 2020, the Company granted 46,759 and -0- DSUs, respectively to directors under its DSU Plan. DSUs are granted at fair value at the grant date and vest immediately upon grant. For the year ended December 31, 2021 the Company recognized $0.3 million as stock-based compensation expense under the DSU Plan, which is included in employee compensation on the consolidated income statements.

Note 13 - Shareholders' Equity

Authorized Capital

The authorized capital of the Company consists of an unlimited number of Common Shares with $0.01 par value, and an unlimited amount of Proportionate Voting Shares with a par value of $1.00, which represents the 1-100 conversion of PVS to Common Shares.

Shareholders' equity activity

Private Placement

On July 2, 2021, in conjunction with the closing of the qualifying acquisition, the Company closed the Private Placement for which the Company issued 11,260,000 Common Shares of the Company at a price of $10.00 per share, which includes 500,000 shares to pay offering costs that relate to the Company's initial public offering. The Company received net proceeds of $107.6 million. As part of the Private Placement offering the Company paid B. Riley Financial a $2.0 million underwriting fee.

Net Income (Loss) per Share

Diluted net income (loss) per share is computed using the weighted-average number of Common Shares, including Proportionate Voting Shares and, if dilutive, the potential Common Shares outstanding during the period. Since generally, the Company's Common shares and Proportionate Voting Shares have the same rights, are equal in all respects, and are treated by the Company as if they were shares of one class only, Weighted-average ordinary shares outstanding includes both Common Shares (16,261,988 shares) and Proportionate Voting Shares (11,317,700 common equivalent shares).

Potential Common Shares consists of the incremental Common Shares issuable upon the exercise of stock options and deferred share units, and vesting of restricted share units. The dilutive effect of outstanding stock options, deferred share units and restricted stock units is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the calculations of basic and diluted net loss per share:

(In thousands, $USD, except share count and per share data)	Year Ended December 31, 2021
Numerator	
Total undistributed loss attributable to shareholders	(140,756)
Denominator	
Weighted-average ordinary shares outstanding, basic and diluted	27,579,688
Net loss per ordinary share - basic and diluted	**$ (5.10)**

(In thousands, $USD, except share count and per share data)	Period from July 16, 2020 (inception) to December 31, 2020
Numerator	
Allocation of undistributed loss attributable to NextPoint Acquisition	$ (6,176)
Net loss attributable to shareholders	(6,176)
Denominator	
Weighted-average Class B outstanding, basic and diluted	5,750,000
Net loss per share - basic and diluted	$ (1.07)

Note 14 – Income Taxes

Overview

Income taxes recognized in the consolidated financial statements reflect the Company's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include, but are not limited to, changes in tax laws and the interpretation thereof in the various jurisdictions where the Company operates. They may have an impact on the income tax as well as the resulting assets and liabilities.

Global intangible low-taxed income ("GILTI")

Enacted as part of the 2017 Tax Cuts and Jobs Act ("TCJA"), Section 951A requires that U.S. shareholders of any controlled foreign corporation ("CFC") include in gross income in the current taxable year their GILTI. The amount of a U.S. shareholder's GILTI generally reflects the sum, across all of its CFCs, of certain CFC income ("tested income"), offset by the sum of certain CFC losses ("tested losses"), in excess of a 10-percent return on tangible investment (with the return reduced by certain interest expense) ("QBAI"). The income inclusion under GILTI is eligible for a deduction that is intended to lower the effective tax rate to 10.5% for taxable years beginning after December 31, 2017, ending in 2025. The deduction applied to GILTI income will be lowered resulting in the intended effective rate rising to 13.125% for taxable years beginning after December 31, 2025.The Company accounts for GILTI in the year the tax is incurred as a period cost.

Total income tax expense (benefit) from continuing operations for the year ended December 31, 2021 and the period from July 16, 2020 (inception) to December 31, 2020 is determined as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Loss before income tax from continuing operations	$ (177,708)	$ (6,176)
Canada federal and provincial statutory income tax rate at 26.5%	(47,093)	(1,637)
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	(10,743)	—
Goodwill impairment	3,816	—
Foreign tax rate differential	7,509	—
Adjustment relating to the unrecognized deferred tax assets	7,070	1,637
GILTI	1,940	—
Other permanent items	162	—
Other	387	—
Income tax benefit reported in the income statement	$ (36,952)	$ —

The major components of the income tax benefit for the year ended December 31, 2021 and the period from July 16, 2020 (inception) to December 31, 2020 are determined as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Loss before income tax from continuing operations	$ (177,708)	$ (6,176)
Current income tax:		
Current income tax charge	1,773	—
Deferred income tax:		
Relating to origination and reversal of temporary differences	(38,203)	—
Adjustments in respect of tax rate changes	(522)	—
Income tax benefit reported in the income statement	$ (36,952)	$ —

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Net unrealized gain on consumer and business loans receivable at FVTOCI	$ 4,488	$ —
Net change in allowance for credit losses through OCI	15,235	—
Income tax expense to OCI	$ 19,723	$ —

The tax effects of temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of deferred tax assets and liabilities for the year ended December 31, 2021 and the period from July 16, 2020 (inception) to December 31, 2020 are determined as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Deferred tax assets:		
Net operating loss	$ 18,320	$ —
Allowance for credit losses recognized in net income	15,235	—
Lease liability	5,283	—
Bonds and residual interest in securitized trusts	3,851	—
Intangibles, franchise and AD rights	3,010	—
Other deductible temporary differences	4,811	—
Total deferred tax assets	50,510	—
Deferred tax liabilities:		
Unrealized gain/(losses) on loans receivable at FVTOCI	(21,845)	—
Allowance for credit losses recognized in OCI	(15,235)	—
Right of use assets	(4,653)	—
Deferred loan fee	(2,512)	—
Property, equipment and software (U.S.)	(3,057)	—
Intangibles, other	(2,835)	—
Other taxable temporary differences	(1,608)	—
Total deferred tax liabilities	(51,745)	—
Net deferred tax asset/(liability)	$ (1,235)	$ —

A summary of temporary differences, unused tax credits, and unused tax losses for which deferred tax assets have not been recognized is shown in the table below:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Unused tax net operating losses	$ 7,224	$ 1,637
Deductible temporary differences	619	—
Unrecognized deferred tax assets	$ 7,843	$ 1,637

Reconciliation of net deferred taxes for the year ended December 31, 2021 and the period from July 16, 2020 (inception) to December 31, 2020 is as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Beginning of period balance	$ —	$ —
Income tax benefit during period recognized in net loss	38,724	—
Income tax expense during the period recognized in OCI	(19,732)	—
Deferred taxes acquired in business combinations	(20,227)	—
End of period balance	$ (1,235)	$ —

A U.S. net operating loss deferred tax asset of $46.2 million was generated and recognized in the current year relating to the 2021 tax year. At this time, the Company considers it probable that it will have sufficient taxable income in the future that will allow it to realize this deferred tax asset due to the historical profitability of the Company's Liberty Tax segment. Realization

of this U.S net operating loss is partially dependent on future profits in excess of those arising from the reversal of deferred tax liabilities.

As of December 31, 2021, there are $38.7 million of deferred tax assets that were recorded as a deferred tax benefit through the income statement and $19.7 million of deferred tax liabilities that were recorded as a deferred tax expense through other comprehensive income. The company has recorded $20.2 million of deferred tax liabilities through goodwill from business combinations during 2021.

Note 15 – Transactions with Related Parties

The Company considers directors and their affiliated companies, as well as named executive officers and members of their immediate families, to be related parties.

M. Brent Turner

As of December 31, 2021, Mr. Turner held approximately 2% of the Company's Common Shares, directly or through entities under his control.

Private Placement. On July 2, 2021, Mr. Turner purchased 100,000 Common Shares for $1.0 million pursuant to the Private Placement.

Chilmark Administrative, LLC. Mr. Turner is a participant in the Chilmark Administrative, LLC loan to LoanMe as further described in "Note 7 - Long-Term Obligations". The amount of his investment totals approximately $1.4 million.

Revolution Financial, Inc. Mr. Turner, through an affiliate, owns a 34% equity interest in Revolution Financial, Inc. (**"Revolution"**). The material assets of Revolution were recently sold to a third party, FlexShopper, Inc., on December 1, 2022. Subsidiaries of the Company are party to the following agreements with Revolution:

Revolution Financial Tax Program Agreement. The Company is party to a one-year Tax Program Agreement (the **"Revolution Tax Program Agreement"**) with Revolution effective as of November 20, 2020. Effective November 20, 2021, the Company has extended the Revolution Tax Program Agreement for another year under the same terms and conditions discussed below. The Revolution Tax Program Agreement allows Revolution to use Liberty Tax's tax preparation systems, certain identified intellectual property licensed from Liberty Tax, and other expertise from Liberty Tax to offer tax preparation services to consumers in Revolution locations. Pursuant to the terms provided in the Revolution Tax Program Agreement, (i) Revolution will pay to the Company 60% of the Gross Receipts (as defined in the Revolution Tax Program Agreement) generated by the tax preparation services provided as part of the program, (ii) the Company will pay up to five thousand dollars ($5,000) per Revolution location towards the cost associated with replacing the exterior signage of Revolution locations with Liberty branded signage, and (iii) the Company will pay 60%, and Revolution will pay 40%, of the costs associated with local store marketing materials. As of December 31, 2021, the Company had earned less than $0.1 million in royalties related to the Revolution Tax Program Agreement.

Revolution Financial Loan Program Agreement. The Company is party to a one-year Loan Program Agreement (the **"Revolution Loan Program Agreement"**) with Revolution effective as of December 2, 2020. Effective December 2, 2021, the Company has extended the Revolution Loan Program Agreement for another year under the same terms and conditions discussed below. The Revolution Loan Program Agreement provides that Revolution will use its lending platform and expertise to offer consumer lending in Liberty Tax locations. Pursuant to the terms provided in the Revolution Loan Program Agreement,

the Company and/or its franchisees will pay to Revolution a one-time fee of ten thousand dollars ($10,000) as a software license fee for each location that participates in the program. Revolution shall pay a management fee to the Company and/or franchisee in an amount equal to fifty percent (50)% of the monthly net revenue (as defined in the Revolution Loan Program Agreement) during each calendar month (or portion thereof). The Company did not earn any fees or incur any expenses related to this agreement during the period of July 2, 2021 through December 31, 2021.

Revolution Financial Canada Loan Program Agreement. The Company entered into a Loan Program Agreement with Revolution (the "**Revolution Canada Loan Program Agreement**") commencing on January 31, 2021 and continuing until April 30, 2021. Under the Revolution Canada Loan Program Agreement, the Company, is (i) arranging for Revolution to provide up to $20.0 million of loans to its Canadian franchisees to fund the tax rebate discounting services, and (ii) agreeing to provide various services in connection with loans, including facilitating repayment of loans from the tax refund proceeds. In addition to providing loan servicing, the Company is paying Revolution $0.2 million as a facility arrangement fee. At the conclusion of the term of the Loan Program Agreement, Revolution shall pay to the Company a servicing fee in an amount equal to the difference between $0.2 million minus the aggregate interest and origination fees received by Revolution from participating franchisees in connection with the loans; provided, however, that (i) if such difference is a negative number, Revolution shall pay Liberty $0.2 million, and (ii) if there exists any principal loan losses at such time, Revolution may offset such principal loan losses against any servicing fee due to the Company. The Company did not earn and fees or incur any expenses related to this agreement during the period of July 2, 2021 through December 31, 2021.

M. Andrew Neuberger

M. Andrew Neuberger was the Chairman of the Board of Directors of the Company until May 17, 2022, at which time he was replaced by Ms. Jean Birch. Mr. Neuberger also served as the Company's Chief Executive Officer from July 16, 2020 (inception) until July 2, 2021. As of December 31, 2021, Mr. Neuberger held approximately 11.81% of the Company's Common Shares directly or through entities under his control.

LoanMe Inc. Mr. Neuberger, or his affiliates or family members, owned an indirect equity interest in LoanMe Inc. at the time of the acquisition of LoanMe Inc. and accordingly received approximately 17% of the merger consideration paid in the transaction.

BasePoint Credit Facility. Mr. Neuberger owns a 2% subordinated indirect equity interest in BasePoint Capital LLC, a specialty finance firm he founded in 2009 and later sold. On July 2, 2021, the Company obtained a credit facility from BasePoint in connection with the qualifying acquisition.

Revolution Financial, Inc. Mr. Neuberger, through affiliates, indirectly holds a minority equity interest in Revolution. See above for description of agreements between the Company and Revolution.

Chilmark Ventures, LLC. Mr. Neuberger owns, directly or indirectly, or exercises control or direction over 64.3% of Chilmark Ventures, LLC.

M. Frank Amato

M. Frank Amato served as the Company's Chief Financial Officer from July 16, 2020 to July 2, 2021.

LoanMe Inc. Mr. Amato owned an indirect equity interest in LoanMe Inc. at the time of the acquisition of LoanMe Inc. and accordingly received less than 1% of the merger consideration paid in the transaction.

BasePoint Credit Facility. Mr. Amato serves in an advisory capacity to BasePoint. As described above, on July 2, 2021, the Company obtained a credit facility from BasePoint in connection with the qualifying acquisition.

Revolution Financial, Inc. Mr. Amato indirectly holds a minority equity interest in Revolution. See above for description of agreements between the Company and Revolution.

Chilmark Ventures, LLC. Mr. Amato beneficially owns, directly or indirectly, or exercises control or direction over 2.0% of Chilmark Ventures, LLC.

Private Placement offering

The following executives and directors of the Company participated in the Private Placement offering that closed on July 2, 2021 in conjunction with the Qualifying Acquisition:

	Number of Shares Purchased
Andrew Neuberger	505,000
Brent Turner	100,000
Michael Piper	45,000
Ted DeMarino	10,000
Juliet Diiorio	2,500
Scott Terrell	2,500
John Lederer	200,000
B. Riley Financial	2,000,000

Dan Shribman and B. Riley Financial

Debt Financing Advisory Engagements. Mr. Shribman is a member of the Company's Board of Directors and is an employee of B. Riley Financial ("B. Riley"). During the year ended December 31, 2021, the Company engaged B. Riley to act as its financial advisor in respect of certain potential transactions for a total fee of approximately $0.7 million, which is included in selling, general and administrative expenses on the consolidated statements of income (loss).

Private Placement. As shown above B. Riley acquired 2.0 million Common Shares of the Company under the Private Placement offering. As part of the commitment, the Company paid B. Riley Financial a $2.0 million underwriting fee.

Guaranty in Connection with Community Tax Acquisition. CTAX Acquisition LLC, a subsidiary of the Company, obtained a credit facility to complete the acquisition of Community Tax LLC on December 30, 2021. B. Riley provided a written guaranty to the lender of the credit facility to further incentivize the lender to provide financing in exchange for a $0.8 million guarantee fee that the Company paid in January of 2022. As of December 31, 2021, this amount is accrued in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

M. Ghazi Dakik

Revolution Financial, Inc. Mr. Dakik has served as the Company's Chief Legal and Compliance Officer since July 2, 2021 and is a minority equity holder in Revolution. See above for description of agreements between the Company and Revolution.

Key Management Personnel

Key management personnel includes all directors and named executive officers. The following summarizes the expense related to key management personnel during the year ended December 31, 2021:

(In thousands, $USD)	December 31, 2021
Compensation	$ 2,205
Share-based compensation	$ 528

Refer to "Note 20 - Subsequent Events" for a description of transactions with related parties occurring after December 31, 2021.

Note 16 – Commitments and Contingencies

In the ordinary course of operations, the Company may become or is party to claims and lawsuits that are considered to be ordinary, routine litigation, incidental to the business, including claims and lawsuits concerning lending practices, the preparation of customers' income tax returns, the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its consolidated results of operations, financial position, or cash flows except as provided below.

Class-Action Litigation

Rene Labrado v. JTH Tax, Inc. On July 3, 2018, a class-action complaint was filed in the Superior Court of California, County of Los Angeles by a former employee for herself and on behalf of all other "similarly situated" persons. The Complaint alleges, among other things, that Liberty Tax allegedly violated various provisions of the California Labor Code, including: unpaid overtime, unpaid meal period premiums, unpaid rest premiums, unpaid minimum wages, final wages not timely paid, wages not timely paid, non-compliant wage statements, failure to keep pay records, unreimbursed business expenses and violation of California Business and Profession Code Section 17200. The Complaint seeks actual, consequential and incidental losses and damages, injunctive relief and other damages. Liberty Tax highly disputes the allegations set forth in the Complaint and filed a motion to dismiss. On May 29, 2019, the Court denied Liberty Tax's motion to dismiss, but granted Liberty Tax leave to file a motion to strike. Liberty Tax filed a motion to strike and on August 20, 2019, the Court granted in part and denied in part Liberty Tax's motion. The Court provided Liberty Tax twenty days to file its answer to the Complaint, lifted the discovery stay and Liberty Tax answered the complaint. On May 24, 2021, the parties agreed to settle this matter in principle for $1.2 million and the matter has been stayed pending the parties' filing of settlement papers. The settlement is expected to contain broad and customary releases. The Court held a hearing for preliminary approval of the settlement on April 14, 2022 and ordered the parties to provide supplemental briefing on the issue of margin of error for the sampling of the class size which the Court held a hearing on August 24, 2022 and set a further hearing for approval of the settlement on February 27, 2023. Despite the parties' desire to settle the matter, there is no assurance that the settlement will be approved by the Court. The Company had accrued $1.2 million related to this case, which is included in accounts payable and accrued expenses in the consolidated balance sheet.

