UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 26, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-35588

FRANCHISE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**27-3561876**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2387 Liberty Way
Virginia Beach, Virginia 23456
(Address of principal executive offices)

Registrant's telephone number, including area code: **(757) 493-8855**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	FRG	NASDAQ Global Market
7.50% Series A Cumulative Preferred Stock, par value $0.01 per share and liquidation preference of $25.00 per share	FRGAP	NASDAQ Global Market

Securities to be registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ No ☒

The aggregate market value of the shares of common stock held by non-affiliates of the registrant computed based on the last reported sale price of $22.91 on June 27, 2020 was $278,870,280.

The number of shares of the registrant's common stock outstanding as of March 4, 2021 was 40,094,915.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s Definitive Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

Table of Contents

Part I

Item 1.	Business	7
Item 1A.	Risk Factors	11
Item 1B.	Unresolved Staff Comments	26
Item 2.	Properties	26
Item 3.	Legal Proceedings	29
Item 4.	Mine Safety Disclosures	29

Part II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	29
Item 6.	Selected Financial Data	30
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 8.	Financial Statements and Supplementary Data	42
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	100
Item 9A.	Controls and Procedures	100
Item 9B.	Other Information	100

Part III

Item 10.	Directors, Executive Officers, and Corporate Governance	101
Item 11.	Executive Compensation	101
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	101
Item 13.	Certain Relationships and Related Transactions, and Director Independence	101
Item 14.	Principal Accounting Fees and Services	101

Part IV

Item 15.	Exhibits and Financial Statement Schedules	102
Item 16.	Form 10-K Summary	109
Signatures		109

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 26, 2020 (this "Annual Report") contains forward-looking statements concerning our business, operations, and financial performance and condition as well as our plans, objectives, and expectations for our business operations and financial performance and condition. Any statements contained herein that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim," "anticipate," "assume," "believe," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "should," "target," "will," "would," and other similar expressions that are predictions of or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts, and projections about our business and the industry in which we operate and our management's beliefs and assumptions. They are not guarantees of future performance or development and involve known and unknown risks, uncertainties, and other factors that are in some cases beyond our control. Additionally, other factors may cause actual results to differ materially from historical results or from any results expressed or implied by such forward-looking statements. Factors that may cause such differences include, but are not limited to, the risks described under "Item 1A-Risk Factors," including:

- the uncertainty of the future impact of the COVID-19 pandemic and public health measures on our business and results of operations, including uncertainties surrounding the physical and financial health of our customers, the ability of government assistance programs available to individuals, households and businesses to support consumer spending, levels of foot traffic in our stores, changes in customer demand for our products and services, possible disruptions in our supply chain or sources of supply, potential future temporary store closures due to government mandates and whether we will have the governmental approvals, personnel and sources of supply to be able to keep our stores open;

- our plans and expectations in response to the COVID-19 pandemic, including increased expenses for potential higher wages and bonuses paid to associates and the cost of personal protective equipment and additional cleaning supplies and protocols for the safety of our associates, and expected delays in new store openings and cost reduction initiatives (including the Company’s ability to effectively obtain lease concessions with landlords);

- the effect of steps the Company takes in response to COVID-19, the severity and duration of the pandemic, new variants of COVID-19 that have emerged, and the speed and efficacy of vaccine and treatment developments, the pace of recovery when the pandemic subsides and the heightened impact it has on many of the risks described herein and in our other filings with the SEC;

- potential regulatory actions relating to the COVID-19 pandemic;

- the impact of COVID-19 and the related government mitigation efforts on our business and our financial results;

- the possibility that any of the anticipated benefits of the Buddy’s Acquisition, Sears Outlet Acquisition, Vitamin Shoppe Acquisition, American Freight Acquisition, FFO Acquisition or PSP Acquisition (as all such terms are defined below) will not be realized or will not be realized within the expected time period, the businesses of the Company and the Buddy’s segment, the Vitamin Shoppe segment or American Freight segment may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, revenues following the Buddy’s Acquisition, Sears Outlet Acquisition, Vitamin Shoppe Acquisition or American Freight Acquisition may be lower than expected or completing the PSP Acquisition on the expected timeframe may be more difficult, time-consuming or costly than expected;

- our inability to grow on a sustainable basis;

- changes in operating costs, including employee compensation and benefits;

- the seasonality of certain of the Company's business segments;

- departures of key executives or directors;

- our ability to attract additional talent to our senior management team;

- our ability to maintain an active trading market for our common stock on The Nasdaq Global Market (“Nasdaq”)

- our inability to secure reliable sources of the tax settlement products we make available to our customers;
- government regulation and oversight over our products and services;
- our ability to comply with the terms of our settlement with the Department of Justice (the "DOJ") and the Internal Revenue Service ("IRS");
- government initiatives that simplify tax return preparation, improve the timing and efficiency of processing tax returns, limit payments to tax preparers, or decrease the number of tax returns filed or the size of the refunds;
- government initiatives to prepopulate income tax returns;
- the effect of regulation of the products and services that we offer, including changes in laws and regulations and the costs and administrative burdens associated with complying with such laws and regulations;
- the possible characterization of refund transfers as a form of loan or extension of credit;
- changes in the tax settlement products offered to our customers that make our services less attractive to customers or more costly to us;
- our ability to maintain relationships with our third-party product and service providers;
- our ability to offer merchandise and services that our customers demand;
- our ability to successfully manage our inventory levels and implement initiatives to improve inventory management and other capabilities;
- competitive conditions in the retail industry and tax preparation market;
- the performance of our products within the prevailing retail industry;
- worldwide economic conditions and business uncertainty, the availability of consumer and commercial credit, change in consumer confidence, tastes, preferences and spending, and changes in vendor relationships;
- the risk that natural disasters, public health crises, political uprisings, uncertainty or unrest, or other catastrophic events could adversely affect our operations and financial results, including the impact of the COVID-19 pandemic on manufacturing operations and our supply chain, customer traffic and our operations in general;
- disruption of manufacturing, warehouse or distribution facilities or information systems;
- the continued reduction of our competitors promotional pricing on new-in-box appliances, potentially adversely impacting our sales of out-of-box appliances and associated margin;
- any potential non-compliance, fraud or other misconduct by our franchisees or employees;
- our ability and the ability of our franchisees to comply with legal and regulatory requirements;
- failures by our franchisees and their employees to comply with their contractual obligations to us and with laws and regulations, to the extent these failures affect our reputation or subject us to legal risk;
- the ability of our franchisees to open new territories and operate them successfully;
- the availability of suitable store locations at appropriate lease terms;
- the ability of our franchisees to generate sufficient revenue to repay their indebtedness to us;

- our ability to manage Company-owned offices;
- our exposure to litigation and any governmental investigations;
- our ability and our franchisees' ability to protect customers' personal information, including from a cyber-security incident;
- the impact of identity-theft concerns on customer attitudes toward our services;
- our ability to access the credit markets and satisfy our covenants to lenders;
- challenges in deploying accurate tax software in a timely way each tax season;
- delays in the commencement of the tax season attributable to Congressional action affecting tax matters and the resulting inability of federal and state tax agencies to accept tax returns on a timely basis or other changes that have the effect of delaying the tax refund cycle;
- the effect of federal and state legislation that affects the demand for paid tax preparation, such as the Affordable Care Act and potential immigration reform;
- our reliance on technology systems and electronic communications;
- our ability to effectively deploy software in a timely manner and with all the features our customers require;
- the impact of any acquisitions or dispositions, including our ability to integrate acquisitions and capitalize on their anticipated synergies; and
- other factors, including the risk factors discussed in this Annual Report.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this Annual Report. Unless required by law, we do not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. A potential investor or other vendor should, however, review the factors and risks we describe in the reports we will file from time to time with the U.S. Securities and Exchange Commission ("SEC") after the date of this Annual Report.

PART I

Item 1. Business.

Overview

We are an owner and operator of franchised and franchisable businesses that continually looks to grow our portfolio of brands while utilizing our operating and capital allocation philosophies to generate strong cash flows. We have a diversified and growing portfolio of highly recognized brands that compete in the U.S. and Canada. Our asset-light business model is designed to generate consistent, recurring revenue and strong operating margins and requires limited maintenance capital expenditures. As a multi-brand operator, we continually look to diversify and grow our portfolio of brands either through acquisition or organic brand development. Our acquisition strategy typically targets businesses that are highly cash flow generative with compelling unit economics that can be scaled by adding franchise and company owned units, or that can be restructured to enhance performance and value to Franchise Group. We strive to create value for our stockholders by generating free cash flow and capital-efficient growth across economic cycles.

Our business lines include American Freight, The Vitamin Shoppe ("Vitamin Shoppe"), Liberty Tax Service ("Liberty Tax"), and Buddy's Home Furnishings ("Buddy's"). As of the year ended December 26, 2020, on a combined basis, we operated 4,023 locations predominantly located in the U.S. and Canada, consisting of 2,743 franchised locations and 1,280 company run locations. Each of our companies has its own management team with significant experience in its respective industry. Additionally, we offer each of our brands a shared services platform that allows us to drive economies of scale and efficiencies. We believe our platform enables our portfolio of brands to be stronger together than they are apart.

We believe our financial performance and business model have been resilient across economic cycles and recently during the COVID-19 pandemic. In addition, our franchised business model is designed to generate consistent, recurring revenue and predictable free cash flow in order to insulate us from the operating cost variability of our franchised locations. The operating costs of franchised locations are borne by the franchisees themselves.

We believe our success is driven in large part by our mutually beneficial relationships with our individual franchisees. Our franchise programs are designed to promote consistency and we are selective in granting franchises. We are focused on partnering with franchisees who have the commitment, capability and capitalization to grow our brands. Franchisees can range in size from individuals owning just one location to publicly-traded companies.

While the specific terms of our franchise agreements vary between brands, we utilize both store-level franchise and master franchise programs. Under both types of franchise programs, franchisees supply capital by purchasing or leasing the land, building, equipment, signs, inventory and supplies. Store-level franchise agreements typically require payment to us of certain upfront fees such as initial fees paid upon opening a store, fees paid to renew the term of the franchise agreement and fees paid in the event the franchise agreement is transferred to another franchisee. Franchisees also pay monthly continuing fees based on a percentage of their store sales and are required to spend a certain amount to advertise and promote the brand. Under master franchise arrangements, we enter into agreements that allow master franchisees to operate stores as well as sub-franchise stores within certain geographic territories. Master franchisees are typically responsible for overseeing development within their territories and performing certain other administrative duties with regard to the oversight of sub-franchisees. In exchange, master franchisees retain a certain percentage of fees payable by the sub-franchisees under their franchise agreements and typically pay lower fees for the stores they operate.

We seek to maintain healthy relationships with our franchisees and their representatives. We invest a significant amount of time working with the franchisee community on key aspects of the business, including products, equipment, operational improvements, standards and management techniques.

Our Brands

Our Vitamin Shoppe segment is an omni-channel specialty retailer of vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products. We market approximately 700 nationally recognized brands as well as our own brands, which include The Vitamin Shoppe®, BodyTech®, True Athlete®, plnt®, ProBioCare®, Fitfactor Weight Management System® and Vthrive The Vitamin Shoppe®. We believe we offer one of the largest varieties of products among vitamin, mineral and supplement retailers, and we continue to refine our assortment with approximately 6,800 stock keeping units ("SKUs") offered in our typical store and approximately 7,200 additional SKUs available through e-commerce. Our broad product offering enables us to provide our customers with a depth of selection of products that may not be readily available at other specialty retailers or mass merchants, such as discount stores, supermarkets, drug stores and wholesale clubs. We believe our product offering and emphasis on product knowledge and customer service helps us meet the needs of our target customer and serves as a foundation for enhancing strong customer loyalty. We continue to focus on improving the customer experience through the roll-out of initiatives including increasing customer engagement and personalization, redesigning the omni-channel experience (including in stores as well as through the internet and mobile devices), growing our private brands and improving

the effectiveness of pricing and promotions. At December 26, 2020, Vitamin Shoppe operated 719 stores in the U.S. under The Vitamin Shoppe and Super Supplements banners and is headquartered in Secaucus, New Jersey.

Our American Freight segment is a retail chain offering in-store and online access to furniture, mattresses, new and out-of-box home appliances and home accessories at discount prices. American Freight buys direct from manufacturers and sells direct in warehouse-style stores. By cutting out the middleman and keeping its overhead costs low, American Freight can offer quality products at low prices. American Freight provides customers with multiple payment options providing access to high-quality products and brand name appliances that may otherwise remain aspirational to some of its customers.

American Freight also serves as a liquidation channel for major appliance vendors. American Freight operates specialty distribution centers that test every out-of-carton appliance before it is offered for sale to customers. Customers typically are covered by the original manufacturer's warranty and are offered the opportunity to purchase a full suite of extended-service plans and services. At December 26, 2020, American Freight operated 318 stores in 40 states and Puerto Rico, of which 6 locations are operated by franchisees. American Freight is headquartered in Delaware, Ohio.

Our Liberty Tax segment is one of the leading providers of tax preparation services in the United States and Canada. Our tax preparation services and related tax settlement products are offered through approximately 2,490 franchised locations and approximately 204 Company-owned offices. The majority of our offices are operated under the Liberty Tax Service brand. We also provide an online digital Do-It-Yourself tax program in the U.S. In addition to tax preparation services, we offer related financial products to our tax customers. The services and products are designed to provide streamlined tax preparation services for taxpayers who, for reasons of complexity, convenience, or the need for prompt tax refunds, seek assisted tax preparation services.

Liberty Tax expends considerable effort to ensure that our franchisees are able to offer a complete range of tax settlement products to our customers, and to provide our customers choices in these products. We offer these products because we believe that a substantial portion of our prospective customers place significant value on the ability to monetize their expected income tax refund quicker than filing their tax return without utilizing the services of a paid tax preparer. We offer two types of tax settlement products - refund transfer products and refund-based loans to fulfill this customer need. The percentage of our customers in our U.S. offices receiving our refund transfer products was 46% for the 2020 tax season. During the 2020 tax season, we and our franchisees accounted for 1.6 million tax returns filed through our retail offices, and 0.1 million through our online tax programs.

Our Buddy's segment is a specialty retailer of high quality, name brand consumer electronic, residential furniture, appliances and household accessories through rent-to-own agreements. The rental transaction allows our customers the opportunity to benefit from the use of high-quality products under flexible rental purchase agreements without long-term obligations. At December 26, 2020, Buddy’s operated 292 locations in the United States and Guam, of which 247 locations are operated by franchisees. Buddy's is headquartered in Orlando, Florida.

Competition

Each of our brands competes in the U.S. with many well-established companies on the basis of product choice, quality, affordability, service and location. Vitamin Shoppe competes in the highly competitive U.S. nutritional supplements retail industry. Competition is based primarily on quality, product assortment, price, customer service, convenience, marketing support and availability of new products. American Freight primarily competes with discount retailers of furniture and mattresses and with big box retailers and locally-owned appliance retailers that sell new-in-box and liquidations of their out-of-box or as-is appliances. Liberty Tax competes with tens of thousands of paid tax return preparers, including national, regional and local tax return preparation companies, regional and national accounting firms, financial service institutions that prepare tax returns as part of their businesses and online preparation services. Buddy’s competes with other national, regional and local rent-to-own businesses, including online only competitors, as well as with rental stores that do not offer their customers a purchase option.

Business Strategy

Our strategy is to focus on the operation and acquisition of franchise and franchisable businesses. We strive to assemble a mix of businesses that we believe provide us balance and overall economic resiliency, while also benefiting from the scale of a single franchising platform.

As a multi-brand operator, we continually look to diversify and grow our portfolio of brands either through acquisition or organic brand development. Our acquisition strategy typically targets businesses that are highly cash flow generative with compelling unit economics that can be scaled by adding franchise and company owned units, or that can be restructured to enhance performance and value to Franchise Group.

We have established a corporate platform that enables us to deploy capital to acquire assets that may have few natural buyers but become more valuable as part of our Company. Across all businesses, we look to create operating efficiencies in order to drive incremental free cash flow while allowing the management teams of each brand to focus on growing their businesses. Furthermore, our aggregated platform of multiple brands and increased scale provides cost of capital advantages relative to financing each business alone.

We believe our portfolio of brands will allow us to offer franchisees a variety of platforms that will allow them to diversify their investment portfolio in a local area, optimize their geographic penetration and grow their businesses. We believe our investors will benefit from sustainable franchise royalties and opportunistic franchise sales. Furthermore, we expect our refranchising strategy to create significant cash inflows to opportunistically de-lever and acquire additional brands.

Recent Developments

On December 27, 2020, we completed the acquisition of Furniture Factory Ultimate Holding, L.P. (“FFO”), a regional retailer of furniture and mattresses, for an all cash purchase price of $13.8 million (the "FFO Acquisition"). In connection with the FFO Acquisition, we acquired 31 operating locations which we intend to rebrand to our American Freight brand during the first quarter of 2021.

On January 15, 2021, we completed a public offering of approximately 3.3 million shares of our 7.50% Series A Cumulative Perpetual Preferred Stock, par value $0.01 per share and liquidation preference of $25.00 per share ("Series A Preferred Stock") with net cash proceeds to the Company of approximately $79.7 million, after deducting underwriting discounts, an advisory fee and estimated offering expenses totaling approximately $3.2 million.

On January 25, 2021, we entered into a definitive agreement to acquire Pet Supplies Plus (“PSP”), a leading omnichannel retail chain and franchisor of pet supplies and services, in an all cash transaction valued at approximately $700.0 million from affiliates of Sentinel Capital Partners (the "PSP Acquisition"). Additionally, we estimate that the net present value of the tax benefits related to the PSP acquisition are expected to be approximately $100.0 million. In connection with the signing of the definitive acquisition agreement, we entered into commitments with our lenders for $1.3 billion in new term loan credit facilities to refinance our existing term loan and provide PSP acquisition financing. The PSP Acquisition closed on March 10, 2021.

On February 21, 2021, we entered into a definitive agreement with NextPoint Acquisition Corp., a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia ("Purchaser") to sell our Liberty Tax segment for a total preliminary purchase price of at least $243.0 million, consisting of approximately $182.0 million in cash and an equity interest in the Purchaser worth an estimated $61 million at the time of signing. In connection with the transaction, we are expecting to enter into a transition service agreement with the Purchaser, pursuant to which each party will provide certain transition services to each other. We expect the transaction to close in the second quarter of 2021.

Impact of COVID-19

The COVID-19 pandemic has affected, and likely will continue to affect, our financial condition and results of operations for the foreseeable future. In most states, during 2020, our businesses were deemed essential and, therefore, the majority of our stores remained open during the pandemic. The highest number of temporary store closures we experienced due to the COVID-19 pandemic was approximately 240 stores during the second quarter of 2020. As of December 26, 2020, and March 5, 2021, none of our stores were closed due to the COVID-19 pandemic; however, we cannot predict whether our stores will remain open if the COVID-19 pandemic worsens and states and localities issue new restrictions.

While too early to fully quantify, we have not experienced a significant negative impact on our sales and profitability due to the COVID-19 pandemic. However, the COVID-19 pandemic could negatively impact our business and financial results by weakening demand for our products and services, interfering with our ability and our franchisees’ ability to operate store locations, disrupting our supply chain or affecting our ability to raise capital from financial institutions. As events are rapidly changing, we are unable to accurately predict the impact that the COVID-19 pandemic will have on our results of operations due to uncertainties including, but not limited to, the duration of shutdowns, quarantines and travel restrictions, the severity of the disease, the duration of the outbreak and the public’s response to the outbreak; however, we are actively managing our business to respond to the impact.

Change of Year-End

On October 1, 2019, our Board of Directors approved a change in our fiscal year-end from April 30th to the Saturday closest to December 31st of each year. The decision to change the fiscal year-end was related to our recent acquisitions to more

closely align our operations and internal controls with that of our subsidiaries. We refer to our financial results for the period from May 1, 2019 through December 28, 2019, as the "Transition Period" in this report.

Human Capital Resources

General

As of December 26, 2020, we employed 4,758 full-time and 3,325 part-time employees. Part-time employees work an average of fewer than 30 hours per work. The number of part-time employees fluctuates based on seasonal needs.

The success of our business relies on our ability to attract and retain talented employees. To attract and retain talent, we strive to create an inclusive, diverse and supportive workplace, with opportunities for our employees to develop and grow in their careers, supported by competitive compensation, benefits and health and wellness programs.

Corporate Culture

We are focused on creating a corporate culture of integrity and respect, with the goal of working together to drive our business to be innovative and competitive. We operate in a performance-based environment where results matter and financial discipline is enforced. We strive to create a highly collaborative culture in which employees feel that their input is sought after and valued. At the same time, we believe in holding individuals accountable and endeavor to create a culture in which employees do what they say they are going to do. We believe that our culture is a long-term competitive advantage for us, fuels our ability to execute our business strategy and is a critical component of our employee talent strategy.

Diversity and Inclusion

We believe that a diverse workforce is critical to our success. Our goal is to cultivate an inclusive environment where human differences are valued, respected, supported and amplified. We have taken actions to recruit, retain, develop and advance a diverse and talented workforce. We are an equal opportunity employer. We respect diversity and do not discriminate on the basis of race, color, creed, religion, national origin, ancestry, citizenship status, age, sex, gender, gender identity or expression (including transgender status), sexual orientation, marital status, veteran status, physical or mental disability, genetic information, or any other characteristic protected by applicable federal, state or local laws. Our management is dedicated to ensuring the fulfillment of this policy with respect to hiring, placement, promotion, transfer, demotion, layoff, separation, recruitment, pay and equity, access to facilities and programs, training and general treatment during employment.

Health Safety and Wellness

We are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of health and wellness programs, including programs that support their physical and mental health.

In response to the COVID-19 pandemic, we implemented changes that we consider to be in the best interests of our employees, customers, business partners and communities in which we operate. We implemented changes from all federal, state and local government mandates and regulations, including providing all of our employees personal protective equipment if they chose to work on-site, adding extensive cleaning regiments to our stores and distribution centers, and encouraging the majority of our corporate employees to work from home. Additionally, for any employee that participates in our health insurance programs, we waived all premiums if they were furloughed due to the COVID-19 pandemic.

Compensation and Benefits

We provide competitive compensation and benefit programs for our employees. In addition to competitive salaries, these programs include, among other items, bonuses, stock awards, a 401(k) plan, health and wellness programs, health savings and flexible spending accounts, paid time off, paid parental leave, flexible work schedules and employee assistance programs.

Available Information

Our Annual Report, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at www.franchisegrp.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The SEC maintains a website at www.sec.gov containing reports, proxy and information statements and other information regarding issuers who file electronically with the SEC.

Item 1A. Risk Factors.

In addition to the other information contained in this Annual Report, the following risk factors should be considered carefully in evaluating our business. The Risk Factor Summary that follows should be read in conjunction with the detailed description of risk factors below. If any of the risks or uncertainties described below were to occur, our business, financial condition, and results of operations may be materially and adversely affected. Additional risks not presently known to us or that we currently deem immaterial may also impair our business and operations. When considering any investment in our securities, investors should consider the following risk factors, as well as the information contained under the caption "Special Note Regarding Forward-Looking Statements," in analyzing our present and future business performance.

Risks Related to Our Business, including risks related to:

- the COVID-19 pandemic;
- the integration of our recent acquisitions;
- our indebtedness and our ability to incur more indebtedness;
- our ability to generate sufficient cash to service our indebtedness;
- the terms of the agreements governing our indebtedness and their restriction of our current and future operations and operating flexibility;
- interest rate risk exposure from our floating rate debt financing;
- changes in the method of determining the London Interbank Offered Rate ("LIBOR"), or the replacement of LIBOR with an alternative reference rate;
- the substantial ownership stake of certain of our stockholders;
- potential difficulties associated with our rapid growth and expansion;
- the potential sale of one or more of our business segments;
- our operation in highly competitive industries;
- our failure to maintain sound business and contractual relationships with our franchisees;
- our significant lease obligations;
- our failure to achieve and maintain effective internal controls;

Risks Related to Our Segments, including risks related to:

- our Liberty Tax segment's tax return preparation compliance program and our franchisees' non-compliance, fraud and other misconduct and related enforcement action;
- the inability or unwillingness of our financial product service providers to enable our Liberty Tax segment to offer refund transfer products;
- unfavorable publicity or consumer perception of our Vitamin Shoppe segment's products and any similar products distributed by other companies;
- our Vitamin Shoppe segment's sale of food, dietary supplement and topical products containing cannabidiol;
- disruptions at our Vitamin Shoppe segment's warehouse and distribution facilities or at our contract manufacturers' manufacturing facilities;
- increases in the price or shortages of supply in connection with our Vitamin Shoppe segment's products;
- product recalls, withdrawals or seizures;
- consumer spending factors affecting the success of our Buddy's, American Freight and Vitamin Shoppe segments;
- the ability of our Buddy's, American Freight and Vitamin Shoppe segments to compete effectively with the growing e-commerce sector;
- the ability of our Buddy's, American Freight and Vitamin Shoppe segments to successfully manage their inventory levels;
- the growth and effective operations of our Company-owned locations and franchises and the franchise operations;
- our franchisees' failure to open locations in new territories or successfully operate their new locations;
- our potential to be held responsible by third parties, regulators, or courts for the action of, or failure to act, by our franchisees and the exposure to possible fines or other liabilities and bad publicity;

- disputes with our franchisees;
- the effectiveness of our marketing and advertising programs and franchisee support of these programs;

Risks Related to Legal and Regulatory Matters, including risks related to:

- adverse outcomes related to litigation or regulatory actions;
- our failure to protect or failure to comply with laws and regulations related to our customers' personal information;
- our or our franchisees' failure to comply with marketing and advertising laws, including with regard to direct marketing;
- compliance with governmental regulations or newly enacted laws;
- product liability claims;
- our involvement in federal securities class-action lawsuits and derivative complaints;

General Risk Factors, including risks related to:

- our failure to protect our intellectual property rights;
- our reliance on technology systems and electronic communications;
- negative publicity, costly government enforcement actions or private litigation and increased costs as a result of our inability to secure our customers' personal and confidential information, or other private data relating to our associates, suppliers or our business;
- our failure to retain key senior management personnel or attract and retain highly skilled and other key personnel;
- our ability to attract and retain qualified employees;
- the exclusive forum provisions in our Certificate of Incorporation;
- the volatility of our stock price;
- our ability to continue to pay dividends in the future; and
- antitakeover provisions in our charter documents.

Risks Related to Our Business

Our results of operations and financial condition have been, and will likely continue to be, adversely affected by the COVID-19 pandemic and, depending on future developments, may be materially adversely impacted by the COVID-19 pandemic.

The COVID-19 pandemic has had and will likely continue to have an impact on our operations and financial performance. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition is uncertain and cannot be predicted. There can be no assurance that any of our efforts to address the adverse impacts of the COVID-19 pandemic will be effective. Even after the COVID-19 pandemic has subsided, we may continue to experience adverse impacts to our business as a result of any economic recession or depression that has occurred or may occur in the future. For instance, changes in the behavior of customers, businesses and their employees as a result of the COVID-19 pandemic, including social distancing practices, even after formal restrictions have been lifted, are unknown. Furthermore, the financial condition of our customers and vendors may be adversely impacted, which may result in a decrease in the demand for our products, the inability and our franchisees' ability to operate store locations or a disruption our supply chain. Any of these events may, in turn, have a material adverse impact our business, results of operations and financial condition.

We have incurred significant transaction and acquisition-related costs and expect to incur integration-related costs in connection with the Buddy's Acquisition, the Sears Outlet Acquisition, the Vitamin Shoppe Acquisition, the American Freight Acquisition, the FFO Acquisition (collectively, the "Acquisitions").

We have incurred a number of non-recurring costs associated with the Acquisitions and will incur integration-related costs in combining areas of the companies. The substantial majority of non-recurring expenses were comprised of transaction costs related to the Acquisitions. We also expect to incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in connection with the integration of the two companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other

efficiencies related to the integration of the businesses, should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at all.

Our indebtedness could adversely affect our financial condition, limit our ability to raise additional capital to fund our operations and prevent us from fulfilling our obligations under our debt agreements.

We have substantial indebtedness, which could adversely affect our ability to fulfill our obligations and have a negative impact on our financing options and liquidity position.

Our high level of debt could have significant consequences for us, including the following:

- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other general corporate purposes;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- increasing the cost of future borrowings and, accordingly, our cost of capital;
- limiting our flexibility in planning for and reacting to changes in the markets in which we compete and to changing business and economic conditions;
- imposing restrictive covenants on our operations;
- placing us at a competitive disadvantage to competitors carrying less debt; and
- making us more vulnerable to economic downturns and adverse developments in our business, including the COVID-19 pandemic, and limiting our ability to withstand competitive pressures.

We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to satisfy our indebtedness, which may not be successful.

Cash flows from operations are the principal source of funding for us. Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control, including the impact of the COVID-19 pandemic and the availability of financing in the international banking and capital markets. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The agreements that govern our indebtedness may restrict us from accomplishing any of these alternatives on commercially reasonable terms or at all. Additionally, the agreements that govern our indebtedness may restrict (a) our ability to dispose of assets and use the proceeds from any such dispositions and (b) our ability to raise debt capital to be used to repay our indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations and limit our financial flexibility. Any issuances of additional capital stock would be dilutive to existing stockholders.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our business, financial position and results of operations and our ability to satisfy our obligations.

In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, lenders under our existing and future indebtedness could declare (or some of the following could occur automatically) all outstanding principal and interest to be due and payable, the lenders under our credit facilities could terminate their commitments to loan money, our secured

lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation, in each case, which could result in any of the holders of our indebtedness and/or our stockholders losing their investments.

Despite current and anticipated indebtedness levels, we may still be able to incur substantially more debt.

If we were to incur substantial additional indebtedness in the future, it could further exacerbate the risks described above. Although the agreements that govern our indebtedness restrict the incurrence of additional indebtedness, these restrictions are and will be subject to a number of qualifications and exceptions and any additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness (which may include, among others, trade payables and other expenses incurred in the ordinary course of business). Further, pursuant to our credit facilities and subject to the limitations set forth therein, we may have the option to increase our commitments under our credit facilities thereunder. Such increases would be secured indebtedness. If new debt is added to our current debt levels, the related risks that we now face could intensify.

The terms of the agreements governing our indebtedness may restrict our current and future operations and operating flexibility, particularly our ability to respond to changes in the economy or our industry or to pursue our business strategies, and could adversely affect our capital resources, financial condition and liquidity.

The agreements that govern our indebtedness contain a number of restrictive covenants that impose significant operating and financial restrictions on us and limit our ability to engage in acts that may be in our long-term best interests, including, among other things, restrictions on our ability to:

- incur, assume or guarantee additional indebtedness;
- declare or pay dividends or make other distributions with respect to, or purchase or otherwise acquire or retire for value, equity interests;
- make any principal payment on, or redeem or repurchase, certain indebtedness;
- make loans, advances or other investments;
- incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- enter into sale and lease-back transactions;
- consolidate or merge with or into, or sell all or substantially all of our assets to, another person;
- enter into transactions with affiliates;
- materially change the nature of our business;
- enter into agreements that restrict the ability of certain subsidiaries to make dividends or other payments; and
- service our indebtedness if covenants under our credit facilities are not satisfied.

Our credit facilities also contain covenants that may limit our ability to service our other indebtedness. As a result of these restrictions, we may be limited in how we conduct our business, unable to raise additional debt or equity financing to operate during general economic or business downturns, or unable to compete effectively, take advantage of new business opportunities or grow in accordance with our plans.

The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with such covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the holders of such indebtedness and/or amend the covenants. A breach of the covenants under the agreements governing our indebtedness could result in an event of default under the applicable indebtedness, which, if not cured or waived, could result in us having to repay such indebtedness before its due date. Such an event of default may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, such an event of default may permit the lenders in our credit facilities to terminate all commitments to extend further credit thereunder. In the event the repayment of any of our indebtedness is accelerated, we cannot assure you that we will have sufficient assets to repay such indebtedness. If we are forced to refinance such indebtedness on less favorable terms or if we experience difficulty in refinancing such indebtedness, our results of operations or financial condition could be materially affected. Furthermore, if we are unable to repay the amounts due and payable under the agreements governing our secured indebtedness, the lenders or holders of such indebtedness may be able to proceed against the collateral granted to them to secure such indebtedness.

Our floating rate debt financing exposes us to interest rate risk.

We may borrow amounts under our credit facilities or otherwise that bear interest at rates that vary with prevailing market interest rates. If such market interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed may remain the same, and our profit and cash flows, including cash available for servicing

our indebtedness, will correspondingly decrease. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, it is possible that we will not maintain interest rate swaps with respect to any of our variable rate indebtedness. Alternatively, any swaps we enter into may not fully or effectively mitigate our interest rate risk.

Changes in the method of determining the London Interbank Offered Rate ("LIBOR"), or the replacement of LIBOR with an alternative reference rate, may adversely affect interest rates on our outstanding indebtedness dependent on LIBOR.

We may borrow amounts under our credit facilities or otherwise that bear interest at variable interest rates that use LIBOR as a reference rate. In July 2017, the U.K. Financial Conduct Authority announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It remains unclear if, how and in what form LIBOR may continue to exist after that date. The Federal Reserve Bank of New York has begun publishing a Secured Overnight Funding Rate ("SOFR"), which is intended to replace U.S. dollar LIBOR. These reforms may cause LIBOR to perform differently than in the past or to disappear entirely. The consequences of these developments with respect to LIBOR cannot be entirely predicted but may result in an increase in the interest cost of our indebtedness that uses (or in the absence of the changes to or disappearance of LIBOR, would have used) LIBOR as a reference rate. In the event that LIBOR is no longer available as a reference rate or ceases to adequately and fairly reflect the cost to our lenders of making and maintaining loans, our credit facilities permit the lenders to suspend maintaining loans that use LIBOR as a reference rate. In its place, loans may bear interest based on an alternate base rate, as set forth in our credit facilities, which may increase our interest expenses. Further, we may need to renegotiate our outstanding indebtedness (whether pursuant to the LIBOR replacement provisions set forth in our credit facilities or otherwise), including to adopt a new reference rate in place of LIBOR, such as SOFR, and to adopt a new interest rate margin with respect to such alternative reference rate, or we may need to incur other indebtedness, and the phase-out of LIBOR may negatively impact the terms of such indebtedness. In addition, the overall financial market may be disrupted as a result of the phase-out or replacement of LIBOR. Disruption in the financial market could have a material adverse effect on our business, financial condition and results of operations.

Certain stockholders have a substantial ownership stake, and their interests could conflict with the interests of our other stockholders.

As of February 1, 2021, Vintage Capital Management, LLC (“Vintage”) and B. Riley Financial, Inc. (“B. Riley”) and certain of its affiliates (collectively, the “Principal Stockholders”) currently own shares of our common stock representing approximately 19.0% and 11.3%, respectively, of our outstanding common stock. As a result of substantial ownership of our stock, and Vintage's participation on the Board, the Principal Stockholders currently have the ability to influence certain actions requiring stockholder approval, including increasing or decreasing the authorized share capital, the election of directors, declaration of dividends, the appointment of management, and other policy decisions. The interests of the Principal Stockholders may be different from the interests of our other stockholders. While any future transaction with the Principal Stockholders or other significant stockholders could benefit us, the interests of the Principal Stockholders could at times conflict with the interests of other stockholders. Conflicts of interest may also arise between us and the Principal Stockholders or their affiliates, which may result in the conclusion of transactions on terms not determined by market forces. Any such conflicts of interest could adversely affect our business, financial condition and results of operations, and the trading price of our common stock. Moreover, the concentration of ownership may delay, deter or prevent acts that would be favored by other stockholders or deprive our stockholders of an opportunity to receive a premium for their shares of our common stock as part of a sale of us. Similarly, this concentration of stock ownership may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning equity in a company with concentrated ownership.

Because of the significant changes to our business initiatives and strategies, including as a result of our Acquisitions we are susceptible to the potential difficulties associated with rapid growth and expansion and we may not achieve the same level of growth in revenues and profits as we had in prior years.

Our future viability, profitability, and growth will depend upon our ability to successfully operate and continue to expand our operations in the United States and abroad. We have grown rapidly since we began making the Acquisitions in July 2019. Our management believes that our future success depends in part on our ability to manage the rapid growth and integration that we have experienced from current and future acquisitions, and the demands from increased responsibility on management personnel within the businesses we acquired and at the corporate level. Our ability to continue to grow our business will be subject to a number of risks and uncertainties and will depend in large part on:

- our ability to manage increased responsibilities for our executive level personnel and administrative burdens;
- our risk of litigation and other unanticipated liabilities;
- adding new customers and retaining existing customers;

- innovating new products and services to meet the needs of our customers;
- finding new opportunities in our existing and new markets;
- remaining competitive in the tax return preparation, specialty retailing, consumable durable goods and retail industries;
- attracting and retaining capable franchisees and area developers (ADs);
- delivering on our products and services in sufficient volumes and in a timely manner;
- hiring, training, and retaining skilled managers and employees; and
- expanding and improving the efficiency of our operations and systems and managing related organizational challenges.

There can be no assurance that any of our efforts will prove successful or that we will continue to achieve growth in revenues and profits. Our operating results could be adversely affected if we do not successfully manage our ability to grow and these potential risks and uncertainties. Our historical and pro forma financial information is not necessarily indicative of the results that may be realized in the future. In addition, due to the timing of the Acquisitions, there is very limited comparative information on our combined business.

We may seek to continue to expand through acquisitions of and investments in other businesses. These acquisition activities may be unsuccessful or divert management's attention.

We may consider strategic and complementary acquisitions of and investments in other franchise-centric businesses. In pursuing these opportunities, we will likely be competing with third parties that may have substantially greater financial resources than us. Acquisitions or investments in brands, businesses, properties or assets, as well as third-party alliances are subject to risks that could affect our business, including risks related to: (i) issuing shares of stock that could dilute the interests of our existing stockholders, (ii) spending cash and incurring debt, (iii) assuming contingent liabilities, or (iv) creating additional expenses.

We may not be able to identify opportunities or complete transactions on commercially reasonable terms or at all or we may not actually realize any anticipated benefits from such acquisitions or investments. Similarly, we may not be able to obtain financing for acquisitions or investments on attractive terms or at all, or the ability to obtain financing may be restricted by the terms of our indebtedness. In addition, the success of any acquisition or investment also will depend, in part, on our ability to integrate the acquisition or investment with our existing operations. Finally, any potential acquisitions or investments could demand significant attention from management that would otherwise be available for business operations, which could harm our business.

We may seek to sell one of our business segments which may adversely affect our results of operations, personnel, reputation and financial position.

As a company that manages a portfolio of retail and franchised brands, we continue to evaluate opportunities to restructure our business in an effort to optimize shareholder value, which could potentially include the divestiture of certain business segments. Divestitures involve numerous risks, such as: (i) the acceptance of a less than favorable sales price, (ii) the potential loss of key employees, (iii) adverse reactions by customers, suppliers, or parties transacting business with the divested business segment or us, (iv) potential litigation or any administrative proceedings arising from the divestiture, (v) negative impacts on stock analyst ratings, and (vi) our inability to retain certain intellectual property rights. Such divestitures could result in significant costs to us which could adversely affect our financial condition and results of operations. We cannot provide assurance that such a sale of a business segment will be successful or will not harm our business, results of operations, financial condition, or stock price.

We operate in highly competitive industries and our revenues or profits could be harmed if we are unable to compete effectively.

The retail, tax preparation and rent-to-own industries in which we operate are subject to intense competition. Our principal competitors are other similar operators with well-established and recognized brands. We also compete against smaller retailers and "mom and pop" operations. If we are unable to compete successfully, our revenues or profits may decline. Certain of our competitors may have significantly greater financial, technical and marketing resources than we do, and may be able to adapt to changes in consumer preferences more quickly, devote greater resources to the marketing and sale of their products or services, or generate greater brand recognition. In addition, our competitors may be more effective and efficient in introducing new products and services. Furthermore, if we fail to meet supply and demand or fail to provide our customers with an attractive omni-channel experience, our business and results of operations could be materially and adversely affected.

Failure to maintain sound business and contractual relationships with our franchisees may have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows.

Our financial success depends in significant part on our ability to maintain sound business relationships with our franchisees. The support of our franchisees is also critical for the success of our marketing programs and any new strategic initiatives we seek to undertake. Deterioration in our relationships with our franchisees or the failure of our franchisees to support our marketing programs and strategic initiatives could have a material adverse effect on our business and our consolidated financial position, results of operations, and cash flows. In addition, the failure of our franchisees to timely renew their franchise agreements could have a material adverse effect on our business and our ability to enforce the franchisees contractual obligations.

We have significant lease obligations, which may require us to continue paying rent for store locations that we no longer operate.

We have Company-owned operations of which the majority are operated in leased locations, specifically in our Vitamin Shoppe segment. We are subject to risks associated with our current and future real estate leases. Our costs could increase because of changes in the real estate markets and supply or demand for real estate sites. We generally cannot cancel our leases, so if we decide to close or relocate a location, we may nonetheless be committed to perform our obligations under the applicable lease including paying the base rent for the remaining lease term. As each lease expires, we may fail to negotiate renewals, either on commercially acceptable terms or any terms at all and may not be able to find replacement locations that will provide for the same success as current store locations.

Our failure to achieve and maintain effective internal controls could have a material adverse effect on our business and stock price.

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our brands and operating results could be harmed. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. While we continue to evaluate and improve our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

As we have grown our business through the Acquisitions, our disclosure controls and internal controls have become more complex and may require significantly more resources to ensure the effectiveness of these controls. If we are unable to continue upgrading our financial and management controls, reporting segments, information technology and procedures in a timely and effective fashion, additional management and other resources may need to be devoted to assist in compliance with the disclosure and financial reporting requirements which would adversely affect our business, financial position and results of operations.

Risks Related to Our Segments

The Liberty Tax segment's tax return preparation compliance program may not be successful in detecting all problems in our franchisee network, and franchisee non-compliance, fraud and other misconduct and related enforcement action may damage our reputation and adversely affect our business.

On December 2, 2019, the Company entered into a settlement with the DOJ and the IRS (the “Settlement”) that resolved their investigation of the Company and its subsidiaries, including the Liberty Tax segment's policies, practices and procedures in connection with its tax return preparation activities and tax compliance program. Pursuant to the terms of the Settlement, the Company agreed to pay $3.0 million to be paid in installments over four years and agreed to retain an independent compliance monitor to oversee the implementation of the required enhancements to the compliance program. The monitor will work with the Company’s compliance team and may make recommendations for further refinements to improve the Liberty Tax segment's

tax compliance program. We have implemented a variety of measures to enhance tax return preparation compliance as well as increased monitoring of these activities. Despite these measures, there can be no assurance that franchisees and tax preparers will follow these procedures, that the tax return preparation compliance program, or other efforts will be effective in eliminating non-compliance, fraud and other misconduct among our franchisees and/or employees. Accordingly, any such non-compliance, fraud or other misconduct may have a material adverse effect on our reputation, financial conditions, results of operations and may be deemed a breach of the terms of the Settlement.

If our financial product service providers become unable or unwilling to enable our Liberty Tax segment to offer refund transfer products, we may be unable to offer tax settlement products to our customers.

Our ability to offer refund transfer products (as well as other tax settlement products that require the creation of a customer bank account) is dependent on the ability and willingness of our financial product service providers to make available to our customers the bank accounts into which their tax refunds are deposited. If any of the federal or state regulatory authorities with the power to regulate these service providers prevents or makes it more difficult for our service providers to make these bank accounts available to our customers or if the service providers determine that they no longer wish to participate in these transactions, we may be unable to find alternative service providers that will be willing to provide the required number of bank accounts to our customers. If we are unable to make bank accounts available for refund transfer products, we will not be able to enable our customers to utilize these accounts for the direct deposit of their federal and state tax returns, which would materially affect our ability to offer tax settlement products to those customers. In addition, statutes applicable to acceptable refund transfer fees are state specific which may adversely affect how we currently conduct or have conducted our business in the past and may require change to such business practices to otherwise comply with these statutes and could be subject to fines, penalties, or other payments related to past conduct.

Unfavorable publicity or consumer perception of our services, products and any similar products distributed by other companies could have a material adverse effect on our reputation, which could result in decreased sales and significant fluctuations in our business, financial condition and results of operations.

We depend significantly on consumer perception regarding the safety and quality of our products, as well as similar products distributed by other companies. Consumer perception of products can be significantly influenced by adverse publicity in the form of published scientific research, national media attention or other publicity, whether or not accurate, that associates consumption of our Vitamin Shoppe segment’s products or any other similar products with illness or other adverse effects, or questions the benefits of our or similar products or that claims that any such products are ineffective. A new product may initially be received favorably, resulting in high sales of that product, but that sales level may not be sustainable as consumer preferences change. Future scientific research or publicity could be unfavorable to our Vitamin Shoppe segment’s industry or any of its particular products and may not be consistent with earlier favorable research or publicity. Unfavorable research or publicity could have a material adverse effect on our ability to generate sales within our Vitamin Shoppe segment.

Our Vitamin Shoppe segment sells food, dietary supplement and topical products containing cannabidiol (“CBD”), which is a cannabinoid derived from the cannabis plant. There is significant uncertainty regarding the legal status of CBD and other hemp-based products in the U.S. In addition, the Food and Drug Administration ("FDA") currently prohibits the sale of foods and dietary supplements containing CBD, which could subject our Vitamin Shoppe segment to regulatory enforcement action.

Products that contain CBD are subject to various state and federal laws regarding the production and sale of hemp-based products. Historically, the Drug Enforcement Administration (“DEA”) considered CBD to be a Schedule I controlled substance subject to the Controlled Substances Act (“CSA”) under the definition for “marijuana.” However, the Agriculture Improvement Act of 2018 (the “2018 Farm Bill”) removed “hemp” from the definition of “marijuana.” “Hemp” is defined as the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol (“THC”) concentration of not more than 0.3 percent on a dry weight basis. As a result of the enactment of the 2018 Farm Bill, we believe that our Vitamin Shoppe segment’s CBD products and the hemp from which they are derived are not Schedule I controlled substances under the CSA. However, there is a risk that we could be subject to DEA enforcement action, including prosecution, if any of our Vitamin Shoppe segment’s products are determined to not meet the definition of “hemp” and to constitute “marijuana” based on THC levels or other violations.

In addition, although hemp and hemp-derived CBD are no longer controlled substances subject to regulation under the CSA, the FDA has stated publicly that it is nonetheless unlawful under the Federal Food, Drug, and Cosmetic Act (“FDCA”) to market foods or dietary supplements containing CBD, even if lawful under the 2018 Farm Bill. Specifically, the FDCA

prohibits the introduction or delivery for introduction into interstate commerce of any food or dietary supplement that contains an approved drug or a drug for which substantial clinical investigations have been instituted and made public, unless a statutory exemption applies. The FDA has stated its conclusion that this statutory prohibition applies and none of the exceptions has been met for CBD.

The FDA has held public meetings and formed an internal working group to evaluate the potential pathways to market for CBD products, which could include seeking statutory changes from Congress or promulgating new regulations. If legislative action is necessary, such legislative changes could take years to finalize and may not include provisions that would enable our Vitamin Shoppe segment to produce, market and/or sell CBD products, and FDA could similarly take years to promulgate new regulations. Additionally, while the agency's enforcement focus to date has primarily been on CBD products that are associated with therapeutic claims, the agency has recently issued warning letters to companies marketing CBD products without such claims, and there is a risk that FDA could take enforcement action against our Vitamin Shoppe segment, its third-party contract manufacturers or suppliers, or those marketing similar products, which could limit or prevent this segment from marketing CBD products. While the FDA announced on March 5, 2020 that it is currently evaluating a risk-based enforcement policy for CBD to provide more clarity to industry and the public while the agency takes potential steps to establish a clear regulatory pathway, it remains unclear whether or when FDA will ultimately issue such an enforcement policy.

Moreover, local, state, federal, and international CBD, hemp and cannabis laws and regulations are rapidly changing and subject to evolving interpretations, which could require our Vitamin Shoppe segment to incur substantial costs associated with compliance requirements or alteration of certain aspects of its business plan in the event that its CBD products become subject to new restrictions. In addition, violations of these laws, or allegations of such violations, could disrupt the business and result in a material adverse effect on its operations. We cannot predict the nature of any future laws, regulations, interpretations, or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our Vitamin Shoppe segment's activities in the hemp and CBD industry. The constant evolution of laws and regulations may require this segment to incur substantial costs associated with legal and compliance fees and ultimately require it to alter its current business plan.

Disruptions at our Vitamin Shoppe segment's warehouse and distribution facilities or at our contract manufacturers' manufacturing facilities could materially and adversely affect our business, financial condition, results of operations and customer relationships.

Any significant disruption in our Vitamin Shoppe segment's warehouse and distribution facilities or at any contract manufacturers' manufacturing facilities for any reason, including regulatory requirements, and FDA determination that the contract manufacturers' facility is not in compliance with the cGMP regulations, the loss of certifications, power interruptions, destruction of or damage to facilities, unexpected delays in delivery or increases in transportation costs (including through increased fuel costs), terrorist attacks, civil unrest, war or the perceived threat thereof, natural disasters could disrupt our contract manufacturers' ability to manufacture products for our Vitamin Shoppe segment and our ability to deliver products to our customers. Any such disruption could have a material adverse effect on our business.

Increases in the price or shortages of supply in connection with our Vitamin Shoppe segment's products could have a material adverse effect on our business.

Our Vitamin Shoppe segment's products are composed of certain key raw materials. If the prices of these raw materials were to increase significantly, it could result in a significant increase to us in the prices charged to us for our own Vitamin Shoppe branded products and third-party products. Raw material prices may increase in the future and we may not be able to pass on those increases to customers who purchase our products. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on our business.

We may experience product recalls, withdrawals or seizures, which could materially and adversely affect our business.

We may be subject to product recalls, withdrawals or seizures if any of the products we sell are believed to cause injury or illness or if we are alleged to have violated governmental regulations in the manufacturing, labeling, promotion, sale or distribution of those products. A significant recall, withdrawal or seizure of any of the products we manufacture or sell may require significant management attention, which would likely result in substantial and unexpected costs and may materially and adversely affect our business. Furthermore, a recall, withdrawal or seizure of any of our products may adversely affect consumer confidence in our brands and thus decrease consumer demand for our products. In some cases, we rely on our contract manufacturers and suppliers to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements. In general, we seek representations and warranties, indemnification and/or insurance

from our contract manufacturers and suppliers. However, even with adequate insurance and indemnification, any claims of non-compliance could significantly damage our reputation and consumer confidence in our products. In addition, the failure of those products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect our business, financial condition and results of operations.

The success of our Buddy's, American Freight and Vitamin Shoppe segments is dependent on factors affecting consumer spending that are not under our control.

Consumer spending is affected by general economic conditions and other factors including levels of employment, disposable consumer income, prevailing interest rates, consumer debt and availability of credit, costs of fuel, inflation, recession and fears of recession, war and fears of war, pandemics (such as the recent coronavirus (COVID-19) pandemic), inclement weather, tariff policies, tax rates and rate increases, timing of receipt of tax refunds, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security. Unfavorable changes in factors affecting discretionary spending could reduce demand for our products and services resulting in lower revenue and negatively impacting our business and financial results.

If our Buddy's, American Freight and Vitamin Shoppe segments are unable to compete effectively with the growing e-commerce sector, our business and results of operations may be materially adversely affected.

With the continued expansion of Internet use, as well as mobile computing devices and smartphones, competition from the e-commerce sector continues to grow. There can be no assurance we will be able to grow our e-commerce operations in a profitable manner. Certain of our competitors, and a number of e-commerce retailers, have established e-commerce operations against which we compete for customers. It is possible that the increasing competition from the e-commerce sector may reduce our market share, gross and operating margins, and may materially adversely affect our business and results of operations in other ways.

If our Buddy's, American Freight and Vitamin Shoppe segments do not successfully manage their inventory levels, our operating results will be adversely affected.

We must maintain sufficient inventory levels to operate our business successfully. However, we also must avoid accumulating excess inventory as we seek to minimize out-of-stock levels across all product categories and to maintain in-stock levels. We continue to rely on and obtain significant portions of our inventory from vendors located outside the United States. Some of these vendors often require us to provide lengthy advance notice of our requirements in order to be able to supply products in the quantities we request. This usually requires us to order merchandise, and enter into purchase order contracts for the purchase and manufacture of such merchandise, well in advance of the time these products will be offered for sale. As a result, we may experience difficulty in responding to a changing retail environment, which makes us vulnerable to changes in price and consumer preferences. If we do not accurately anticipate the future demand for a particular product or the time it will take to obtain new inventory, our inventory levels will not be appropriate and our results of operations may be negatively impacted.

Our success is tied to the growth and effective operations of our Company-owned locations and franchises, and the franchise operations could adversely affect our business.

Our financial success depends on how effectively we operate our Company-owned locations and how our franchisees operate and develop their businesses. We do not exercise direct control over the day-to-day operations of our franchises, and our franchisees may not operate their businesses in a manner consistent with our philosophy and standards and may not increase the level of revenues generated compared to prior years. Our growth and revenues may, therefore, be adversely affected. There can be no assurance that the training programs and quality control procedures we have established will be effective in enabling franchisees to run profitable businesses or that we will be able to identify problems or take corrective action quickly enough. In addition, failure by a franchisee to provide service at acceptable levels may result in adverse publicity that can materially adversely affect our reputation and ability to compete in the market in which the franchisee is located.

If our franchisees fail to open locations in new territories or if they are not successful in operating their new locations, our franchise-related revenue and results of operation will be adversely affected.

Each year, we anticipate adding locations to our franchise system, but the opening of these locations depends on the purchase of additional territories by our franchisees and the opening of offices in territories previously purchased and newly

purchased. Many factors go into opening a new location, including obtaining a suitable location, the availability of sufficient start-up capital, and the ability to recruit qualified personnel to work in new locations. If a significant number of locations that we expect to be open, fail to open, are delayed, or open in unsuitable locations or with insufficient personnel, the revenue we expect to receive from royalty payments and the repayment of indebtedness to us by our franchisees will be adversely affected.

We may be held responsible by third parties, regulators, or courts for the action of, or failure to act, by our franchisees and their employees which could be expose us to possible fines, other liabilities, bad publicity or damage to our brands.

We grant our franchisees a limited license to use our registered service marks and, accordingly, there is risk that one or more of the franchisees may be identified as being controlled by us. Third parties, regulators, or courts may seek to hold us responsible for the actions or failures to act by our franchisees. In recent years, some government agencies have taken the position that the extent to which a franchise system establishes requirements for franchisees may justify treating the franchisor as if it “controls” the franchisee’s behavior. Thus, the failure of our franchisees to comply with laws and regulations may expose us to liability and damages that may have an adverse effect on our business.

Our franchisees operate their businesses under our brands. Because our franchisees are independent third parties with their own financial objectives, actions taken by them, including breaches of their contractual obligations, and negative publicity associated with these actions, could adversely affect our reputation and brands more broadly. Any actions as a result of conduct by our franchisees, their employees or otherwise which negatively impacts our reputation and brands may result in fewer customers and lower revenues and profits for us.

Disputes with our franchisees may have a material adverse effect on our business.

From time to time, we engage in disputes with some of our franchisees, and some of these disputes result in litigation or arbitration proceedings. Disputes with our franchisees may require us to incur significant legal fees, subject us to damages, and occupy a disproportionate amount of management's time. A material increase in the number of these disputes, or unfavorable outcomes in these disputes, may have a material adverse effect on our business. To the extent we have disputes with our franchisees, our relationships with our franchisees could be negatively impacted, which could hurt our growth prospects or negatively impact our financial performance.

Our operating results depend on the effectiveness of our marketing and advertising programs and franchisee support of these programs.

Our revenues are heavily influenced by brand marketing and advertising. If our marketing and advertising programs are unsuccessful, we may fail to retain existing customers and attract new customers, which could limit the growth of our revenues or profitability or result in a decline in our revenues or profitability. Moreover, because franchisees are required to pay us marketing and advertising fees based on a percentage of their revenues, our marketing fund expenditures are dependent upon sales volumes of our franchisees.