DOJ and IRS Matters

On December 3, 2019, the Department of Justice ("DOJ") initiated a legal proceeding against Liberty Tax, in the U.S. District Court for the Eastern District of Virginia. Also, on December 3, 2019, the DOJ and Liberty Tax filed a joint motion asking the court to approve a proposed order setting forth certain enhancements to Liberty Tax's compliance program and requiring Liberty Tax to retain an independent monitor to oversee the implementation of the required enhancements to the compliance program. The monitor will work with the Liberty Tax's compliance team and may make recommendations for further refinements to improve the tax compliance program. As part of the proposed order, Liberty Tax also agreed that it would not rehire or otherwise

engage Liberty Tax's former chairman, John T. Hewitt, under whose supervision the conduct at issue occurred, and agreed not to grant Mr. Hewitt any options or other rights to acquire equity in Liberty Tax, or to nominate him to the Liberty Tax's Board of Directors. On December 20, 2019, the Court granted the joint motion for the proposed order and the confidentiality motion, which fully resolved the legal proceeding initiated by DOJ.

In addition, Liberty Tax entered into a settlement agreement resolving the previously disclosed investigation by the IRS with respect to the tax return preparation activities of Liberty Tax's franchise operations and Company-owned stores. Pursuant to that agreement, Liberty Tax agreed to make a compliance payment to the IRS in the amount of $3.0 million, to be paid in installments over four years, starting with an upfront payment of $1.0 million in December 2019, followed by a $0.5 million payment on each anniversary thereof. As of December 31, 2021, the remaining $1.0 million of payments is included in accounts payable and accrued expenses on the consolidated balance sheets.

The Company expects that the increased costs to enhance its compliance program could exceed $1.0 million per year over several years, in addition to the costs necessary to resolve the investigation. Since the time of the settlement agreement with the DOJ, Liberty Tax has been in regular communication with the independent monitor and DOJ as necessary. Under the terms of the settlement agreement with the DOJ, the requirement for Liberty Tax to maintain an independent monitor expires at the end of December 2022.

Other Matters

District of Columbia v. JTH Tax, LLC. On September 21, 2022 the DC Attorney General ("AG") filed a complaint against JTH Tax in the Superior Court of the District of Columbia. The complaint contains one count asserting an alleged violation of the DC Consumer Protection Procedures Act. The AG alleges that Liberty's Cash-In-A-Flash promotion was deceptive and misleading as franchisees in the District allegedly increased their prices to offset offering the Cash-In-A-Flash promotion. The complaint seeks an unspecified amount of damages and injunctive relief. We dispute all the allegations of wrongdoing in the Complaint and intend to vigorously defend ourselves in this matter.

On October 17, 2022 JTH removed the case to federal court of the District of Columbia and on October 24, 2022 filed a motion to dismiss. On October 26, 2022 the District filed a motion to remand the case back to state court. JTH's opposition was filed on November 15, 2022 and the reply for the District was filed on November 29, 2022. The motion to remand is now fully briefed and pending before the Court. The Parties agreed to stay briefing on the motion to dismiss pending the motion to remand decision.

First Bank v JTH Tax, LLC. On December 1, 2022, First Bank filed a lawsuit against JTH Tax in the Eastern District of New York. The lawsuit alleges that First Bank provided an SBA loan to a former Liberty Tax franchisee in the amount of $1.3 million, and this former franchisee has allegedly defaulted on the loan. First Bank alleges it has a valid properly perfected security interest in collateral of the former franchisee that allegedly was pledged as security for the SBA loan. First Bank alleges that Liberty has wrongfully possessed and refused to turn over the collateral to the bank and asserts a claim for replevin and conversion. The lawsuit seeks an unspecified amount of damages. We dispute all the allegations of wrongdoing in the Complaint and intend to vigorously defend ourselves in this matter by filing a motion to dismiss.

Note 17 – Geographic and Segment Information

Revenue by geographic location is as follows:

(In thousands, $USD)	Year Ended December 31, 2021
United States	$ 56,281
Canada	627
Total revenue by geographic region	$ 56,908

Segment information

The Company's operations commenced in 2021 and are conducted in three reporting business segments: Liberty Tax, LoanMe and Community Tax. The Company defines its segments as those operations whose results its chief operating decision maker ("CODM"), which the Company has identified as the Chief Executive Officer, regularly reviews to analyze performance and allocate resources.

The Liberty Tax segment is in the business of providing tax preparation services to taxpayers in the U.S. and Canada, via a franchise model. The Liberty Tax segment includes the Company's operations under the "Liberty Tax" and "Liberty Tax Canada" brands. The Liberty Tax segment is located in Hurst, Texas.

As at December 31, 2021, the LoanMe segment had been in the business of specialty finance lending in the U.S and engaged in the business of originating, acquiring, and marketing unsecured consumer installment loans to individuals and businesses, and was headquartered in Anaheim, California. During 2022, LoanMe's headquarters were moved to Hurst, Texas, and as further discussed in "Note 20 - Subsequent Events", the Company ceased originating new loans and decided to wind-down the LoanMe segment.

The Community Tax segment is in the business of tax debt resolution at both the federal and state level as well as other tax related services. The Community Tax segment is headquartered in Chicago, Illinois.

The Company measures the results of its segment's, using, among other measures, each segment's total revenue, income (loss) before taxes. depreciation, amortization and impairment charges, total assets and operating expenses. These key financial and performance indicators are what the CODM uses to asses performance of each segment and make decisions about the allocation of resources between the segments.

Revenue by segment is as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Liberty Tax	$ 17,007	$ —
LoanMe	39,901	—
Community Tax	—	—
Corporate	—	—
Consolidated total revenue	$ 56,908	$ —

Loss before income tax by segment is as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Liberty Tax	$ (22,277)	$ —
LoanMe	(128,509)	—
Community Tax	—	—
Corporate	(26,922)	(6,176)
Consolidated loss, before income tax	$ (177,708)	$ (6,176)

Depreciation, amortization and impairment charges by segment are as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Liberty Tax	$ 17,689	$ —
LoanMe	16,904	—
Community Tax	—	—
Corporate	8,574	3,022
Consolidated depreciation, amortization, and impairment charges	$ 43,167	$ 3,022

Total assets by segment are as follows:

(In thousands, $USD)	December 31, 2021	December 31, 2020
Liberty Tax	$ 261,699	$ —
LoanMe	318,591	—
Community Tax	119,079	—
Corporate	57,741	202,163
Consolidated total assets	$ 757,110	$ 202,163

Operating expenses for the year ended December 31, 2021 by segment are as follows:

	Year Ended December 31, 2021				
(In thousands, $USD)	Liberty Tax	LoanMe	Community	Corporate	Consolidated
Employee compensation	$ 10,149	$ 9,849	$ —	$ 2,499	$ 22,497
Provision for loan losses	2,196	118,171	—	—	120,367
Advertising expense	4,849	6,990	—	—	11,839
Servicing expense	—	4,206	—	—	4,206
Selling, general, and administrative expenses	29,347	23,211	—	21,314	73,872
Total operating expenses	$ 46,541	$ 162,427	$ —	$ 23,813	$ 232,781

Operating expenses that were incurred during the period from July 16, 2020 (inception) to December 31, 2020 were all incurred by the Corporate segment as the Company was operating as a special purpose acquisition corporation.

Note 18 – Selling, General, and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2021 and for the period from July 16, 2020 (inception) to December 31, 2020 are as follows:

(In thousands, $USD)	Year Ended December 31, 2021	Period from July 16, 2020 (inception) to December 31, 2020
Professional fees	$ 16,464	$ 2,244
Software, computer and office supplies	3,819	—
Loan fees	487	—
Insurance	2,178	—
Depreciation, amortization and impairment	43,167	3,022
Other	7,757	225
Total selling, general and administrative expenses	$ 73,872	$ 5,491

Selling general and administrative expenses for the year ended December 31, 2021 and for the period from July 16, 2020 (inception) to December 31, 2020 by segment are as follows:

	Year Ended December 31, 2021				
(In thousands, $USD)	Liberty Tax	LoanMe	Community Tax	Corporate	Consolidated
Professional fees	$ 3,385	$ 2,650	$ —	$ 10,429	$ 16,464
Software, computer and office supplies	2,902	611	—	306	3,819
Loan fees	—	487	—	—	487
Insurance	1,049	1,137	—	(8)	2,178
Depreciation, amortization and impairment	17,689	16,904	—	8,574	43,167
Other	4,322	1,422	—	2,013	7,757
Total selling, general and administrative	$ 29,347	$ 23,211	$ —	$ 21,314	$ 73,872

	Period from July 16, 2020 (inception) to December 31, 2020	
(In thousands, $USD)	Corporate	Consolidated
Professional fees	$ 2,244	$ 2,244
Software, computer and office supplies	—	—
Loan fees	—	—
Insurance	—	—
Depreciation, amortization and impairment	3,022	3,022
Other	225	225
Total selling, general and administrative expenses	$ 5,491	$ 5,491

Note 19 – Capital Risk Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders by way of share appreciation and potential dividends in future periods. The capital structure of the Company consists of bank debt (revolving corporate facility and secured term loans and credit facilities), notes payable and shareholders' equity, which includes share capital (common shares and proportionate voting shares), additional paid in capital, accumulated other comprehensive income (loss) and retained earnings (deficit).

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, share repurchases, the payment of dividends, increasing or decreasing bank debt and notes payable or by undertaking other activities as deemed appropriate under specific circumstances.

The Company has externally imposed capital requirements as governed through its financing facilities. These requirements are to ensure the Company continues to operate in the normal course of business and to ensure the Company manages its debt relative to net worth. The capital requirements are congruent with the Company's management of capital. The Company monitors capital on the basis of the financial covenants of its financing facilities, see "Note 7 - Long-Term Obligations" for additional information on financial covenants.

Note 20 – Subsequent Events

On June 6, 2022, the Company refinanced its $25.0 million six month, senior, single-advance term loan with Republic Bank and Trust Company and $45.0 million three year term loan with PCIP Credit IV, LLC. The refinancing was achieved through CTAX Acquisition LLC's entrance into a new $70.0 million single-advance term loan maturing on December 30, 2027, with $45.0 million of senior debt held by Drake Enterprises Ltd., bearing interest at 9.0% per annum, $15.0 million of subordinated debt held by Frontier Capital Group, Ltd., bearing interest at 11.0% per annum, and $10.0 million of subordinated debt held by BasePoint, bearing interest at 11.0% per annum. The term loan may be prepaid, with final repayment due on the maturity date, and monthly interest payments beginning September 1, 2022. The term loan is guaranteed by the subsidiaries of CTAX Acquisition LLC.

On June 21, 2022, the Company announced that LoanMe would cease loan originations but would continue to service outstanding loans that were previously originated. In part, the decision was based on the elevated rate of charge-offs observed as the Company continued to operate the business and significant shortfall in cash being generated versus the amount required to fund the operations. In September 2022, due in part to an unsustainable debt load related to the LoanMe acquisition and cessation of LoanMe's operations, the Company determined to restructure its business to refocus its resources solely on its Liberty Tax and Community Tax segments and to unwind the LoanMe segment. This was communicated to the market on October 3, 2022, together with announcement of a financial and organizational restructuring with the secured lender, BasePoint, as further described below. As a result of these developments, the Company anticipates performing an interim impairment test of the LoanMe segment as of June 30, 2022, for which the main impacts are anticipated to be full write-off of goodwill and intangible assets in the amounts of $37.6 million and $7.8 million, respectively.

On July 22, 2022, JTH Financial, LLC, a subsidiary of the Company, entered into a Management Services Agreement with Revolution (the "Revolution MSA") under which it will provide 1. retail management services involving the oversight and operation of certain store locations; 2. underwriting and analytics services, and other technology tools and services; 3. treasury management and accounting services; 4. collection management and call-center strategies and services; and 5. legal, compliance and marketing services. As compensation for these services, Revolution will pay JTH Financial, LLC, a monthly fee of one-thousand dollars through maturity of the agreement on December 31, 2022. Once expired, the Revolution MSA is not expected to be extended or renewed.

On September 30, 2022, the Company completed a financial and organizational restructuring with BasePoint, a secured lender that provided debt financing to certain special-purpose subsidiaries of LoanMe. The Company and BasePoint entered into two Assignment of Interest and Foreclosure Consent Agreements, under which BasePoint received 100% of the equity in the two LoanMe SPE's it had financed. In exchange for BasePoint foreclosing on the SPE's, the Company issued BasePoint a $12.0 million promissory note at a zero coupon, which matures on December 31, 2023. The foreclosed SPE's represented approximately 90% of LoanMe's loan portfolio. The Company is still analyzing the accounting and income tax impacts of these transactions.

On November 4, 2022, the Company announced the completion of an amendment to its existing Credit Facility with BasePoint. Under the Waiver and Amendment to the Revolving Credit Agreement of November 1, 2022, executed with BP Commercial Funding Trust, Series SPL-X, an affiliate of BasePoint, the Company and BasePoint agreed to set the maximum revolving credit facility commitment at $130.0 million. Additionally, BasePoint and LT Holdco, LLC, a subsidiary of the Company, executed a Term Loan Agreement in the amount of $74.4 million. The Company paid a $1.9 million fee upon executing the agreement and received $49.0 million of the principal balance. The remaining $25.4 million is expected to be disbursed in January 2023. Proceeds will be used to pay the restructuring and debt issuance fees, provide additional working capital and to pay-down the outstanding principal balance drawn under the existing Credit Facility. The new $74.4 million term loan bears interest at the SOFR Reference Rate plus 9.50% per annum, and draw-downs on the $130.0 million amended credit facility bear interest at 13% per annum. Both the term loan and credit facility mature on July 2, 2025. Beginning on June 30, 2024, LT Holdco, LLC is required to make amortization payments of $.7 million on the term loan on June 30 and December 31 of each year, and as from that same date, may be required to make prepayments based on a calculation of excess cash flow. Additionally, as from June 30, 2022, the Company had breached a number of the covenants associated with the Credit Facility. As part of the amendment to the Credit Facility, BasePoint provided waivers for all of the breached covenants, and a revised set of financial covenants became effective beginning on November 1, 2022.

On December 12, 2022, the Company extended the maturity date of the $11.0 million loan security agreement with Chilmark Administrative, LLC to January 22, 2024. The effective date of the extension was June 1, 2022, the loan security agreement's original maturity date.

On December 12, 2022, the Company extended the expiration date, maturity date, and the repayment period of the $10.0 million revolving line of credit with Frontier Capital, LLC. The expiration date of when the Company can borrow off the revolving line of credit was extended to January 2, 2024. The maturity date of when all outstanding principal becomes due was extended to January 2, 2029. Beginning on January 28, 2024, the Company will begin making amortization payments in equal consecutive monthly installments in amounts sufficient to repay the outstanding principal balance of the note by the maturity date.

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November 15, 2022

This is Exhibit "C" referred to in the affidavit of Teri Stevens affirmed before me at Vancouver, British Columbia, this 21 day of November, 2023.

A Commissioner for taking Affidavits within British Columbia.

Via Hand-Delivery:
Hon. Tina E. Sinnen
Virginia Beach Circuit Court
2425 Nimmo Parkway
Building 10 & 10B, 3rd Floor
Virginia Beach, VA 23456

Re: Mufeed Haddad, Michael N. Budka, Mary Johnson, Mark Johnson and M&M Business Group, LP. v. JTH Tax, LLC; Case No.: CL21-441

Dear Ms. Sinnen:

Enclosed, please find Plaintiffs' Reply to Defendant's Memorandum in Opposition to Plaintiffs' Motion for Temporary Injunction. Please file in the above referenced matter. This is set to be heard on Thursday, November 17th, 2022.

Should you have any questions, please feel free to contact me.

Very truly yours,

J L Waddell

Jordan Waddell
Paralegal
DAVIS LAW, PLC

Cc: Wesley D. Allen, Esq.
Bryan J. Healy, Esq.

VIRGINIA: IN THE CIRCUIT COURT FOR THE CITY OF VIRGINIA BEACH

MUFEED HADDAD,	)	
	)	
MICHAEL N. BUDKA,	)	
	)	
MARY JOHNSON,	)	
	)	
MARK JOHNSON,	)	
	)	
and	)	
	)	
M&M BUSINESS GROUP, LP,	)	
	)	
Plaintiffs,	)	
	)	
v.	)	**Case No.: CL21-441**
	)	
JTH TAX, LLC,	)	
	)	
Defendant.	)	
	)	

PLAINTIFFS' REPLY TO DEFENDANT JTH TAX LLC'S MEMORANDUM IN OPPOSITION

In its memorandum in opposition to Plaintiffs' motion for a temporary injunction, Liberty Tax constructs a labyrinth of confusion, misdirection, and specious assertions about the merits of Plaintiffs' breach of contract claim and the nature of the injunctive relief they ask for. Although Plaintiffs will rest on their initial memorandum for a substantial portion of the issues raised in their motion, Plaintiffs offer this reply to clear up Liberty Tax's confusion on six of its primary arguments:

(1) That federal law should supplant Virginia law on the standard for testing this motion;

(2) That courts have "universally" rejected the argument Plaintiffs offer on the merits;

(3) That Plaintiffs are asking for mandatory injunctive relief instead of prohibitory injunctive relief;

(4) That Plaintiffs cannot prove a claim for anticipatory breach of contract because the alleged breach does not go to the "entire contract";

(5) That Plaintiffs have not proved irreparable harm in the absence of an injunction; and

(6) That a temporary injunction is prohibited by public policy on orders for specific performance of personal services contracts.