The support of our franchisees is critical for the success of our marketing programs and any new strategic initiatives we seek to undertake. While we can mandate certain strategic initiatives through enforcement of our franchise agreements, we need the active support of our franchisees if the implementation of our marketing programs and strategic initiatives is to be successful. Although certain actions are required of our franchisees under the franchise agreements, there can be no assurance that our franchisees will continue to support our marketing programs and strategic initiatives. The failure of our franchisees to support our marketing programs and strategic initiatives would adversely affect our ability to implement our business strategy and could have a material adverse effect on our business, financial condition, and results of operations.

Risks Related to Legal and Regulatory Matters

The lines of business in which we operate involve substantial litigation, and such litigation may damage our reputation or result in material liabilities and losses.

We have been named, from time to time, as a defendant in various legal actions, including arbitrations, class-actions, and other litigation arising in connection with our various business activities. We are currently involved in a class-action lawsuit, in which we are vigorously defending ourselves. There can be no assurance, however, that we will not have to pay significant damages or amounts in settlement above insurance coverage. Adverse outcomes related to litigation could result in substantial damages and could materially affect our liquidity and capital resources and cause our net income to decline or may require us to alter our business operations. Failure to pay any material judgment would be a default under our credit facilities. Negative

public opinion can also result from our actual or alleged conduct in such claims, possibly damaging our reputation, which could negatively impact our financial performance and could cause the value of our stock to decline. See “Note 15 - Commitments and Contingencies” in the Notes to the Consolidated Financial Statements.

If we fail to protect or fail to comply with laws and regulations related to our customers' personal information, we may face significant fines, penalties, or damages and our brands and reputation may be harmed.

We are subject to various federal and state laws related to the use of and protection of customer personal information, including but not limited, California Consumer Privacy Act (“CCPA”), the Gramm-Leach-Bliley Act and other Federal Trade Commission (“FTC”). We rely on technology in virtually all aspects of our business. Like those of many large businesses, certain of our information systems have been subject to computer viruses, malicious codes, unauthorized access, phishing efforts, denial-of-service attacks and other cyber-attacks and we expect to be subject to similar attacks in the future as such attacks become more sophisticated and frequent. A significant disruption or failure of our technology systems could result in service interruptions, safety failures, security events, regulatory compliance failures, an inability to protect information and assets against unauthorized users, and other operational difficulties. Attacks perpetrated against our systems could result in loss of assets and critical information and expose us to remediation costs and reputational damage.

We and our franchisees manage highly sensitive client information in our operations, and although we have established security procedures to protect against identity theft and require our franchisees to do the same, a security incident resulting in breaches of our customers' privacy may occur. Our computer systems are subject to penetration and our data protection measures may not prevent unauthorized access to sensitive client information. Threats to our systems, our franchisees systems, or associated third parties' systems can derive from human error, fraud, or malice on the part of employees or third parties, or may result from accidental technological failure. If the measures we have taken prove to be insufficient or inadequate or if our franchisees fail to meet their obligations in this area, we and our franchisees may become subject to litigation or administrative sanctions, which could result in significant fines, penalties, or damages and harm to our brands and reputation, which in turn could negatively impact our ability to retain our customers. Moreover, although we have some insurance that may defray the cost, the cost of remediating any breach resulting from a cybersecurity incident or other breach of the privacy of customer information would likely be substantial. Furthermore, we may be required to invest additional resources to protect us against damages caused by these actual or perceived disruptions or security breaches in the future. We could also suffer harm to our reputation from a security breach or inappropriate disclosure of customer information. Changes in these federal and state regulatory requirements could result in more stringent requirements and could result in a need to change business practices, including how information is disclosed. These changes could have a material adverse effect on our business, financial condition, and results of operations. Moreover, a significant security breach or disclosure of customer information could so damage our brands and reputation that demand for the services that are provided by us and our franchisees may be reduced.

Although we have taken steps intended to mitigate these risks, a significant disruption or cyber intrusion could adversely affect our results of operations, financial condition and liquidity. If we become victim to a security breach resulting in third-party access to customer’s personal information which we host, collect, use and retain, this could have a material adverse effect on the demand for our services and products, our reputation, and cause material losses. We share these risks with all of our business segments.

If we or our franchisees fail to comply with marketing and advertising laws, including with regard to direct marketing we may face significant damages.

We rely on a variety of marketing techniques, including telemarketing, email and social media marketing and postal mailings, and we are subject to various laws and regulations in the U.S. and internationally that govern marketing and advertising practices. The retention of customers by our business and franchisees, and our ability to attract additional franchisees, depends on the use of these marketing techniques to contact customers and potential franchisees. However, the Telephone Consumer Protection Act (“TCPA”) imposes significant restrictions on the ability to utilize telephone calls and text messages to mobile telephone numbers as a means of communication, when the prior consent of the person being contacted has not been obtained. In fiscal 2015, we settled one lawsuit related to the manner in which a contractor for us previously contacted potential franchisees. Violations of the TCPA may be enforced by individual customers through class-actions, and statutory penalties for TCPA violations range from $500 to $1,500 per violation. If we fail to ensure that our own telemarketing and telemarketing efforts are TCPA compliant, or if our franchisees fail to do so and we are held responsible for their behavior, we may incur significant damages.

Compliance with governmental regulations or newly enacted laws could increase our costs significantly and adversely affect our operating income and financial results.

The products and services offered by our business segments are subject to federal laws and regulation by one or more federal agencies, including but not limited to the IRS, FDA, the Federal Trade Commission, the United States Department of Agriculture and the Environmental Protection Agency. These activities are also regulated by various state, local and international laws and agencies of the states and localities in which our products or services are provided. Regulations may prevent or delay the introduction, or require the reformulation, of our products or services, which could result in lost sales and increased costs to us.

For example, the FDA may not accept the evidence of safety for any new ingredients that our Vitamin Shoppe segment may want to market, may determine that a particular ingredient is not a legal dietary ingredient under the FDCA, may determine that a particular product or product ingredient presents an unacceptable health risk, may determine that a particular statement of nutritional support on our products, or that we want to use on our products, is an unacceptable drug claim or an unauthorized version of a food "health claim." The FDA or FTC may determine that particular claims are not adequately supported by available scientific evidence. The FDA may also determine that the Vitamin Shoppe's CBD-containing food and dietary supplement products are unlawful and may issue an enforcement action against us. Any such regulatory determination would prevent us from marketing particular products or using certain statements on those products or force us to recall a particular product and be subject to additional enforcement or penalties, which could adversely affect our sales of those products.

Additionally, our rental business unit is subject to various federal and state including consumer protection statutes, such as a grace period for late fees and certain contract reinstatement rights. Moreover, many states have passed laws that regulate rental purchase transactions as separate and distinct from credit sales. Specific rental purchase laws generally require certain contractual and advertising disclosures. Any failure of our Buddy's segment to comply with such laws could have a material adverse effect on our business.

New or revised federal and state tax regulations could have a material effect on the financial results of our Liberty Tax segment. We are unable to predict how we may be affected by changes, or lack of changes, to federal and state tax laws. Accordingly, the risk exists that changes in, or lack of changes in, federal and state tax laws could materially and adversely affect our Liberty Tax business cash flows, results of operations and financial condition.

The CCPA which became effective on January 1, 2020 and requires covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. We collect internal and customer data, including personally identifiable information for a variety of important business purposes, including managing our workforce and providing requested products and services. The CCPA required us to modify our data processing practices and policies at Liberty Tax, Vitamin Shoppe and American Freight, which as a result, we may incur substantial costs and expenses in an effort to comply. The effects of the CCPA are potentially significant and require us to modify our data processing practices and policies which as a result, we may incur substantial costs and expenses in an effort to comply. We may also from time to time be subject to, or face assertions that we are subject to, additional obligations relating to personal data by contract or due to assertions that self-regulatory obligations or industry standards apply to our practices. There may be additional regulatory actions or enforcement priorities, or new interpretations of existing requirements that differ from ours, which could impose unanticipated limitations or require changes to our business. Any developments of this nature could increase our costs significantly and could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to product liability claims if people or properties are harmed by the products we sell or the services we offer.

Some of the products we sell may expose us to product liability claims relating to personal injury, death, or property damage caused by such products, and may require us to take actions such as product recalls. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on commercially reasonable terms, or at all. Our Vitamin Shoppe segment, in particular, as a retailer and direct marketer of products designed for human consumption, is subject to product liability claims if the use of its products is alleged to have resulted in injury or to include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances. In addition, third-party manufacturers produce many of the products we sell which may expose us to product liability claims for products we do not manufacture. While we attempt to manage these risks by obtaining indemnification agreements from the manufacturers of products that we sell and insurance, third parties may not satisfy their indemnification obligations to us and/or our insurance policies may not be sufficient or available. A product liability claim against us, whether with respect to products of a third-party that we sell or our branded products, could result in increased costs and could adversely affect our reputation with our customers, which in turn could materially adversely affect our business, financial condition and results of operations.

We are named in federal securities class-action lawsuits and derivative complaints; if we are unable to resolve these matters favorably, then our business, operating results and financial condition may be adversely affected.

We are currently named as defendants in class and derivative litigation in the Court of Chancery of the State of Delaware (the “Delaware Action”) and a securities class action the United States District Court for the Eastern District of New York (the "New York Action”). While the Delaware Action has settled in principle and has been stayed pending the parties’ filing of settlement papers, there is no assurance that the settlement will be approved by the Delaware Court of Chancery. Additionally, while the New York Action has been dismissed with prejudice, and such dismissal has been affirmed by the United States Court of Appeals for the Second Circuit, plaintiffs could still seek review by the United States Supreme Court. Until these matters are finally resolved, we cannot predict the outcome of these matters or reasonably determine the probability of a material adverse result or reasonably estimate range of potential exposure, if any, that these matters might have on us, our business, our financial condition or our results of operations, although such effects could be materially adverse. In addition, in the future, we may need to record litigation reserves with respect to these matters. Further, regardless of how these matters proceed, it could divert our management’s attention and other resources away from our business.

General Risk Factors

Our failure to protect our intellectual property rights may harm our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly.

We regard our intellectual property as critical to the success of our business. Third parties may infringe or misappropriate our brand names, trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition, or operating results. The actions we take to protect our trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets, or determine the validity and scope of the proprietary rights of others. There are no assurances that we will be able to prevent infringement of our intellectual property rights or misappropriation of our proprietary information. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights. In addition, third parties may assert infringement claims against us. Any claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third-party's patent or to license alternative technology from another party. Litigation is time-consuming and expensive to defend and could result in the diversion of our time and resources. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims.

Our business relies on technology systems and electronic communications, which, if disrupted, could materially affect our business.

We depend heavily upon our information technology systems in the conduct of our business. We develop, own and license or otherwise contract for sophisticated technology systems and services. If we experience significant disruptions to our systems, we could experience a loss of business, which could have a material adverse effect on our business, financial condition, and results of operations. Any data breach or severe disruption of our network or electronic communications could have a material adverse effect on our business, financial condition, and results of operations.

We rely on certain software vendors to maintain and periodically upgrade many of these systems so that they can continue to support our business. The software programs supporting many of our systems were licensed to us by independent software developers. The inability of these developers or us to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner.

If we are unable to secure our customers’ personal and confidential information, or other private data relating to our associates, suppliers or our business, we could be subject to negative publicity, costly government enforcement actions or private litigation and increased costs, which could damage our business reputation and adversely affect our results of operations or business.

Many of our information technology systems, such as those we use for our point-of-sale, tax preparation software, web and mobile platforms, including online and mobile payment systems, and for administrative functions, including human resources, payroll, accounting, and internal and external communications, contain personal, financial or other information that is entrusted to us by our customers and associates. Many of our information technology systems also contain proprietary and

other confidential information related to our business and suppliers. Although we have developed procedures and technology in place to safeguard our customers' personal information, our associates' private data, suppliers' data, and our business records and intellectual property and other sensitive information, we may nevertheless, be vulnerable to, and unable to anticipate, detect and appropriately respond to, data security breaches and data loss, including cyber-security attacks. If we or any third-party systems we use experience a data security breach, we could be exposed to negative publicity, reputational risk with our customers, government enforcement actions and private litigation, in addition to the potential of significant capital investments and other expenditures to remedy cybersecurity problems and prevent future security breaches. These costs, which could be material, could adversely impact our results of operations in the period in which they are incurred and may not meaningfully limit the success of future attempts to breach our information technology systems.

If we fail to retain our key senior management personnel or are unable to attract and retain highly skilled and other key personnel, our financial performance could be materially adversely affected.

We depend on our senior management and other key or highly skilled personnel. The loss of any of our executive officers or other key employees or the inability to hire, train, retain, and manage qualified personnel, could harm our business.

If we and our franchisees are unable to attract and retain qualified employees, our financial performance could be materially adversely affected.

Both we and our franchisees depend on the ability to find, hire and retain qualified employees to manage day-to-day business activities. Our operating subsidiaries also need qualified and competent personnel in executing their business plans and serving their customers. Our inability to recruit and retain qualified and competent managers and personnel could have a material adverse effect on our business, financial condition and results of operations.

Our Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for certain disputes between us and our stockholders, which may limit a stockholder's ability to bring a claim in a judicial forum that it finds preferable for disputes with us and our directors, officers or other employees.

Our Certificate of Incorporation provides that, unless we otherwise determine, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our Certificate of Incorporation or Bylaws, or any action asserting a claim governed by the internal affairs doctrine. This forum selection provision does not apply to suits brought to enforce a duty or liability created by the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any claim for which the federal courts have exclusive jurisdiction. This forum selection provision may limit a stockholder's ability to bring a claim that is not arising under the Securities Act or the Exchange Act, in a judicial forum (other than in a Delaware court) that it finds preferable for disputes with us or any of our directors, officers or other employees, which may discourage lawsuits with respect to such claims and result in increased costs for stockholders to bring a claim. If a court were to find this forum selection provision to be inapplicable or unenforceable in an action, we may incur additional costs or business interruption associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

Our stock price has been extremely volatile, and investors may be unable to resell their shares at or above their acquisition price or at all.

Our stock price has been, and may continue to be, subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including, but not limited to:

- actual or anticipated variations in our operating results from quarter to quarter;
- actual or anticipated variations in our operating results and financial performance from the expectations of securities analysts and investors;
- if analysts do not publish research or reports about our business or if they publish misleading or unfavorable research or reports about our business;
- actual or anticipated variations in our operating results from our competitors;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- sales of common stock or other securities by us or our stockholders in the future;

- certain non-compliance, fraud and other misconduct by our franchisees and/or employees;
- departures of key executives or directors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, financing efforts or capital commitments;
- delays or other changes in our expansion plans;
- failure to maintain adequate internal controls;
- involvement in litigation (including securities class action litigation) or governmental investigations or enforcement activity;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- general economic, stock market and market conditions in our industry and the industries of our customers;
- regulatory or political developments;
- global pandemics (such as the recent coronavirus (COVID-19) pandemic); and
- capital markets and trading markets fluctuations.

Although we may desire to continue to pay dividends in the future, our financial condition, debt covenants, or Delaware law may prohibit us from doing so.

The payment of dividends will be at the discretion of our Board of Directors and will depend, among other things, on our earnings, capital requirements, and financial condition. Our ability to pay dividends will also be subject to compliance with financial covenants that are contained in our credit facility and may be restricted by any future indebtedness that we incur or issuances of preferred stock. In addition, applicable law requires our Board of Directors to determine that we have adequate surplus prior to the declaration of dividends. Although we expect to pay a quarterly cash dividend to holders of our common stock, we have no obligation to do so, and our dividend policy may change at any time without notice to our stockholders. We cannot provide an assurance that we will continue to pay dividends at any specific level or at all.

Anti-takeover provisions in our charter documents, Delaware law, and our credit facility could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management, and adversely affect the value of our common stock.

Provisions in our second amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. In addition, our credit facility contains covenants that may impede, discourage, or prevent a takeover of us. For instance, upon a change of control, we would default on our credit facility. As a result, a potential takeover may not occur unless sufficient funds are available to repay our outstanding debt. Provisions in our bylaws and credit facility may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. Any provision of our amended and restated certificate of incorporation and bylaws or our debt documents that has the effect of delaying or deterring a change of control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect our stock value if they are viewed as discouraging takeover attempts in the future.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Stores

As of December 26, 2020, we operated or franchised 3,770 stores in 50 states and Guam, Puerto Rico and the District of Columbia, and 253 stores in Canadian provinces as detailed below:

	Liberty Tax			Buddy's			American Freight			Vitamin Shoppe	Total
	Company-owned	Franchised	Total	Company-owned	Franchised	Total	Company-owned	Franchised	Total	Company-owned	Franchise Group
Alabama	—	7	7	—	11	11	9	—	9	6	33
Alaska	3	23	26	—	—	—	—	—	—	—	26
Arizona	2	45	47	—	4	4	9	1	10	11	72
Arkansas	2	23	25	—	15	15	2	—	2	2	44
California	15	250	265	—	—	—	18	—	18	77	360
Colorado	2	35	37	—	—	—	1	—	1	7	45
Connecticut	—	30	30	—	—	—	4	—	4	10	44
Delaware	2	8	10	—	—	—	1	—	1	3	14
District of Columbia	—	6	6	—	—	—	—	—	—	1	7
Florida	12	137	149	34	19	53	34	—	34	81	317
Guam	—	—	—	—	2	2	—	—	—	—	2
Georgia	8	75	83	—	21	21	13	4	17	24	145
Hawaii	2	5	7	—	—	—	1	—	1	7	15
Idaho	4	12	16	—	—	—	1	—	1	3	20
Illinois	2	79	81	—	4	4	13	—	13	37	135
Indiana	5	33	38	1	—	1	14	—	14	11	64
Iowa	1	12	13	—	1	1	1	—	1	2	17
Kansas	4	16	20	—	1	1	5	—	5	2	28
Kentucky	8	19	27	7	—	7	5	—	5	5	44
Louisiana	1	23	24	—	4	4	7	—	7	6	41
Maine	—	1	1	—	—	—	—	—	—	2	3
Maryland	2	26	28	—	—	—	4	—	4	21	53
Massachusetts	1	52	53	—	—	—	2	—	2	16	71
Michigan	5	75	80	—	—	—	12	—	12	17	109
Minnesota	2	27	29	—	—	—	3	—	3	7	39
Mississippi	—	10	10	—	9	9	3	—	3	1	23
Missouri	3	47	50	—	2	2	8	—	8	7	67
Montana	—	2	2	—	—	—	—	—	—	—	2
Nebraska	—	10	10	—	—	—	—	—	—	2	12
Nevada	1	26	27	—	—	—	3	—	3	8	38
New Hampshire	—	6	6	—	—	—	—	—	—	4	10
New Jersey	2	44	46	—	—	—	4	—	4	36	86
New Mexico	20	14	34	—	7	7	1	—	1	3	45
New York	7	147	154	—	—	—	5	—	5	66	225
North Carolina	6	123	129	—	10	10	11	—	11	27	177
North Dakota	—	10	10	—	—	—	—	—	—	—	10
Ohio	6	92	98	—	—	—	26	—	26	23	147
Oklahoma	—	31	31	—	11	11	5	—	5	3	50
Oregon	4	18	22	—	—	—	2	—	2	5	29
Pennsylvania	7	71	78	—	5	5	10	—	10	28	121
Puerto Rico	—	—	—	—	—	—	1	—	1	2	3
Rhode Island	—	10	10	—	—	—	1	—	1	2	13
South Carolina	1	69	70	—	11	11	8	—	8	17	106
South Dakota	—	8	8	—	—	—	—	—	—	1	9

	Liberty Tax			Buddy's			American Freight			Vitamin Shoppe	Total
	Company-owned	Franchised	Total	Company-owned	Franchised	Total	Company-owned	Franchised	Total	Company-owned	Franchise Group
Tennessee	18	35	53	—	6	6	9	1	10	14	83
Texas	11	283	294	3	80	83	35	—	35	54	466
Utah	1	20	21	—	—	—	—	—	—	1	22
Vermont	1	1	2	—	—	—	—	—	—	1	3
Virginia	10	70	80	—	9	9	10	—	10	25	124
Washington	9	37	46	—	15	15	2	—	2	27	90
West Virginia	—	21	21	—	—	—	2	—	2	—	23
Wisconsin	3	19	22	—	—	—	7	—	7	4	33
Wyoming	1	4	5	—	—	—	—	—	—	—	5
Total	194	2,247	2,441	45	247	292	312	6	318	719	3,770
Canada											
Alberta	—	40	40	—	—	—	—	—	—	—	40
British Columbia	1	33	34	—	—	—	—	—	—	—	34
Manitoba	1	28	29	—	—	—	—	—	—	—	29
New Brunswick	—	9	9	—	—	—	—	—	—	—	9
Newfoundland and Labrador	—	4	4	—	—	—	—	—	—	—	4
Nova Scotia	—	9	9	—	—	—	—	—	—	—	9
Ontario	6	110	116	—	—	—	—	—	—	—	116
Prince Edward Island	—	2	2	—	—	—	—	—	—	—	2
Saskatchewan	1	8	9	—	—	—	—	—	—	—	9
Yukon	1	—	1	—	—	—	—	—	—	—	1
Total	10	243	253	—	—	—	—	—	—	—	253

We lease the vast majority of our Company-owned stores. Our leases typically provide an initial term with options to extend. As current leases expire, we believe that we will be able to obtain lease renewals, if desired, for present store locations, or to obtain leases for equivalent or better locations in the same general area.

Our leased properties also include the following:

Location	Description
Miami Lakes, Florida	Manufacturing Facilities
Ashland, Virginia	Distribution Center
Avondale, Arizona	Distribution Center
Pearl City, Hawaii	Distribution Center
Cupey Bajo, Puerto Rico	Distribution Center
New Castle Delaware	Distribution Center
Livonia, Michigan	Distribution Center
Kansas City, Missouri	Distribution Center
Tucker, Georgia	Distribution Center
Winter Park, Florida	Distribution Center
Carrollton, Texas	Distribution Center
Houston, Texas	Distribution Center
Reno, Nevada	Distribution Center
Secaucus, New Jersey	Corporate Offices
Orlando, Florida	Corporate Offices
Hoffman Estates, Illinois	Corporate Offices
Delaware, Ohio	Corporate Offices
Hurst, Texas	Corporate Offices
Markham, Canada	Corporate Offices

We own our corporate headquarters which are located in four buildings. Our principal executive office is located at 2387 Liberty Way, Virginia Beach, Virginia 23456.

Item 3. Legal Proceedings.

For information regarding legal proceedings, please see "Note 15 - Commitments and Contingencies" in the Notes to the Consolidated Financial Statements, which information is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Market and Stock Information

Our common stock is listed on the Nasdaq Global Market under the symbol "FRG" and our Series A Preferred Stock is listed on the Nasdaq Global Market under the symbol "FRGAP." As of December 26, 2020, there were 40,092,260 and 1,250,000 shares of common stock and shares of our Series A Preferred Stock outstanding, respectively. As of December 26, 2020, options to acquire 391,409 shares of our common stock were outstanding, 328,075 of which were immediately exercisable.

Holders of Record

As of March 4, 2021, we had approximately 138 registered record holders of our common stock. The reported closing price of our common stock on March 4, 2021 was $34.43. As of March 4, 2021, we had 1 registered record holder of our Series A Preferred Stock. The reported closing price of our Series A Preferred Stock on March 4, 2021 was $25.25. EQ Shareowner Services is the transfer agent and registrar for our common stock and Series A Preferred Stock.

Recent Sales of Unregistered Securities

Other than those sales of unregistered securities that we have disclosed in quarterly reports on Form 10-Q or current reports on Form 8-K, we have not recently sold any unregistered securities.

Dividends

On March 2, 2021, our Board of Directors declared quarterly dividends of $0.375 per share of common stock and $0.46875 per share of Series A Preferred Stock. The dividends will be paid in cash on or about April 15, 2021 to holders of record of our common stock and Series A Preferred Stock on the close of business on March 31, 2021. On December 3, 2020, our Board of Directors declared a quarterly dividend of $0.375 per share of common stock. On December 3, 2020, our Board of Directors declared a quarterly dividend of $0.46875 per share of Series A Preferred Stock. The common stock dividend was paid in cash on or about January 8, 2021 to holders of record of our common stock on the close of business on December 24, 2020 and the Series A Preferred Stock dividend was paid in cash on or about January 15, 2021 to holders of record of our Series A Preferred Stock on the close of business on December 31, 2020. The payment of dividends is at the discretion of our Board of Directors and depends, among other things, on our earnings, capital requirements, and financial condition. Our ability to pay dividends is also subject to compliance with financial covenants that are contained in our credit facility and may be restricted by any future indebtedness that we incur. In addition, applicable law requires our Board of Directors to determine that we have adequate surplus prior to the declaration of dividends. We cannot provide an assurance that we will pay dividends at any specific level or at all.

Share Repurchases

Our Board of Directors has authorized up to $10.0 million for repurchases of shares of our common stock. This authorization has no specific expiration date and cash proceeds from exercises of our stock options increase the amount of the authorization. In addition, the Board of Directors authorized a Liberty Tax AD repurchase program, which reduces the amount of the share repurchase authorization on a dollar-for-dollar basis. Shares repurchased from option exercises and RSUs vesting that are net-share settled by us and shares repurchased in privately negotiated transactions are not considered share repurchases under this authorization. As part of the AD repurchase program, we expended $9.1 million during the year ended December 26, 2020. During the year ended December 26, 2020, we did not repurchase any shares of our common stock.

Item 6. Selected Financial Data.

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are an owner and operator of franchised and franchisable businesses that continually looks to grow our portfolio of brands while utilizing our operating and capital allocation philosophy to generate strong cash flows. We currently operate four reportable segments: Liberty Tax, Buddy's, American Freight, and Vitamin Shoppe.

Our Vitamin Shoppe segment is an omni-channel specialty retailer of vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products. Our American Freight segment is a retail chain offering unbranded furniture, mattresses and home accessories at discount prices. On October 23, 2019, we completed the acquisition of the Sears Outlet business ("Sears Outlet") from Sears Hometown and Outlet Stores, Inc. (the "Sears Outlet Acquisition"). Sears Outlet has been rebranded as American Freight Outlet and is included in our American Freight segment. Our Liberty Tax segment is one of the leading providers of tax preparation services in the United States and Canada. Our Buddy's segment is a specialty retailer of high quality, name brand consumer electronic, residential furniture, appliances and household accessories through rent-to-own agreements.

Our revenue is primarily derived from merchandise sales, rental revenue, and service revenues comprised of royalties and other required fees from our franchisees and financial products.

In evaluating our performance, management focuses on several metrics that we believe are key to our success:

- *Net change in retail and franchise locations*. The change in retail and franchise locations from year to year is a function of the opening of new locations, offset by locations that we or our franchisees close. Please see "Item 2. Properties" in this Annual Report for the number of locations as of December 26, 2020.
- *Systemwide revenue.* Systemwide revenue, which is an operating measure not in accordance with GAAP, includes sales by both Company-owned and franchised locations. We believe systemwide revenue data is useful in assessing consumer demand for our products and services and our performance. In addition, systemwide revenue reflects the size of our business, and because the size of our business drives our management and infrastructure needs, systemwide revenue data helps us assess those needs in comparison to other companies in our industry and other franchise operators.

Acquisitions

On February 14, 2020, we completed our acquisition of American Freight (the "American Freight Acquisition"). Additionally, we, through certain of our subsidiaries, entered into a new $675 million credit facility which funded the American Freight Acquisition and refinanced certain debt of our Buddy's Home Furnishings and Sears Outlet businesses, refer to "Note 2 - Acquisitions" in the Notes to the Consolidated Financial Statements.

On December 16, 2019, we completed our acquisition of The Vitamin Shoppe (the "Vitamin Shoppe Acquisition"). For a complete description of the Vitamin Shoppe Acquisition, refer to "Note 2 - Acquisitions" in the Notes to the Consolidated Financial Statements.

On October 23, 2019, we completed the Sears Outlet Acquisition. For a complete description of the Sears Outlet Acquisition, refer to "Note 2 - Acquisitions" in the Notes to the Consolidated Financial Statements.

On September 30, 2019, we acquired 21 Buddy's stores from a series of franchisees of Buddy's New Holdco, a wholly-owned direct subsidiary of the Company. In connection with the acquisition, the sellers received, in aggregate, 1,350,000 New Holdco units (defined below) and 270,000 shares of our Voting Non-Economic Preferred Stock for a purchase price of $16.8 million.

On August 23, 2019, we acquired 41 Buddy's Home Furnishing stores from A-Team Leasing LLC. ("A-Team"), a franchisee of our Buddy's segment, for total consideration of $26.6 million.

On July 10, 2019 (the "Buddy's Acquisition Date"), we formed Franchise Group New Holdco LLC ("New Holdco"), which completed the Buddy's Acquisition. At the Buddy's Acquisition Date, each outstanding unit of Buddy's was converted into the right to receive 0.459315 units of New Holdco ("New Holdco units") and 0.091863 shares of our Voting Non-Economic Preferred Stock. Each of the New Holdco units held by the former equity holders of Buddy's (the "Buddy's Members") was, together with one-fifth of a share of Voting Non-Economic Preferred Stock held by the Buddy's Members, redeemable in exchange for one share of our common stock after an initial six-month lockup period following their issuance,

which has expired. As of the Buddy's Acquisition Date, on an as-converted basis, the Buddy's Members' aggregate ownership of New Holdco units and share of Preferred Stock represented approximately 36.44% of our outstanding common stock, which implied an enterprise value of Buddy's of approximately $122 million and an equity value of $12.00 per share of our common stock. We are the sole managing member of New Holdco and is consolidated for financial reporting purposes. We and the Buddy's Members also entered into an income tax receivable agreement (the "TRA"), pursuant to which, subject to certain exceptions set forth in the TRA, we agreed to pay the Buddy's Members 40% of the cash savings, if any, in federal, state and local taxes that we realize or are deemed to realize as a result of any increases in tax basis of the assets of New Holdco resulting from future redemptions or exchanges of New Holdco units and Voting Non-Economic Preferred Stock held by the Buddy's Members in exchange for our common stock. As of April 1, 2020, all shares of Voting Non-Economic Preferred Stock and New Holdco units (except for the New Holdco units held by us) were redeemed for shares of our common stock and no shares of Voting Non-Economic Preferred Stock or New Holdco units remained outstanding (except for the New Holdco units held by us). Refer to the liquidity section below for further discussion. For a complete description of the Buddy's Acquisition, refer to "Note 2 - Acquisitions" in the Notes to the Consolidated Financial Statements.

Results of Operations

For the Year Ended December 26, 2020 as compared to the Year Ended April 30, 2019

The following table sets forth the results of our operations for the years ended December 26, 2020 and April 30, 2019:

	Fiscal Years Ended		Change	
(In thousands)	**12/26/2020**	**4/30/2019**	**$**	**%**
Total revenues	$ 2,152,504	$ 132,546	$ 2,019,958	1,524 %
Total operating expenses	2,076,382	133,405	1,942,977	1,456 %
Income (loss) from operations	76,122	(859)	76,981	(8,962)%
Net income (loss)	$ 27,154	$ (2,156)	$ 29,310	(1,359)%

Revenues. The table below sets forth the components and changes in our revenue for the years ended December 26, 2020 and April 30, 2019:

	Fiscal Years Ended		Change	
(In thousands)	**12/26/2020**	**4/30/2019**	**$**	**%**
Product	$ 1,899,662	$ —	$ 1,899,662	— %
Service and other	188,575	132,546	56,029	42 %
Rental	64,267	—	64,267	— %
Total revenue	$ 2,152,504	$ 132,546	$ 2,019,958	1,524 %

Our total revenue increased by $2.0 billion, or 1,524%, in the year ended December 26, 2020 compared to the year ended April 30, 2019. This increase was primarily due to the Buddy's Acquisition on July 10, 2019, which increased revenue by $97.3 million, the Sears Outlet Acquisition on October 23, 2019, which increased revenue by $433.7 million, the Vitamin Shoppe Acquisition on December 19, 2019, which increased revenue by $1,036.0 million, and the American Freight Acquisition on February 14, 2020, which increased revenue by $462.7 million.

Operating expenses. The following table details the amounts and changes in our operating expenses for the years ended December 26, 2020 and April 30, 2019:

	Fiscal Years Ended		Change	
(In thousands)	**12/26/2020**	**4/30/2019**	**$**	**%**
Cost of revenue:				
Product	$ 1,136,054	$ —	$ 1,136,054	— %
Service and other	2,149	—	2,149	— %
Rental	21,905	—	21,905	— %
Total cost of revenue	1,160,108	—	1,160,108	— %
Selling, general and administrative expenses	916,274	124,060	792,214	639 %
Restructuring expenses	—	9,345	(9,345)	(100)%
Total operating expenses	$ 2,076,382	$ 133,405	$ 1,942,977	1,456 %

Total operating expenses increased $1.9 billion, or 1,456%, in the year ended December 26, 2020 compared to the year ended April 30, 2019. This increase was primarily due to the Buddy's Acquisition on July 10, 2019, which increased operating expenses by $77.0 million, the Sears Outlet Acquisition on October 23, 2019, which increased operating expenses by $445.6 million, the Vitamin Shoppe Acquisition on December 19, 2019, which increased operating expenses by $1.0 billion, and the American Freight Acquisition on February 14, 2020, which increased operating expenses by $410.5 million.

Income Taxes. The following table sets forth certain information regarding our income taxes for the years ended December 26, 2020 and April 30, 2019:

	Fiscal Years Ended		Change	
(In thousands)	**12/26/2020**	**4/30/2019**	**$**	**%**
Loss before income taxes	$ (30,816)	$ (3,995)	$ (26,821)	671 %
Income tax benefit	(57,970)	(1,839)	(56,131)	3,052 %
Effective tax rate	188.1 %	46.0 %		

The increase in our income tax benefit in the year ended December 26, 2020 compared to the year ended April 30, 2019 relates to The Coronavirus Aid, Relief, and Economic Security (the "CARES Act") which was enacted on March 27, 2020. The CARES Act retroactively changed the eligibility of certain assets for expense treatment in the year placed in service, back to 2018, and permitted any net operating loss for the tax years 2018, 2019 and 2020 to be carried back for five years. The Company recorded an income tax benefit of $52.3 million as a result of the CARES Act which is the primary reason for the change in the effective rate for the year ended December 26, 2020 compared to the year ended April 30, 2019.

Net income. In the year ended December 26, 2020, we had net income of $27.2 million compared to a net loss of $2.2 in the year ended April 30, 2019, primarily as a result of the income tax benefit of $52.3 million related to the CARES Act.

For a discussion of the 2019 Transition Period Results of Operations, including a discussion of the financial results for the Transition Period compared to unaudited period May 1, 2018 to December 29, 2018, refer to Part II, Item 7 of our Transition Report on Form 10-K/T filed with the SEC on April 24, 2020 ("Form 10-K/T").

For a discussion of the 2019 Results of Operations, including a discussion of the financial results for the fiscal year ended April 30, 2019 compared to the fiscal year ended April 30, 2018, refer to Part II, Item 7 of our Annual Report on Form 10-K for the year ended April 30, 2019, filed with the SEC on June 27, 2019 ("2019 10-K").

Segment Information

Our operations are conducted in four reporting business segments: Vitamin Shoppe, American Freight, Liberty Tax, and Buddy's. We define our segments as those operations whose results our chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources.

We measure the results of our segments using, among other measures, each segment's net revenues, operating expenses and operating income (loss). We may revise the measurement of each segment's operating income, including the allocation of overhead costs, as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation. Because the American Freight Acquisition occurred in the year ended December 26, 2020, and the Buddy's Acquisition, Sears Outlet Acquisition, and Vitamin Shoppe Acquisition occurred in the Transition Period, comparable information is not available; therefore, Vitamin Shoppe, American Freight, and Buddy's segment information is not provided in this discussion.

The following table summarizes the operating results of our Liberty Tax segment for the years ended December 26, 2020 and April 30, 2019:

	Fiscal Years Ended		Change	
(In thousands)	**12/26/2020**	**4/30/2019**	**$**	**%**
Total revenues	$ 122,777	$ 132,546	$ (9,769)	(7)%
Operating expenses	99,166	133,405	(34,239)	(26)%
Operating income (loss)	$ 23,611	$ (859)	$ 24,470	(2,849)%

Total revenue for our Liberty Tax segment decreased $9.8 million, or 7%, for the year ended December 26, 2020 as compared to the year ended April 30, 2019. The decrease in revenue is primarily driven by the following:

- a decrease of $8.6 million in royalties and advertising, financial products and electronic filing fees related to store closures and reduced U.S. federal tax returns due to COVID-19; and
- a $4.6 million decrease in interest income related to a reduction in working capital loans to franchisees as well as a decrease in the loans due from reacquired ADs and franchisees; and
- an increase of $3.8 million in other revenues resulting primarily from gains recorded on AD and franchisee acquisitions where the consideration was less than the value of the acquired assets and ancillary product revenues; and
- a $1.3 million increase in tax preparation fees due to an increase in the number of Company-owned stores.

Operating expenses for the Liberty Tax segment decreased $34.2 million or 26% for the year ended December 26, 2020 as compared to the year ended April 30, 2019. The decrease in operating expenses is primarily driven by the following:

- a $9.3 million decrease in restructuring costs primarily due to store closures in fiscal 2019; and
- a decrease of $7.6 million in other expenses primarily related to reduced bad debt expense in 2020 and non-recurring professional fees in 2019; and
- a decrease of $6.9 million in compensation costs due to reductions to head count in fiscal 2020; and
- a decrease of $6.0 million in AD expense related to related to buybacks and non-renewals of ADs; and
- a $3.7 million decrease in depreciation, amortization and impairment charges primarily related to software disposed of in December 2019, partially offset by AD buybacks in 2020; and
- a $0.7 million reduction in advertising expense due to decreased tax return volume.

For a discussion of the Liberty Tax segment 2019 Transition Period Results of Operations, including a discussion of the financial results for the Transition Period compared to unaudited period May 1, 2018 to December 29, 2018, refer to Part II, Item 7 of our Form 10-K/T.

For a discussion of the Liberty Tax segment 2019 Results of Operations, including a discussion of the financial results for the fiscal year ended April 30, 2019 compared to the fiscal year ended April 30, 2018, refer to Part II, Item 7 of our 2019 10-K.

Adjusted EBITDA.

To provide additional information regarding our financial results, we have disclosed Adjusted EBITDA in the table below and within this Annual Report. Adjusted EBITDA represents net income (loss), before income taxes, interest expense, depreciation and amortization, and certain other items specified below. We have provided a reconciliation below of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA in this Annual Report because we believe the presentation of these measures is useful to investors as supplemental measures in evaluating the aggregate performance of our operating businesses and in comparing our results from period to period because they exclude items that we do not believe are reflective of our core or ongoing operating results. These measures are used by our management to evaluate performance and make resource allocation decisions each period. Adjusted EBITDA is also the primary operating metric used in the determination of executive management's compensation. In addition, a measure similar to Adjusted EBITDA is used in the Company's credit facilities but is calculated differently. Adjusted EBITDA is not a recognized financial measure under GAAP and may not be comparable to similarly-titled measures used by other companies in our industry. Adjusted EBITDA should not be considered in isolation from or as an alternative to net income (loss), operating income (loss), or any other performance measures derived in accordance with GAAP.

The following table presents a reconciliation of Adjusted EBITDA for each of the periods indicated.

	Fiscal Years Ended	
(In thousands)	**12/26/2020**	**4/30/2019**
Net income (loss)	$ 27,154	$ (2,156)
Add back:		
Interest expense	101,751	3,023
Income tax benefit	(57,970)	(1,839)
Depreciation and amortization charges	62,238	14,084
Total Adjustments	106,019	15,268
EBITDA	133,173	13,112
Adjustments to EBITDA		
Executive severance and related costs	6,360	933
Executive recruitment costs	—	725
Stock based compensation	9,484	—
Shareholder litigation costs	575	472
Restructuring expense	—	9,345
Corporate compliance costs	796	614
Accrued judgments and settlements	(238)	972
Store closures	592	—
Rebranding costs	8,725	—
Inventory fair value step up amortization	36,244	—
Prepayment penalty on early debt repayment	8,752	—
Right-of-use asset impairment	2,895	—
Integration costs	2,703	—
Divestiture of year-round accounting offices	—	1,846
Acquisition costs	17,584	—
Total Adjustments to EBITDA	94,472	14,907
Adjusted EBITDA	$ 227,645	$ 28,019

Included in restructuring expense on the condensed consolidated statement of operations for the year ended April 30, 2019 is $1.3 million of depreciation, amortization, and impairment charges. EBITDA is $14.4 million for the year end April 30, 2019 with these expenses included.

Liquidity and Capital Resources

We believe that we have sufficient liquidity to support our ongoing operations and maintain a sufficient liquidity position to meet our obligations and commitments. Our liquidity plans are established as part of our financial and strategic planning processes and consider the liquidity necessary to fund our operating, capital expenditure and debt service needs.

We primarily fund our operations and acquisitions through operating cash flows and, as needed, a combination of borrowings under various credit agreements, availability under our revolving credit facilities and the issuance of equity securities. Cash generation can be subject to variability based on many factors, including seasonality, receipt of prepaid payments from area developers, timing of repayment of loans to franchisees and the effects of changes in end markets.

Subsequent to December 26, 2020, several transactions and events occurred that will or have the potential to affect our liquidity and capital resources in future periods as discussed in Part I, Item 1. Business.

Sources and uses of cash

Operating activities

In the year ended December 26, 2020, cash provided by operating activities increased $224.4 million compared to the year ended April 30, 2019. This increase is primarily due to:

- a $97.7 million increase in cash due to a decrease in inventory;
- a $104.0 million increase in cash income;
- a $24.2 million increase in accounts payable and accrued expenses; and
- a $24.4 million increase in deferred revenue, partially offset by a $22.8 million decrease to accounts, notes, and interest receivable.

In the Transition Period, cash used in operating activities decreased $10.3 million compared to the period from May 1, 2018 to December 29, 2018. This decrease is primarily due to:

- a $31.7 million increase in other assets due to an increase of $10.1 million in inventory, a $3.7 million increase in bank products receivable and a $5.6 million increase in restricted cash;
- a $24.0 million increase in depreciation and amortization primarily due to the impairment of internally developed software that is no longer in use;
- a $21.5 million decrease in income taxes receivable due to a valuation allowance related to the ability to utilize net operating loss carryforwards; and
- a $61.4 million decrease in net income.

In the fiscal year ended April 30, 2019, our cash provided from operating activities decreased $10.5 million from the cash provided in the fiscal year ended April 30, 2018. This decrease was primarily driven by:

- a decrease of $11.6 million in tax preparation fees received due to closures of Company-owned and year-round accounting stores, partially offset by;
- a $4.0 million reduction in executive severance and recruitment payments in fiscal 2019 compared to fiscal 2018.

Investing activities

In the year ended December 26, 2020, cash used for investing activities increased $338.5 million compared to the year ended April 30, 2019. This increase is primarily driven by:

- a $353.4 million increase in cash used for the American Freight Acquisition;

- a $17.3 million decrease in cash payments received on operating loans to franchisees and ADs;
- a $31.9 million increase in purchases of property, equipment and software; and
- partially offset by a $34.1 million decrease in cash used for operating loans to franchisees and ADs and a $35.1 million increase in the proceeds from the sales of Company-owned offices and area developer rights.

In the Transition Period, cash used for investing activities increased $315.0 million compared to the period from May 1, 2018 to December 29, 2018. This increase is primarily due to the Vitamin Shoppe Acquisition, the Sears Outlet Acquisition and the acquisition of franchisees from A-Team Leasing.

In the fiscal year ended April 30, 2019, we used $6.3 million less in investing activities than in the fiscal year ended April 30, 2018 due to:

- a $2.7 million decrease in net cash used to acquire Company-owned offices, AD rights and customer lists, net of sales; and
- a $2.4 million decrease in purchases of property, equipment and software.

Financing activities

In the year ended December 26, 2020, cash from financing activities increased $215.9 million compared to the year ended April 30, 2019. This increase is primarily driven by:

- an increase of $586.0 million in borrowings under the FGNH Credit Agreement;
- an increase of $227.5 million due to proceeds from share issuances;
- an increase of $61.1 million of borrowings under revolving credit facilities.
- partially offset by $498.0 million in repayments of long-term obligations including term loans used to acquire Buddy's, Sears Outlet, VSI, and American Freight; and
- a decrease of $112.0 million in repayments of borrowings under revolving credit facilities.
- an increase of $27.1 million in dividend payments.

In the Transition Period, cash from financing activities increased $341.0 million compared to the period from May 1, 2018 to December 29, 2018. The increase was driven by:

- a $333.3 million increase in cash raised from borrowings under debt agreements and revolving credit facilities, primarily under the Vitamin Shoppe Credit Agreement, Sears Outlet Credit Agreement and Buddy's Credit Agreement (defined below);
- a $96.1 million increase in cash raised from common stock issuances;
- an increase of $15.1 million in cash used for debt issuance costs;
- an increase of $30.5 million in cash used for repayments of term loans and the revolving credit facilities; and
- an increase of $47.2 million in cash used to repurchase shares of common stock in connection with a tender offer.

In the fiscal year ended April 30, 2019, we used $4.5 million less cash for financing activities compared to the fiscal year ended April 30, 2018 primarily due to a decrease of $6.7 million in dividends paid.

Long-term debt borrowings

Franchise Group New Holdco Term Loan and ABL Term Loan. On February 14, 2020, as part of the American Freight Acquisition, we, through direct and indirect subsidiaries, entered into a $675.0 million credit facility, which included a $575.0 million senior secured term loan (the “FGNH Term Loan”) and a $100.0 million senior secured asset based term loan (the “FGNH ABL Term Loan”), to finance the American Freight Acquisition and repay the existing Sears Outlet and Buddy’s term loans for an amount of $106.7 million and $101.6 million including accrued interest, respectively. The FGNH Term Loan will mature on February 14, 2025 and the FGNH ABL Term Loan matured on September 30, 2020. We are required to repay the FGNH Term Loan in equal quarterly installments of $6.3 million on the last day of each fiscal quarter, which commenced on June 27, 2020. On September 23, 2020, we repaid in full all amounts that were outstanding under the FGNH ABL Term Loan and terminated the FGNH ABL Credit Agreement. On September 23, 2020, the Company, through direct and indirect subsidiaries, entered into an ABL Credit Agreement (the “New ABL Credit Agreement”) with various lenders which provides for a senior secured revolving loan facility with commitments available to the Company of the lesser of (i) $125.0 million and (ii) a borrowing base based on the eligible credit card receivables, accounts, inventory and revenue due under certain rental agreements, less certain reserves. The New ABL Credit Agreement also includes a $15.0 million swingline subfacility and a $15.0 million letter of credit subfacility. The Company has borrowed approximately $30.3 million as of December 26, 2020.

Vitamin Shoppe Term Loan. On December 16, 2019 as part of the Vitamin Shoppe Acquisition, we, through direct and indirect subsidiaries, entered into a Loan and Security Agreement (the “Vitamin Shoppe Term Loan Agreement”) that provides for a $70.0 million senior secured term loan (the "Vitamin Shoppe Term Loan") which matures on December 16, 2022. On August 13, 2020, we repaid in full all amounts that were outstanding under the Vitamin Shoppe Term Loan and terminated the Vitamin Shoppe Term Loan Agreement on August 25, 2020.

Vitamin Shoppe ABL Revolver. On December 16, 2019, we, through direct and indirect subsidiaries, entered into a Second Amended and Restated Loan and Security Agreement (the “Vitamin Shoppe ABL Agreement”) providing for a senior secured revolving loan facility (the “Vitamin Shoppe ABL Revolver”) with commitments available to us of the lesser of (i) $100.0 million and (ii) a specified borrowing base based on our eligible credit card receivables, accounts and inventory, less certain reserves, and as to each of clauses (i) and (ii), less a $10.0 million availability block. The Vitamin Shoppe ABL Revolver will mature on December 16, 2022. We borrowed $70.0 million on December 16, 2019, the proceeds of which were used to consummate the Vitamin Shoppe Acquisition. Subject to the Intercreditor Agreement, we are required to repay borrowings under the Vitamin Shoppe ABL Revolver with the net cash proceeds of certain customary events (subject to certain customary reinvestment rights). Further, if the outstanding principal amount of the borrowings under the Vitamin Shoppe ABL Revolver at any time exceeds the lesser of $100.0 million and the borrowing base, less, in each case, a $10.0 million availability block, we must prepay any such excess. In addition, the Vitamin Shoppe ABL Agreement includes customary affirmative and negative covenants binding on us and our subsidiaries, including delivery of financial statements, borrowing base certificates and other reports.

Sears Outlet Credit Agreement. On October 23, 2019 in connection with the Sears Outlet Acquisition, we, through indirect subsidiaries, entered into a credit agreement ("the Sears Outlet Credit Agreement") that provides for a $105.0 million first priority senior secured term loan (the "Sears Outlet Term Loan"), net of financing costs of $2.8 million, which matures on October 23, 2023. We repaid the Sears Outlet Term Loan on February 14, 2020 in connection with the financing of the American Freight Acquisition.

Buddy's Credit Agreement. On July 10, 2019, in connection with the Buddy's Acquisition, we, through an indirect subsidiary, entered into a credit agreement (the "Buddy's Credit Agreement") that provides for an $82.0 million first priority senior secured term loan which matures on July 10, 2024. On August 23, 2019 as part of the 41 stores acquisition from A-Team, the Buddy's Credit Agreement was amended. The amendment provides for a $23.0 million first priority senior secured loan (the “Buddy’s Additional Term Loan”), net of financing costs of $0.4 million. We repaid the amounts outstanding under the Buddy’s Credit Agreement on February 14, 2020 in connection with the financing of the American Freight Acquisition.

Liberty Tax Credit Agreement. On May 16, 2019, we entered into a new credit agreement (the "Liberty Tax Credit Agreement") which provided for a $135.0 million senior revolving credit facility, a $10.0 million sub-facility for the issuance of letters of credit, and a $20.0 million swingline loan sub-facility. On October 2, 2019, we amended the Liberty Tax Credit Agreement dated May 16, 2019 to extend the maturity date to October 2, 2022, from the original maturity date of May 31, 2020 and decrease the aggregate amount of commitments from $135.0 million to $125.0 million as of October 2, 2019. The Liberty Tax Credit Agreement included customary affirmative, negative, and financial covenants, including delivery of financial statements and other reports and maintenance of existence. On February 14, 2020, we amended certain provisions of the Liberty Tax Credit Agreement to provide for the gradual reduction of the commitments under the Liberty Tax Credit Agreement and termination of the facility on April 30, 2020.

For more information on the long-term obligations, refer to "Note 9 - Long-Term Obligations”, to the Consolidated Financial Statements in Item 8.

Other factors affecting our liquidity

Seasonality of cash flow. Our Liberty Tax segment's tax return preparation business is seasonal, and most of its revenues and cash flow are generated during the period from late January through April 30 each year, with the exception of the 2020 tax season, which was extended to July 15 due to the COVID-19 pandemic. Following each tax season, from May 1 through late January of the following year, it relies significantly on excess operating cash flow from the previous season, from cash payments made by franchisees who purchase new territories prior to the next tax season, and on the use of its credit facility to fund its operating expenses and invest in the future growth of the business. Its business has historically generated a strong cash flow from operations on an annual basis. The Liberty Tax segment devotes a significant portion of its cash resources during the off-season to finance the working capital needs of its franchisees, and expenditures for property, equipment and software.

Franchisee lending and potential exposure to credit loss. A portion of our cash flow during the year is utilized to provide funding to our franchisees. At December 26, 2020, our total balance of loans to franchisees for working capital and equipment loans, representing cash we had advanced to the franchisees, was $1.6 million. In addition, at that date, our franchisees and ADs together owed us an additional $44.9 million, net of unrecognized revenue of $5.1 million, representing unpaid royalties, the unpaid purchase price for franchise territories and other amounts.

Our Liberty Tax segment franchise agreements allow us to obtain repayment of amounts due to us from our franchisees through an electronic fee intercept program before our franchisees receive the net proceeds from tax preparation and other fees they have charged to their customers on tax returns associated with tax settlement products. Therefore, we are able to minimize the nonpayment risk associated with amounts outstanding from franchisees by obtaining direct electronic payment in the ordinary course throughout the tax season. The unpaid amounts owed to us from our franchisees and ADs are collateralized by the underlying franchise or area and, when the franchise or area owner is an entity, are generally guaranteed by the owners of the respective entity. Accordingly, to the extent a franchisee or AD does not satisfy its payment obligations to us, we may repossess the underlying franchise or area in order to resell it in the future. At December 26, 2020, we had an investment in impaired accounts and notes receivable and related interest receivable of approximately $16.2 million. We consider accounts and notes receivable to be impaired if the amounts due exceed the fair value of the underlying franchise and estimate an allowance for doubtful accounts based on that excess. Amounts due include the recorded value of the accounts and notes receivable reduced by the allowance for uncollected interest, amounts due to ADs for their portion of franchisee receivables, any related unrecognized revenue and amounts owed to the franchisee or AD by us. In establishing the fair value of the underlying franchise, we consider net fees of open territories and the number of unopened territories. At December 26, 2020, our allowance for doubtful accounts for impaired accounts and notes receivable was $6.6 million.

Tax Receivable Agreement. We may be required to make payments under the Tax Receivable Agreement ("TRA Payments") to the Buddy’s Members. Under the terms of the Tax Receivable Agreement, we will pay the Buddy's Members 40% of the cash savings, if any, in federal, state and local taxes that we realize or are deemed to realize as a result of any increases in tax basis of the assets of New Holdco resulting from future redemptions or exchanges of New Holdco units held by the Buddy's Members. Any future obligations and the timing of such payments under the Tax Receivable Agreement, however, are subject to several factors, including (i) the timing of subsequent exchanges of New Holdco units by the Buddy’s Members, (ii) the price of our common stock at the time of exchange, (iii) the extent to which such exchanges are taxable, (iv) the ability to generate sufficient future taxable income over the term of the Tax Receivable Agreement to realize the tax benefits and (v) any future changes in tax laws. If we do not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then we would not be required to make the related TRA Payments. Although the amount of the TRA Payments would reduce the total cash flow to us and New Holdco, we expect the cash tax savings we will realize from the utilization of the related tax benefits would be sufficient to fund the required payments. As of December 26, 2020, we had TRA Payments due to the Buddy's Members of $16.8 million.

Dividends. See "Item 5-Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Future cash needs and capital requirements

Operating and financing cash flow needs. Following transactions completed subsequent to December 26, 2020, our primary cash needs are expected to include the payment of scheduled debt and interest payments, capital expenditures and

normal operating activities. We believe that our revolving credit facilities along with cash from operating activities, will be sufficient to support our cash flow needs for at least the next twelve months.

Several factors could affect our cash flow in future periods, including the following:

- The extent to which we extend additional operating financing to our franchisees and ADs, beyond the levels of prior periods.
- The extent and timing of capital expenditures.
- The extent and timing of future acquisitions.
- Our ability to integrate our acquisitions and implement business and cost savings initiatives to improve profitability.
- The extent, if any, to which our Board of Directors elects to continue to declare dividends on our common stock.

Compliance with Debt Covenants. Our revolving credit and long-term debt agreements impose restrictive covenants on us, including requirements to meet certain ratios. As of December 26, 2020, we were in compliance with all covenants under these agreements.

Off Balance Sheet Arrangements

From time to time, we have been party to interest rate swap agreements. These swaps effectively changed the variable-rate of our credit facility into a fixed-rate credit facility. Under the swaps, we received a variable interest rate based on the one-month LIBOR and paid a fixed interest rate. We entered into an interest rate swap agreement in relation to our mortgage payable to a bank, during fiscal 2017.

We also enter into forward contracts to eliminate exposure related to foreign currency fluctuations in connection with the short-term advances we make to our Canadian subsidiary in order to fund personal income tax refund discounting for our Canadian operations. At December 26, 2020, there were no forward contracts outstanding, but we expect to enter into forward contracts in the future during the Canadian tax season.

Critical Accounting Policies

The preparation of financial statements requires the use of estimates. Certain of our estimates require a high level of judgment and have the potential to have a material effect on the financial statements if actual results vary significantly from those estimates. Following is a discussion of the estimates that we consider critical.