ARGUMENT

1. Virginia Law, Not Federal Law, Should Set the Standard for this Injunction Motion

Liberty Tax avers that the "actually applicable" standard to a Virginia court's analysis of temporary injunction motions is a standard that doesn't come from Virginia at all. *See* Def's. Mem. in Opp'n at 4. It insists that this Court—and presumably, Virginia courts everywhere—must continue to adhere to the federal courts' bidding and remain powerless to charter its own path with Virginia precedent as its guide. What exactly is Liberty Tax's justification for this insistence? Simply put, "we've been doing this for a while now, so why stop?"

That's not a good reason to elevate non-jurisdictional law to a higher status than the law of this Commonwealth. Indeed, one point Liberty Tax doesn't even try to contest is that *Manchester Cotton* and the Virginia and English common law that informed it are still on the books and have never been overturned or otherwise rejected by the Virginia Supreme Court. *See* Stuart A. Raphael, *What is the Standard for Obtaining a Preliminary Injunction in Virginia?*, 57 U. Rich. L. Rev. (forthcoming 2022) (manuscript at 27-36).

With that fact in the backdrop, this Court is in a position to treat the *Manchester Cotton* framework in one of two ways. The first is to see it as Plaintiffs do: precedent from our Supreme Court that binds this Court and the parties, regardless of the aged nature of the law undergirding the framework, and regardless of the fact that Virginia courts and practitioners have ignored the

framework for too long. *See Roadcap v. Commonwealth*, 50 Va. App. 732, 743 (2007) ("Lower courts must follow the case which directly controls, leaving to the Supreme Court the sole prerogative of overruling its own decisions." (citations and internal quotation marks omitted)); *White v. United States*, 300 Va. 269, 273, 279-85 (2021) (relying on nineteenth century Virginia case law and eighteenth century English common law for rule scripts and analysis).

The second is for this Court to see the *Manchester Cotton* framework as an option that it can consider against the Fourth Circuit framework. If it comes down to selecting between a Virginia-grounded framework and a federal framework, it's still no contest—the Virginia standard should win. *Cf. State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 422 (2003) ("A basic principle of federalism is that each State may make its own reasoned judgment about what conduct is permitted or proscribed within its borders."); *Ahrensfeld v. Stephens*, 528 F.2d 193 (7th Cir. 1975) ("Central to the concerns prevalent in the principles of equity . . . and federalism is the strong desire to avoid unnecessary interference and conflict with the sovereignty of the states.").

In short, it's time for this Commonwealth to thank the Fourth Circuit for its services and return to the Virginia way of doing things.

2. Most Courts Have Either Embraced or Not Addressed Plaintiffs' Construction of the Renewal Paragraph

Liberty Tax surmises that courts have "universally" rejected Plaintiffs' argument on how to best read the Renewal paragraph found in Liberty Tax's AD Agreements (here, ¶ 7.2 of the S.B. Agreement). There are two problems with Liberty Tax's assertion. First, it's just not true, as there are several recent cases that have embraced Plaintiffs' construction of the Renewal paragraph. Second, one of the cases Liberty Tax cites in support of its assertion didn't actually address the specific argument Plaintiffs make here.

To the first point, the United States District Court for the Eastern District of Virginia (the "EDVA") has now on two separate occasions expressed its support for Plaintiffs' argument. The most recent occasion came just about a year ago in *Rd. King Dev., Inc. v. JTH Tax, LLC*, 2021 U.S. Dist. LEXIS 224190 (E.D. Va. Nov. 19, 2021). There, a set of ADs had AD Agreements they renewed by submitting written notices of intent to renew. *Id.* at 3-6. Rather than agree to or otherwise acknowledge the renewed agreements, Liberty Tax gave the ADs the opportunity to enter new agreements that contained materially different terms from the renewed agreements. *Id.* at *6. So, the ADs sued for multiple counts of breach of contract and argued, among other things, that Liberty Tax committed a breach by preventing one of the ADs from entering into a renewed version of the same AD Agreement it had before and instead "only allow[ed it] to enter into a materially different Revised AD Agreement." *Id.* at *6-7, 18-21.

Liberty Tax moved to dismiss the suit for failure to state a claim for relief and argued, among other things, that even if the AD was entitled to enter into another AD Agreement, it would only be entitled to the materially different version of the AD Agreement, not a renewed version of the AD Agreement that came before. *Id.* at *1-2, 19-22. In response, the ADs put forward the same so-called "tripartite construction" of the Renewal paragraph that Plaintiffs do in this suit. *Id.* at *19-21.

The EDVA rejected Liberty Tax's arguments and made two key observations. First, it said that if it were to accept Liberty Tax's reading of the Renewal paragraph, it would "effectively render meaningless the language in [the Paragraph] drawing a distinction between the conditions precedent for renewing 'this Agreement' and those for renewing 'future Agreements.'" *Id.* at *22. Second, in an alternative and additional observation, the EDVA noted the Renewal paragraph

"could plausibly be ambiguous and construed against [Liberty Tax], as the drafter, to allow [the AD] to renew its AD Agreement under the same terms." *Id.*

Thus, far from rejecting the argument that the Renewal paragraph provides distinct conditions precedent for renewing an AD Agreement, entering into a new agreement, and renewing future AD Agreements, the EDVA strongly suggested (if not outright stated) its support for that argument.

The second occasion was in *JTH Tax LLC v. Pitcairn Franchise Dev., LLC*, 2021 U.S. Dist. LEXIS 140420 (E.D. Va. July 27, 2021).[1] There, an arbitrator resolved, in Liberty Tax's favor, a dispute between Liberty Tax and an AD that also centered on whether the AD was entitled to a renewed AD Agreement. *Id.* at *1-13. The AD moved the EDVA to vacate the arbitrator's order and argued, among other things, that the arbitrator wrongly held that meeting the Development Schedule was a condition precedent to a renewed AD Agreement (i.e., the arbitrator agreed with Liberty Tax's construction of the Renewal paragraph). *Id.* at *1, 15-16.

In addressing the AD's arguments, the EDVA noted there were "aspects of the arbitrator's analysis that th[e] Court finds erroneous," and that one of the issues the EDVA "may have decided

[1] This is the same case where the Court noted it "ordered that the AD [Agreement] remain in effect" pending arbitration even after the term of the initial AD Agreement expired. *See id.* at *2. Liberty Tax claims Plaintiffs misled this Court on the procedural history of that case, which is a false accusation. For one thing, regardless of whether the order Liberty Tax attached to its memorandum in opposition enjoined Liberty Tax from terminating the renewed AD Agreement, Liberty Tax knows that's precisely what the *Pitcairn* Court *intended* for the order to do. *See* attached **Exhibit A** at 17-18 (court stating "that's exactly what I'm doing" when asked in preliminary injunction hearing whether court was "ruling that . . . the expiration of the agreement is stayed" pending arbitration). For another, even if the *Pitcairn* Court failed to temporarily enjoin Liberty Tax from terminating a renewed AD Agreement, it's beyond dispute that the arbitrator did so until it resolved the merits of the case. *Pitcairn*, 2021 U.S. Dist. LEXIS 140420, at *3 ("Pitcairn later filed its initial demand with the AAA and sought a preliminary injunction to toll expiration of the . . . AD [Agreement] until there was a decision on the merits in the arbitration. The arbitrator granted the preliminary injunction on January 19, 2018."). So, there is precedent for granting the injunctive relief Plaintiffs ask for here.

differently" was the arbitrator's holding that meeting the Development Schedule was a condition precedent to a renewed AD Agreement. *Id.* at *20-22. The reason the EDVA could not decide differently, however, was because the standard of review applicable to a motion to vacate an arbitrator's award prevented it from doing so.[2] *Id.* at *13-15, 21-22.

Thus, a second occasion where the EDVA expressed its support for the "tripartite construction" of the Renewal paragraph.

Liberty Tax claims *JTH Tax, LLC v. Grabowski*, 2021 U.S. Dist. LEXIS 163634 (N.D. Ill. Aug. 30, 2021) is a case where a court "rejected" Plaintiffs' construction of the Renewal paragraph. But if one actually reads the case, he or she will discover the AD did *not* argue, as Plaintiffs do here, that there were three distinct paths for the AD to continue in its business; that is, (1) renewal of "this Agreement," (2) entry into a "new agreement" for similar terms and services, or (3) renewal of "future agreements." Instead, both the AD and the court made the mistake of playing by Liberty Tax's rules and read—or more accurately, conflated—all the sentences in the Renewal paragraph together to create *one* rather than *three* paths for the AD to continue serving as AD. *Id.* at *9-17. And under Liberty Tax's rules, the *Grabowski* court concluded that because the AD hadn't met the Development Schedule, it failed to meet all the conditions precedent to receive another AD Agreement. *Id.* at 14-17. So, the *Grabowski* court did not "reject" Plaintiffs' construction of the Renewal paragraph, it simply lacked the opportunity to consider it.

That brings us to the last case, *Robinson v. JTH Tas LLC d/b/a Liberty Tax Service*, No. 2:21-cv-00066-AWA-DEM (E.D. Va. Aug. 26, 2022). In candor, Plaintiffs concede the *Robinson*

[2] Liberty Tax cites the EDVA's confirmation of the *Pitcairn* arbitrator's decision as an example of a court endorsing its construction of the Renewal Paragraph. *See* Def's. Mem. in Opp'n at 9. Yet, Liberty Tax conveniently ignores the fact that the EDVA never endorsed the arbitrator's legal analysis and repeatedly signaled it would have rejected Liberty Tax's confused construction of the Renewal paragraph if it had the opportunity to decide the matter differently.

court expressed its disagreement with the "tripartite" construction of the Renewal paragraph. *Id.* at 12-14, 18-19. Nonetheless, there's two important points to note about *Robinson*. The first is that the court's discussion of the tripartite construction was *dicta* and went way beyond the central basis of the holding; namely, that because the AD failed to submit *written* notice of intent to renew, it could not satisfy the necessary condition(s) precedent under either the tripartite construction or Liberty Tax's construction. *See id.* at 13 ("[E]ven if Plaintiff's tri-partite construction of [the Renewal paragraph] were taken as correct, the second 'renewal method'—renewing 'this' Agreement—still requires that the notification be in writing."). That fact makes the *Robinson* case factually distinguishable from this one, because M&M twice submitted timely written notices of its intent to renew the S.B. Agreement. Decl. Mufeed Haddad Exs. B, D.

The second point is that even assuming the *Robinson* court held that the tripartite construction is the wrong reading of the Renewal paragraph, all that would amount to is *one* court rejecting the argument Plaintiffs make here. Does that make the *Robinson* court's analysis persuasive? No. *Compare* Pls'. Mem. in Supp. of Temporary Inj. at 12-16. Does that do away with the other two instances where the EDVA embraced Plaintiffs' construction of the Renewal paragraph? Also no. *Compare Rd. King*, 2021 U.S. Dist. LEXIS 224190, at *22; *Pitcairn*, 2021 U.S. Dist. LEXIS 140420, at *20-22.

What *Robinson* creates, at most, is a split of opinion on the correct way to read the Renewal paragraph. In making its own contributions to that split, this Court should side with the best reading of ¶ 7.2 of the S.B. Agreement, the one that construes it according to its plain terms and gives meaning to every word, clause, and sentence. *See Ross v. Craw*, 231 Va. 206, 212 (1986); *Berry v. Klinger*, 225 Va. 201, 208 (1983).

In sum, we have four courts on display who have resolved contract interpretation disputes like the one at issue in Plaintiffs' injunction motion here. Two of them expressed support for Plaintiffs' construction of the Renewal paragraph, one of them addressed an argument that materially differed from Plaintiffs' construction, and only one who has rejected Plaintiffs' construction (and wrongly so). Accordingly, Liberty Tax's claim that courts have "universally" rejected the argument Plaintiffs offer to this Court is demonstrably false.

3. Plaintiffs Ask for Prohibitory Injunctive Relief, Not Mandatory Injunctive Relief

Liberty Tax claims that Plaintiffs ask for a "mandatory" injunction that would "force" Liberty Tax to accept M&M's services as AD. That claim makes it difficult to discern whether Liberty Tax took the time to read the request made in Plaintiffs' injunction motion, but in case they forgot to do so, here's what Plaintiffs actually ask this Court to prevent Liberty Tax from doing:

(1) Taking any action to cancel, terminate, or refuse to renew the S.B. Agreement at any point after November 28, 2022;

(2) Refusing to provide to Plaintiffs any of the rights, benefits, compensation, and other attributes under the S.B. Agreement; and

(3) Otherwise changing the status quo between the parties.

Pls'. Mot. For A Temporary Inj. at 2.

Plaintiffs' request is not for this Court to order a mandatory injunction or otherwise compel Liberty Tax to do anything that deviates from the status quo. Rather, it's a textbook request for a prohibitory injunction, or relief that *restrains* Liberty Tax from terminating the S.B. Agreement that M&M properly renewed. *WTAR Radio-TV Corp v. City Council of Virginia Beach*, 216 Va. 892, 894-95 (1976) ("The function of a prohibitory injunction is . . . to maintain the *status quo*, to

restrain the continued commission of an on-going wrong, or to *prevent the future commission of an anticipated wrong.*" (emphasis added)); 17 *Michie's Jurisprudence of Virginia & West Virginia*, § 3 (2022) ("An injunction to restrain the alleged breach of a contract is a negative specific enforcement of that contract." (citation and internal quotation marks omitted)).

Granting the prohibitory injunction Plaintiffs ask for would maintain the status quo. Liberty Tax and M&M entered into the S.B. Agreement—which, in case Liberty Tax has forgotten, it drafted[3]—with the understanding that they would renew the S.B. Agreement in the event M&M submitted timely written notice of its intent to renew. Decl. Mufeed Haddad Ex. A ¶ 7.2 ("If [M&M] wishes to renew *this Agreement*, [M&M] must notify Liberty in writing at least 180 days before the expiration of this Agreement.") (emphasis added). Operating within the parties' agreed understandings, M&M timely submitted written notices of its intent to renew twice. *Id.* Exs. B, D; Pls'. Mem. in Supp. of Temporary Inj. at 11-16. But Liberty Tax now wants to renege on its promise to M&M, violate the contractual terms the parties agreed to, inflict irreparable harm on Plaintiffs, and frustrate the status quo. An injunction here would *restrain* Liberty Tax from doing those things, not force Liberty Tax to do something it never otherwise would have done. Liberty Tax's argument that Plaintiffs' injunction motion asks for mandatory relief is without merit, and this Court should reject it.

4. Liberty Tax (Badly) Misunderstands the Relevant Law on Irreparable Harm

In their initial memorandum, Plaintiffs asserted that Liberty Tax's expected termination of the renewed S.B. Agreement would impose irreparable harm on Plaintiffs by causing them to lose an "entire business." In its opposition memorandum, Liberty Tax interprets Plaintiffs' use of the

[3] "[I]n the event of an ambiguity in the written contract, such ambiguity must be construed against the drafter of the agreement." *Cappo Mgmt. v. V Britt*, 282 Va. 33, 37 (2011) (quoting *Martin & Martin, Inc. v. Bradley Enters., Inc.*, 256 Va. 288, 291 (1998)).

phrase "entire business" about as extensively and literally as possible, and from there, it argues that because Plaintiffs failed to prove they would lose every single business they own in the absence of an injunction, they can't prove irreparable injury. *See* Def's. Mem. in Opp'n at 14.

Even taking at face value the claim that Plaintiffs failed to allege they would lose every single business they own whether related to this litigation or not,[4] that observation is ultimately beside the point. The relevant authorities on this issue don't require a plaintiff to prove loss of every business she owns to prove irreparable harm; instead, all that's required is for the plaintiff to demonstrate the loss of *a* business or business *opportunities*. *See, e.g., A&F Enters., Inc. v. IHOP Franchising LLC*, 742 F.3d 763, 769 (7th Cir. 2014) (holding damages were "insufficient" to protect a franchisee's "interest in continuing to operate his business *of choice*") (emphasis added); *Celsis in Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 930 (Fed. Cir. 2012) ("[L]oss of business *opportunities* [is a] valid ground[] for finding irreparable harm.") (emphasis added); *Bray v. QFA Royalties LLC*, 486 F. Supp. 2d 1237, 1247-48 (D. Colo. 2007) (ruling the "threatened loss of *a* franchise business" constituted irreparable harm) (emphasis added).

This makes sense. Regardless of how many businesses a person has, she values each of them for both the tangible and intangible benefits they bring to her life. Entering into and running a business is a matter of personal importance to her, and it touches on the basic human need to determine how to spend one's life and foster her passions, talents, and abilities. Accordingly, the loss of any business—whether one or several—entails the loss of an important part of one's source of meaning, which simply can't be measured purely in terms of cold dollars and cents. *See Semmes Motors, Inc. v. Ford Motor Co.*, 429 F.2d 1197, 1206 (2d Cir. 1970) ("[T]he right to continue a

[4] When Plaintiffs said they would lose an "entire business," they obviously were referring the entire business they run as ADs in the San Bernardino Territory and all the tangible and intangible benefits they have enjoyed from that business.

business . . . is not measurable in monetary terms; [the party] want[s] to [engage in the business], not to live on the income from a damage award.").

Liberty Tax also disputes Plaintiffs' second and independent basis for finding irreparable injury; namely, that they will suffer potential reputational harm if Liberty Tax terminates M&M as the San Bernardino Territory's AD. Liberty Tax specifically takes issue with Plaintiffs' use of the word "likely" in their discussion of the potential reputational harms they will suffer, and implicitly argues that Plaintiffs are required to prove beyond any doubt that they will suffer damage to their reputation in the absence of an injunction.

But authorities on the question are clear that it's the *potential* for reputational harms that constitutes irreparable injury, not a *guarantee* that those harms will occur. *See, e.g., CG Riverview, LLC v. 139 Riverview, LLC*, 98 Va. Cir. 59, 64-65 (Norfolk 2018) (finding irreparable harm was proved where a company's reputation "*may be* significantly altered" in the absence of injunction) (emphasis added); *Kroupa v. Nielsen*, 731 F.3d 813, 820 (8th Cir. 2013) ("[T]he *threat* of reputational harm may form the basis for preliminary injunctive relief.") (emphasis added); *Ferrellgas Partners, L.P. v. Barrow*, 143 F. App'x 180, 190 (11th Cir. 2005) ("[G]rounds for irreparable injury include *loss of control* of reputation.") (emphasis added); *Toolchex, Inc. v. Trainor*, 634 F. Supp. 586, 591-92 (E.D. Va. 2008) (finding irreparable harm was proved where party demonstrated the "*possibility of a risk* to [the party's] reputation" (citation and internal quotation marks omitted) (emphasis added) (alteration in original)).

This also makes sense. The stakes are high when it comes to an individual's reputational interests—indeed, the protection of one's reputation was considered a core private right at English common law and undoubtedly informed the structure of our own legal system. *See* 1 William Blackstone, Commentaries 129 (explaining the historical "right of personal security" encompassed

"a person's legal and uninterrupted enjoyment of his life, his limbs, his body, his health, and his *reputation*") (emphasis added). For that reason, it's appropriate to make the risk—not the guarantee—of reputational damage the benchmark for temporary injunctive relief. Once the damage to the person's reputation takes place, it becomes extraordinarily difficult to walk that damage back. *Kroupa*, 731 F.3d at 820 ("[D]amage to one's reputation is a harm that cannot be remedied by a later award of money damages.").

In short, Liberty Tax is not only wrong that Plaintiffs have failed to prove irreparable harm but has also demonstrated it completely misunderstands the applicable law on the kinds of irreparable harms at issue here. Plaintiffs have demonstrated several bases for irreparable harm in this case, and this Court should reject any confusion on Liberty Tax's part to the contrary.

5. Plaintiffs' Anticipatory Breach of Contract Claim Goes to the Entire Contract

Liberty Tax offers several reasons why it believes Plaintiffs have not presented an argument for anticipatory breach of contract that's likely to succeed on the merits. Most of Liberty Tax's arguments bespeak of an implausible reading of ¶ 7.2 of the S.B. Agreement that renders much of the language in that paragraph completely meaningless, and Plaintiffs rest on their initial memorandum to explain why this Court should reject Liberty Tax's construction. *Compare* Def's. Mem. in Opp'n at 7-11 (understanding no distinction between ¶ 7.2's use of different phrases like "this Agreement" and "new agreement"), *with* Pls'. Mem. in Supp. of Temporary Inj. at 12-16 (construing each clause and sentence in ¶ 7.2 according to their plain terms).

But Liberty Tax also offers a threshold argument that should be rejected from the outset. Specifically, it asserts that Plaintiffs can't succeed under a claim for anticipatory breach because they have failed to plead that Liberty Tax's breach "covers the entire performance to which the contract binds the promisor." *See Simpson v. Scott*, 189 Va. 392, 400 (1949). Candidly, that

argument is dumbfounding. The whole thrust of Plaintiffs' claim for anticipatory breach is that Liberty Tax has unequivocally forecasted its intention to terminate the properly renewed S.B. Agreement, which is set to be effective for a new term November 28, 2022. When Plaintiffs assert that Liberty Tax is poised to terminate the S.B. Agreement, they don't just mean part of it, they mean the entire thing. If an allegation that a party is set to terminate an entire contract is insufficient to satisfy the requirement that an anticipatory breach claim "cover[] the entire performance to which the contract binds the promisor, *id.*, Plaintiffs are unsure of what allegation would. Therefore, this Court should reject Liberty Tax's argument on that front.

6. A Temporary Injunction Would Be in Accord with Public Policy Regarding Specific Performance of Personal Service Contracts

Liberty Tax argues a temporary injunction would violate public policy because Virginia law forbids an order of specific performance of a contract for personal services—in other words, one that "is based on a relationship of trust and confidence or that requires a party to exercise skill, judgment, or expertise." *Fransmart, LLC v. Freshii Dev., LLC*, 768 F. Supp. 2d 851, 860 (E.D. Va. 2011) (citing *McGuire v. Brown*, 114 Va. 235 (1912); *Epperson v. Epperson*, 108 Va. 471 (1908)).

But Liberty Tax fails to tell this Court that the principle it cites is a general, discretionary principle subject to many exceptions and considerations, not a *per se* rule that categorically prevents this Court from ordering temporary injunctive relief. *Thompson v. Commonwealth*, 197 Va. 208, 214 (1955) (noting it is "*generally* true" that courts will not award specific performance of personal services contracts); 10A *Michie's Jurisprudence of Virginia & West Virginia*, § 9 (2022) ("The fact that the act sought to be enforced by a mandatory injunction involves the exercise of skill and judgment is no ground for denying the injunction."); *cf. Callison v. Glick*, 297 Va. 275, (2019) ("The specific performance of a contract . . . rests in a sound, judicial discretion." (quoting

Millman v. Swan, 141 Va. 312, 318 (1925))); *Asberry v. Mitchell*, 121 Va. 276, 281 (1917) (noting one exception to the general rule is where the personal services contract is not an executory contract at the time equitable relief is requested).

Indeed, the Virginia Supreme Court has in several cases ordered the specific performance of personal services contracts, and those cases as well as other authorities demonstrate the kinds of considerations that determine whether specific performance is in accord with public policy. And those considerations include, but are not limited to:

(1) The convenience of a court's supervision of the contract's performance, *see Southern R. Co. v. Franklin & P.R. Co.*, 96 Va. 693, 705-11 (1899) (affirming trial court's mandatory injunction that required a party to operate a leased railway road because, among other reasons, the court would encounter "[n]o particular difficulty" in supervising the injunction);

(2) The uniqueness of the skill involved in a party's performance under the contract, *see Thompson*, 197 Va. at 214-15 (ordering specific performance that required a party to "prepare, build, construct and deliver" a property where the "counters and recorders" that were part of the property could be built by "any first class machine shop" in the Richmond area); *cf. Steelman v. Field*, 142 Va. 383, 385, 390 (1925) (affirming trial court's injunction that prevented oyster inspector from exercising his statutorily granted discretion in assigning rights to oyster grounds); and

(3) Whether the party who is to perform the personal services is the same party who wants the injunction. *See Stevenson v. Norfolk Gen. Hosp.*, 1988 Va. Cir. LEXIS 412, at *3 (Norfolk Jan. 29, 1988) ("It is a rule almost universal that a contract for personal

services cannot be enforced *against the party promising such services*." (emphasis added) (citation omitted)).

Those considerations overwhelmingly support the prudence of a temporary injunction here. For one thing, this Court's supervision over Liberty Tax would be very straightforward. It would simply involve ensuring that Liberty Tax (1) doesn't terminate the renewed S.B. Agreement and (2) pays M&M for its area development work. Additionally, since Plaintiffs request a temporary rather than permanent injunction, this Court's supervision would last only as long as it takes for the Court to resolve the merits of the parties' dispute. *See Franklin*, 96 Va. at 705-11 (convenience and practicality of supervising injunction counsels toward granting equitable relief in personal services contract realm).

For another thing, although M&M is highly competent as an AD, working as an AD is not sufficiently unique and technical in its nature to make this Court's supervision of M&M's work difficult. *See* Decl. Mufeed Haddad ¶ 3. Thus, to the extent this Court feels that supervision of M&M's services is necessarily implied in an order that prevents Liberty Tax from terminating the renewed S.B. Agreement, that additional supervision would also be feasible and not inconvenience the Court.[5] *See Thompson*, 197 Va. at 214-15.

Finally, the only party under the renewed S.B. Agreement that would be performing services is M&M, as has been the status quo for the last decade. Since M&M is both a party asking for temporary injunctive relief and the only party who would perform personal services, the general hesitancy toward ordering specific performance of personal services contracts is inapposite here. *See Stevenson*, 1988 Va. Cir. LEXIS 412, at *3.

[5] This Court may determine this additional supervision is not necessary to grant the specific equitable relief Plaintiffs ask for here. In the event that's true, that provides even more support for Plaintiffs' contention that supervision would not be an inconvenience to this Court.

CONCLUSION

Nothing in Liberty Tax's memorandum in opposition to Plaintiffs' motion for a temporary injunction alters the conclusion that equity warrants the relief Plaintiffs ask for. This Court should reject Liberty Tax's arguments and enjoin it from inflicting irreparable harm on Plaintiffs.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of November 2022, I emailed and mailed a true and correct copy of the foregoing to the following:

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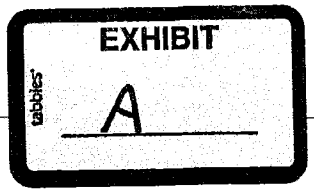

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division

PITCAIRN FRANCHISE DEVELOPMENT LLC, Plaintiff, v. JTH TAX, INC., Defendant.	CIVIL ACTION NO. 2:17cv640

TRANSCRIPT OF PROCEEDINGS
(TRO)
Norfolk, Virginia

December 21, 2017

BEFORE: THE HONORABLE RAYMOND A. JACKSON
United States District Judge

APPEARANCES:

GARNER & GINSBURG, P.A.
By: Michael Garner, Pro Hac
Counsel for the Plaintiff
- and -
STEPANOVICH LAW, PLC
By: Jonathan Michael Young
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By: Peter Siachos
Counsel for the Defendant
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GORDON & REES SCULLY MANSUKHANI
By: Patrick Kevin Burns

P-R-O-C-E-E-D-I-N-G-S

(Whereupon, the proceedings commence, 10:04 a.m.)

THE CLERK: Pitcairn Franchise Development, LLC versus JTH Tax, Inc., in Civil Action 2:17cv640.

Mr. Young, is the plaintiff ready to?

MR. YOUNG: We are.

THE COURT: Good morning.

MR. YOUNG: Good morning, Your Honor.

THE CLERK: Mr. Burns, is the defendant ready to proceed?

MR. BURNS: We are.

THE COURT: So the Court has placed this matter on the docket as an emergency matter. It certainly wasn't the Court's intent to be here this morning, but I understand you believe you have a problem.

Mr. Young, the Court would be glad to hear from you on this motion.

MR. YOUNG: Your Honor, with the Court's permission, I understand that co-counsel, Michael Garner's admission, pro hac vice has been granted and with the Court's kind indulgence permission, Mr. Garner would be arguing the motion.

THE COURT: All right, Mr. Garner, if you will come forward.

MR. GARNER: May it please the Court.

Very briefly, to summarize, Pitcairn Franchise Development has a franchise business --

THE COURT: Mr. Garner, let me save you a lot of trouble.

MR. GARNER: Sure.

THE COURT: If you filed it, I read it, so I understand the relationship with the area developers and what they do and et cetera. I understand all of that, so I will start you off with some questions that I have.

MR. GARNER: Very well.

THE COURT: You make reference to the Federal Arbitration Act and this agreement, of course, is governed by arbitration.

I also read the opposition filed and the excerpts to the arbitration clause, and I'm trying to find out why is it that you did not seek some relief through the arbitration system or process. I didn't see anything in here that say you couldn't; as a matter of fact, I think you argued that you could not get emergency relief, but that seems to be contrary to what I read in the documents pertaining to arbitration. Why didn't you seek arbitration?

I understand that you can even send in a request for arbitration, from reading this, by email or you can quickly get your concern in there to them and they will immediately respond.

So why are you seeking a TRO as opposed to following the arbitration process?

MR. GARNER: The provision for emergency relief under the AAA rules applies only to agreements entered in after October 31, 2013. This is an agreement that was entered into in 2007.

THE COURT: You know your opponents disagree with that claim, don't you?

MR. GARNER: Well, the agreement was assigned in 2014. It is the same agreement that was made in 2007.

THE COURT: So why doesn't the -- why isn't the 2014 agreement covered by arbitration?

MR. GARNER: Because it was made in 2007. The assignment itself says that "Except as modified above, the terms of area development agreement remains in full force and effect."

So all that they did was they changed the name. It's the same agreement this was not an ovation, it was not a new agreement that was entered into after 2014. So we can't -- we can't utilize those procedures unless they are willing, and they haven't said they are willing, to agree that those procedures apply.

THE COURT: So are you telling the Court if Liberty agreed to an arbitration, you would go to arbitration?

MR. GARNER: For substantive matters, that's

correct, yes.

THE COURT: Would you go to arbitration on this matter?

MR. GARNER: Well, on the substantive issue. On the Request For Emergency Relief, Rule 37 provides that the arbitrator can give an injunction, but we don't have an arbitrator yet; that falls under the regular rules, Rule 38, which gives us the opportunity for emergency relief is for use prior to constitution of the panel, and we don't have a panel. We don't have an avenue to get that emergency relief with an agreement that was made in 2007.

THE COURT: For now I will let that go. Continue.

MR. GARNER: Okay. So those modifications simply substitute Pitcairn for Mr. Ziolkowski.

Now, I want to respond to Liberty's opposition in a couple of respects.

First of all, they say that we did not give 180 days' notice. And, in fact, Liberty has already provided Pitcairn with a renewal agreement. They did that on November 13th, and it stated it was sending in the final development schedules immediately, so they've waived any requirement of notice.

They ignore the language of the renewal section, which is 8.2 which gives us the right to the same or a similar agreement. It says that, On renewal, the territory

will not be reduced except as provided in Section 4.1. And that requires payment by Liberty for reclaimed territories and permits Liberty to reclaim only undeveloped territories.

The new agreement says that Liberty does not have to pay for the reclaimed territory and that it can reclaim active territories. So it gives them the opportunity to destroy the business.

It also limits Liberty's ability to impose a new form of agreement to future renewals, not this renewal. And Liberty's reading would just read that reference to future renewals out of the agreement.

So the only way to read these provisions harmoniously is if they mean that this agreement is renewed on the same terms, while future agreements would be on a new term.

Liberty doesn't take issue with the proposition that this sort of irreparable injury that the business will be destroyed if this agreement expires. But it tries to characterize that as a loss of profits, and it really doesn't cite any cases from this circuit. They are irreparable injury point relies on state court cases from Florida and cases otherwise outside of this circuit.

They say, without support, that the customers are Liberty's customers, not ours. We contend that they are ours. So we have a good likelihood of success on the merits

and irreparable injury.

If an injunction or TRO is granted, our business will be preserved, it will not be destroyed if the injunction is granted. There's no harm that will come to Liberty. They will continue to get their benefits under this agreement until a -- until an arbitration decision is reached.

So what we're asking for here today is just to stay the expiration of the agreement until the arbitration can be decided.

Now, we're here on a TRO, we appreciate that we got such an early hearing because, if you granted a TRO today, it would just go to the end of December. What we would then ask for is that it be effective December 30th and perhaps as Liberty suggests in its papers, we could agree to a briefing schedule on a preliminary injunction motion, they could agree to extend the agreement until then, and we could have a proper briefing schedule and evidentiary hearing a month hence, or at some point like that.

THE COURT: The Court has the discretion, of course, given the fact that Liberty has responded and you are here and you have filed your opposition, to issue preliminary injunction even today as opposed to a TRO. And that's the case law in this circuit.

MR. GARNER: Okay, very well, Your Honor.

THE COURT: I will think about what you just argued

and see what Liberty has to say about it, but the Court does not need to needlessly use judicial resources to brief and argue an issue that you are capable of arguing today, with all parties having notice.

MR. GARNER: Alternatively, we ask -- if the Court believes that we should go to arbitration and Liberty agrees on the record that the expedited procedures would apply, then we would ask for a preliminary injunction pending the emergency relief we would be seeking from the AAA, and we would put in for that emergency relief tomorrow and would ask them to decide as quickly as possible.

THE COURT: Thank you.

MR. GARNER: Any other questions, Your Honor?

THE COURT: No.

MR. GARNER: Thank you.

THE COURT: I take it, Mr. Siachos?

MR. SIACHOS: Yes, Your Honor.

May it please the Court?

THE COURT: Sure.

MR. SIACHOS: Thank you.

THE COURT: Mr. Siachos, is it your position that the plaintiff cannot seek any emergency relief because this agreement was signed in 2007?

MR. SIACHOS: Our position is that the plaintiff cannot seek emergency relief because the agreement was signed

in 2007 and the franchisor -- not the franchisor, the area developer here is Pitcairn. That entity didn't even exist until 2014.

THE COURT: Okay. You've answered that question.

Next question is: What is it that Liberty stands to lose by submitting this matter, having this matter go to arbitration, even now to have this matter stayed and it go to? Arbitration. What it is that Liberty loses? The Court couldn't determine what Liberty uses by such a procedure.

MR. SIACHOS: Right.

Your Honor, what Liberty loses -- well, first of all, this isn't the only area developer; we have 70 of them.

THE COURT: But this is the only one before this Judge.

MR. SIACHOS: That's right. But the area developer is seeking that this Court require that Liberty extend an agreement that is very favorable for the plaintiff for a period of time when they cannot even show a likelihood of success on the merits. There's a very strained reading of the agreement, Your Honor.

If you look at Section 8.2, Your Honor, they are relying on the word, "this agreement," the phrase "this agreement," in the middle of Section 8.2. That is on Document 1.2 of the old agreement.