Inventory. Inventory for our Buddy's segment is recorded at cost, including shipping and handling fees. All lease merchandise is available for lease or sale. Upon purchase, merchandise is not initially depreciated until it is leased or three months after the purchase date. Non-leased merchandise is depreciated on a straight-line basis over a period of 24 months. Leased merchandise is depreciated over the lease term of the rental agreement. On a weekly basis, all damaged, lost, stolen, or unsalable merchandise identified is written off. Maintenance and repairs of lease merchandise are charged to operations as incurred.

Inventory for our American Freight banner is valued at the lower of cost or market, using the first-in, first-out method. We record adjustments to the value of inventory when the cost of the specific inventory items on hand exceeds the amount that we expect to realize from the sale or disposal of the inventory, based on our assumptions about future demand, market conditions and analysis of our historical performance. Inventory for our American Freight Outlet banner is recorded at the lower of cost or market using the weighted-average cost method. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. We maintain a provision for estimated shrinkage based on the actual historical results of our physical inventories. We compare our estimates to the actual results of the physical inventory counts as they are taken and adjust the shrink estimates accordingly. We also record adjustments to the value of inventory equal to the difference between the carrying value and the estimated market value, based on assumptions about future demand or when a permanent markdown indicates that the net realizable value of the inventory is less than cost.

Inventory for our Vitamin Shoppe segment is recorded at the lower of cost or market value using the weighted-average cost method. Inventory includes costs directly incurred in bringing the product to its existing condition and location. In

addition, the cost of inventory is reduced by purchase discounts and other allowances received from vendors. A markdown reserve is estimated based on a variety of factors, including, but not limited to, the amount of inventory on hand and its remaining shelf life, current and expected market conditions and product expiration dates. In addition, we have established a reserve for estimated inventory shrinkage based on the actual, historical shrinkage of our most recent physical inventories adjusted, and if necessary, for current economic conditions and business trends. Physical inventories and cycle counts are taken on a regular basis. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand or competition differ from management expectations.

Long-Lived Assets. We review our long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. We measure recoverability by comparison of the carrying value of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. We recognize and measure potential impairment at the lowest level where cash flows are individually identifiable. If the carrying amount of an asset exceeds its estimated future cash flows, we recognize an impairment charge equal to the amount by which the carrying value of the asset exceeds the fair value of the asset. We determine fair value through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals. If assets are to be disposed of, we separately present these assets in the balance sheet and report them at the lower of the carrying amount or fair value less selling costs, and no longer depreciate them. When we have assets classified as held for sale, we present them separately in the appropriate asset section of the balance sheet.

Business Combinations-Purchase Price Allocation. For acquisitions we allocated the purchase price to the various tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values, some of which are preliminary as of December 26, 2020. Determining the fair value of certain assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions, which are inherently uncertain. Many of the estimates and assumptions used to determine fair values, such as those used for intangible assets are made based on forecasted information and discount rates. In addition, the judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations.

Recently Issued Accounting Standards

Refer to "Note 1 - Organization and Significant Accounting Policies", in our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

TABLE OF CONTENTS

Report of Independent Registered Accounting Firm	43
Consolidated Balance Sheets	47
Consolidated Statements of Operations	48
Consolidated Statements of Comprehensive Income (Loss)	49
Consolidated Statement of Stockholders' Equity	50
Consolidated Statements of Cash Flows	54
Notes to Consolidated Financial Statements	56
Note 1 - Organization and Significant Accounting Policies	56
Note 2 - Acquisitions	62
Note 3 - Assets Disposition	64
Note 4 - Notes and Accounts Receivable	65
Note 5 - Property, Equipment, and Software, Net	67
Note 6 - Goodwill and Intangible Assets	67
Note 7 - Revenue	69
Note 8 - Leases	71
Note 9 - Long-Term Obligations	73
Note 10 - Stockholders' Equity	77
Note 11 - Stock Compensation Plan	81
Note 12 - Fair Value of Financial Instruments	84
Note 13 - Income Taxes	87
Note 14 - Related Party Transactions	92
Note 15 - Commitments and Contingencies	95
Note 16 - Segments	97
Note 17 - Subsequent Events	99

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franchise Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Franchise Group, Inc. and subsidiaries (the "Company") as of December 26, 2020 and December 28, 2019 and the related consolidated statement of operations, comprehensive income (loss), stockholders' equity, and cash flows, for the fiscal year ended December 26, 2020 and the transition period ended December 28, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2020 and December 28, 2019 and the results of its operations and its cash flows for the fiscal year ended December 26, 2020 and the transition period ended December 28, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 26, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisitions – Refer to Notes 1 and 2 to the financial statements

Critical Audit Matter Description

On February 14, 2020, the Company completed the acquisition of American Freight, Inc. (“American Freight”) for a purchase price of $357.3 million. The Company accounted for the acquisition under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values. The method for determining fair value of certain assets and liabilities, such as intangible assets, is subjective in nature and involved management making significant estimates and assumptions, such as future cash flows and the selection of the discount rate.

We identified the American Freight assets and liabilities, including intangible assets, as a critical audit matter because of the significant judgments made by management to estimate the preliminary fair value. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management’s estimates and assumptions related to forecasts of future cash flows and selection of the discount rate, in determining the estimated fair value assigned to certain assets acquired and liabilities assumed, such as intangible assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasted information, discount rates, and the estimated fair value assigned to certain assets acquired and liabilities assumed, such as intangible assets, for American Freight 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 February 14, 2020 acquisition date to December 26, 2020.
- 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.

/s/ Deloitte & Touche LLP

Richmond, Virginia
March 10, 2021

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franchise Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Franchise Group, Inc. and subsidiaries (the "Company") as of December 26, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the fiscal year ended December 26, 2020, of the Company and our report dated March 10, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Richmond, Virginia
March 10, 2021

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Franchise Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Liberty Tax, Inc. and Subsidiaries (the "Company") as of April 30, 2019 and 2018, and the related consolidated statements of operations, comprehensive operations, stockholders' equity, and cash flows for each of the years in the two-year period ended April 30, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended April 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of April 30, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO), and our report dated June 27, 2019, expressed an adverse opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Adoption of New Accounting Standard

As discussed in Note 7 to the consolidated financial statements, the Company changed its method for accounting for revenue as a result of the adoption of the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective May 1, 2018. Our opinion is not modified with respect to that matter.

/s/ Cherry Bekaert LLP

We served as the Company's auditor from 2018 to 2019.

Virginia Beach, Virginia
June 27, 2019

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
As of December 26, 2020 and December 28, 2019

(In thousands, except share count and per share data)	12/26/2020	12/28/2019
Assets		
Current assets:		
Cash and cash equivalents	$ 151,502	$ 39,581
Current receivables, net	90,610	79,693
Inventories, net	302,307	300,312
Other current assets	20,772	20,267
Total current assets	565,191	439,853
Property, equipment, and software, net	143,506	150,147
Non-current receivables, net	16,689	18,638
Goodwill	456,977	134,301
Intangible assets, net	134,695	77,590
Operating lease right-of-use assets	510,875	462,610
Other non-current assets	9,728	15,406
Total assets	$ 1,837,661	$ 1,298,545
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term obligations	$ 105,388	$ 218,384
Current operating lease liabilities	131,690	107,680
Accounts payable and accrued expenses	265,016	158,995
Other current liabilities	36,879	16,409
Total current liabilities	538,973	501,468
Long-term obligations, excluding current installments	468,655	245,236
Non-current operating lease liabilities	407,014	394,307
Other non-current liabilities	37,852	5,773
Total liabilities	1,452,494	1,146,784
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value per share, 180,000,000 and 180,000,000 shares authorized, 40,092,260 and 18,250,225 shares issued and outstanding at December 26, 2020 and December 28, 2019, respectively	401	183
Preferred stock, $0.01 par value per share, 20,000,000 and 20,000,000 shares authorized, 1,250,000 and 1,886,667 shares issued and outstanding at December 26, 2020 and December 28, 2019, respectively	13	19
Additional paid-in capital	382,383	108,339
Accumulated other comprehensive loss, net of taxes	(1,399)	(1,538)
Retained earnings	3,769	18,388
Total equity attributable to Franchise Group, Inc.	385,167	125,391
Non-controlling interest	—	26,370
Total equity	385,167	151,761
Total liabilities and equity	$ 1,837,661	$ 1,298,545

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Year Ended December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited), and Years Ended April 30, 2019 and April 30, 2018

(In thousands, except per share data)	Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019- 12/28/2019	Period From 5/1/2018 - 12/29/2018	Twelve Months Ended 4/30/2019	Twelve Months Ended 4/30/2018
Revenues:					
Product	$ 1,899,662	$ 96,139	$ —	$ —	$ —
Service and other	188,575	29,735	16,647	132,546	174,872
Rental	64,267	23,636	—	—	—
Total revenues	2,152,504	149,510	16,647	132,546	174,872
Operating expenses:					
Cost of revenue:					
Product	1,136,054	71,820	—	—	—
Service and other	2,149	768	—	—	—
Rental	21,905	8,661	—	—	—
Total cost of revenue	1,160,108	81,249	—	—	—
Selling, general, and administrative expenses	916,274	173,860	68,267	124,060	162,321
Restructuring expenses	—	—	9,345	9,345	4,952
Total operating expenses	2,076,382	255,109	77,612	133,405	167,273
Income (loss) from operations	76,122	(105,599)	(60,965)	(859)	7,599
Other income (expense):					
Other	(5,187)	37	(12)	(113)	63
Interest expense, net	(101,751)	(9,349)	(1,802)	(3,023)	(3,181)
Income (loss) before income taxes	(30,816)	(114,911)	(62,779)	(3,995)	4,481
Income tax expense (benefit)	(57,970)	(10,445)	(19,726)	(1,839)	4,346
Net income (loss)	27,154	(104,466)	(43,053)	(2,156)	135
Less: Net (income) loss attributable to non-controlling interest	(2,090)	36,039	—	—	(10)
Net income (loss) attributable to Franchise Group, Inc.	$ 25,064	$ (68,427)	$ (43,053)	$ (2,156)	$ 125
Net income (loss) per share of common stock:					
Basic	$ 0.70	$ (4.11)	$ (3.17)	$ (0.16)	$ 0.01
Diluted	0.70	(4.11)	(3.17)	(0.16)	0.01
Weighted-average shares outstanding:					
Basic	34,531,362	16,669,065	13,602,774	13,800,884	12,928,762
Diluted	34,971,935	16,669,065	13,602,774	13,800,884	13,977,748

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
Year Ended December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited) and Years Ended April 30, 2019 and April 30, 2018

(In thousands)	Twelve Months Ended	Transition Period From 5/1/2019 -	Period From 5/1/2018 -	Twelve Months Ended	
	12/26/2020	12/28/2019	12/29/2018	4/30/2019	4/30/2018
Net income (loss)	$ 27,154	$ (104,466)	$ (43,053)	$ (2,156)	$ 135
Other comprehensive income (loss)					
Foreign currency translation adjustment	242	412	(654)	(527)	679
Unrealized (loss) gain on interest rate swap agreement, net of taxes of ($24), ($15), ($16), ($23) and $22, respectively	(103)	(40)	(18)	(36)	58
Other comprehensive income (loss)	139	372	(672)	(563)	737
Comprehensive income (loss)	27,293	(104,094)	(43,725)	(2,719)	872
Less: comprehensive (income) loss attributable to non-controlling interest	(1,915)	35,911	—	—	—
Comprehensive income (loss) attributable to Franchise Group, Inc.	$ 25,378	$ (68,183)	$ (43,725)	$ (2,719)	$ 872

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Year Ended December 26, 2020

(In thousands)	Shares	Common stock	Shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity	Non-controlling interest	Total Equity
Balance at December 29, 2019	18,250	$ 183	1,887	$ 19	$ 108,339	$ (1,538)	$ 18,388	$ 125,391	$ 26,370	$ 151,761
Changes and distributions of non-controlling interest in New Holdco	—	—	—	—	23,744	(175)	—	23,569	(25,927)	(2,358)
Net income	—	—	—	—	—	—	25,064	25,064	2,090	27,154
Total other comprehensive income	—	—	—	—	—	314	—	314	(175)	139
Exercise of stock options	50	1	—	—	519	—	—	520	—	520
Stock-based compensation expense, net	66	—	—	—	8,810	—	—	8,810	—	8,810
Issuance of common stock	12,292	123	—	—	228,892	—	—	229,015	—	229,015
Issuance of Series A Preferred Stock	—	—	1,250	13	29,470	—	—	29,483	—	29,483
Conversion of preferred to common stock	9,434	94	(1,887)	(19)	(10,028)	—	—	(9,953)	—	(9,953)
Common dividend declared ($0.375 per share)	—	—	—	—	—	—	(41,286)	(41,286)	—	(41,286)
Preferred dividend declared (7.5% per share)	—	—	—	—	—	—	(755)	(755)	—	(755)
Tax Receivable Agreement	—	—	—	—	(7,363)	—	—	(7,363)	—	(7,363)
Adjustment	—	—			—		2,358	2,358	(2,358)	—
Balance at December 26, 2020	40,092	$ 401	1,250	$ 13	$ 382,383	$ (1,399)	$ 3,769	$ 385,167	$ —	$ 385,167

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Transition Period Ended December 28, 2019

(In thousands)	Shares	Common stock	Shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity	Non-controlling interest	Total Equity
Balance at May 1, 2019	14,049	$ 140	—	$ —	$ 12,552	$ (1,910)	$ 92,932	$ 103,714	$ —	$ 103,714
Cumulative effect of adopted accounting standards, net	—	—	—	—	—	—	319	319	—	319
Buddy's Acquisition - issuance of Preferred Stock and New Holdco units, net of taxes	—	—	1,617	16	87,934	—	—	87,950	—	87,950
Non-controlling interest in New Holdco	—	—	—	—	(62,409)	—	—	(62,409)	62,409	—
Buddy's Partners Acquisition - issuance of Preferred Stock and New Holdco units	—	—	270	3	16,197	—	—	16,200	—	16,200
Net loss	—	—	—	—	—	—	(68,427)	(68,427)	(36,167)	(104,594)
Total other comprehensive income	—	—	—	—	—	372	—	372	128	500
Exercise of stock options	208	2	—	—	2,200	—	—	2,202	—	2,202
Stock-based compensation, net of taxes	74	1	—	—	2,991	—	—	2,992	—	2,992
Issuance of common stock related to Buddy's Acquisition	2,083	21	—	—	24,979	—	—	25,000	—	25,000
Issuance of common stock related to Sears Outlet Acquisition	3,333	33	—	—	39,967	—	—	40,000	—	40,000
Issuance of common stock related to Vitamin Shoppe Acquisition	2,439	25	—	—	31,118	—	—	31,143	—	31,143
Tender Offer	(3,936)	(39)	—	—	(47,190)	—	—	(47,229)	—	(47,229)
Common dividend declared ($0.25 per share)	—	—	—	—	—	—	(6,436)	(6,436)	—	(6,436)
Balance at December 28, 2019	18,250	$ 183	1,887	$ 19	$ 108,339	$ (1,538)	$ 18,388	$ 125,391	$ 26,370	$ 151,761

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Year Ended April 30, 2019

(In thousands)	Shares	Class A common stock	Shares	Class B common stock	Shares	Special voting preferred stock	Shares	Exchangeable stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Equity
Balance at May 1, 2018	12,823	$ 128	200	$ 2	—	$ —	1,000	$ 10	$ 11,570	$ (1,347)	$ 101,139	$ 111,502
Cumulative effect of adopted accounting standards, net	—	—	—	—	—	—	—	—	—	—	(3,794)	(3,794)
Net loss	—	—	—	—	—	—	—	—	—	—	(2,156)	(2,156)
Total other comprehensive loss	—	—	—	—	—	—	—	—	—	(563)	—	(563)
Conversion of preferred stock to common stock	—	—	—	—	—	—	(1,000)	(10)	—	—	—	(10)
Exercise of stock options	14	—	—	—	—	—	—	—	153	—	—	153
Stock-based compensation, net of taxes	12	—	—	—	—	—	—	—	829	—	—	829
Dividend declared ($0.16 per share)	—	—	—	—	—	—	—	—	—	—	(2,257)	(2,257)
Converted Class B common stock to Class A common stock	1,200	12	(200)	(2)	—	—	—	—	—	—	—	10
Balance at April 30, 2019	14,049	$ 140	—	$ —	—	$ —	—	$ —	$ 12,552	$ (1,910)	$ 92,932	$ 103,714

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity
Year Ended April 30, 2018

(In thousands)	Shares	Class A common stock	Shares	Class B common stock	Shares	Special voting preferred stock	Shares	Exchangeable stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Equity
Balance at May 1, 2017	12,683	$ 127	200	$ 2	—	$ —	1,000	$ 10	$ 8,371	$ (2,084)	$ 110,029	$ 116,455
Net income	—	—	—	—	—	—	—	—	—	—	135	135
Total other comprehensive income	—	—	—	—	—	—	—	—	—	737	—	737
Exercise of stock options	9	—	—	—	—	—	—	—	95	—	—	95
Stock-based compensation, net of taxes	131	1	—	—	—	—	—	—	3,104	—	—	3,105
Dividend declared ($0.64 per share)	—	—	—	—	—	—	—	—	—	—	(9,025)	(9,025)
Balance at April 30, 2018	12,823	$ 128	200	$ 2	—	$ —	1,000	$ 10	$ 11,570	$ (1,347)	$ 101,139	$ 111,502

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Year Ended December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited) and Years Ended April 30, 2019 and April 30, 2018

	Twelve Months Ended	Transition Period From 5/1/2019 -	Period From 5/1/2018 -	Twelve Months Ended	
(In thousands)	**12/26/2020**	**12/28/2019**	**12/29/2018**	**4/30/2019**	**4/30/2018**
Operating Activities					
Net (loss) income	$ 27,154	$ (104,466)	$ (43,053)	$ (2,156)	$ 135
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	5,930	4,751	5,150	8,738	12,396
Depreciation, amortization and impairment charges	62,543	32,401	8,429	14,084	14,416
Amortization of deferred financing costs	30,635	319	169	38	155
Loss on disposal of fixed assets	85	900	5,244	5,833	5,261
Stock-based compensation expense	9,484	3,102	604	999	3,680
Loss (gain) on bargain purchases and sales of Company-owned offices	(4,133)	(1,106)	(155)	694	(2,401)
Deferred income taxes	1,092	(9,275)	(200)	586	(2,369)
Change in					
Accounts, notes, and interest receivable	(19,811)	(226)	9,726	3,035	(2,261)
Income taxes	(8,059)	(2,012)	(23,546)	(6,886)	(798)
Other assets	(5,573)	27,038	1,470	(3,656)	878
Accounts payable and accrued expenses	23,927	(4,414)	(12,510)	(338)	(341)
Inventory	97,681	10,134	—	—	—
Deferred revenue	20,537	1,369	(3,102)	(3,842)	(1,106)
Net cash provided by (used in) operating activities	241,492	(41,485)	(51,774)	17,129	27,645
Investing Activities					
Issuance of operating loans to franchisees and area developers	(34,136)	(22,483)	(28,940)	(68,283)	(73,796)
Payments received on operating loans to franchisees and area developers	50,291	827	2,048	67,556	72,647
Purchases of Company-owned offices, area developer rights, and acquired customer lists	(6,587)	(3,491)	(139)	(229)	(2,926)
Proceeds from sale of Company-owned offices and area developer rights	36,349	279	1,207	1,229	451
Acquisition of business, net of cash acquired	(353,423)	(317,251)	—	—	—
Proceeds from sale of property, equipment, and software	1,224	—	—	—	—
Purchases of property, equipment, and software	(34,931)	(1,136)	(2,391)	(2,939)	(5,388)
Net cash used in investing activities	(341,213)	(343,255)	(28,215)	(2,666)	(9,012)
Financing Activities					
Proceeds from the exercise of stock options	520	2,202	—	153	95
Repurchase of common stock and tax impact of stock compensation	—	—	—	(88)	1
Dividends paid	(29,350)	—	(2,244)	(2,244)	(8,922)
Non-controlling interest distribution	(4,716)	—	—	—	—
Repayment of other long-term obligations	(505,486)	(13,054)	(4,235)	(7,502)	(7,432)
Borrowings under revolving credit facility	184,665	129,260	75,946	123,615	178,251
Repayments under revolving credit facility	(235,614)	(25,403)	(3,692)	(123,615)	(178,251)
Issuance of common stock	198,004	96,143	—	—	—
Issuance of preferred stock	29,482	—	—	—	—
Tender Offer	—	(47,229)	—	—	—
Payment for debt issue costs	(16,865)	(15,071)	—	—	—
Issuance of debt	586,000	280,000	—	—	—
Cash paid for taxes on exercises/vesting of stock-based compensation	(487)	(110)	(83)	(83)	(576)
Net cash provided by (used in) financing activities	206,153	406,738	65,692	(9,764)	(16,834)
Effect of exchange rate changes on cash, net	(76)	165	(244)	(238)	296
Net increase in cash and cash equivalents and restricted cash	106,356	22,163	(14,541)	4,461	2,095
Cash, cash equivalents and restricted cash at beginning of year	45,146	22,983	18,522	18,522	16,427
Cash, cash equivalents and restricted cash at end of year	$ 151,502	$ 45,146	$ 3,981	$ 22,983	$ 18,522

See accompanying notes to consolidated financial statements.

(In thousands)	Supplemental Cash Flow Disclosure Twelve Months Ended 12/26/2020	Transition Period From 5/1/2019 - 12/28/2019	Period From 5/1/2018 - 12/29/2018	Twelve Months Ended 4/30/2019	Twelve Months Ended 4/30/2018
Cash paid for taxes, net of refunds	$ 1,858	$ 1,140	$ 4,031	$ 4,031	$ 7,393
Cash paid for interest	49,825	4,180	1,577	2,734	3,383
Accrued capital expenditures	5,025	—	—	—	—
Deferred financing costs from issuance of common stock	31,013	—	—	—	—
Tax receivable agreement included in other long-term liabilities	16,775	—	—	—	—

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheet that sum to the total of the same amounts shown in the consolidated statements of cash flows.

(In thousands)	12/26/2020	12/28/2019
Cash and cash equivalents	$ 151,502	$ 39,581
Restricted cash included in other non-current assets	—	5,565
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 151,502	$ 45,146

Amounts included in other non-current assets represent those required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims.

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 26, 2020, December 28, 2019, April 30, 2019 and April 30, 2018

(1) Organization and Significant Accounting Policies

Description of Business. Franchise Group, Inc. (the "Company"), a Delaware corporation, is a franchisor, operator and acquirer of franchised and franchisable businesses that it believes it can scale using its operating expertise. On July 10, 2019, the Company formed Franchise Group New Holdco, LLC (“New Holdco”), which completed the acquisition of Buddy's Newco, LLC ("Buddy's"). On October 23, 2019, the Company completed the acquisition of the Sears Outlet ("Sears Outlet") business from Sears Hometown and Outlet Stores, Inc. (included in the results of operations of the American Freight segment). On December 16, 2019, the Company completed its acquisition of The Vitamin Shoppe, Inc. ("Vitamin Shoppe"). On February 14, 2020, the Company completed its acquisition of the American Freight Group, Inc. ("American Freight") as described in “Note 2 - Acquisitions”. New Holdco holds all of the Company’s operating subsidiaries.

Change in Fiscal Year-End. On October 1, 2019, the Board of Directors of the Company approved a change in the Company's fiscal year-end from April 30 to the Saturday closest to December 31 of each year. The decision to change the fiscal year-end was related to the Company's recent acquisitions to more closely align the Company’s operations and internal controls with that of its subsidiaries. As a result of the change in fiscal year-end the Company previously filed a Transition Report on Form 10-K/T reporting the Company's financial results for the period beginning May 1, 2019 through December 28, 2019. The consolidated balance sheet data as of December 28, 2019, was derived from the Company’s Transition Report on Form 10-K/T, filed with the U.S. Securities and Exchange Commission (the "SEC") on April 24, 2020 (the "2019 Transition Report").

Acquisitions. On February 14, 2020 the Company completed its acquisition of American Freight pursuant to the terms of the Agreement and Plan of Merger with American Freight, for an aggregate purchase price of $357.3 million.

On December 16, 2019, the Company completed its acquisition of the Vitamin Shoppe segment pursuant to the terms of the Agreement and Plan of Merger, dated August 7, 2019 with Vitamin Shoppe, for an aggregate purchase price of $161.8 million.

On October 23, 2019, the Company completed its acquisition of Sears Outlet and nine Buddy’s Home Furnishing franchises from Sears Hometown and Outlet Stores, Inc. pursuant to the terms of the Equity and Asset Purchase Agreement, dated as of August 27, 2019 for an aggregate purchase price of $128.8 million.

On September 30, 2019, the Company acquired 21 Buddy’s Home Furnishings stores from a series of franchisees of Buddy’s New Holdco, a wholly-owned direct subsidiary of the Company. In connection with the acquisition, the sellers received, in aggregate, 1,350,000 New Holdco units and 270,000 shares of Voting Non-Economic Preferred Stock for an estimated purchase price of $16.2 million. In addition, the Company also forgave $0.6 million of receivables due to Buddy’s from the sellers. This resulted in an aggregated purchase price of $16.8 million.

On August 23, 2019, the Company acquired 41 Buddy’s Home Furnishing stores from A-Team Leasing LLC. (“A-Team”), a franchisee of its Buddy’s segment, for an aggregate purchase price of $26.6 million.

On July 10, 2019 (the "Buddy’s Acquisition Date"), the Company entered into and completed certain transactions contemplated by an Agreement of Merger and Business Combination Agreement with Buddy's, New Holdco, Franchise Group B Merger Sub, LLC, a wholly-owned indirect subsidiary of New Holdco and Vintage RTO, L.P., solely in its capacity as the representative of the former equity holders of Buddy's (the "Buddy's Members"), to acquire Buddy's in a stock transaction (the "Buddy’s Acquisition"). At the Buddy’s Acquisition Date, each outstanding unit of Buddy’s was converted into the right to receive 0.459315 units of New Holdco (“New Holdco units”) and 0.091863 shares of Preferred Stock. Each of the New Holdco units held by the Buddy’s Members was, together with one-fifth of a share of Voting Non-Economic Preferred Stock held by the Buddy’s Members, redeemable in exchange for one share of our common stock after an initial six-month lockup period following their issuance, which has expired. As of the Buddy’s Acquisition Date, on an as-converted basis, the Buddy's Members' aggregate ownership of New Holdco units and share of Preferred Stock represent approximately 36.44% of our outstanding common stock, which implied an enterprise value of Buddy's of approximately $122 million and an equity value of $12.00 per share of our common stock. The Company is the sole managing member of New Holdco and it is consolidated for financial reporting purposes. New Holdco units held by the Buddy's Members are recorded as a non-controlling interest in the

consolidated financial statements. As of April 1, 2020, the Company redeemed all outstanding New Holdco units for shares of common stock of the Company and now has an 100% interest in New Holdco.

The assets acquired and the liabilities assumed in the acquisitions above are recorded at fair value in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." Acquisition-related costs are expensed as incurred. The purchase price is allocated to the various tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values, some of which are preliminary as of December 26, 2020. Determining the fair value of certain assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions, which are inherently uncertain. Many of the estimates and assumptions used to determine fair values, such as those used for intangible assets are made based on forecasted information and discount rates. In addition, the judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations.

During the measurement period, which is not to exceed one year from the acquisitions, the Company may record adjustments to the acquired assets and liabilities assumed, with a corresponding offset to goodwill or the preliminary purchase price, to reflect new information obtained about facts and circumstances that existed as of the acquisition dates. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Segment Information. The Company currently operates in four reportable segments: Vitamin Shoppe, American Freight, Liberty Tax, and Buddy’s. The Vitamin Shoppe segment is an omni-channel specialty retailer of vitamins, herbs, specialty supplements, sports nutrition and other health and wellness products. American Freight is a retail chain offering in-store and online access to furniture, mattresses, new and out-of-box home appliances and home accessories at discount prices. The Liberty Tax segment provides income tax services in the United States of America (the "U.S.") and Canada. The Buddy's segment is a specialty retailer of high quality, name-brand consumer electronics, residential furniture, appliances and household accessories through rent-to-own agreements.