And what they are doing is they are relying on the

phrase -- it's the second sentence, "If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least 180 days before the expiration of this Agreement."

They are using that term to try to extend a 10-year-old agreement when they've known about this for ten years on terms that are not what Liberty wants the terms to be on. And, in fact, Liberty contemplated that the agreement would change when it expired in December of 2017. In fact, if you looked at the end of that paragraph, Your Honor, Section 8.2, it says that the area developer has to do a bunch of things and then it says, they must renew "by signing our then current Area Developer Agreement." "Then current." The one from 2017.

What the plaintiff is trying to get us to do is to enter back into the 2007 agreement, which things change in ten years, Your Honor.

THE COURT: Okay -- things change, that's correct, since 2007, which means that the parties would ordinarily come together and negotiate where you are going. So you put a proposal on the table for the new agreement which they claim is substantially different from the old agreement, and they differ with the terms. So ordinarily this is something that y'all would come together and try to figure out what kind of agreement you want to enter into. And that has not

happened here.

Instead, you are in this court with a request for a TRO which you oppose. That's what the Court is reading here about this, that the struggle that you are having here. And both of you have different views about what this agreement really says and it really means. The Court's read backward and forward between what you are saying.

You are just having a squabble about what are the appropriate terms, or what's the best term for me, what's the best term for you. It's typical, you are having a fight that you should have had before now. You provided notice of the new agreement by, what, November the 10th?

MR. SIACHOS: That's right, Your Honor.

THE COURT: November 10th.

MR. SIACHOS: Right.

THE COURT: And so after November the 10th, did you have any discussions about where you were going with this agreement?

MR. SIACHOS: Extensive, extensive.

THE COURT: And you could not resolve it, right?

MR. SIACHOS: Could not resolve it.

And, Your Honor, again, the business has changed in ten years, things are different than they were ten years ago and what the plaintiff is trying to do is to force the Court to force us to, A, continue with an agreement that we aren't

required to continue on --

THE COURT: The Court cannot -- the Court will not force you to continue with an agreement that you should not continue with. What the Court is doing is simply being asked to give you an opportunity to sit down with someone and figure out what the agreement's going to be.

The Court is not forcing you one way or the other. That's going to be up to someone else. Either you resolve it or an arbitrator resolve it.

MR. SIACHOS: That's right.

THE COURT: But this Court will not decide who gets what in this agreement. The question for the Court is simply this -- and you didn't answer my question. I listened very carefully. What is the injury to Liberty to stay these proceedings and have an arbitration process to resolve -- figure out where you are going to land on this agreement. It may be that the plaintiff gets absolutely nothing after arbitration. It could be that you don't get all of what you want. But what is the injury to Liberty to delay this long enough to sit down and go to the arbitration, instead of spending all of these legal fees on this issue?

MR. SIACHOS: Right.

So the injury that Liberty, Your Honor, is -- again, I hope I'm making this clear, the fact that they are going to set a precedent for these 70 other area developers and that

Liberty is going to have to continue to pay them a hundred thousand dollars a month while the injunction is pending.

THE COURT: Wait a minute, how can they set a precedent of what? Whatever agreement you reach, Liberty enters into that agreement that it believes is beneficial to it. So that doesn't necessarily set a precedent for the others, unless you said the precedent they are setting is by taking issue with the terms that Liberty proposed.

Anyone has a right to take issues in a contractual negotiation, so are you saying that sets a precedent for the others to come in and raise questions about what Liberty proposes?

MR. SIACHOS: No, Your Honor. What I'm saying is that it not only -- it extends an agreement past December 31st, forces us to pay a hundred thousand dollars a month, or whatever the amount is, when that's not the agreement that we had. And then the 70 other people are going to do the exact same thing that they did; that's what it does. Which is why we want this to be an arbitration where it should be, where it's private, where the parties can quickly resolve these issues where the parties can sit down and the arbitrator can issue injunctive relief or whatever needs to be issued.

THE COURT: The Court fully concurs. That's where you ought to be.

MR. SIACHOS: We agree to that.

THE COURT: And the precedent would simply be that the Court sent you to arbitration so --

MR. SIACHOS: Exactly.

THE COURT: -- don't file the TRO.

And so the only thing the Court's saying is, the Court believes -- now, what you are saying is this is no grounds for a TRO but Mr. Garner is saying there's no way he can get emergency relief because of the date of this agreement from an arbitrator, which means they end up in a situation where they may be injured because they can't get emergency relief.

MR. SIACHOS: Well, Your Honor, the rules, and I believe you cited to them, Rule 38 says -- 38(c) and that's Document Number 15-1 says -- it says, Within one business day of receipt of notice, the AAA shall appoint a single emergency arbitrator designated to rule on emergency applications. They have come to this Court saying, first of all, that they can't get relief from the AAA. That's just not true. I've said in all of those different arguments why they can get relief.

Number one, we agree it to. If they agree to it, we agree to it, then it applies.

THE COURT: But what you are telling me and the Court has long memory, Mr. Siachos. What you are telling me

is if they go tomorrow, December the 22nd, and file a request for emergency relief with the AAA, you are not opposed to that?

MR. SIACHOS: I won't say that I won't oppose injunctive relief. I'm going to say that's where it should be adjudicated.

THE COURT: But I'm just saying, you are not opposed them seeking adjudication at AAA?

MR. SIACHOS: Not at all.

THE COURT: Because, here is what the Court is saying. They are not going to get boxed out of court.

If this Court should send them back to AAA and then we find that you've raised some objection to bump them out of AAA, then I think they have a cause to come right back to this Court for failure to act in good faith.

MR. SIACHOS: Not at all. We want to be in AAA, Your Honor.

I don't know if I made it clear in our papers, but we would like to be in AAA, we would like for the request for injunctive relief to be adjudicated either yes they get it, or, no they don't get it in AAA arbitration, which is what our agreement contemplated; any and all disputes between the parties, any claims.

THE COURT: Notwithstanding the fact that this agreement was filed in 2007?

MR. SIACHOS: Well, in 2007, Your Honor, they still allowed for arbitration -- arbitrators to do injunctive relief, it just wasn't mandatory; it became mandatory in 2013. For decades, the AAA's been doing injunctions, but it didn't become mandatory until October 1st, 2013.

But if both parties agree, Your Honor, then we can go to arbitration, we can have a single arbitrator, an emergency arbitrator either issue injunctive relief or not issue injunctive relief, and we would be happy to do that.

THE COURT: Well, you know something, gentlemen? The Court -- you have request a TRO up here. You have this action up here before the Court. It's no reason this action has to be dismissed; the Court can simply stay this action.

MR. SIACHOS: Exactly.

THE COURT: Which means it will still be on the Court's docket and whatever it turns into, should you come back here, is another question. But the Court certainly can, Mr. Garner, stay this request right here on this docket, permit you to go back to AAA. And that's the usual process in any way, in all of these cases whereas there's a AAA clause, they ask the District Court to stay its proceedings and give AAA a chance. And that's what the Court is inclined to do.

Now, if you get down there and you get to squabbling and you find that somehow or another it's not what you

thought it was, then the Court is still here.

But what it means in the meanwhile is there's not going to be no new contract or old contract, there's not going to be anything on this contract come December 31st because it is all stayed until you can go to AAA and figure this out.

And, Mr. Garner, you have quickly filed this request for the TRO, I know you quickly can change the title and a few paragraphs and get this to AAA. First-year law student could whip this into a AAA petition.

Thank you, Mr. Siachos.

MR. SIACHOS: Thank you, Your Honor.

THE COURT: Mr. Garner, come back to the podium again.

MR. GARNER: Do I understand that Your Honor is ruling that the agreement is -- that the expiration of the agreement is stayed pending our application for --

THE COURT: That's exactly what I'm doing. I'm staying this action, I'm staying the action on the effectiveness of the agreement pending the parties' return to AAA for appropriate processing of the claims, which means this is still on the docket, the present agreement is not going to terminate it December 31st. It's all stayed pending you going back there, and within a reasonable time. I don't want to look up next Christmas and you haven't resolved

anything, because I'm going to tell you, I will kick both of you out of here. I am serious about that. That means moving with dispatch. I don't like things hanging around my docket.

MR. GARNER: Very well.

THE COURT: First of all, the Court will do this:

The Court will stay this particular proceeding and the termination of the agreement without saying I'm issuing a TRO. I'm not issuing a TRO, I'm simply staying this action, and the effect of staying this action is to hold things in place until you return to AAA and arbitrate this.

Now, typically how long does think AAA take to do one of these arbitrations?

MR. GARNER: Well, I've had arbitrations take anywhere from a few months to a couple of years.

THE COURT: No --

MR. GARNER: We're certainly willing to stipulate to put this on a fast track with the AAA and ask them to hurry up with it.

MR. SIACHOS: Most definitely, Your Honor.

THE COURT: What is the "hurry up?"

MR. GARNER: We could do it within 60 days or even less than that.

THE COURT: Well, I tell you what, then, I will stay it for 90 days.

MR. GARNER: Very well. Get on it and get it

resolved effectively, and I'm not going to reach the merits of the TRO, the four factors, I'm not going to reach that. I'm simply going to provide that the Court finds it appropriate that the parties address this matter in an arbitration proceeding, so this proceeding is hereby stayed pending the resolution of this matter in AAA proceedings.

And, at the same time, I want to make it clear that the status quo with respect to the termination of the agreement shall remain intact until the parties can arbitrate this matter.

MR. SIACHOS: Your Honor, should the AAA -- I'm sorry.

THE COURT: Okay, what's the question, Mr. Siachos?

MR. SIACHOS: Your Honor, should the AAA conclude that injunctive relief was not warranted? I guess the matter would still remain stayed on the docket here, would the termination of the agreement still remain stayed on the docket?

THE COURT: It will stay on the docket until you come back with the results.

MR. SIACHOS: Very well.

THE COURT: You will have to argue what you think the results mean.

The other thing is, Mr. Garner, today is the 21st. If you are going to request any emergency relief, you need to

get it done double-time, like within the next two days.

MR. SIACHOS: We're going to do it tomorrow.

THE COURT: That would be a wise idea.

MR. SIACHOS: Thank you, Your Honor.

THE COURT: Okay, gentlemen, hope to not see y'all again, but hope you have a wonderful holiday and you are going to resolve this matter. Y'all have been working together for ten years.

Now, one thing I didn't understand -- you may have a seat there for a minute, Mr. Siachos. It's of interest, there's an argument that after ten years, Liberty is going to take some of these franchisees from an area developer as a penalty. What's this "penalty" business all about?

MR. SIACHOS: Well, what they -- what they've done in the new agreement is that they provided that they can take back -- take back income-producing territories without any compensation. That's the penalty.

THE COURT: Oh, that's the penalty. Okay.

MR. SIACHOS: And the word "penalty" was the words of Liberty's representative, not ours.

THE COURT: To the Court "penalty" means punishment.

MR. SIACHOS: Correct.

THE COURT: So that's why the Court was wondering what was that all about.

Okay. All right, gentlemen, I will look forward to

you moving with dispatch.

I will get out an order to the effect of what the Court is doing in this action right here and now.

Court will be in recess until further notice.

***** ***** *****

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

/S/ 12/21/2017

Janet A. Collins, RMR, CRR, CRI DATE

VIRGINIA: IN THE CIRCUIT COURT FOR THE CITY OF VIRGINIA BEACH

MUFEED HADDAD,

MICHAEL N. BUDKA,

MARY JOHNSON,

MARK JOHNSON,

and

M&M BUSINESS GROUP, LP,

Plaintiffs,

v.

JTH TAX, LLC,

Defendant.

This is Exhibit "D" referred to in the affidavit of Teri Stevens affirmed before me at Vancouver, British Columbia, this 21 day of November, 2023.

A Commissioner for taking Affidavits within British Columbia.

Case No.: CL21-441

PLAINTIFFS' MEMORANDUM IN OPPOSITION TO JTH TAX, LLC D/B/A LIBERTY TAX SERVICE'S DEMURRER

In what can only be described as an attempted second bite at the apple after an unsuccessful first attempt, JTH Tax, LLC d/b/a Liberty Tax ("Liberty Tax") demurs to the Second Amended Complaint of Plaintiffs Mufeed Haddad ("Haddad"), Michael Budka ("Budka"), Mary Johnson ("Mary"), Mark Johnson ("Mark"), and M&M Business Group, LP ("M&M") (collectively, "Plaintiffs"). In their original Complaint, Plaintiffs included the following claims against Liberty Tax:

(1) Count I – Breach of Wyoming Agreement – Wrongful Termination;

(2) Count II – Breach of Florida Agreement – Wrongful Termination;

(3) Count III – Breach of California Agreement – Wrongful Termination;

(4) Count IV – Breach of Contract – Failure to Pay Franchise Royalties;

(5) Count V – Breach of Agreements – Failure to Provide Renewal Agreement Under the Same Terms;

(6) Count VI – Breach of Good Faith and Fair Dealing; and

(7) Count VII – Declaratory Judgment.

Liberty Tax demurred to the original Complaint, and the Honorable Judge Mahan overruled that demurrer in part and sustained it in part. Judge Mahan overruled the demurrer as to Counts I, II, and IV, sustained the demurrer without prejudice as to Counts III, V, and VI, and sustained the demurrer with prejudice as to Count VII.

The Second Amended Complaint now only contains counts that are legally identical to the ones this Court has already determined are sufficient to state claims for relief for breach of contract, i.e., that Liberty Tax has wrongfully terminated its agreements with Plaintiffs and failed to pay Plaintiffs all royalties they were owed under those agreements. Liberty Tax's arguments in this demurrer to those counts are no different than the ones it offered—and this Court rejected—the first time around. The result should be no different here. This Court should overrule Liberty Tax's demurrer as to all Counts in the Second Amended Complaint.

I. RELEVANT FACTUAL BACKGROUND AND PROCEDURAL HISTORY

Plaintiffs and Liberty Tax are in the tax business. Liberty Tax sells franchises engaged in the preparation of tax returns and also sells Area Development ("AD") territories to "area developers." Sec. Am. Compl. ¶ 9. ADs recruit tax preparation franchisees within a prescribed geographic territory and provide those franchisees with day-to-day operational support and marketing advice. *Id.* In exchange, ADs receive a portion of the royalties the franchisees pay as well as a portion of the sales proceeds for any franchises sold in their respective territories. *See id.* ¶¶ 15-18.

Plaintiffs were area developers ("ADs") pursuant to four AD Agreements (collectively, the "Agreements"), specifically:

(1) Haddad entered into an AD Agreement for a certain area in Wyoming on August 13, 2007, for a ten-year term (the "Wyoming Agreement");

(2) Haddad, Budka, Mark, and Mary, as tenants in common (collectively, the "FL Area Developers"), entered into an AD Agreement for a certain area in Florida on January 23, 2008, for a ten-year term (the "Florida Agreement");

(3) M&M entered into an AD Agreement for a certain area of Southern California largely comprised of San Bernardino and Riverside Counties on November 28, 2012, for a ten-year term (the "S.B. Agreement").

(4) M&M entered into an AD Agreement for a certain area of Southern California largely comprised of the eastern portion of Los Angeles County on December 3, 2014, for a six-year term (the "L.A. Agreement").

Id. ¶¶ 11-14.

Although the Agreements contained specific durational terms and, consequently, were set to end at various dates, they all contained the same paragraph that provided different avenues for Plaintiffs to continue in their contractual roles as ADs:

> Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least 180 days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty. Area Developer may also renew future Area Developer Agreements, if Area Developer is in compliance with the terms and conditions in such agreements, meets the other conditions therein for renewal, and

> renews by signing Liberty's then current Area Developer Agreement. The fees and percentages described in paragraphs 3.2 and 3.3 above will not be reduced upon any renewal nor will the Territory be reduced, except as may be reduced due to failure to meet Minimum Requirements, as described in paragraph 4.1 above.

Sec. Am. Compl. Exs. A, B ¶ 8.2; Exs. C, D ¶ 7.2.[1]

Pursuant to the second sentence, Plaintiffs on multiple occasions provided timely notice of their intent to renew the Agreements, which renewed the Agreements in turn. *See id.* ¶ 33. Several of these notices were written. *Id.* ¶¶ 40, 78, 84. And although other notices were verbal, Liberty Tax assured Plaintiffs, in writing, that the verbal notices effectively renewed the Agreements, consistent with Liberty Tax's historical practice of renewing other AD Agreements upon timely verbal notice of intent to renew. *Id.* ¶ 31-33, 35, 39, 56. By accepting Plaintiffs' verbal notices of intent to renew, Liberty Tax waived the requirement that the renewal notices be in writing. *Id.* ¶ 34.

Regrettably, however, Liberty Tax ultimately terminated the properly renewed Agreements. The Wyoming and Florida Agreements were both terminated on July 17, 2020, *several years* after the expiration of the prior terms of those contracts, and despite the fact that Haddad, the FL Area Developers, and Liberty Tax had been performing under the renewed Wyoming and Florida Agreements for quite some time. *Id.* ¶¶ 43, 45, 57-60. Liberty Tax claimed that the Wyoming Agreement was terminated due to Haddad's "fail[ure] to notify Liberty Tax" of

[1] As will be explained in greater detail, this provision, which this memorandum will refer to as the "Continuation paragraph" for convenience, provided two main paths for Plaintiffs to continue as ADs: (1) renewing the AD Agreement or (2) entering into a "new agreement" for the "provision of services similar to those in this Agreement." The Continuation paragraph also mentions the renewal of "future Area Developer Agreements," but that provision is not at issue in this case. Moreover, the provision referencing "future" agreements is potentially an unenforceable "agreement to agree" that, if construed as such, would possibly be severed from the Agreements pursuant to their severance clauses. *See Allen v. Aetna Casualty & Surety Co.*, 222 Va. 361, 363-64 (1981); *Virginia Power Energy Mktg v. EQT Energy, LLC*, 2012 U.S. Dist. LEXIS 98553, at *12 (E.D. Va. July 15, 2012).

his intent to renew that contract, whereas the FL Area Developers were never given a reason as to why the Florida Agreement was terminated. *Id.* ¶¶ 57, 59-60.

The S.B. and L.A. Agreements were terminated either on the expiration date of their prior terms or shortly thereafter.[2] *Id.* ¶; *see* attached **Exhibit A**. In both instances, Liberty Tax claimed M&M was not entitled to renew the S.B. and L.A. Agreements because of M&M's purported "failure" to meet certain development goals—i.e., to secure a certain number of franchisees within the San Bernardino and L.A. Territories within prescribed timeframes. Liberty Tax presumably grounded its terminations on paragraph 4.1 of the S.B. and L.A. Agreements, which references a yearly development schedule (the "Development Schedule") M&M was to aspire to meet:

> Area Developer will provide Liberty with a minimum number of Candidates each year that open Franchise Territories with an active Liberty office in operation, as described and set forth in Schedule B (the "Minimum Requirements") . . . . If Area Developer 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, Liberty may notify Area Developer that it desires to delete from the Territory up to the number of Franchise Territories by which Area Developer failed to meet the Minimum Requirement for that year . . . . This deletion is Liberty's sole remedy for failure to meet Minimum Requirements.

See Sec. Am. Compl. Exs. C, D ¶ 4.1.

[2] The S.B. Agreement was officially terminated by Liberty Tax on November 28, 2022, after the filing of the Second Amended Complaint. Ex. A. Because of that, Plaintiffs have sought leave to file a Third Amended Complaint, which changes Count IV from a claim for anticipatory breach of contract to an ordinary breach of contract claim. Plaintiffs' motion for leave to amend has been filed along with this memorandum. Should this Court grant Plaintiffs' motion for leave to amend, the Court may view such as mooting Liberty Tax's demurrer to the Second Amended Complaint. However, because the claims in the Second and pending Third Amended Complaints are identical in all material respects, this Court may still choose to rule on Liberty Tax's demurrer in Plaintiffs' favor and thereby preclude Liberty Tax from wasting the resources of the parties and this Court by demurring to the Third Amended Complaint. Plaintiffs are amenable to either course of action.

Thus, Liberty Tax based its termination of the Agreements on one of two grounds: (1) an alleged failure to timely notice an intent to renew or (2) an alleged failure to meet the Development Schedule. It at no point based its decision to terminate the Agreements on the "Termination" provision found in each of the Agreements, which provided a specific list of circumstances that would have entitled Liberty Tax to terminate. *See* Sec. Am. Compl. Exs. A, B ¶ 8.3; Exs. C, D ¶ 7.3.

Plaintiffs filed suit against Liberty Tax on February 2, 2021, raising several counts for breach of contract, among other claims. In the original Complaint, Plaintiffs contended, among other things, that they had properly renewed the Agreements and that Liberty Tax breached the Agreements by (1) unlawfully terminating the renewed Agreements and (2) not consistently paying Plaintiffs their appropriate percentage of all royalties generated by individual franchisees by failing to consistently include "e-filing fees" in its calculation of royalty payments to Plaintiffs. Liberty Tax demurred to the entire Complaint, but this Court overruled that demurrer to the extent it challenged the legal sufficiency of Plaintiffs' wrongful termination claims[3] and its claims for unpaid royalties in the form of e-filing fees. *See* attached **Exhibit B**.

Plaintiffs filed the Second Amended Complaint on September 13, 2022. The Second Amended Complaint includes an anticipatory breach of contract claim as to the S.B. Agreement, with the remainder of the claims being the wrongful termination and failure to pay franchise

[3] The only exception to this was Plaintiffs' wrongful termination claim as to the L.A. Agreement (previously referred to as the "California Agreement"). With respect to that claim, this Court sustained Liberty Tax's demurrer but granted Plaintiffs leave to amend their Complaint as to that claim. Ex. B. The reason this Court did so was because it believed that claim was defective for not specifically alleging that the L.A. Agreement had been renewed by operation of law through M&M's notice of intent to renew. *See* attached **Exhibit C** pp. 26-30. The Second Amended Complaint has remedied that defect, *see* Sec. Am. Compl. ¶ 33, which now places the wrongful termination claim as to the L.A. Agreement in equal standing with the remaining wrongful termination claims.

royalties breach of contract claims that have already survived demurrer in this Court. *Compare* Sec. Am. Compl. ¶¶ 95-159, *with* Ex. B.

II. LEGAL STANDARD

"The purpose of a demurrer is to test the legal sufficiency of a pleading." *Fuste v. Riverside Healthcare Ass'n, Inc.*, 265 Va. 127, 131 (2003). In reviewing a demurrer, this Court accepts as true all properly pled material facts and all fairly drawn factual inferences, though it "does not admit the correctness of the conclusions of law found in the challenged pleading." *Id.* To survive demurrer, a complaint "must be made with sufficient definiteness to enable the court to find the existence of a legal basis for its judgment." *Dunn, McCormack & MacPherson v. Connolly*, 281 Va. 553, 558 (2011).

III. ARGUMENT

A. Counts I-IV sufficiently state claims for breach of contract based on Liberty Tax's wrongful termination of the Agreements.

Counts I-IV are claims for breach of contract. And the theory behind them is straightforward: Plaintiffs renewed each of their AD Agreements by satisfying the condition precedent to renewal, and Liberty Tax wrongfully terminated the renewed Agreements. This Court has already determined Plaintiffs' breach of contract claims for wrongful termination are sufficient to withstand demurrer. Because Liberty Tax's arguments are no different than they were the first time around, there is no compelling reason for this Court to render a different decision here.

"The elements of a breach of contract action are (1) a legally enforceable obligation of a defendant to a plaintiff; (2) the defendant's violation . . . of that obligation; and (3) injury or damage to the plaintiff caused by the breach of obligation."[4] *Ramos v. Wells Fargo Bank, NA*, 289

[4] Liberty Tax does not dispute it had legally enforceable obligations to Plaintiffs or that Plaintiffs have properly pled damages. Accordingly, this memorandum will focus solely on the second element—whether Liberty Tax violated its obligations to Plaintiffs.

Va. 321, 323 (2015) (quoting *Filak v. George*, 267 Va. 612, 619 (2004)). "In a breach of contract claim, the parties' contract becomes the law governing the case unless it is repugnant to some rule of law or public policy." *Palmer & Palmer Co., LLC v. Waterfront Marine Constr., Inc.*, 276 Va. 285, 289 (2008). "Where the terms in a contract are clear and unambiguous, the contract is construed according to its plain meaning." *Standard Banner Coal Corp. v. Rapoca Energy Co.*, 265 Va. 320, 325 (2003) (citations and internal quotation marks omitted). To the extent any word, clause, sentence, or other provision of a contract is ambiguous, this Court construes the ambiguity against the drafter—in this case, Liberty Tax. *Doctors Co. v. Women's Healthcare Assocs.*, 285 Va. 566, 573 (2013). Finally, "[n]o word or clause in a contract will be treated as meaningless if a reasonable meaning can be given to it and the parties are presumed not to have included needless words in a contract." *Standard Banner*, 265 Va. at 325 (citations and internal quotation marks omitted).

Here, the Continuation paragraph of the Agreements governed when and how Plaintiffs were to extend their role as ADs following the expiration of the Agreements' terms. The relevant portions of that paragraph provide the following:

> Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement, Liberty will provide Area Developer with the right to enter into **a new agreement** with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew **this Agreement**, Area Developer must notify Liberty in writing at least 180 days before the expiration of this Agreement. There will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty.

Sec. Am. Compl. Exs. A, B ¶ 8.2; Exs. C, D ¶ 7.2 (emphasis added).

A plain reading of these provisions that gives meaning to each of the words, clauses, and sentences used shows the provisions created two distinct paths for Plaintiffs to continue as ADs.

The first path is in the first sentence and involves Liberty Tax providing Plaintiffs the "right to enter" into a "new agreement" for "similar" services (the "new agreement path"). If the new agreement path was pursued, the parties would be entering into a different contract "of recent or fresh origin," in contrast to the "date, origin, or character" of the contract that came before. *See* New, *Black's Law Online Dictionary*, https://thelawdictionary.org/new/.

By contrast, the second path, provided for in the second sentence, was for Plaintiffs to effectuate a *renewal* of "*this Agreement*" (the "renewal path"). If the parties pursued the renewal path, they agreed they would be reviving the AD Agreement *verbatim*, with the only difference being the term in which performance would take place. *See* Renewal, *Black's Law Online Dictionary*, https://thelawdictionary.org/renewal/ (defining "renewal" as the "substitution of a new grant, engagement, or right, in place of one which has expired, of t[he] *same character* and *on the same terms and conditions as before*" (emphasis added)).[5]

The Continuation paragraph imposed different conditions precedent for the new agreement path and the renewal path. The new agreement path did not require Plaintiffs to give Liberty Tax any notice of their intent to pursue the path, and instead would be automatically provided at the end of the AD Agreement's term so long as Plaintiffs were "in compliance with the terms and conditions" of the AD Agreement. *See* Sec. Am. Compl. Exs. A, B ¶ 8.2; Exs. C, D ¶ 7.2. The renewal path, by contrast, required Plaintiffs to provide Liberty Tax written notice of their intent to renew "at least 180 days" before the end of the AD Agreement's then-current term, but did not make compliance with the AD Agreement a condition precedent to renewal. *See id.*

[5] This dictionary definition—along with a common sense understanding of the word "renewal"—demonstrate Plaintiffs renewed their Agreements on the same terms and conditions as before and were entitled to nothing less.

By selecting the renewal path to continue as ADs, Plaintiffs were required, as a condition precedent to renewal, to provide Liberty Tax notice of their intent to renew at least 180 days prior to the expiration of the Agreements' then-current terms. And Plaintiffs did just that. With respect to the S.B. and Florida Agreements, M&M and Mary provided timely written notice of their intent to renew those contracts as required by the renewal path. And although Haddad provided verbal notices with respect to the Wyoming and L.A. Agreements, Liberty Tax waived the requirement that the notices be in writing, as evidenced by former CEO John Hewitt's letter and multiple e-mails from Liberty Tax representatives acknowledging Liberty Tax had received the notices and stating that Plaintiffs' Agreements were in the process of renewal. Sec. Am. Compl. ¶¶ 32, 34-35, 37, 39; *see also Va. Polytechnic Inst. & State Univ. v. Interactive Return Serv.*, 267 Va. 642, 651-52 (2004) (stating the two elements of waiver are "knowledge of the facts basic to the exercise of the right and the intent to relinquish that right." (quoting *Employers Commercial Union Ins. Co. of America v. Great American Ins. Co.*, 214 Va. 410, 412-13 (1973))).

While Liberty Tax offers arguments to combat the reality of its waiver, *see* Liberty Tax's Dem. to Sec. Am. Compl. pp. 14-16, this Court already squarely rejected those arguments the last time Liberty Tax raised them. *See* Ex. C pp 10-12 (Judge Mahan observing Plaintiffs had sufficiently alleged waiver and that final resolution of the waiver question would be better left "for the trier of fact"). This makes sense, as the allegations in the Second Amended Complaint plead sufficient facts to demonstrate Liberty Tax's waiver, and the issue of waiver ultimately presents a factual question that is not properly the subject of dispute at the demurrer stage. *See Link Associates v. Jefferson Standard Life Ins. Co.*, 223 Va. 479, 485 (1982) (stating "proof of waiver" is typically "a question for the trier of fact"); *Health & Racquet Club, Inc. v. Fitness Today of*

Charlottesville, 29 Va. Cir. 61, 65 (Albemarle 1992) ("Proof of waiver . . . is a factual determination for the court.").

The issue of waiver aside, Liberty Tax also contends the Continuation paragraph created a total of *four* conditions precedent to renewal and that because Plaintiffs have not pled they satisfied all of these supposed conditions precedent, they have failed to state breach of contract claims for wrongful termination. As Liberty Tax sees it, Plaintiffs were required to

> (i) be in compliance with the Agreement's terms and conditions; (ii) give 180 days' written notice in accordance with the notice provision; (iii) execute a general release; and (iv) sign Liberty Tax's then-current AD Agreement.

See Liberty Tax's Dem. to Sec. Am. Compl. p. 10.

The only thing right about that formulation is the part that says Plaintiffs were required to notify Liberty Tax of their intent to renew the Agreements. The rest of it misses the mark entirely. By reading a set of four conditions precedent into the Continuation paragraph, Liberty Tax attempts to rewrite the paragraph and render meaningless its distinction between renewing "this Agreement" and entering into a "new agreement." What's more, if one looks at the entire context of the Agreements—a concept Liberty Tax waxes poetic about but fails to adhere to—the wrongheadedness of Liberty Tax's claim that the Agreements imposed four conditions precedent becomes all the more clear.

Start with the issue of compliance with the Agreements' terms and conditions. Liberty Tax avers that to the extent Plaintiffs failed to meet the Development Schedule of each AD Agreement, they were not in compliance with the Agreements' terms and conditions and thus were not entitled to renew the Agreements. But nothing in the Agreements say that meeting the Development Schedule is a condition precedent to renewal. Quite the opposite, actually. Paragraph 4.1 of the Agreements makes clear that if Plaintiffs did not meet the Development Schedule, Liberty Tax's

"*sole remedy*" was to "delete from the Territory up to the number of Franchise Territories by which Area Developer failed to meet the Minimum Requirement for [a given] year." Sec. Am. Compl. Exs A, B, C, D ¶ 4.1. By making territory deletion Liberty Tax's "sole remedy" in these situations, the Agreements excluded termination or non-renewal as a remedy at Liberty Tax's disposal. *See City of Chesapeake v. Dominion SecurityPlus Self Storage, L.L.C.*, 291 Va. 327, 335 (2016) ("Words that the parties used [in a contract] are normally given their usual, ordinary, and popular meaning.") (citations and internal quotation marks omitted).

The last sentence of the Continuation paragraph takes it a step further. It provides that the AD territories will not be reduced "upon any renewal," except as "may be reduced due to failure to meet Minimum Requirements, as described in paragraph 4.1 above." Sec. Am. Compl. Exs. A, B ¶ 8.2; Exs. C, D ¶ 7.2. That language clearly contemplates a scenario where the parties would renew the Agreements *even in the midst of* a failure to meet the Development Schedule, which necessarily defeats any argument that meeting the Development Schedule is a condition precedent to renewal.

Next, consider the issue of executing a general release. On that issue, all the Continuation paragraph says is that "[t]here will be no fee for the renewal, but Area Developer must execute a general release of all claims it may have against Liberty." This sentence doesn't make the execution of a general release a condition precedent to renewing the Agreements. Rather, the provision simply creates a *requirement* that Plaintiffs execute a general release during the renewal process. In the event Plaintiffs did not, they would then be subject to a "renewal fee" or, at most, an action for their own breach of contract.

Had the parties wanted to make executing a general release a condition precedent to renewal, it's not difficult to imagine the language they could have used to do so. Specifically, they

could have inserted words like "if," "provided that," "subject to," or "when," *somewhere* within the same sentence the general release provision is in. *See Standefer v. Thompson*, 939 F.2d 161, 164 (4th Cir. 1991) (noting those words are the traditional indicators of conditions precedent). If they had done so, the provision would have looked something more like, for example, "M&M may renew this Agreement, *provided that* M&M notifies Liberty in writing at least 180 days before the expiration of this Agreement *and* executes a general release of all claims it may have against Liberty." But that sort of language is nowhere to be found in the Agreements, and the language actually used provides that executing a general release is simply a requirement of the renewal process, not a condition precedent to renewal itself.[6]

Put simply, the Agreements provide that the sole condition precedent to renewal was for Plaintiffs to timely notify Liberty Tax of their intent to renew, which Plaintiffs did. But even assuming this Court believes the Agreements are unclear as to whether they provide one condition precedent or four, it must construe the Agreements against Liberty Tax, given that Liberty Tax drafted them. *Doctors Co.*, 285 Va. at 573 (contractual ambiguities construed against the drafter). Indeed, this is the approach other tribunals have taken when analyzing identical disputes between Liberty Tax and other ADs. *See* Arbitration opinions attached as **Exhibits D and E**. So, this Court

[6] Candidly, Liberty Tax's hand-waving about executing a general release is insincere. To see why, one need only look to the fact that M&M expressly offered to execute a general release when it provided Liberty Tax written notice of its intent to renew the S.B. Agreement in February 2022, an offer Liberty Tax inexplicably chose to ignore. Sec. Am. Compl. ¶¶ 84-85. It takes two to tango for a general release to be executed, and by ignoring Plaintiffs' offer on that front, Liberty Tax prevented M&M from performing their obligations under the renewed S.B. Agreement and proved it never had any genuine interest in permitting Plaintiffs to execute a general release to begin with, much less renew their Agreements. For those reasons, this Court should disregard any attempt from Liberty Tax to leverage Plaintiffs' "failure" to execute a general release against them in this litigation. *Cf. Whitt v. Gordon*, 205 Va. 797, 800 (1965) ("There is an implied condition of every contract that one party will not prevent performance by the other party. Hence, if one of the contracting parties prevents the other party from performing . . . he cannot prevail in an action for nonperformance of the contract which he himself has brought about."); *Beck v. Beck*, 62 Va. Cir. 125, 128 (Fairfax 2003) (same).

would be in good company if it chose the same in overruling Liberty Tax's demurrer for the second time.