*Principles of Consolidation***.** The Company consolidates any entities in which it has a controlling interest, the usual condition of which is ownership of a majority voting interest. Prior to April 1, 2020, the Company was the sole managing member of New Holdco and possessed ownership of more than 50 percent of the outstanding voting units. As a result, the Company consolidated the financial results of New Holdco and reported a non-controlling interest that represented the interests of the New Holdco units not held by the Company. As of April 1, 2020, the Company redeemed all outstanding New Holdco units for shares of common stock of the Company and now has an 100% interest in New Holdco.

The Company does not possess any ownership interests in franchisee entities; however, the Company may provide financial support to franchisee entities. Because the Company's franchise arrangements provide franchisee entities the power to direct the activities that most significantly impact their economic performance, the Company does not consider itself the primary beneficiary of any such entity that meets the definition of a variable interest entity ("VIE"). Based on the results of management's analysis of potential VIEs, the Company has not consolidated any franchisee entities. The Company's maximum exposure to loss resulting from involvement with potential VIEs is attributable to accounts and notes receivables and future lease payments due from franchisees. When the Company does not have a controlling interest in an entity but has the ability to exert significant influence over the entity, the Company applies the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation. Revenues have been classified into product, service and other and rental revenues as further discussed in "Note 7 - Revenue." Costs of sales for product includes the cost of merchandise, transportation and warehousing costs. Service and other costs of sales include the direct costs of warranties. Rental cost of sales represents the amortization of inventory costs over the leased term. Other operating expenses, including employee costs, depreciation and amortization, and advertising expenses have been classified in selling, general and administrative expenses. The Company also includes occupancy costs in selling, general and administrative expenses.

Assets and liabilities of the Company's Canadian operations have been translated into U.S. dollars using the exchange rate in effect at the end of the period. Revenues and expenses have been translated using the average exchange rates in effect each month of the period. Foreign exchange transaction gains and losses are recognized when incurred.

The Company reclassifies to accounts payable checks issued in excess of funds available and reports them as cash flow from operating activities.

The audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP").

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Merchandise Inventories***.** Inventory for the Buddy's segment is recorded at cost, including shipping and handling fees. Upon purchase, merchandise is not initially depreciated until it is leased or three months after the purchase date. Non-leased merchandise is depreciated on a straight-line basis over a period of 24 months. Leased merchandise is depreciated over the lease term of the rental agreement and recorded in rental cost of revenue. On a weekly basis, all damaged, lost, stolen, or unsalable merchandise identified is written off. Maintenance and repairs of lease merchandise are charged to operations as incurred.

Inventory for the American Freight banner is comprised of finished goods and is valued at the lower of cost or market, with cost determined by the first-in, first out method. The Company writes down inventory, the impact of which is reflected in cost of sales in the consolidated statements of operations, if the cost of specific inventory items on hand exceeds the amount the Company expects to be realized from the ultimate sale or disposal of the inventory. These estimates are based on management’s judgment regarding future demand and market conditions and analysis of historical experience. Inventory under the American Freight Outlet banner, previously the Sears Outlet segment, is recorded at the lower of cost or market using the weighted-average cost method. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. A provision for estimated shrinkage is maintained based on the actual historical results of physical inventories. Estimates are compared to the actual results of the physical inventory counts as they are taken and adjust the shrink estimates accordingly. Inventory values are adjusted to the difference between the carrying value and the estimated market value, based on assumptions about future demand or when a permanent markdown indicates that the net realizable value of the inventory is less than cost.

Inventory for the Vitamin Shoppe segment is recorded at the lower of cost or market value using the weighted-average cost method. Inventory includes costs directly incurred in bringing the product to its existing condition and location. In addition, the cost of inventory is reduced by purchase discounts and other allowances received from vendors. A markdown reserve is estimated based on a variety of factors, including, but not limited to, the amount of inventory on hand and its remaining shelf life, current and expected market conditions and product expiration dates. In addition, the Company has established a reserve for estimated inventory shrinkage based on the actual, historical shrinkage of its most recent physical inventories adjusted, if necessary, for current economic conditions and business trends. Physical inventories and cycle counts are taken on a regular basis. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand or competition differ from management expectations.

Goodwill and Non-amortizing Intangible Assets. Goodwill and non-amortizing intangible assets, including the Buddy's, Vitamin Shoppe and American Freight tradenames, are not amortized, but rather tested for impairment at least annually. In addition, goodwill and non-amortizing intangible assets will be tested on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has been incurred. The Company performs a qualitative and/or quantitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then estimates the fair value. The Company uses either a market multiple method or a discounted cash flow method to estimate the fair value of its reporting units and recognizes goodwill impairment for any excess of the carrying amount of a reporting unit’s goodwill over its estimated fair value. The Company evaluates the Buddy's, Vitamin Shoppe and American Freight tradenames for impairment by comparing its fair value, based on an income approach using the relief-from-royalty method, to its carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. The Company's reporting units are determined in accordance with the provisions of Accounting Standards Codification (“ASC”) 350, “Intangibles - Goodwill and Other (Topic 350).” The Company performs its annual impairment testing of goodwill and non-amortizing intangible assets on the last day of the first month of the Company's third quarter. Refer to “Note 6 - Goodwill and Intangible Assets” for additional information on these balances.

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. 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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. Recognition and measurement of a potential impairment is performed for these assets at the lowest level where cash flows are individually identifiable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Property, Equipment, and Software. Property, equipment, and software 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, generally three to five years for computer equipment, three to seven years for software, five to seven years for furniture and fixtures, and twenty to thirty years for buildings. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. Certain allowable costs of software developed or obtained for internal use are capitalized and typically amortized over the estimated useful life of the software.

Comprehensive Income. Comprehensive income consists of net income, foreign currency translation adjustments, and the unrealized gains or losses on derivatives determined to be cash flow hedges, net of taxes.

Insurance Programs. The Company maintains its own insurance arrangements with third-party insurance companies for exposures incurred for a number of risks including worker's compensation and general liability claims. The liability represents an estimate of the discounted cost of claims incurred and is recorded in other current and long-term liabilities. The Company may use restricted cash as collateral for these programs which is recorded in "Other non-current assets".

Stock-Based Compensation. The Company records the cost of its employee stock-based compensation as compensation expense in its consolidated statements of operations. 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 and are amortized on a straight-line basis over the vesting period. The Company recognizes compensation costs for an award that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award.

Revenue Recognition. The following is a description of the principal activities from which the Company generates its revenues. For more detailed information regarding reportable segments, see "Note 16 - Segments."

- Product revenues: These include sales of merchandise at the stores and online. Revenue is measured based on the amount of fixed consideration that the Company expects to receive, reduced by estimates for variable consideration such as returns. Revenue also excludes any amounts collected from customers and remitted or payable to governmental authorities. In arrangements where the Company has multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. The Company satisfies its performance obligations at the point of sale for retail store transactions and upon delivery for online transactions. The Company recognizes revenue for retail store and online transactions when it transfers control of the goods to the customer. Merchandise sales also include payments received for the exercise of the early purchase option offered through rental-purchase agreements or merchandise sold through point of sale transactions. Revenue for merchandise sales associated with rental purchase agreements is recognized when payment is received, and ownership of the merchandise passes to the customer. The remaining net value of merchandise sold is recorded to cost of sales at the time of the transaction.

- Service and other revenues: These include royalties and advertising fees from franchisees, fees from the sales of franchises and area developer ("AD") territories, financial products, interest income from loans to franchisees and ADs, tax preparation services in the Company-owned stores, electronic filing fees, services and extended-service plans and financing programs. Commissions earned on services are presented net of related costs because the Company is acting as an agent in arranging the services for the customer and does not control the services being rendered. The Company recognizes revenue on the commissions on extended-service plans when it transfers control of the related goods to the customer. The Company recognizes franchise fee and AD fee revenue for the sales of individual territories on a straight-line basis over the initial contract term when the obligations of the Company to prepare the franchisee and AD for operation are substantially complete, not to exceed the estimated amount of cash to be received. Royalties and advertising fees are recognized as franchise territories generate sales. Tax return preparation fees and financial products revenue are recognized as revenue in the period in which related tax return is

filed for the customer. Discounts for promotional programs are recorded at the time the return is filed and are recorded as reductions to revenues. Interest income on notes receivable is recognized based on the outstanding principal note balance less unrecognized revenue unless it is put on non-accrual status. Interest income on the unrecognized revenue portion of notes receivable is recognized when received. For accounts receivable, interest income is recognized based on the outstanding receivable balance over 30 days old, net of an allowance.

- Rental revenue: The Company provides merchandise, consisting of consumer electronics, computers, residential furniture, appliances, and household accessories to its customers pursuant to rental-purchase agreements which provide for weekly, semi-monthly or monthly non-refundable rental payments. The average rental term is twelve to eighteen months and the Company maintains ownership of the lease merchandise until all payment obligations are satisfied under sales and lease ownership agreements. Customers have the option to purchase the leased goods at any point in the lease term. Customers can terminate the agreement at the end of any rental term without penalty. Therefore, rental transactions are accounted for as operating leases and rental revenue is recognized over the rental term. Cash received prior to the beginning of the lease term is recorded as deferred revenue. Revenue related to various reinstatement or late fees are recognized when paid by the customer. The Company offers additional product plans along with rental agreements that provide customers with liability protection against significant damage or loss of a product, and club membership benefits, including various discount programs, product services and replacement benefits in the event merchandise is damaged or lost. Customers renew product plans in conjunction with their rental term renewals and can cancel the plans at any time. Revenue for product plans is recognized over the term of the plan.

Leases. The Company's lease portfolio primarily consists of leases for its retail store locations, office space and distribution centers. The Company also leases certain office equipment under finance leases. The finance lease right of use assets are included in Property, equipment and software and the finance lease liabilities are included in current installments of long-term obligations, and long-term obligations. The finance leases are immaterial to the financial statements. The Company subleases some of its real estate and equipment leases. 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 initial term of 12 months or less are not recorded on the condensed consolidated balance sheets; the Company recognizes expense for these leases on a straight-line basis over the lease term. 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’s leases do not provide an implicit rate; therefore, 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. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, “Property, Plant, and Equipment - Overall,” to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company has lease agreements with lease and non-lease components, which the Company elects to combine as one lease component for all classes of underlying assets. Non-lease components include variable costs based on actual costs incurred by the lessor related to the payment of real estate taxes, common area maintenance, and insurance. These variable payments are expensed as incurred as variable lease costs.

Due to the COVID-19 pandemic, the Company has been negotiating lease concessions with landlords. The lease concessions have been in the form of lease forgiveness, lease deferrals and lease deferrals with term extensions. If the total payments in the modified lease are substantially the same as or less than total payments in the original lease, the Company has elected to not evaluate whether the concession is a lease modification as defined in ASC 842 - "Leases".

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.

Deferred Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities, which are shown on the condensed consolidated balance sheets, are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has elected to classify interest charged on a tax settlement in interest expense, and accrued penalties, if any, in selling, general, and administrative expenses.

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. The Company records unrecognized tax benefit liabilities for known or anticipated tax issues based on an analysis of whether, and the extent to which, additional taxes will be due.

Reclassifications. Certain prior year amounts have been reclassified to conform to the current year presentation. The Company reclassified amounts in the consolidated statements of cash flows between operating activity lines for the Transition Period and years ended April 30, 2019 and 2018. These reclassifications had no impact on the total operating activities balances.

Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, "*Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*", which changes how companies will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost (which generally will result in the earlier recognition of allowances for losses) and requires companies to record allowances for available-for-sale debt securities, rather than reduce the carrying amount. In addition, companies will have to disclose significantly more information, including information used to track credit quality by year of origination, for most financing receivables. The ASU should be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the standard is effective. The ASU is effective for the Company for the fiscal year beginning December 25, 2022. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" This standard eliminates Step 2 from the goodwill impairment test. Instead, an entity should compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by

which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The ASU is effective for the Company for the fiscal year beginning December 25, 2022. The Company is currently evaluating the impact of the adoption of this standard to its consolidated financial statements.

The London Interbank Offered Rate (“LIBOR”) is scheduled to be discontinued on December 31, 2021. In an effort to address the various challenges created by such discontinuance, the FASB issued an amendment to existing guidance, ASU No. 2020-04, "*Reference Rate Reform*." The amended guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, borrowings) necessitated by the reference rate reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by the reference rate reform. Application of the guidance in the amendment is optional, is only available in certain situations, and is only available for companies to apply until December 31, 2022. The Company is currently evaluating the impacts of reference rate reform and the new guidance on its consolidated financial statements.

(2) Acquisitions

American Freight Acquisition

On February 14, 2020, the Company completed its acquisition of American Freight (the "American Freight Acquisition"). The Company accounted for the transaction as a business combination using the acquisition method of accounting in accordance with ASC 805 - "Business Combinations." The preliminary fair value of the consideration transferred at the acquisition date was $357.3 million.

The table below summarizes the preliminary estimates of the fair values of the identifiable assets acquired and liabilities assumed in the American Freight Acquisition as of February 14, 2020. The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in an adjustment to the preliminary values presented below.

(In thousands)	Preliminary 2/14/2020
Cash and cash equivalents	$ 3,840
Prepaid expenses and other current assets	3,284
Inventories, net	99,200
Property, equipment and software, net	11,032
Goodwill	334,543
Operating lease right-of-use assets	91,101
Other intangible assets, net	70,200
Other non-current assets	1,607
Total assets	614,807
Current operating lease liabilities	17,242
Accounts payable	44,696
Accrued expenses and other current liabilities	26,451
Current installments of long-term obligations	3,210
Long-term obligations, excluding current installments	93,975
Deferred tax liabilities	10,520
Non-current operating lease liabilities	61,450
Total liabilities	257,544
Consideration transferred	$ 357,263

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill recognized is attributable to operational synergies in the expected franchise models and growth opportunities.

The Company identified the American Freight trade name as an indefinite-lived intangible asset with a fair value of $70.2 million. The trade name is not subject to amortization but will be evaluated annually for impairment.

Lease right-of-use assets and lease liabilities consists of leases for retail store locations, vehicles and office equipment. The lease right of use assets incorporates a favorable adjustment of $11.5 million, net for favorable and unfavorable American Freight leases (as compared to prevailing market rates) which will be amortized over the remaining lease terms.

The property, equipment and software consists of leasehold improvements of $7.6 million, office furniture, fixtures and equipment of $2.2 million, computer hardware and software of $1.1 million and construction in progress of $0.2 million.

Total revenue and operating income for American Freight for the period from February 15, 2020 through December 26, 2020 are as follows:

(In thousands)	Period from 2/15/2020 - 12/26/2020
Revenue	$ 462,702
Income from operations	$ 52,197

Vitamin Shoppe Acquisition

On December 16, 2019, the Company completed the acquisition of Vitamin Shoppe (the "Vitamin Shoppe Acquisition") for an aggregate purchase price of $161.8 million. The Company accounted for the transaction as a business combination using the acquisition method of accounting. In the year ended December 26, 2020, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were finalized which resulted in a decrease in goodwill of $3.7 million.

Sears Outlet Acquisition

On October 23, 2019, the Company completed the acquisition of the Sears Outlet business from Sears Hometown and Outlet Stores, Inc. (the "Sears Outlet Acquisition") for an aggregate purchase price of $128.8 million. The Company accounted for the transaction as a business combination using the acquisition method of accounting. In the year ended December 26, 2020, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were finalized which resulted in an increase in goodwill of $2.3 million.

Buddy's Acquisition

On July 10, 2019, the Company completed the acquisition of Buddy's for an enterprise value of approximately $122.0 million (the "Buddy's Acquisition"). The Company accounted for the transaction as a business combination using the acquisition method of accounting. In the year ended December 26, 2020, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were finalized which resulted in an increase in goodwill of $2.0 million.

Please refer to "Note 6. Goodwill and Intangible Assets" for a complete disclosure of the changes in goodwill for the fiscal year.

Other acquisitions

Subsequent to December 26, 2020, the Company completed the Furniture Factory Acquisition and announced the Pet Supplies Plus Acquisition. Refer to "Note 17 - Subsequent Events", for further details on these acquisitions.

On September 30, 2019, the Company acquired 21 Buddy’s Home Furnishings stores (the “Buddy’s Partners Acquisition”) from franchisees of the Company's Buddy’s segment. In connection with the Buddy's Partners Acquisition, the sellers received, in aggregate, 1,350,000 New Holdco units and 270,000 shares of Preferred Stock with an estimated fair value of $16.2 million. In addition to the issuance of New Holdco units and Preferred Stock, the Company also forgave $0.6 million of receivables due to Buddy’s from the sellers. This resulted in a total aggregate purchase price of $16.8 million.

On August 23, 2019, the Company acquired 41 Buddy’s Home Furnishing stores from A-Team, a franchisee of the Buddy’s segment, for the total consideration of $26.6 million (the "A-Team Leasing Acquisition").

<u>*Acquisition costs*</u>

As of the year ended December 26, 2020, the Company has incurred approximately $8.1 million of acquisition-related costs for the American Freight Acquisition. As of the Transition Period, the Company incurred approximately $17.4 million of acquisition-related costs for the Vitamin Shoppe Acquisition, the Sears Outlet Acquisition, the Buddy’s Acquisition, the A-Team Leasing Acquisition, and the Buddy’s Partners Acquisition. These costs include investment banker fees, legal fees, due diligence and other external professional costs that the Company has recorded in selling, general, and administrative expenses.

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 American Freight Acquisition, the Vitamin Shoppe Acquisition, the Sears Outlet Acquisition, the Buddy's Acquisition, the A-Team Leasing Acquisition and the Buddy's Partners Acquisition (the "Acquisitions") as if they had occurred on May 1, 2018.

	(Unaudited)		
(In thousands)	**Fiscal Year Ended 12/26/2020**	**Transition Period Ended 12/28/2019**	**Fiscal Year Ended 4/30/2019**
Revenue	$ 2,201,163	$ 1,313,590	$ 2,266,656
Net income (loss)	52,470	(73,051)	(60,319)
Basic net income per share	1.52	(4.38)	(4.37)
Diluted net income per share	1.50	(4.38)	(4.37)

These unaudited pro forma results include adjustments such as inventory step-up, amortization of acquired intangible assets, depreciation of acquired property, equipment, and software and interest expense on debt financing in connection with the Acquisitions. Material, nonrecurring pro forma adjustments directly attributable to the Acquisitions include the following. Acquired inventory step-up to its fair value of $30.3 million was removed from net income (loss) for the year ended December 26, 2020 and the Transition Period, and recognized as an incremental product cost in the year ended April 30, 2019. Acquisition related costs of $30.5 million were removed from net income (loss) for the year ended December 26, 2020 and the Transition Period, and recognized as an expense in the year ended April 30, 2019.

The unaudited consolidated pro forma financial information was prepared in accordance with accounting standards and is not necessarily indicative of the results of operations that would have occurred if the American Freight Acquisition, Vitamin Shoppe Acquisition, the Sears Outlet Acquisition, the Buddy's Acquisition, the A-Team Leasing Acquisition or the Buddy's Partners Acquisition had been completed on the date indicated, nor is it indicative of the future operating results of the Company.

The unaudited pro forma results do not reflect events that either have occurred or may occur after these Acquisitions, including, but not limited to, the anticipated realization of operating synergies in subsequent periods. They also do not give effect to certain charges that the Company expects to incur in connection with these acquisitions, including, but not limited to, additional professional fees and employee integration.

(3) Assets Disposition

On November 11, 2020, the Company completed the sale of 47 Buddy's Company-owned stores to bebe stores, inc. ("bebe") for $35.0 million. The Company wrote off $11.4 million of goodwill and recognized a gain of $2.0 million in connection with the sale. The agreement includes a planned development schedule for bebe to open 20 new Buddy’s locations. The 47 Buddy's stores are now franchise locations within the Buddy's segment.

(4) Notes and Accounts Receivable

Current and non-current receivables, as of December 26, 2020 and December 28, 2019 are presented in the consolidated balance sheets as follows:

(In thousands)	12/26/2020	12/28/2019
Accounts receivable, net	$ 58,494	$ 44,333
Notes receivable, net	27,228	37,994
Interest receivable, net	2,257	3,132
Income tax receivable	11,118	3,356
Allowance for doubtful accounts	(8,487)	(9,122)
Current receivables, net	90,610	79,693
Notes receivable - non-current, net	17,659	19,501
Allowance for doubtful accounts - non-current	(970)	(863)
Non-current receivables, net	16,689	18,638
Total receivables	$ 107,299	$ 98,331

The Company provides select financing to ADs and franchisees for the purchase of franchises, areas, Company-owned offices, and operating loans 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%.

Most of the notes receivable are due from the Company's franchisees and AD and are collateralized by the underlying franchise and when the franchise or AD is an entity, are guaranteed by the owners of the respective entity. The debtors' ability to repay the notes is dependent upon both the performance of the franchisee's industry as a whole and the individual franchise or AD areas.

The table above includes unrecognized revenue. Unrecognized revenue relates to the portion of franchise fees and AD fees that the Company has not yet recognized, in the case of sales of Company-owned offices, the financed portion of gains related to these sales in each case where revenue has not yet been recognized. For gains related to the sale of Company-owned offices, revenue is recorded as note payments are received by the Company. The Company evaluates the amount it anticipates collecting for AD and franchise fees on a periodic basis. Unrecognized revenue was $5.1 million and $4.9 million at December 26, 2020 and December 28, 2019, respectively.

Allowance for Doubtful Accounts

The adequacy of the allowance for doubtful accounts is assessed on a quarterly 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 collateralize the receivables. Any adverse change in the individual franchisees' or ADs' areas could affect the Company's estimate of the allowance.

Activity in the allowance for doubtful accounts for the year ended December 26, 2020 and the Transition Period was as follows:

(In thousands)	12/26/2020	12/28/2019
Balance at beginning of year	$ 9,985	$ 11,816
Provision for doubtful accounts	5,917	5,375
Write-offs and reduction from repurchases of franchises	(6,432)	(7,252)
Foreign currency adjustment	(13)	46
Balance at end of year	$ 9,457	$ 9,985

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 assessment and estimates an allowance for doubtful accounts based on that excess.

In establishing the fair value of the underlying franchise, management considers a variety of factors including recent sales of Company-owned stores, recent sales between franchisees, net fees of open offices earned during the most recently completed tax season, and the number of unopened offices. While not specifically identifiable as of the balance sheet date, the Company's experience also indicates that a portion of other accounts and notes receivable are also impaired and therefore reserved, because management does not expect to collect all principal and interest due under the current contractual terms. Net amounts due include contractually obligated accounts and notes receivable plus accrued interest, net of unrecognized revenue, reduced by the allowance for uncollected interest, amounts due to ADs, related deferred revenue, and amounts owed to the franchisee by the Company.

On July 10, 2020, the Company entered into a Senior Secured Super Priority Debtor-In-Possession Delayed Draw Term Loan Agreement (the “DIP DDTL Agreement”) with Tuesday Morning Corporation (“Tuesday Morning”) and certain of its direct and indirect subsidiaries. Pursuant to the DIP DDTL Agreement, the Company agreed to lend Tuesday Morning up to an aggregate principal amount of $25.0 million in the form of delayed draw term loans (the “DIP Term Facility”). As of December 26, 2020, the DIP Term Facility has been terminated and no amounts had been drawn under this agreement.

On November 4, 2020, the Company entered into a super-priority, secured, debtor-in-possession credit facility (the “DIP Facility”) with Furniture Factory Ultimate Holding, L.P. (“FFO”). The DIP Facility consists of a multi-draw term loan facility in the aggregate principal amount of up to $6.5 million. Once repaid, amounts under the DIP Facility may not be reborrowed. As of December 26, 2020, $6.5 million of the DIP Facility is outstanding.

Analysis of Past Due Receivables

The breakdown of accounts and notes receivable past due at December 26, 2020 and December 28, 2019 was as follows:

	12/26/2020			
(In thousands)	**Past due**	**Current**	**Interest receivable, net**	**Total receivables**
Accounts receivable, net	$ 24,325	$ 34,169	$ —	$ 58,494
Notes and interest receivable, net	8,727	36,160	2,257	47,144
Total accounts, notes, and interest receivable, net	$ 33,052	$ 70,329	$ 2,257	$ 105,638

	12/28/2019			
(In thousands)	**Past due**	**Current**	**Interest receivable, net**	**Total receivables**
Accounts receivable, net	$ 30,192	$ 14,141	$ —	$ 44,333
Notes and interest receivable, net	8,471	49,024	3,132	60,627
Total accounts, notes, and interest receivable, net	$ 38,663	$ 63,165	$ 3,132	$ 104,960

Accounts receivable are considered to be past due if unpaid 30 days after billing and notes receivable are considered past due if unpaid 90 days after the due date. If it is determined the likelihood of collecting substantially all of the note and accrued interest is not probable the notes are put on non-accrual status. The Company's investment in notes receivable on non-accrual status at December 26, 2020 and December 28, 2019 was $6.8 million and $8.5 million, respectively. Payments received on notes in non-accrual status are applied to the principal note balance until the note is current and then to interest income. Non-accrual notes that are paid current are moved back into accrual status during the next annual review.

(5) Property, Equipment, and Software, Net

Property, equipment, and software at December 26, 2020, and December 28, 2019 was as follows:

(In thousands)	12/26/2020	12/28/2019
Land and land improvements	$ 590	$ 1,592
Buildings and building improvements	1,546	7,972
Leasehold improvements	67,627	52,755
Furniture, fixtures, and equipment	71,836	59,254
Software	55,774	42,373
Construction in progress	3,773	1,842
Finance lease asset	2,045	1,984
Property, equipment, and software, gross	203,191	167,772
Less accumulated depreciation and amortization	59,685	17,625
Property, equipment, and software, net	$ 143,506	$ 150,147

The software included above includes both internally developed software and purchased software. Included in software are $0.6 million, and $0.1 million of assets that had not been placed into service at December 26, 2020 and December 28, 2019, respectively. During the Transition Period, the Company had an impairment charge of $20.2 million, related to internally developed software that is no longer in use. These amounts are included in selling, general, and administrative expenses, in the accompanying consolidated statements of operations.

Total depreciation and amortization expense on property, equipment, and software was $48.9 million, $7.4 million, $8.4 million and $5.6 million for the year ended December 26, 2020, the Transition Period, and the years ended April 30, 2019 and April 30, 2018, respectively.

(6) Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the year ended December 26, 2020 and December 28, 2019 were as follows:

(In thousands)	12/26/2020	12/28/2019
Balance at beginning of year	$ 134,301	$ 6,566
Acquisitions of assets from franchisees and third parties	1,758	3,658
Buddy's Acquisition	—	75,038
Buddy's Partners Acquisition	—	7,217
A-Team Leasing Acquisition	—	6,287
Sears Outlet Acquisition	—	31,028
Vitamin Shoppe Acquisition	—	4,951
American Freight Acquisition	334,543	—
Disposals and foreign currency changes, net	(13,957)	(444)
Impairments	(273)	—
Purchase price reallocation	605	—
Balance at end of year	$ 456,977	$ 134,301

The Company performed its annual impairment review of goodwill and recorded impairment expense of $0.3 million, $0.4 million and $0.1 million for the years ended December 26, 2020, April 30, 2019 and April 30, 2018, respectively. The Company did not record impairment expense for the Transition Period.

The impairment recorded above was determined using the fair value of the underlying franchise, and where appropriate a discounted cash flow model, and is included in selling, general, and administrative expenses, in the accompanying consolidated statements of operations.

Components of intangible assets as of December 26, 2020 and December 28, 2019, were as follows:

	12/26/2020			
(In thousands)	**Weighted-average amortization period**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Tradenames (1)	3 years	$ 93,702	$ (111)	$ 93,591
Customer contracts	6 years	8,780	(2,159)	6,621
Franchise agreements and non-compete agreements	10 years	10,581	(1,569)	9,012
Customer Lists	4 years	3,908	(2,552)	1,356
Reacquired rights	3 years	2,549	(983)	1,566
AD rights	9 years	39,972	(17,423)	22,549
Total intangible assets		$ 159,492	$ (24,797)	$ 134,695

(1) $70.2 million, $11.1 million and $12.0 million of tradenames were acquired in the American Freight Acquisition, Buddy's Acquisition, and Vitamin Shoppe Acquisition, respectively. These tradenames have an indefinite life and they are tested for impairment on an annual basis.

	12/28/2019			
(In thousands)	**Weighted-average amortization period**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Tradenames (1)	3 years	$ 23,534	$ (72)	$ 23,462
Customer contracts	6 years	12,736	(886)	11,850
Franchise agreements and non-compete agreements	10 years	10,609	(486)	10,123
Customer Lists	4 years	4,338	(2,559)	1,779
Reacquired rights	5 years	11,577	(2,053)	9,524
AD rights	9 years	37,263	(16,411)	20,852
Total intangible assets		$ 100,057	$ (22,467)	$ 77,590

(1) $11.1 million and $12.0 million of tradenames were acquired in the Buddy's and Vitamin Shoppe Acquisitions, respectively. These tradenames have an indefinite life and they are tested for impairment on an annual basis.

For the year ended December 26, 2020, and the Transition Period, the Company recorded intangible assets of $80.5 million and $63.4 million, respectively.

The Company reviews amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. During the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018, an impairment analysis was performed for amortizable intangible assets. Write-downs of assets acquired from franchisees relate to Company-owned offices that were subsequently closed and impairment of the fair value of existing assets of Company-owned offices. As a result, the carrying values of assets acquired from franchisees were reduced by $0.3 million, $0.4 million and $0.1 million for the years ended December 26, 2020, April 30, 2019 and April 30, 2018, respectively. The Company did not record impairment expense related to the amortizable intangible assets during the Transition Period. These amounts were included in selling, general, and administrative expenses, in the accompanying consolidated statements of operations. The Company estimated the fair value of assets associated with Company-owned offices based on various models.

For the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018, amortization expense was $13.4 million, $4.8 million, $5.2 million, and $5.7 million, respectively. Annual amortization expense for the next five years is estimated to be as follows:

(In thousands)	As of 12/26/2020:
2021	$ 10,340
2022	7,828
2023	6,665
2024	5,540
2025	3,731
Thereafter	7,291
Total estimated amortization expense	$ 41,395

(7) Revenue

The Company adopted ASC 606 "Revenues from Contract with Customers" in the fiscal year ended April 30, 2019. The Company adopted the standard using the modified retrospective method, whereby the cumulative effect of initially adopting the standard was recognized as an adjustment to the opening balance of retained earnings on May 1, 2018 in the amount of $3.8 million, net of tax, with corresponding increases to deferred revenue and notes receivable. Therefore, the results of operations from the comparative period have not been adjusted and continue to be reported under the previous revenue recognition guidance.

For details regarding the principal activities from which the Company generates its revenue, see "Note 1 - Organization and Significant Accounting Policies" in this Annual Report. For more detailed information regarding reportable segments, see "Note 16 - Segments."

The following represents the disaggregated revenue by reportable segments for the year ended December 26, 2020, the Transition Period, the period May 1, 2018 through December 29, 2018, and years ended April 30 2019, and April 30, 2018:

	Fiscal Year Ended 12/26/2020				
(In thousands)	Vitamin Shoppe	American Freight	Liberty Tax	Buddy's	Consolidated
Retail sales	$ 1,035,964	$ 857,955	$ —	$ 5,743	$ 1,899,662
Total product revenue	1,035,964	857,955	—	5,743	1,899,662
Franchise fees	—	—	1,055	99	1,154
Area developer fees	—	—	3,206	—	3,206
Royalties and advertising fees	—	—	56,753	9,993	66,746
Financial products	—	15,977	31,824	—	47,801
Interest income	—	1,287	3,624	—	4,911
Assisted tax preparation fees, net of discounts	—	—	18,852	—	18,852
Electronic filing fees	—	—	2,666	—	2,666
Agreement, club and damage waiver fees	—	—	—	12,668	12,668
Warranty revenue	—	16,799	—	—	16,799
Other revenues	—	4,413	4,797	4,562	13,772
Total service and other revenue	—	38,476	122,777	27,322	188,575
Rental revenue, net	—	—	—	64,267	64,267
Total rental revenue	—	—	—	64,267	64,267
Total revenue	$ 1,035,964	$ 896,431	$ 122,777	$ 97,332	$ 2,152,504

(In thousands)	Transition Period From 5/1/2019 - 12/28/2019					Period From 5/1/2018 - 12/29/2018
	Vitamin Shoppe	American Freight	Liberty Tax	Buddy's	Consolidated	Liberty Tax
Retail sales	$ 30,574	$ 64,067	$ —	$ 1,498	$ 96,139	$ —
Total product revenue	30,574	64,067	—	1,498	96,139	—
Franchise fees	—	—	922	160	1,082	1,508
Area developer fees	—	—	2,447	—	2,447	2,175
Royalties and advertising fees	—	—	3,211	4,042	7,253	3,203
Financial products	—	—	676	—	676	1,209
Interest income	—	267	3,950	—	4,217	4,462
Assisted tax preparation fees, net of discounts	—	—	1,144	—	1,144	3,079
Electronic filing fees	—	—	119	—	119	(232)
Agreement, club and damage waiver fees	—	—	—	4,937	4,937	—
Other revenues	—	3,896	2,515	1,449	7,860	1,243
Total service and other revenue	—	4,163	14,984	10,588	29,735	16,647
Rental revenue, net	—	—	—	23,636	23,636	—
Total rental revenue	—	—	—	23,636	23,636	—
Total revenue	$ 30,574	$ 68,230	$ 14,984	$ 35,722	$ 149,510	$ 16,647

(In thousands)	4/30/2019	4/30/2018
	Liberty Tax	
Franchise fees	$ 2,766	$ 1,793
Area developer fees	3,146	2,751
Royalties and advertising fees	63,716	68,559
Financial products	33,478	47,225
Interest income	8,189	9,895
Assisted tax preparation fees, net of discounts	14,611	26,645
Electronic filing fees	2,675	10,772
Other revenues	3,965	7,232
Total service and other revenue	$ 132,546	$ 174,872

Contract Balances

The following table provides information about receivables and contract liabilities (deferred revenue) from contracts with customers as of December 26, 2020 and December 28, 2019:

(In thousands)	12/26/2020	12/28/2019
Accounts receivable	$ 58,494	$ 44,333
Notes receivable	44,887	57,495
Deferred revenue	36,511	10,519

Significant changes in deferred revenue as of December 26, 2020 and December 28, 2019 are as follows:

(In thousands)	12/26/2020	12/28/2019
Deferred revenue at beginning of period	$ 10,519	$ 8,654
Revenue recognized during the period	(7,341)	(3,308)
Deferred revenue from acquisitions and purchase price adjustments	12,515	5,173
New deferred revenue during period	20,818	—
Deferred revenue at end of period	$ 36,511	$ 10,519

Anticipated Future Recognition of Deferred Revenue

The following table reflects when deferred revenue is expected to be recognized in the future related to performance obligations that are unsatisfied at the end of the period:

(In thousands)	Estimate for Fiscal Year
2021	$ 32,776
2022	1,451
2023	1,048
2024	420
2025	263
Thereafter	553
Total	$ 36,511

(8) Leases

The Company's lease portfolio primarily consists of leases for its retail store locations and office space. The Company also leases certain office equipment and vehicles under finance leases. The Company subleases some of its real estate and equipment leases. 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 initial term of 12 months or less are not recorded on the condensed consolidated balance sheets; the Company recognizes expense for these leases on a straight-line basis over the lease term. 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’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. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease right-of-use assets are periodically reviewed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, “Property, Plant, and Equipment - Overall,” to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company has lease agreements with lease and non-lease components, which the Company elects to combine as one lease component for all classes of underlying assets. Non-lease components include variable costs based on actual costs incurred by the lessor related to the payment of real estate taxes, common area maintenance, and insurance. These variable payments are expensed as incurred as variable lease costs.

The finance lease right of use assets and lease liabilities are included in PP&E, current installments of long-term debt, and long-term debt, respectively. These leases are immaterial to the financial statements.

The lease costs for leases that were recognized in the accompanying consolidated statement of operations for the year ended December 26, 2020 and the Transition Period were as follows:

(In thousands)	12/26/2020	Transition Period
Operating lease costs	$ 100,342	$ 16,587
Short-term operating lease costs	2,554	4,789
Variable operating lease costs	14,963	2,933
Sublease income	(2,653)	(2,163)
Total operating lease costs	$ 115,206	$ 22,146

As of December 26, 2020, maturities of lease liabilities were as follows:

(In thousands)	Operating leases
2021	$ 182,270
2022	156,803
2023	125,315
2024	90,329
2025	56,185
Thereafter	85,258
Total undiscounted lease payments	696,160
Less interest	157,456
Present value of lease liabilities	$ 538,704

Information regarding the weighted-average remaining lease term and the weighted-average discount rate for leases as of December 26, 2020, included a weighted-average remaining lease term of 4.5 years for operating leases and a weighted-average discount rate of 11.04% for operating leases, respectively.

The following represents other information pertaining to the Company's lease arrangements for the year ended December 26, 2020:

(In thousands)	12/26/2020
Non-cash information on lease liabilities arising from right-of-use assets (1)	$ 163,206
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 93,325

(1) The majority of the lease liabilities arising from right-of-use assets were a result of the American Freight Acquisition, see further discussion in "Note 2 - Acquisitions".

(9) Long-Term Obligations

Long-term obligations as of December 26, 2020 and December 28, 2019 were as follows:

(In thousands)	12/26/2020	12/28/2019
Revolving credit facilities	$ 78,310	$ 129,260
Term loan, net of debt issuance costs	491,836	268,660
Convertible senior notes	—	60,439
Amounts due to former ADs, franchisees and third parties	1,269	1,661
Mortgages	1,691	1,825
Finance lease liability	937	1,775
Total long-term obligations	574,043	463,620
Less current installments	105,388	218,384
Total long-term obligations, excluding current installments	$ 468,655	$ 245,236

Franchise Group New Holdco Credit Agreement and Term Loan

On February 14, 2020, the Company, through an indirect subsidiary, executed a term loan agreement with GACP Finance Co., LLC for an amount of $575.0 million (the “FGNH Credit Agreement”), which consists of a $375.0 million first out tranche (the “FGNH Tranche A-1 Term Loan”) and a $200.0 million last out tranche (the “FGNH Tranche A-2 Term Loan”). The term loan will mature on February 14, 2025, unless the maturity is accelerated subject to the terms set forth in the term loan agreement.

The FGNH Credit Agreement will, at the option of the Company, bear interest at either (i) a rate per annum based on LIBOR for an interest period of one, two, three or six months, plus an interest rate margin of 8.0% for the FGNH Tranche A-1 Term Loan and 12.5% for the FGNH Tranche A-2 Term Loan with a 1.50% LIBOR floor, or (ii) an alternate base rate determined as provided in the FGNH Credit Agreement, plus an interest rate margin of 7.0% for the FGNH Tranche A-1 Term Loan and 11.5% for the FGNH Tranche A-2 Term Loan with a 2.50% alternate base rate floor. Interest is payable in arrears at the end of each fiscal quarter. The Company is required to repay the FGNH Credit Agreement in equal fiscal quarterly installments of $6.25 million on the last day of each fiscal quarter, commencing with the fiscal quarter ending June 27, 2020. Further, the Company is required to prepay the FGNH Credit Agreement with 50% of consolidated excess cash flow on a quarterly basis with the net cash proceeds of certain other customary events. All repayments or prepayments (whether voluntary or mandatory) of the FGNH Credit Agreement, other than the fixed quarterly installments and excess cash flow prepayments are subject to early repayment fees.

The FGNH Credit Agreement includes customary affirmative, negative, and financial covenants binding on the Company and its subsidiaries, including delivery of financial statements and other reports. The negative covenants limit the ability of the Company and its subsidiaries, among other things, to incur debt, incur liens, make investments, sell assets, pay dividends on its capital stock and enter into transactions with affiliates. The financial covenants set forth in the FGNH Credit Agreement include a maximum total leverage ratio (net of certain cash) and a minimum fixed charge coverage ratio, to be tested at the end of each fiscal quarter, in each case with respect to certain subsidiaries of the Company. In addition, the FGNH Credit Agreement includes customary events of default, the occurrence of which may require that the Company pay an additional 2.0% interest.

In addition to financing the American Freight Acquisition and its related acquisition costs, a portion of the proceeds from the FGNH Credit Agreement and the FGNH ABL Term Loan (as defined below) were used to repay the Buddy’s and Sears Outlet’s term loan for an outstanding amount of $101.6 million and $106.7 million including accrued interest, respectively. The early repayment of the term loans resulted in additional interest expense of $4.6 million for the write-off of deferred financing costs and $4.0 million for a prepayment penalty. The prepayment penalty is recorded in the Other income (expense) line of the consolidated statements of operations for the year ended December 26, 2020.

On May 1, 2020, the Company entered into an amendment to the FGNH Credit Agreement to provide for the joinder of Franchise Group Intermediate L 1, LLC, an indirect subsidiary of the Company, and each of its direct and indirect subsidiaries (collectively, the “Liberty Tax Entities”), to the FGNH Term Loan Credit Agreement and the FGNH ABL Credit Agreement, respectively, as borrowers thereunder, and in connection therewith, certain related security documents provided for the Liberty

Tax Entities to grant or continue to grant liens on substantially all of their assets to secure the obligations under the FGNH Term Loan Credit Agreement and the FGNH ABL Credit Agreement. Further, the amendment modified the FGNH Term Loan Credit Agreement and the FGNH ABL Credit Agreement, respectively, to, among other things, (i) permit certain ordinary course and otherwise anticipated activities of the Liberty Tax Entities and (ii) make certain technical modifications related to the COVID-19 pandemic and other events.

Franchise Group New Holdco New ABL Credit Agreement and New ABL Term Loan

On September 23, 2020, the Company, through direct and indirect subsidiaries, entered into an ABL Credit Agreement (the “New ABL Credit Agreement”) with various lenders which provides for a senior secured revolving loan facility (the “New ABL Revolver”) with commitments available to the Company of the lesser of (i) $125.0 million and (ii) a borrowing base based on the eligible credit card receivables, accounts, inventory and revenue due under certain rental agreements, less certain reserves. The New ABL Credit Agreement also includes a $15.0 million swingline subfacility and a $15.0 million letter of credit subfacility. The Company borrowed approximately $32.7 million on September 23, 2020, the proceeds of which were used to prepay certain existing indebtedness under the existing FGNH ABL Credit Agreement (as defined below), to pay fees and expenses in connection with the New ABL Credit Agreement, and for general corporate purposes.

The New ABL Revolver will mature on the earlier of September 23, 2025 and the maturity date under the FGNH Credit Agreement (i.e., February 14, 2025), unless the maturity is accelerated subject to the terms set forth in the New ABL Credit Agreement. Borrowings under the New ABL Revolver will bear interest at either (i) a rate per annum based on LIBOR for an interest period of one, two, three or six months (or, if all applicable twelve months), plus an interest rate margin that ranges from 3.50% to 3.75%, depending on the total leverage ratio of the Company, with a 1.00% LIBOR floor (a “New ABL LIBOR Loan”), or (ii) an alternate base rate determined as provided in the New ABL Credit Agreement, plus an interest rate margin that ranges from 2.50% to 2.75%, depending on the total leverage ratio of the Company, with an effective 2.00% alternate base rate floor (a “New ABL ABR Loan”). Interest on New ABL LIBOR Loans is payable in arrears at the end of each applicable interest period (and, with respect to any six- or twelve-month interest period, at three month intervals after the first day of such interest period), and interest on New ABL ABR Loans is payable in arrears on the first day of each month.

If the sum of the outstanding principal amount of the outstanding loans (including swingline loans) under the New ABL Revolver and the outstanding amount of letter of credit obligations thereunder exceeds the borrowing base, the Company is required to prepay the loans under the New ABL Revolver (including swingline loans) or cash collateralize letters of credit thereunder in the amount of any such excess. The Company is also required to prepay the loans under the New ABL Revolver, subject to the agreements between the New ABL Credit Agreement lenders and the FGNH Credit Agreement lenders, with the net cash proceeds of certain other customary events (subject to certain customary reinvestment rights). The Company may make voluntary prepayments of the loans under the New ABL Revolver from time to time. Amounts repaid may be re-borrowed, subject to compliance with the borrowing base and the other conditions set forth in the New ABL Credit Agreement. The Company may be required to pay LIBOR breakage and redeployment costs in certain limited circumstances. The New ABL Credit Agreement also includes a covenant that availability must not be less than the greater of $12.5 million and 12.5% of the lesser of $125.0 million and the borrowing base. In addition, the New ABL Credit Agreement includes customary events of default, the occurrence of which may require that the Company pay an additional 2.0% interest on the outstanding loans under the New ABL Revolver.

Franchise Group New Holdco ABL Credit Agreement and ABL Term Loan

On February 14, 2020, the Company, through direct and indirect subsidiaries, entered into an ABL credit agreement (the "FGNH ABL Credit Agreement") with various lenders which provided the Company with a $100.0 million senior secured asset based term loan (the “FGNH ABL Term Loan”). On February 14, 2020, the Company borrowed $100.0 million on the FGNH ABL Term Loan to finance the acquisition of American Freight. On September 23, 2020, the Company repaid in full all amounts that were outstanding under the FGNH ABL Term Loan and terminated the FGNH ABL Credit Agreement.

B. Riley ABL Commitment

On May 1, 2020, in connection with the American Freight Acquisition and the ABL Credit Agreement, the Company entered into an Amended and Restated ABL Commitment Letter with B. Riley Financial, Inc. ("B. Riley") pursuant to which B. Riley agreed to provide, subject to the terms and conditions set forth therein, a backstop commitment for a $100.0 million asset-based lending facility. The ABL Commitment Letter was terminated on September 25, 2020.

Vitamin Shoppe Term Loan

On December 16, 2019 as part of the Vitamin Shoppe Acquisition, the Company, through direct and indirect subsidiaries, entered into a Loan and Security Agreement (the “Vitamin Shoppe Term Loan Agreement”) that provides for a $70.0 million senior secured term loan (the "Vitamin Shoppe Term Loan") which matures on December 16, 2022. On May 22, 2020, the Company purchased $5.3 million of the Vitamin Shoppe Term Loan from one of the participating lenders, which effectively retired that portion of the term loan. On August 13, 2020, the Company repaid in full the remaining balance outstanding under the Vitamin Shoppe Term Loan and terminated the Vitamin Shoppe Term Loan Agreement on August 25, 2020.

Vitamin Shoppe ABL Revolver

On December 16, 2019, the Company, through direct and indirect subsidiaries, entered into a Second Amended and Restated Loan and Security Agreement (the “ Vitamin Shoppe ABL Agreement”) providing for a senior secured revolving loan facility (the “Vitamin Shoppe ABL Revolver”) with commitments available to the Company of the lesser of (i) $100.0 million and (ii) a specified borrowing base based on our eligible credit card receivables, accounts receivable and inventory, less certain reserves, and as to each of clauses (i) and (ii), less a $10.0 million availability block. The Vitamin Shoppe ABL Revolver will mature on December 16, 2022, unless the maturity is accelerated subject to the terms set forth in the Vitamin Shoppe ABL Agreement. The Company borrowed $70.0 million on December 16, 2019, the proceeds of which were used to consummate the Vitamin Shoppe Acquisition. The ABL Agreement amended and restated the existing Amended and Restated Loan and Security Agreement (the “Existing Vitamin Shoppe ABL Agreement”), dated as of January 20, 2011. The Vitamin Shoppe ABL Revolver also provides for letters of credit. As of December 26, 2020, $8.4 million in committed letters of credit under the facility.

The Company's obligations under the ABL Agreement are secured by substantially all of the assets of the Vitamin Shoppe segment. The Intercreditor Agreement sets forth the relative priorities of the security interests granted with respect to the Vitamin Shoppe ABL Revolver and those granted with respect to the Vitamin Shoppe Term Loan. The security interest granted to the Vitamin Shoppe ABL Revolver lenders is senior to that granted to the Vitamin Shoppe Term Loan lenders with respect to, among other assets, accounts receivable, inventory and deposit accounts.

Borrowings under the Vitamin Shoppe ABL Revolver will, at the Company's option, bear interest at either (i) a rate per annum based on LIBOR for an interest period of one, two, three or six months, plus an interest rate margin that ranges from 1.25% to 1.75%, depending on excess availability (a “LIBOR Loan”), with a 0.0% LIBOR floor, or (ii) an alternate base rate determined as provided in the Vitamin Shoppe ABL Agreement, plus an interest rate margin that ranges from 0.25% to 0.75%, depending on excess availability (an “ABR Loan”), with a 1.0% alternate base rate floor. Interest on LIBOR Loans is payable in arrears at the end of each applicable interest period (and, with respect to a six-month interest period, three months after commencement of the interest period), and interest on ABR Loans is payable in arrears on the first business day of each calendar quarter.

Subject to the Intercreditor Agreement, the Company is required to repay borrowings under the Vitamin Shoppe ABL Revolver with the net cash proceeds of certain customary events (subject to certain customary reinvestment rights). Further, if the outstanding principal amount of the borrowings under the Vitamin Shoppe ABL Revolver at any time exceeds the lesser of $100.0 million and the borrowing base, less, in each case, a $10.0 million availability block, the Company must prepay any such excess.

The Vitamin Shoppe ABL Agreement includes customary affirmative and negative covenants binding on the Company and its subsidiaries, including the delivery of financial statements, borrowing base certificates and other reports. The negative covenants limit the ability of the Company and its subsidiaries, among other things, to incur debt, incur liens, make investments, sell assets, pay dividends on its capital stock and enter into transactions with affiliates. In addition, the Vitamin Shoppe ABL Agreement includes customary events of default, the occurrence of which may require the Company to pay an additional 2.0% interest on the borrowings under the Vitamin Shoppe ABL Revolver.

Vitamin Shoppe Convertible Senior Notes

On December 16, 2019, as part of the Vitamin Shoppe Acquisition, the Company assumed $60.4 million in aggregate principal amount of 2.25% Convertible Senior Notes ("Convertible Notes"). The Convertible Notes had a maturity date of December 1, 2020.

Prior to July 1, 2020, the Convertible Notes would have been convertible only under certain circumstances. The Convertible Notes are convertible at an initial conversion rate of 25.1625 shares of the Company's common stock per $1,000 principal amount of the Convertible Notes. The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, the Company is required to increase, in certain circumstances, the conversion rate for a holder who elects to convert its Convertible Notes in connection with such a corporate event including customary conversion rate adjustments in connection with a "make-whole fundamental change" as defined. Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. On February 7, 2020, the Company completed the repurchase of the Convertible Notes for a purchase price of $60.6 million, which includes accrued interest.

Sears Outlet Credit Agreement

On October 23, 2019 as part of the Sears Outlet Acquisition, the Company, through indirect subsidiaries, entered into a credit agreement (the “Sears Outlet Credit Agreement”) that provides for a $105.0 million first priority senior secured term loan, net of financing costs of $2.8 million, which matures on October 23, 2023. The Company was in compliance with all covenants of the Sears Outlet Credit Agreement as of December 28, 2019. On February 14, 2020 the Company repaid in full all amounts that were outstanding under the Sears Outlet Credit Agreement and terminated the Sears Outlet Credit Agreement.

Buddy's Credit Agreement

On July 10, 2019 as part of the Buddy's Acquisition, the Company, through an indirect subsidiary, entered into a Credit Agreement (the "Buddy's Credit Agreement") that provides for an $82.0 million first priority senior secured term loan which matures on July 10, 2024. On August 23, 2019, as part of the 41 stores acquisition from A-Team, the Buddy's Credit Agreement was amended. The amendment provides for a $23.0 million first priority senior secured loan (the “Buddy’s Additional Term Loan”), net of financing costs of $0.4 million. On September 30, 2019, the Buddy's Credit Agreement was further amended to update the agreed consolidated EBITDA figures for September 30, 2018, December 31, 2018, March 31, 2019 and June 30, 2019 and to clarify the circumstances under which acquisitions may be given pro forma effect in the calculation of consolidated EBITDA. The Company was in compliance with all covenants of the Buddy’s Credit Agreement as of December 28, 2019. On February 14, 2020, the Company repaid in full all amounts that were outstanding under the Buddy's Credit Agreement and Buddy's Additional Term Loan and terminated the Buddy's Credit Agreement and Buddy's Additional Term Loan Agreement.

Liberty Tax Credit Agreement

On May 16, 2019, the Company entered into the Liberty Tax Credit Agreement that provides for a $135.0 million senior revolving credit facility (the "Revolving Credit Facility"), with a $10.0 million sub-facility for the issuance of letters of credit, and a $20.0 million swingline loan sub-facility. On October 2, 2019, the Company amended the Liberty Tax Credit Agreement to extend the maturity date to October 2, 2022, from the original maturity date of May 31, 2020, and decrease the aggregate amount of commitments from $135.0 million to $125.0 million as of October 2, 2019. The Liberty Tax Credit Agreement included customary affirmative, negative, and financial covenants, including the delivery of financial statements and other reports and maintenance of existence. The Company was in compliance with all covenants of the Liberty Tax Credit Agreement as of December 28, 2019. On February 14, 2020, the Company amended certain provisions of the Liberty Tax Credit Agreement to provide for the gradual reduction of the commitments under the Liberty Tax Credit Agreement and terminated the facility on April 30, 2020.

Vintage Subordinated Note

On May 16, 2019, the Company also entered into a Subordinated Note (the “Subordinated Note”) payable to Vintage Capital Management LLC (“Vintage”). The aggregate principal amount of all loans to be made by Vintage under the Subordinated Note was limited to $10.0 million. Any indebtedness owed to Vintage under the Subordinated Note was subordinate to and subject in right and time of payment to the Revolving Credit Facility. The Company did not make any borrowings under the Subordinated Note. The Subordinated Note was terminated effective with the October 2, 2019 amendment of the Liberty Tax Credit Agreement.

Compliance with Debt Covenants

The Company's revolving credit and long-term debt agreements impose restrictive covenants on it, including requirements to meet certain ratios. As of December 26, 2020, the Company was in compliance with all covenants under these agreements and, based on a continuation of current operating results, the Company expects to continue to be in compliance for the next 12 months.

Other Indebtedness

In December 2016, the Company obtained a mortgage payable to a bank in monthly installments of principal payments plus interest at the one-month LIBOR plus 1.85% through December 2026 with a balloon payment of $0.8 million due at maturity. The mortgage is collateralized by land and buildings.

Aggregate maturities of long-term debt at December 26, 2020 were as follows:

Fiscal Year		(In thousands)
2021	$	105,388
2022		25,380
2023		25,174
2024		25,161
2025		391,995
Thereafter		945
Total long-term obligations	$	574,043

(10) Stockholders' Equity

Stockholders' Equity Activity

On September 15, 2020, the Company entered into an Underwriting Agreement with B. Riley Securities, Inc. (formerly known as B. Riley FBR) (“B. Riley Securities”), as representative of the underwriters named therein (the “Preferred Stock Underwriters”), to issue and sell an aggregate of 1,200,000 shares of the Company’s 7.50% Series A Cumulative Perpetual Preferred Stock, par value $0.01 per share and liquidation preference of $25.00 per share (the “Series A Preferred Stock”), in a public offering at a price to the public of $25.00 per share. The Company also granted the Preferred Stock Underwriters the Option to purchase up to 180,000 additional shares of Series A Preferred Stock for a period of 30 days following September 15, 2020. The offering closed on September 18, 2020, and the net proceeds to the Company from the offering were approximately $28.8 million, after deducting the underwriting discount, a structuring fee and other estimated offering expenses of approximately $1.2 million.

On October 15, 2020, the Preferred Stock Underwriters provided notice to purchase an additional 50,000 shares of the Series A Preferred Stock on the terms and subject to the conditions set forth in the Preferred Stock Underwriting Agreement. The Company received proceeds of approximately $1.2 million, net of expenses of less than $0.1 million.