In conclusion, Plaintiffs have sufficiently pled breach of contract claims for wrongful termination, as they did in their original Complaint. Liberty Tax has offered no compelling reason for this Court to reconsider the judgment it rendered the first time around. For that reason, this Court should overrule Liberty Tax's demurrer as to Counts I-IV of the Second Amended Complaint.

B. Count V sufficiently pleads a breach of contract claim based on Liberty Tax's failure to pay e-filing fees.

Count V is also for breach of contract. In short, it alleges Liberty Tax breached the Agreements by refusing to include e-filing fees when it calculated Royalties it rendered to Plaintiffs pursuant to the Agreements. Liberty Tax does not, and indeed cannot, dispute the fact that it did not consistently include e-filing fees in the Royalties it paid to Plaintiffs. Instead, it simply recycles its argument that the word "royalties" does not encompass all revenue streams and excludes e-filing fees.

But Liberty Tax (again) forgets that this Court has already determined Plaintiffs have pled sufficient facts to support a breach of contract claim as to the e-filing fees issue. Ex. B. And it conveniently omits the fact that other tribunals have interpreted the word "royalties" as used in the Agreements to be ambiguous and warranting of construction against Liberty Tax. Ex. D pp. 9-10; Ex. E p. 4.[7]

[7] When the time comes to present evidence and resolve this ambiguity, Plaintiffs will introduce evidence that Liberty Tax's CEO told a group of ADs that e-filing fees *were* a component of the revenue stream subject to royalties and that during the first year that Liberty Tax introduced the e-filing fees, it *did* include such fees within the revenue stream.

Ultimately, this Court was correct in its previous ruling that Plaintiffs have pled sufficient facts to support a claim for breach of contract based on Liberty Tax's non-payment of e-filing fees. Liberty Tax offers no new or compelling argument to support a contrary ruling, and this Court should therefore overrule Liberty Tax's demurrer as to Count V of the Second Amended Complaint.

C. Liberty Tax's arguments regarding Plaintiffs' request for specific performance should be disregarded.

Liberty Tax asks this Court to dismiss Plaintiffs' alternative request for specific performance of the Agreements. In its view, Virginia law prevents courts from ordering specific performance of contracts for personal services, or ones that are "based on a relationship of trust and confidence or that requires a party to exercise skill, judgment, or expertise." *Fransmart, LLC v. Freshii Dev., LLC*, 768 F. Supp. 2d 851, 860 (E.D. Va. 2011) (citations omitted).

But the Agreements are franchise agreements, where Plaintiffs were sold the right to grant individual Liberty Tax franchises within certain geographic regions and provide those franchises with marketing advice and operational support. Specifically, the Agreements granted Plaintiffs "franchise" businesses because (1) Plaintiffs' businesses were "substantially associated" with Liberty Tax's trademark, (2) Plaintiffs paid Liberty Tax a fee for the right to operate those businesses, and (3) the parties were interdependent and shared a financial interest in the outcome of the overall business. *See* Robert W. Emerson, *Thanks for the Memories: Compensating Franchisee Goodwill after Franchise Termination*, 20 U. Pa. J. Bus. L. 286, 288 (2018) (explaining nationally recognized elements for franchise business); Code § 13.1-559(A); 16 C.F.R. § 436.1(h).

It's well-accepted that franchise agreements are not personal services contracts. *Husain v. McDonald's Corp.*, 205 Cal. App. 4th 860, 870-71 (Cal. Ct. App. 2012). But even if they were, it still would not alter the conclusion that Plaintiffs would be entitled to specific performance

following proof of breach of the Agreements here. To suggest otherwise would ignore the fact that the Virginia Supreme Court has in several cases ordered the specific performance of personal services contracts. *See, e.g., Thompson v. Commonwealth*, 197 Va. 208, 209, 214-15 (1955) (mandating order of specific performance that required a party to "prepare, build, construct and deliver or cause to be prepared, built, constructed and delivered" electrical units); *Southern R. Co. v. Franklin & P.R. Co.*, 96 Va. 693, 705-11 (1899) (affirming trial court's mandatory injunction that required a party to operate a leased railway).

Thus, any argument Liberty Tax offers against Plaintiffs' request for specific performance is without merit. To the extent Liberty Tax demurs against Plaintiffs' specific performance request, this Court should overrule it.

D. The reasoning found in Liberty Tax's supplemental authority is poorly reasoned, should be rejected, and highlights a central theme for trial in this case.

On March 9, 2023, Liberty Tax filed a notice of supplemental authority and attached an opinion from the United States District Court from the Eastern District of Virginia (the "EDVA"). That opinion, issued by the Honorable Judge Raymond Jackson on summary judgment, resolved some issues similar to those at play in this case in Liberty Tax's favor. *See Rd. King Dev., Inc. v. JTH Tax LLC*, 2023 U.S. Dist. LEXIS 27628, at *30-40 (E.D. Va. Feb. 17, 2023). However, that opinion is not binding upon this Court, is subject to appeal, and, candidly, was wrongly decided and in contradiction to Judge Jackson's prior rulings. Further, Judge Jackson's opinion highlights an important theme for trial in this case: ***the potential ambiguity of the language in the Continuation paragraph***. In other words, if opinions from multiple tribunals at various stages of litigation can come down on both sides of the interpretation of the same contractual language, there is likely an issue of ambiguity that should be resolved against Liberty Tax, the drafter.

As mentioned, a close inspection of the *Road King* case's entire history reveals the glaring weakness in the court's opinion on summary judgment; namely, the opinion is fundamentally irreconcilable with an earlier ruling from the same court and failed to provide weight and analysis to the potential ambiguity of the Continuation paragraph. When *Road King* started, Liberty Tax filed a motion to dismiss under Federal Rule of Civil Procedure 12(b)(6), and based on the same arguments it offers here, it contended the plaintiffs failed to state a claim for relief for breach of contract based on wrongful termination. *See Rd. King Dev., Inc. v. JTH Tax LLC*, 2023 U.S. Dist. LEXIS 224190, at *1, 10-14, 18-23 (E.D. Va. Nov. 19, 2021). In denying Liberty Tax's motion, Judge Jackson correctly criticized Liberty Tax's construction of the Continuation paragraph, observing that Virginia law does not permit courts to treat any contractual "word or clause . . . as meaningless so long as a reasonable meaning can be attribute to it" and that Liberty Tax's construction would "effectively render meaningless the language in [the Continuation paragraph] drawing a distinction between the conditions precedent for renewing 'this Agreement' and those for renewing 'future Agreements.'" *Id.* at *22 (citation omitted). In an alternative observation, Judge Jackson pointed out—as Plaintiffs have here—that the Continuation paragraph "could plausibly be ambiguous and construed against [Liberty Tax], as the drafter." *Id.*

At the summary judgment stage, however, Judge Jackson did a complete one-eighty on his prior ruling and simply adopted Liberty Tax's jumbled construction of the Continuation paragraph whole cloth. *See Rd. King*, 2023 U.S. Dist. LEXIS 27628, at *30-40. In doing so, Judge Jackson failed to give meaning to the paragraph's distinct use of the words "this Agreement" and "new agreement" or its recognition of the distinct concepts of renewing an existing contract versus entering into a new one. *See id.* Perhaps most notably, Judge Jackson abandoned an analysis of the paragraph's plausible ambiguity that, if appropriately interpreted as ambiguous (as many

tribunals have), should have been resolved against Liberty Tax. *Compare id.*, *with Doctors Co.*, 285 Va. at 573, and Exs. D, E. That failure is inexplicable and subject to appeal.

In all relevant aspects, the *Road King* case rose and fell on the construction of the AD Agreements at issue. The applicable legal standard with respect to interpreting the AD Agreements was no different at the 12(b)(6) stage than it was at the summary judgment stage. *Compare Lucey v. Chesapeake Appalachia, LLC*, 786 F. App'x 394, 396 (4th Cir. 2019) (stating that at the 12(b)(6) stage, "the interpretation of a contract is a question of law that turns on a reading of the document itself" and is therefore reviewed "de novo"), *with N.C. Farm Bureau Mut. Ins. Co. v. Clear Tech., Inc.*, 601 F. App'x 181, 185 (4th Cir. 2015) ("The ambiguity of a contract and the district court's grant of summary judgment are each questions of law that we review de novo."). The language of the AD Agreements did not change between the 12(b)(6) stage and the summary judgment stage. The only two things that happened in between Judge Jackson's two rulings was (1) Judge Wright Allen issued an opinion in *Robinson v. JTH Tax LLC d/b/a Liberty Tax Serv.*, No. 2:21-cv-00066-AWA-DEM (E.D. Va. Aug. 26, 2022) that rejected the correct interpretation of the Continuation paragraph in *dicta* and (2) Judge Jackson changed his own interpretation of the same paragraph.[8]

Put simply, the *Road King* summary judgment opinion is flawed and contradicts prior rulings of the same court on the same issue. And, critically, it failed to give proper weight and

[8] The only way to make sense Judge Jackson's summary judgment opinion is to see it as an institutional ruling—that is, a ruling to maintain consistency with Judge Wright Allen's opinion in *Robinson* and thereby prevent the EDVA from issuing conflicting dispositive judgments on the exact same contractual provisions. Indeed, a clue that institutional considerations were the lynchpin of Judge Jackson's summary judgment ruling is the fact that he began his analysis of the Continuation paragraph with the observation that the court "cannot accept the same . . . interpretation of [the Continuation paragraph] rejected in *Robinson*." *Rd. King*, 2023 U.S. Dist. LEXIS 27628, at *31. While those institutional considerations may arguably be understandable for the EDVA's own purposes, they in no way lay the groundwork for a principled or reasoned construction of the Agreements that is faithful to Virginia's well-established canons of contractual interpretation. Nor do they have any effect on this Court's prior judgment on the sufficiency of Plaintiffs' claims here.

analysis of the issues of plausible ambiguity. Given that, and because it is, of course, only non-binding case authority, this Court should reject Liberty Tax's attempt to persuade this Court to rely on it here.

IV. CONCLUSION

For the foregoing reasons, Plaintiffs request that this Honorable Court overrule Liberty Tax's Demurrer, or, alternatively, provide the Plaintiffs leave to amend their complaint as appropriate, and grant any additional relief this Court deems appropriate.

Respectfully Submitted,

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COURT OF APPEAL FILE NO. CA_____

COURT OF APPEAL

ON APPEAL FROM the order of Madam Justice Fitzpatrick of the Supreme Court of British Columbia pronounced on the 31st day of October, 2023

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF NEXTPOINT FINANCIAL, INC. AND THOSE PARTIES LISTED ON SCHEDULE "A"

AFFIDAVIT #1 OF TERI STEVENS

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Part 1: Facts

A. Overview

1. The appellants seek leave to appeal a reverse vesting order (**RVO**) approved by the supervising judge in the below *CCAA* proceeding on October 31, 2023. In general terms, the RVO allows the purchaser, a senior secured creditor of the Petitioners, to acquire all of the revenue and other assets of the Petitioners, but "cleansed" of unwanted liabilities and obligations by transferring those liabilities and obligations to "residual companies".

2. The appellants are counterparties to agreements with certain of the Petitioners that would be cleansed or "vested off" under the RVO structure, and the appellants argue that:

   (a) they were not given proper or adequate notice of that application;

   (b) that they are materially and unfairly prejudiced by the RVO transaction; and

   (c) the court below was not properly and fully advised of that prejudice;

   and thus their agreements should not be included in the obligations and liabilities that are cleansed or "vested off".

3. The Petitioners, doing business as Liberty Tax, sell franchises that provide tax return preparation services, and collects royalties from its franchisees. The appellants and Liberty Tax are parties to four Area Developer Agreements (**ADAs**), under which the appellants (as "Area Developers") paid Liberty Tax more than USD$5.75 million up-front, and under which the appellants built a franchise network of significant value to Liberty Tax. In exchange for this "front-loaded" payment and effort, the appellants were promised receive 50% of the fees and royalties Liberty Tax receives from franchisees under perpetually renewable agreements.

4. As currently structured, the RVO would allow the purchaser to reap the benefits of the franchise network developed by the appellants, without paying the amounts owed to and earned by the appellants.

5. In the court below, the appellants were provided no notice that the ADAs—which represent their sole income streams—would be among the "excluded" contracts to be transferred to residual companies. In approving the RVO, the supervising judge ordered, on the Petitioners' application, that service of the application materials be dispensed with entirely.

6. Liberty Tax did not disclose to the supervising judge, and the Monitor did not consider, that the appellants had a significant economic stake in the RVO, by virtue of its "exclusion" of the ADAs. All of those parties were aware that there is extant litigation in the US between Liberty Tax and various Area Developers (including the appellants) regarding the Area Developers' rights to renew ADAs.

7. The supervising judge granted the RVO and dispensed of service without any knowledge or consideration of this context—effectively allowing Liberty Tax (and the purchaser) to use the *CCAA* as a vehicle to extinguish the litigation, dispose of the ADAs and extinguish any opportunity for the appellants to legitimately contest Liberty Tax's refusal to renew the ADAs when they come up for renewal in 2024, 2027, and 2028.

8. The appellants seek to have the RVO set aside as it applies to their interests in the ADAs, which should not be treated as "excluded contracts". The appellants will face significant financial hardship absent this Court's intervention and a stay of the RVO, and the issue of notice requirements to parties whose interests are uniquely impacted by a *CCAA* proposal is one deserving of this Court's attention.

B. Background

9. Liberty Tax sells franchises that provide tax preparation services. Liberty Tax also grants licenses and other rights to Area Development territories to Area Developers. Area Developers recruit Liberty Tax franchisees within a prescribed

geographic territory and provide those franchisees with day-to-day operational support and marketing advice. In exchange, the Area Developers receive a portion of the royalties paid by franchisees to Liberty Tax and the sales proceeds for any franchises sold in their respective territories.

10. The individual appellants and the corporate appellant (their jointly owned company) are based in California.

11. The appellants purchased six Liberty Tax franchises in 2001, and were soon after recruited as Area Developers. Liberty Tax approached the appellants and told them, in no uncertain terms, that the Area Development opportunity would provide them greater financial security as it would provide them with a perpetual income stream, like an annuity. Liberty Tax assured the appellants that, under ADAs, they would benefit "as long as the US tax system exists."

12. Liberty Tax's former Vice President of Franchise Development—who actively participated in the recruitment of the appellants as Area Developers—has deposed that these promises were made to Area Developers. Although the ADAs specify a defined term with renewal provisions, his evidence is that Area Developers were told, and held the expectation, that the ADAs would be "renewable to perpetuity."

13. The appellants entered into their first ADA in or around 2002. By about 2015, the appellants had opened approximately 158 Liberty Tax franchises.

C. The Nature of the ADAs

14. Through the ADAs, the appellants acquired a "business" that promises to generate a stable revenue stream, in exchange for a significant upfront financial investment, and continued effort over time. Among other things, the ADAs include the following terms:

    (a) 1.1(a) **Candidate Development**. Area Developer will use best efforts to find, solicit, and recruit candidates interested in operating a Franchise within the Territory…

(b) 1.1(c) **Limitation of Services**. Area Developer may only offer those services or products through the Area Developer business as authorized by Liberty in this Agreement or in the area developer operations manual…

(c) 1.4 **Joint Duties.** Liberty and Area Developer will be responsible for the enforcement of all agreements ("Franchise Documents") executed in the awarding of a franchise to a Candidate and the monitoring of individual Franchisee performance and adherence to Liberty's Franchise system….

(d) 2.1 **Exclusivity.** Except as otherwise permitted in this Agreement, Liberty will not appoint or authorize any other person to provide commissioned or paid Area Developer services to Liberty in the territory defined in Schedule A…

(e) Sections 6.1 and 6.2 prohibit the appellants from carrying out any area development work in respect of <u>any franchised business</u>, within 25 miles of the Original Territory, for a period of 2 years after "expiration, termination or transfer" of the Agreement.

(f) 8.2 **Intellectual Property Ownership.** Liberty owns the Franchise system, its trademarks and all other intellectual property associated with the Franchise system… Area Developer will have the right to use Liberty's Marks during the term for the sole purpose of advertising the availability of Franchises within the Territory, but Area Developer must obtain Liberty's prior written consent to such use, which consent may be withheld at Liberty's sole discretion.

D. Liberty Tax's Refusal to Renew ADAs

15. In total, the appellants (or some constellation of them) are parties to eight ADAs with Liberty Tax. Four of these ADAs have already come up for renewal (the **Inactive ADAs**), and Liberty Tax has—despite its representations to the contrary—refused to renew them. The other four, which have not yet come up for renewal, are among the "excluded contracts" in the RVO (the **Active ADAs**). The Active ADAs will be up for renewal in 2024, 2027, and 2028.

16. The ADAs are substantially similar in form, and contain the following renewal clause (or similar language):

> **Renewal.** Upon the completion of the Term of this Agreement, provided Area Developer is in compliance with the terms and conditions in this Agreement and all other agreements with Liberty and Liberty's affiliates, Liberty will provide Area Developer with the right to enter into a new agreement with Liberty for the provision of services similar to those in this Agreement. If Area Developer wishes to renew this Agreement, Area Developer must notify Liberty in writing at least one hundred and eighty (180) days before the expiration of this Agreement (emphasis added). …

17. Liberty Tax's refusal to renew ADAs (including the Inactive ADAs) is the subject of significant litigation in the US between Liberty Tax and Area Developers (including the appellants). The appellants are plaintiffs in an extant proceeding before the Virginia Beach Circuit Court (*Mufeed Haddad et al. v. JTH Tax, LLC*, Case No. CL21-441), which has been stayed by the underlying bankruptcy proceedings.

18. The appellants are aware of at least six separate actions or arbitrations between Liberty Tax and Area Developers regarding the renewability of ADAs, some of which have also been stayed by the bankruptcy proceedings.

E. The *CCAA* Proceeding and RVO Application

19. On July 25, 2023, Liberty Tax filed for relief under the *CCAA* and obtained orders providing for, *inter alia*, a stay of proceedings and the appointment of FTI Consulting Canada Inc. as Monitor.

20. On July 27, 2023, Liberty Tax obtained orders in the US Bankruptcy Court for the District of Delaware under Chapter 15 of the US *Bankruptcy Code*, recognizing the *CCAA* proceeding as a foreign main proceeding.

21. With the assistance of the Monitor, Liberty Tax marketed its interests pursuant to a sales and investment solicitation process (**SISP**). The SISP included a stalking horse purchase agreement (**SHPA**) among certain debtor companies and BP Lenders, as purchaser. The SHPA made reference to, but did not enumerate,

certain “Excluded Contracts” that would not be included the proposed transaction. In particular, the SHPA did not indicate that the ADAs would be listed as “Excluded Contracts” and neither the Petitioners nor the Monitor gave any indication to the Court or the appellants that the ADAs would be so listed.

22. The SISP ultimately produced two non-binding indications of interest, neither of which was found to have a reasonable prospect of culminating in a qualified bid. Liberty Tax terminated the SISP on September 11, 2023.

23. BP Lenders amended its bid and produced a transaction agreement that contemplated a RVO structure (as opposed to the asset purchase agreement proposed in the initial SHPA). In its Fourth Report, filed October 27, 2023, the Monitor noted Liberty Tax’s position that an RVO would be the only viable transaction, and made the following comments in support of the proposed RVO:

    a. no stakeholder is prejudiced by the RVO structure, as compared to an asset transaction. In particular, based on the transaction value and the amounts owing to secured creditors, there is no apparent prejudice to creditors whose claims will be Excluded Liabilities as their claims would not have been assumed and their unsecured claims would have received no recovery;

    b. there has been broad notice of the CCAA proceedings, and the proposed transaction (structured as an asset transaction which, as noted above, would not result in recovery for unsecured creditors);

24. The Monitor further commented:

    28. The Petitioners have not served all contract counterparties with materials in connection with seeking approval of the RVO. However, the counterparties have all been served with notice of the CCAA Proceedings and none of the contract counterparties have requested to be added to the Service List in the CCAA Proceedings. The [Chief Restructuring Officer] also advises that contract counterparties were notified of the proposed transaction and upcoming application by mail sent on or before October 25, 2023. Various contract counterparties have since contacted the legal counsel to the Petitioners and the CRO to discuss the notice and have not raised any concerns. The Monitor agrees with the Petitioners view that the cost (estimated by the CRO to be approximately $245,000) and administrative burden of serving the materials on the contract

> counterparties are not justified in this case since there is no anticipated recovery for unsecured creditors.

25. On October 24, 2023, Liberty Tax filed its application for approval of the RVO. In respect of notice and service, Liberty Tax submitted that its "efforts to notify all parties potentially affected were fair and reasonable" and that "[a]ny potential prejudice to the Contract Counterparties due to a lack of further notice is largely theoretical". Liberty Tax submitted that it would incur an estimated $245,000 in costs to serve its application materials to the Contract Counterparties (defined to include the "approximately 300 identified counterparties of material contracts, the majority of whom are located in the United States" and counterparties to franchise agreements). The estimated cost of service, averaging in excess of over $800 per counterparty, seems excessive and does not in any event address the possibility of serving a reduced form of notice on the affected counterparties in circumstances where the Petitioners knew or ought to have known that the application materially affects the appellants.

26. On October 31, 2023, Liberty Tax filed the Affidavit #5 of Peter Kravitz, the Chief Restructuring Officer. This document—which was not served on the appellants—disclosed, for the very first time, the list of "excluded contracts" that would be transferred to residual companies under the RVO. Unbeknownst to the appellants, the Active ADAs were among the "excluded contracts".

27. The application was heard on October 31, 2023. The appellants were not in attendance. The supervising judge approved of the RVO and ordered, at Liberty Tax's request, that the time for service of the application be abridged (making it returnable that day) and that the need for further service of the application be dispensed with.

28. Nowhere in the application materials, or any filings in the *CCAA* proceeding, did Liberty Tax disclose the extant litigation regarding the renewability of ADAs. Likewise, the Monitor did not consider the appellants' interests in the ADAs. To the appellants' knowledge, the supervising judge was never advised that the

appellants (whom were not served) had a significant economic stake in the application, and were actively litigating their position in the US.

29. Separately, and notwithstanding the listing of the ADAs as “Excluded Contracts” in the RVO process, and notwithstanding that the ADAs include a grant of an exclusive license to the appellants to use the Petitioners’ intellectual property, the Petitioners also purported to disclaim the ADAs by sending notices, by mail, to the appellants shortly before the October 31 hearing. The appellants have separately filed a Notice of Application to set aside the disclaimer.

F. Appellants Face Severe Financial Harm

30. The appellants have paid more than USD$5.75 million to Liberty Tax to purchase the Active ADAs. These up-front investments, which were premised on the appellants’ understanding that the ADAs were perpetually renewable, were made using the appellants’ savings and various loans. In 2008, in order to secure funding, Liberty Tax representatives met with the appellants’ bankers and assured them that their payments would be perpetual.

31. The appellants have continued—and succeeded---in their roles as Area Developers despite unprecedented challenges, negative media attention resulting from US Department of Justice civil enforcement actions against Liberty Tax, which made it difficult for the appellants to recruit and maintain franchisees, and the lack of approved franchise disclosure documents preventing the addition of new franchisees.

32. The appellants have refinanced their loans for two of the Active ADAs. These debts totals approximately $600,000, and will require bank payments of about $360,000 annually over the next 3-4 years. In addition, the appellants owe approximately $300,000 in small business loans (taken out during the height of the COVID-19 pandemic) and Mr. Haddad owes an additional $200,000 through a private loan arrangement.

33. Mr. Haddad's evidence on this application is that the "exclusion" of the ADAs will cause significant financial harm to him and his family, including three disabled family members whose care costs approximately USD$7,000 per month.

34. Moreover the RVO will prevent the appellants from obtaining their future financial benefits under the Inactive Contracts should their claims prove successful in the US.

35. Since seeking *CCAA* protection, Liberty Tax has ceased paying commissions under the ADAs, without warning (and notwithstanding that the franchises continue to operate), including non-payment of post-*CCAA* filing amounts under the Active ADAs and foreclosed from the opportunity to recover their financial benefits under the Inactive Contracts that they contend are renewable for additional terms if the RVO is upheld in its approved form.

Part 2: Issues

36. The issues to be determined on this application are whether this Court should grant:

    (a) leave to appeal the RVO; and

    (b) a stay of proceedings.

Part 3: Analysis

A. Leave to appeal should be granted

37. The appellants seek leave to appeal pursuant to s. 13 of the *CCAA*. The criteria on this application are:

    (a) whether the appeal is *prima facie* meritorious or frivolous;

    (b) whether the point on appeal is of significance to the practice;

    (c) whether the point on appeal is of significance to the action itself; and

(d) whether the appeal will unduly hinder the progress of the action.[1]

38. These criteria are all to be considered "under the rubric of the interests of justice".[2]

39. Despite the unique demands of a CCAA Proceedings and other "real time" creditor protection proceedings, the standard applied on leave applications in CCAA Proceedings is no different than on any other leave application.[3] This Court has recognized that leave is granted more sparingly in CCAA proceedings, not because the standard is elevated, but in recognition that (a) the supervising judge is well-positioned to balance the interest of competing stakeholders; and (b) *CCAA* proceedings are dynamic, and the supervising judge has intimate knowledge of the reorganization process.[4] But neither of these rationales should extinguish an appeal where, such as here, the issue on appeal is one of insufficient notice and disclosure to the supervising judge. A supervising judge that is not advised that a compromise presents a significant prejudice to a stakeholder cannot be said to be either well-positioned or knowledgeable (through no fault of their own).

(i) The proposed appeal is meritorious

40. An appellate court may intervene in a *CCAA* proceeding if there was an error of principle, if the supervising judge's discretion was exercised unreasonably, or—importantly for this proposed appeal—if there was a breach of procedural fairness and that breach had a negative impact on affected parties' rights.[5]

41. The appellants seek leave to appeal the RVO on both procedural and substantive grounds; namely, that the supervising judge erred in:

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[1] *Port Capital Development (EV) Inc. v. 1296371 B.C. Ltd.*, 2021 BCCA 319 at para. 45. [***Port Capital***].
[2] *Port Capital* at para. 46.
[3] *North American Tungsten Corporation v. Global Tungsten and Powders Corp.*, 2015 BCCA 426
[4] *Edgewater Casino Inc. (Re)*, 2009 BCCA 40 at paras. 19-20.
[5] *Wiebe v. Weinrich Contracting Ltd.*, 2020 ABCA 396 at para. 31, citing *Indalex Ltd., Re*, 2013 SCC 6.

(a) dispensing with the requirement that the appellants be provided notice the underlying application, in which they had a material interest;

(b) approving the RVO in the absence of evidence from the Monitor as to the economic impact of excluding (or not excluding) the ADAs.

42. The appellants submit that these errors are derived from a lack of disclosure to the supervising judge, and the appropriate relief is to set aside the RVO as it applies to the appellants' assets (*i.e.*, the Active ADAs) only or, alternatively, to remit the matter to the supervising judge.

43. A high degree of deference is owed to discretionary judges supervising *CCAA* proceedings who are steeped in the intricacies of the matters they oversee, the nature of which require them to make quick decisions in complicated circumstances.[6]

44. But these circumstances do not always exist, and they did not exist at the time of the RVO application. The supervising judge's approval of the RVO on short notice and her disposal of service requirements were not borne out of urgency, or because there were multiple time-sensitive competing bids before her, as may be the case in other *CCAA* proceedings. Rather, the supervising judge granted these orders because the appellants' significant interests in the RVO, as it concerned the Active ADAs, were never disclosed to her.

45. This notice issue is heightened by the fact that the ADA's were not, in traditional respects, bilateral executory agreements. The appellants had pre-paid to acquire the rights under the agreements and had built out the franchise network, all of which constitutes a material and continuing benefit to the Petitioners (and now to the purchaser), and the appellants are entitled to now receive the payment for the benefits conferred (the "annuity" as it was described by the Petitioners).

Insufficient disclosure and notice

[6] *9354-9186 Québec inc. v. Callidus Capital Corp*, 2020 SCC 10 at paras. 53-54.

46. All participants in *CCAA* proceedings are subject to a statutory duty of good faith.[7] The Monitor is also subject to a duty of good faith and, as an officer of the court, has a duty to remain impartial and "objectively look out for [and] be concerned for the interests of all stakeholders".[8]

47. The appellants' interests in the Active ADAs, and their active involvement in litigation regarding their renewability, are facts known to Liberty Tax—as is the fact that the "exclusion" of the Active ADAs under the RVO would materially prejudice their financial interests. However, none of these facts were disclosed to the supervising judge when Liberty Tax sought her approval of the RVO.

48. The appellants' interests were also not considered by the Monitor. Leading up to the application, the Monitor reported that the RVO would not prejudice any creditors whose claims were "excluded" and the cost of serving interested parties such as the appellants was not justified, as it would not affect their recovery. Both of these representations were false in relation to the appellants' interests.

49. As neither party provided the appellants with actual notice, or even raised the context of the ADAs to the supervising judge, the appellants were deprived of the opportunity to put forward proper evidence regarding the economic impact of "excluding" the Active ADAs under the RVO.

50. By corollary, a debtor cannot use the *CCAA* as a vehicle to avoid certain financial obligations, though that is exactly what Liberty Tax did in this case by purporting to "exclude" the Active ADAs, without proper notice to the appellants.

51. If leave is granted, the appellants will ask this Court to apply these principles, rebuke the strategic exclusion of a stakeholder in a *CCAA* proceeding (to that stakeholder's significant detriment), and confirm the requirement that reasonable

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[7] *CCAA*, s. 18.6(1).
[8] *CCAA*, s. 25; *8640025 Canada Inc. (Re)*, 2018 BCCA 93 at para. 48, citing *Re Laidlaw Inc.* (2002), 34 C.B.C. (4th) 72 (Ont. S.C.J.).

notice of a *CCAA* proposal be provided to a stakeholder uniquely impacted by the proposal.

No evidence as to the economic impact of the ADAs

52. A supervising judge's authority to approve a sale is vested in s. 36 of the *CCAA*, and requires consideration of the factors set out in s. 36(3). These factors include whether the process leading to the proposed sale or disposition was reasonable in the circumstances (s. 36(3)(a)) and the effects of the proposed sale or disposition on the creditors and other interested parties (s. 36(3)(e)).

53. The principles identified by the Ontario Court of Appeal in *Royal Bank v. Soundair Corp. (Re)*[9] are also relevant to this exercise.[10] They include:

(a) whether the party conducting the sale made sufficient efforts to obtain the best price and did not act improvidently;

(b) the interests of all parties;

(c) the efficacy and integrity of the process by which offers were obtained; and

(d) whether there has been any unfairness in the sales process.

54. Even if the appellants had been provided actual notice of the underlying application, it is submitted that the supervising judge erred in approving the RVO in the absence of any evidence that the proposed transaction required the "exclusion" of the ADAs, could excluded the ADAs, or even that it would be in the stakeholders' best interests, given the nature of the ADAs and the business they represent. There was simply no evidence before the court of any actual consideration of the impact of the exclusion of the ADAs on the economic interests of the appellants or of the proposed purchaser.

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[9] 1991 CanLII 2727 (ONCA).
[10] *Port Capital Development (EV) Inc. (Re)*, 2021 BCSC 1272 at para. 96-97.

(ii) The point on appeal is significant to the practice and the action itself

55. The proposed appeal asks: in a *CCAA* proceeding, to what extent must an applicant and the Monitor, both of which owe duties of good faith to stakeholders, give notice to parties whose interests are uniquely affected by the orders sought?

56. *CCAA* case law is replete with reminders that supervising judges should be afforded deference as the presiders of "real-time" litigation, where they are commonly required to make quick decisions in complicated circumstances. The case before this Court is different—there was no urgency in the granting of the below orders; the evidence before the supervising judge was that proper service would be too costly. It will benefit the practice to clarify the standards of disclosure and notice to which applicants and the Monitor are held in seeking approval of a proposed transaction in these circumstances.

57. The appeal is clearly significant to the appellants. The ADAs represent their entire business and revenue stream. The appellants have given evidence in this application of the detrimental financial effect of the RVO on their financial interests, including their ability to support family members financially.

(iii) Appeal will not unduly hinder the progress of the action

58. There is no evidence of any urgency to a closing of the RVO transaction, and in any event the appeal will not unduly hinder its progress. The appellants should not be deprived of their rights without notice under any circumstances, and especially where the Court granting the order was not presented with all material facts.

59. The appellants will seek an expedited appeal and the court is at liberty to stay only those portions of the RVO impacting the ADAs.

B. If leave to appeal is granted, a stay of proceedings is appropriate

60. The test for a stay pending appeal consists of the following questions:

(a) Is there some merit to the appeal in the sense that there is a serious question to be determined?

(b) Would irreparable harm be occasioned to the applicant if the stay was refused?

(c) On balance, is the inconvenience to the applicant, if the stay was refused, greater than the inconvenience to the respondent, if the stay is granted?[11]

61. The limited stay sought in this appeal relates only to the portions of the RVO that impact the ADAs. The appellants do not submit that the transaction contemplated in the RVO should not complete as planned, subject to resolution of the inclusion of the ADAs in the transaction.

Part 4: Order Sought

62. The appellants seek leave to appeal the RVO.

63. The appellants seek an order staying the operation of the RVO as against the ADAs, or alternatively in its entirety.

All of which is respectfully submitted.

Dated at the City of Vancouver, Province of British Columbia, this 21st day of November, 2023.

William L. Roberts / Laura L. Bevan / Sarah B. Hannigan

[11] *British Columbia (Milk Marketing Board) v. Grisnich*, 1996 CanLII 883 (BCCA) at para. 7.

Part 5: Table of Authorities

1. *8640025 Canada Inc. (Re)*, 2018 BCCA 93
2. *9354-9186 Québec inc. v. Callidus Capital Corp*, 2020 SCC 10
3. *British Columbia (Milk Marketing Board) v. Grisnich*, 1996 CanLII 883 (BCCA)
4. *Edgewater Casino Inc. (Re)*, 2009 BCCA 40
5. *North American Tungsten Corporation v. Global Tungsten and Powders Corp.*, 2015 BCCA 426
6. *Port Capital Development (EV) Inc. (Re)*, 2021 BCSC 1272
7. *Port Capital Development (EV) Inc. v. 1296371 B.C. Ltd.*, 2021 BCCA 319
8. *Royal Bank v. Soundair Corp. (Re)*, 1991 CanLII 2727 (ONCA)
9. *Wiebe v. Weinrich Contracting Ltd.*, 2020 ABCA 396