On June 25, 2020, the Company entered into an Underwriting Agreement (the "Common Stock Underwriting Agreement") with B. Riley FBR, Inc. ("B. Riley FBR") as representative of the underwriters named therein (the “Common Stock Underwriters”) to issue and sell an aggregate of 4,200,000 shares of the Company's common stock in a public offering at a price of $23.25 per share. In addition, the Company granted the Common Stock Underwriters an option to purchase up to an additional 630,000 shares of the Company's common stock for a period of 30 days from June 25, 2020. The offering closed on June 30, 2020 and the net proceeds to the Company from the offering were approximately $92.2 million, after deducting underwriting discounts and estimated offering expenses of approximately $5.4 million. On July 25, 2020, the Company and B. Riley FBR entered into an Amendment No. 1 to the Common Stock Underwriting Agreement to extend the period during which the Company granted the Common Stock Underwriters the option to 35 days from June 25, 2020, or July 30, 2020. On July 30, 2020, the Common Stock Underwriters provided notice to purchase the additional 630,000 shares of the Company's common stock. On August 3, 2020, the Company received proceeds of approximately $13.8 million, net of underwriting discounts of approximately $0.8 million.

On February 14, 2020, the Company issued 1,250,000 shares of the Company's common stock with a value of $31.0 million, which was recorded as deferred financing costs, to Kayne FRG Holdings L.P. for services provided in the financing of the American Freight Acquisition.

On February 7, 2020, investors purchased approximately 3,877,965 shares of the Company's common stock for $65.9 million. The equity financing was done through purchases of shares of common stock of the Company at $12.00 per share under the ECL (as defined below), and $23.00 per share in connection with a separate private placement of shares of common stock (collectively, the "Equity Financing") pursuant to certain subscription agreements entered into by each investor with the Company. Pursuant to the ECL, Tributum, L.P. assigned certain of its obligations thereunder to provide a portion of such Equity Financing to certain of the investors. The proceeds of the of Equity Financing were used by the Company to fund the repurchase or redemption of the Company's outstanding 2.25% Convertible Notes (the "Convertible Notes"), to make interest payments on the Convertible Notes that are not repurchased or redeemed until their maturity and to also fund general, working capital and cash needs of the Company.

On January 3, 2020, the Company entered into a Subscription Agreement with an affiliate of Vintage Capital Management, LLC ("Vintage"), pursuant to which the affiliate of Vintage purchased from the Company 2,354,000 shares of common stock of the Company, par value $0.01 per share, at a purchase price of $12.00 per share for an aggregate purchase price of $28.2 million in cash. The common stock was purchased pursuant to an amendment to an equity commitment letter, dated August 7, 2019, between the Company and Tributum, L.P. (as amended, the "ECL"), pursuant to which Vintage agreed to provide $70.0 million of equity financing for the Vitamin Shoppe Acquisition.

During the first quarter of 2020, the Company also corrected an immaterial misclassification between retained earnings and non-controlling interest related to distributions declared to the non-controlling interest in the prior year.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss at December 26, 2020 and December 28, 2019, are as follows:

(In thousands)	**12/26/2020**	**12/28/2019**
Foreign currency adjustment	$ (1,254)	$ (1,496)
Interest rate swap agreements, net of tax	(145)	(42)
Total accumulated other comprehensive loss	$ (1,399)	$ (1,538)

Non-controlling interest

The Company is the sole managing member of New Holdco and, as a result, consolidates the financial results of New Holdco. The Company reports a non-controlling interest representing the economic interest in New Holdco held by the Buddy’s Members. The New Holdco LLC Agreement provides that the Buddy’s Members may, from time to time, require the Company to redeem all or a portion of their New Holdco units for newly-issued shares of common stock on a basis of one New Holdco unit and one-fifth of a share of Preferred Stock of the Company for one share of common stock of the Company. In connection with any redemption or exchange, the Company will receive a corresponding number of New Holdco units, increasing its total ownership interest in New Holdco. Changes in the Company's ownership interest in New Holdco while it retains their controlling interest in New Holdco will be accounted for as equity transactions. As such, future redemptions or direct exchanges of New Holdco units by the Buddy’s Members will result in a change in ownership and reduce the amount recorded as non-controlling interest and increase additional paid-in capital. As of December 28, 2019, the Company had an ownership interest of 65.6% in New Holdco and reported a non-controlling interest equal to 34.4%. On March 26, 2020, the Company redeemed 3,937,726 New Holdco units and 787,545 shares of preferred stock for common stock. On April 1, 2020, the Company redeemed the remaining 5,495,606 New Holdco units and 1,099,121 shares of preferred stock for common stock and the Company became the sole owner of New Holdco.

The exchange of New Holdco units for common stock resulted in an increase in the tax basis of the net assets of New Holdco and a liability to be recognized pursuant to the Tax Receivable Agreement ("TRA"). The difference of $10.0 million in the adjustment of the deferred tax balances and the tax receivable agreement liability was recorded as an adjustment to additional paid-in-capital. Refer to "Note 13 - Income Taxes" for further discussion of the TRA.

Preferred Stock

The Company has authorized the issuance of 20.0 million shares of preferred stock. Preferred stock outstanding for the periods ended December 26, 2020 and December 28, 2019 is as follows:

Preferred Stock	12/26/2020	12/28/2019
Voting Non-economic Preferred Stock, par value $0.01 per share	—	1,886,667
Series A Preferred Stock, par value $0.01 per share	1,250,000	—
Shares outstanding	1,250,000	1,886,667

Net Income (Loss) per Share

Prior to 2019, due to the Company having Class A and Class B common stock, net income (loss) was computed using the two-class method. Basic net income (loss) per share was computed by allocating undistributed earnings to common stock and participating securities (exchangeable shares) and using the weighted-average number of common stock outstanding during the period. Undistributed losses were not allocated to participating securities because they do not meet the required criteria for such allocation. The rights, including liquidation and dividend rights, of the holders of Class A and Class B common stock were identical, with the exception of the election of directors. As a result, the undistributed earnings were allocated based on the contractual participation rights of the Class A and Class B common stock as if the earnings for the year had been distributed. Participating securities had dividend rights that were identical to Class A and Class B common stock.

At December 28, 2019, the Company no longer had any outstanding Class B common stock or exchangeable shares. In addition, the Preferred Stock of the Company does not share in any income or loss and therefore is not a participating security but is a potentially dilutive security upon exchange to common stock.

Diluted net income (loss) per share is computed using the weighted-average number of common stock and, if dilutive, the potential common stock outstanding during the period. Potential common stock consists of the incremental common stock issuable upon the exercise of stock options and vesting of restricted stock units. The dilutive effect of outstanding stock options and restricted stock units is reflected in diluted earnings per share by application of the treasury stock method. Additionally, the computation of the diluted net income (loss) per share of Class A common stock assumed the conversion of Class B common stock, exchangeable shares, and Preferred Stock, if dilutive, while the diluted net loss per share of Class B common stock did not assume conversion of those shares.

The computation of basic and diluted net income per share for the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018 is as follows:

(In thousands, except for share and per share amounts)	12/26/2020	
	Common stock	
Basic net income per share:		
Numerator		
Allocation of undistributed income attributable to Franchise Group	$	25,064
Less: Preferred dividend declared		755
Net income attributable to Franchise Group common stockholders		24,309
Denominator		
Weighted-average common shares outstanding		34,531,362
Basic net income per share	$	0.70
Diluted net income per share:		
Numerator		
Allocation of undistributed earnings for basic computation	$	24,309
Denominator		
Number of shares used in basic computation		34,531,362
Weighted-average effect of dilutive securities		
Employee stock options and restricted stock units		440,573
Weighted-average dilutive shares outstanding		34,971,935
Diluted net income per share	$	0.70

(In thousands, except for share and per share amounts)	12/28/2019	
	Common stock	
Basic and diluted net loss per share		
Numerator		
Allocation of undistributed loss attributable to Franchise Group	$	(68,427)
Net loss attributable to common stockholders		(68,427)
Denominator		
Weighted-average common shares outstanding		16,669,065
Basic and diluted net loss per share	$	(4.11)

(In thousands, except for share and per share amounts)	4/30/2019	
	Common stock	
Basic and diluted net loss per share:		
Numerator		
Allocation of undistributed loss	$	(2,156)
Net loss attributable to common stockholders		(2,156)
Denominator		
Weighted-average common shares outstanding		13,800,884
Basic and diluted net loss per share	$	(0.16)

(In thousands, except for share and per share amounts)	4/30/2018 Class A common stock	4/30/2018 Class B common stock
Basic net income per share:		
Numerator		
Allocation of undistributed income	$ 133	$ 2
Amounts allocated to participating securities:		
Exchangeable shares	(10)	—
Net income attributable to common stockholders	123	2
Denominator		
Weighted-average common shares outstanding	12,728,762	200,000
Basic net income per share	$ 0.01	$ 0.01
Diluted net income per share:		
Numerator		
Allocation of undistributed earnings for basic computation	$ 123	$ 2
Reallocation of undistributed earnings as a result of assumed conversion of:		
Class B common stock to Class A common stock	2	—
Exchangeable shares to Class A common stock	10	—
Net income attributable to stockholders	$ 135	$ 2
Denominator		
Number of shares used in basic computation	12,728,762	200,000
Weighted-average effect of dilutive securities:		
Class B common stock to Class A common stock	200,000	—
Exchangeable shares to Class A common stock	1,000,000	—
Employee stock options and restricted stock units	48,986	703
Weighted-average diluted shares outstanding	13,977,748	200,703
Diluted net income per share	$ 0.01	$ 0.01

Diluted net income per share excludes the impact of shares of potential common stock from the exercise of options and vesting of restricted stock units to purchase 206,899 and 524,649 shares for the Transition Period and year ended April 30, 2019, respectively, because the effect would be anti-dilutive.

(11) Stock Compensation Plan

2019 Omnibus Incentive Plan

In December 2019, the Company's stockholders approved the Company's 2019 Omnibus Incentive Plan (the "2019 Plan"). The 2019 Plan provides for a variety of awards, including stock options, stock appreciation rights, performance units, performance shares, shares of the Company’s common stock, par value $0.01 per share, restricted stock, restricted stock units, incentive awards, dividend equivalent units and other stock-based awards. Awards under the 2019 Plan may be granted to the Company’s eligible employees, directors, or consultants or advisors. The 2019 Plan provides that an aggregate maximum of 5,000,000 shares of common stock are reserved for issuance under the 2019 Plan, subject to adjustment for certain corporate events. At December 26, 2020 and December 28, 2019, 4,062,558 and 4,398,334 shares of common stock remained available for grant, respectively.

Stock Options

The following table summarizes the information for options granted in the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018:

	12/26/2020	12/28/2019	4/30/2019	4/30/2018
Weighted-average fair value of options granted	$—	$4.66	$2.18	$3.16
Dividend yield	—%	—%	5.3% - 7.2%	4.5% - 5.9%
Expected volatility	—%	44.9%	38.3% - 44.7%	36.8% - 51.3%
Expected terms	0 years	5 years	5 - 6 years	5 - 6 years
Risk-free interest rates	—%	1.7%	2.7% - 2.8%	1.9% - 2.1%

Stock option activity during the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018 was as follows:

	Number of options	Weighted-average exercise price
Outstanding at April 30, 2017	1,387,331	$ 18.02
Granted	272,502	13.25
Exercised	(9,000)	10.51
Forfeited or expired	(1,178,330)	17.22
Outstanding at April 30, 2018	472,503	17.41
Granted	704,514	10.20
Exercised	(14,069)	10.90
Forfeited or expired	(366,704)	17.99
Outstanding at April 30, 2019	796,244	10.88
Granted	88,340	11.93
Exercised	(207,802)	10.60
Forfeited or expired	(216,497)	12.87
Outstanding at December 28, 2019	460,285	10.28
Granted	—	—
Exercised	(50,278)	10.35
Forfeited or expired	(18,598)	11.93
Outstanding at December 26, 2020	391,409	$ 10.19

Intrinsic value is defined as the fair value of the stock less the cost to exercise. The total intrinsic value of options exercised in the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018 was $0.6 million, $0.3 million, $0.1 million and $0.1 million. The total intrinsic value of stock options outstanding at December 26, 2020 was $7.2 million. Stock options vest from the date of grant to three years after the date of grant and expire from 4 to 5 years after the vesting date.

Nonvested stock options (options that had not vested in the period reported) activity during the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018 was as follows:

	Nonvested options	Weighted-average exercise price
Outstanding at April 30, 2017	678,118	$ 15.88
Granted	272,502	13.25
Vested	(563,118)	14.61
Forfeited	(120,069)	20.73
Outstanding at April 30, 2018	267,433	14.27
Granted	704,514	10.20
Vested	(92,207)	9.49
Forfeited	(225,226)	14.22
Outstanding at April 30, 2019	654,514	10.35
Granted	88,340	11.93
Vested	(374,942)	10.77
Forfeited	(152,905)	10.55
Outstanding at December 28, 2019	215,007	10.11
Granted	—	—
Vested	(133,075)	10.46
Forfeited	(18,598)	11.93
Outstanding at December 26, 2020	63,334	$ 8.83

At December 26, 2020, unrecognized compensation cost related to non-vested stock options was less than $0.1 million. These costs are expected to be expensed through fiscal 2021.

The following table summarizes information about stock options outstanding and exercisable at December 26, 2020.

	Options outstanding			Options exercisable	
Range of Exercise Prices	Number of options outstanding	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Number of options exercisable	Weighted-average exercise price
0.00 - 10.89	217,500	$ 8.77	4.2	154,166	$ 8.74
10.90 - 16.38	173,909	11.98	3.2	173,909	11.98
	391,409	$ 10.19		328,075	$ 10.46

Restricted Stock Units

The Company has awarded service-based restricted stock units ("RSUs") and performance restricted stock units ("PRSUs") to its non-employee directors, officers and certain employees. The Company recognizes expense based on the estimated fair value of the RSUs or PRSUs granted over the vesting period on a straight-line basis. The fair value of RSUs and PRSUs is determined using the Company's closing stock price on the date of the grant. At December 26, 2020, unrecognized compensation cost related to RSUs and PRSUs was $4.3 million and $11.9 million, respectively. These costs are expected to be recognized through fiscal 2023.

The following table summarizes the status of service-based RSU activity during the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018:

	Number of RSUs	Weighted-Average Fair Value at Grant Date
Balance at April 30, 2017	176,396	$ 13.61
Granted	192,560	12.21
Vested	(187,364)	13.04
Forfeited	(54,562)	13.34
Balance at April 30, 2018	127,030	12.48
Granted	147,991	10.40
Vested	(28,029)	13.47
Forfeited	(78,200)	12.31
Balance at April 30, 2019	168,792	10.56
Granted	153,085	14.10
Vested	(80,549)	10.73
Forfeited	(36,122)	10.72
Balance at December 28, 2019	205,206	13.11
Granted	192,809	24.83
Vested	(85,911)	12.67
Forfeited	(15,957)	19.69
Balance at December 26, 2020	296,147	$ 20.51

The following table summarizes the status of PRSU activity during the year ended December 26, 2020 and the Transition Period:

	Number of PRSUs	Weighted-Average Fair Value at Grant Date
Balance at April 30, 2019	—	$ —
Granted	465,833	14.40
Vested	—	—
Forfeited	—	—
Balance at December 28, 2019	465,833	14.40
Granted	154,904	24.84
Vested	—	—
Forfeited	(2,000)	14.40
Balance at December 26, 2020	618,737	$ 17.00

Stock Compensation Expense

The Company recorded $9.5 million, $3.1 million, $1.0 million and $3.7 million of expense related to stock awards for the year ended December 26, 2020, the Transition Period, and years ended April 30, 2019 and April 30, 2018, respectively.

(12) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities subject to fair value

measurements are classified according to a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Valuation methodologies for the fair value hierarchy are as follows.

- Level 1—Quoted prices for identical assets and liabilities in active markets.
- Level 2—Quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-based valuations in which all significant inputs are observable in the market.
- Level 3—Unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The Company measures or monitors certain of its assets and liabilities on a fair value basis. Fair value is used on a recurring basis for those assets and liabilities for which fair value is the primary basis of accounting. Other assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are subject to fair value adjustment in certain circumstances, such as when there is evidence of impairment.

The following tables present, for each of the fair value hierarchy levels, the assets and liabilities that are measured at fair value on a recurring and nonrecurring basis at December 26, 2020, and December 28, 2019.

		12/26/2020 Fair value measurements using		
(In thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Nonrecurring assets:				
Impaired accounts and notes receivable, net of unrecognized revenue	$ 9,669	$ —	$ —	$ 9,669
Total nonrecurring assets	$ 9,669	$ —	$ —	$ 9,669
Recurring liabilities:				
Contingent consideration included in obligations due former ADs, franchisees and others	$ 317	$ —	$ —	$ 317
Interest rate swap agreement	145	—	145	—
Total recurring liabilities	$ 462	$ —	$ 145	$ 317

		12/28/2019 Fair value measurements using		
(In thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**
Recurring assets:				
Cash equivalents	$ 4,253	$ 4,253	$ —	$ —
Total recurring assets	4,253	4,253	—	—
Nonrecurring assets:				
Impaired accounts and notes receivable, net of unrecognized revenue	7,310	—	—	7,310
Total nonrecurring assets	7,310	—	—	7,310
Total recurring and nonrecurring assets	$ 11,563	$ 4,253	$ —	$ 7,310
Recurring liabilities:				
Contingent consideration included in obligations due former ADs, franchisees and others	$ 916	$ —	$ —	$ 916
Interest rate swap agreement	58	—	58	—
Total recurring liabilities	$ 974	$ —	$ 58	$ 916

The Company's policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 1 or 2 recurring fair value measurements for the year ended December 26, 2020 and the Transition Period.

The following methods and assumptions are used to estimate the fair value of our financial instruments.

Cash equivalents: The carrying amounts approximate fair value because of the short maturity of these instruments. Cash equivalent financial instruments consist of money market accounts.

Impaired accounts and notes receivable: Accounts and notes receivable are considered to be impaired if the net amounts due exceed the fair value of the underlying franchise or if management considers it probable that all principal and interest will not be collected when contractually due. In establishing the estimated fair value of the underlying franchise, consideration is given to a variety of factors, including, recent comparable sales of Company-owned stores, sales between franchisees, the net fees of open offices, and the number of unopened offices.

Impaired goodwill, reacquired rights, and customer lists: Goodwill, reacquired rights, and customer lists associated with a Company-owned office are considered to be impaired if the net carrying amount exceeds the fair value of the underlying office. In establishing the fair value of the underlying office, consideration is given to the related net fees, subjected to a floor of the value of a new franchise.

Assets held for sale: Assets held for sale are recorded at the lower of the carrying value of the expected sales price, less costs to sell, which approximates fair value.

Contingent consideration included in long-term obligations: Contingent consideration is carried at fair value. The fair value of these obligations was determined based upon the estimated future net revenues of the acquired businesses.

Interest rate swap agreement: Value of interest rate swap on variable rate mortgage debt. The fair value of this instrument was determined based on third-party market research.

Other Fair Value Measurements

Accounting standards require the disclosure of the estimated fair value of financial instruments that are not recorded at fair value. For the financial instruments not recorded at fair value, estimates of fair value are made at a point in time based on relevant market data and information about the financial instrument. No readily available market exists for a significant portion of the Company's financial instruments. Fair value estimates for these instruments are based on current economic conditions, interest rate risk characteristics, and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates in many instances cannot be substantiated by comparison to independent markets and, in many cases, may not be realizable in a current sale of the instrument. In addition, changes in assumptions could significantly affect these fair value estimates. The following methods and assumptions were used by the Company in estimating the fair value of these financial instruments.

Receivables other than notes, other current assets, accounts payable and accrued expenses, and due to ADs: The carrying amounts approximate fair value because of the short maturity of these instruments (Level 1).

Notes receivable: The carrying amount approximates fair value because the interest rate charged by the Company on these notes approximates rates currently offered by local lending institutions for loans of similar terms to individuals/entities with comparable credit risk (Level 3).

Long-term debt: The carrying amount approximates fair value because the interest rate paid has a variable component (Level 2).

(13) Income Taxes

Overview

The Company is subject to U.S. federal, state and foreign income taxes with respect to its allocable share of any taxable income or loss of New Holdco through April 1, 2020 and income or loss from its operations subsequent to that date through December 26, 2020. The non-controlling members of New Holdco exercised their right to exchange units for stock in Franchise Group, Inc., terminating the partnership on April 1, 2020. The Company generally does not pay income taxes on its taxable income in most jurisdictions due to its net operating loss carryforwards. Additionally, the Company owns stock of two legal entities in Canada which are taxed as corporations.

In addition, the impact of the American Freight Acquisition has been considered for the year ended December 26, 2020. The Company recorded an additional $10.5 million deferred tax liability to account for cumulative temporary differences resulting from the American Freight Acquisition. This entity was taxed as a corporation through April 25, 2020. Subsequent to that date, it is a disregarded entity owned by Franchise Group, Inc.

TRA

On July 10, 2019, the Company entered into a tax receivable agreement with the then-existing non-controlling interest holders (the "TRA") that provides for the payment by the Company to the non-controlling interest holders of 40% of the cash savings, if any, in federal, state and local taxes that the Company realizes or is deemed to realize as a result of any increases in tax basis of the assets of New Holdco resulting from future redemptions or exchanges of New Holdco units.

During the year ended December 26, 2020, the Company acquired an aggregate of 9,433,332 New Holdco units, which resulted in an increase in the tax basis of its investment in New Holdco subject to the provisions of the TRA. In the year ended December 26, 2020, the Company recognized a total liability in the amount of $16.8 million for the payments due to the redeeming members under the Tax Receivable Agreement ("TRA Payments"), representing 40% of the cash savings it expects to realize from the tax basis increases related to the redemption of New Holdco units. TRA Payments will be made when such TRA related deductions actually reduce the Company’s income tax liability. No payments were made to members of New Holdco pursuant to the TRA during the year ended December 26, 2020.

Pursuant to the Company's election under Section 754 of the Internal Revenue Code (the "Code"), the Company has obtained an increase in its share of the tax basis in the net assets of New Holdco when the New Holdco units were redeemed or exchanged by the non-controlling interest holders and other qualifying transactions. The Company has treated the redemptions and exchanges of New Holdco units by the non-controlling interest holders as direct purchases of New Holdco units for U.S. federal income tax purposes. This increase in tax basis will reduce the amounts that it would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The tax benefit associated with this increase in tax basis is offset with a full valuation allowance as of December 26, 2020.

CARES Act

The Coronavirus, Aid, Relief, and Economic Security, or CARES Act (the “Act”) was enacted on March 27, 2020. The Act retroactively changed the eligibility of certain assets for expense treatment in the year placed in service, back to 2018, and permitted any net operating loss for the tax years 2018, 2019 and 2020 to be carried back for 5 years. The Company recorded a total income tax benefit of $52.3 million during the year associated with the income tax components contained in the Act. As of December 26, 2020, the Company has completed an initial analysis of the tax effects of the Act but continues to monitor developments by federal and state rule making authorities regarding implementation of the Act. The Company has made reasonable estimates of the effects of the Act and will adjust, if needed, as new laws or guidance becomes available.

Tax Cuts and Jobs Act of 2017

The Tax Act was enacted in the U.S. on December 22, 2017. The Tax Act reduced the U.S. federal corporate income tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and created new taxes on certain foreign-sourced earnings. Under the applicable accounting guidance, the Company accounted for the effects of the changes in the U.S. tax law in the period in which they were enacted, which was

the third quarter of fiscal 2018. Due to the complexities associated with understanding and applying various aspects of the new law, the SEC issued guidance in SAB 118 allowing a measurement period of no more than one year from the date of enactment of the new law to complete all adjustments to amounts recorded on a provisional basis.

SAB 118 measurement period

The Company applied the guidance in SAB 118 when accounting for the enactment-date effects of the Tax Act throughout 2018. As of January 31, 2018, the Company recorded provisional amounts for all the enactment-date income tax effects of the Tax Act under ASC 740, Income Taxes, for the remeasurement of deferred tax assets and liabilities and a one-time transition tax. As of January 31, 2019, the Company completed its accounting for all of the enactment-date income tax effects of the Tax Act. As further discussed below, during 2018 and the first month of 2019, the Company recognized adjustments to the provisional amounts initially recorded at January 31, 2018 and included these adjustments as a component of income tax expense from continuing operations.

One-time transition tax

The one-time transition tax is based on the Company's total post-1986 earnings and profits, the tax on which the Company previously deferred from U.S. income taxes under U.S. law. The Company recorded a provisional amount for its one-time transition tax liability for each of its foreign subsidiaries, resulting in a transition tax liability of $1.2 million at January 31, 2018. Upon further analyses of the Tax Act and notices and regulations issued and proposed by the U.S. Department of the Treasury and the Internal Revenue Service, the Company finalized its calculations of the transition tax liability during 2018. The Company increased its January 31, 2018 provisional amount by $0.2 million, which is included as a component of income tax expense from continuing operations. The Company elected to pay its transition tax over the eight-year period provided in the Tax Act.

Deferred tax assets and liabilities

As January 31, 2018, the Company remeasured certain deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future (which was generally 21%), by recording a provisional income tax benefit of $1.6 million. Upon further analysis of certain aspects of the Tax Act and refinement of its calculations during the 12 months ended April 30, 2019, the Company adjusted its provisional amount by increasing the income tax benefit by $1.2 million, which is included as a component of income tax expense from continuing operations.

Global intangible low-taxed income (GILTI)

The Tax Act subjects a U.S. shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company elected to account for GILTI in the year the tax is incurred as a period cost.

Components of income tax expense for the fiscal year ended December 26, 2020, the Transition Period, and years ended April 30, 2019, and April 30, 2018 were as follows:

(In thousands)	12/26/2020	12/28/2019	4/30/2019	4/30/2018
Current:				
Federal	$ (61,254)	$ —	$ (2,400)	$ 4,895
State	615	56	(648)	1,097
Foreign	1,071	(740)	623	723
Current Tax expense	(59,568)	(684)	(2,425)	6,715
Deferred:				
Federal	3,931	(3,982)	545	(2,125)
State	(2,150)	(5,857)	(29)	(69)
Foreign	(183)	78	70	(175)
Deferred tax expense (benefit)	1,598	(9,761)	586	(2,369)
Total income tax expense (benefit)	$ (57,970)	$ (10,445)	$ (1,839)	$ 4,346

For the year ended December 26, 2020, Transition Period, and years ended April 30, 2019, and April 30, 2018, income before taxes consisted of the following:

(In thousands)	12/26/2020	12/28/2019	4/30/2019	4/30/2018
U.S. operations	$ (34,989)	$ (112,886)	$ (6,229)	$ 3,176
Foreign operations	4,173	(2,025)	2,234	1,305
Income (loss) before income taxes	$ (30,816)	$ (114,911)	$ (3,995)	$ 4,481

Income tax benefit differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pre-tax income from continuing operations as a result of the following for years ended December 26, 2020 and December 28, 2019 are as follows:

(In thousands)	12/26/2020	12/28/2019
Computed "expected" income tax benefit	$ (6,471)	$ (24,131)
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	(1,187)	(5,801)
Nondeductible expenses	96	244
Stock compensation expense	11	(11)
GILTI	413	—
Transaction costs	392	—
Permanent goodwill on sale of Buddy's stores	1,062	—
Foreign tax rate differential	230	(142)
Remeasurement of deferreds	—	(478)
CARES Act	(52,337)	—
Non-controlling interest in New Holdco	(1,018)	—
Research credit	(676)	—
Return to provision	—	623
Decrease in DTL due to change in tax status	(8,882)	—
Decrease to valuation allowance due to change in tax status	8,882	7,495
Decrease in valuation allowance due to CARES Act	(11,417)	
Increase in valuation allowance due to operations	2,456	11,417
Increase in DTL for current year activity	10,254	—
Other	222	339
Total income tax benefit	$ (57,970)	$ (10,445)

The tax effect 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 as of December 26, 2020 and December 28, 2019 are as follows:

(In thousands)	12/26/2020	12/28/2019
Federal and state net operating loss carryforward	$ 19,364	$ 22,521
Section 743 adjustment	39,974	
Interest expense carryforward	559	1,429
State bonus depreciation	4,791	3,179
Equity compensation	2,316	—
Inventory	5,793	—
Goodwill, intangible assets, and assets held for sale (Canada)	33	32
R&D Credits	601	—
Deferred revenue	1,056	—
Accrued expenses and reserves	4,212	6
Property, equipment and software (Canada)	115	119
Allowances	4,272	—
Unrealized gain/loss	29	89
Lease liability (ASC 842)	138,850	—
Other	2	—
Total deferred tax assets (before valuation allowance)	221,967	27,375
Valuation allowance	(53,004)	(11,417)
Total deferred tax assets (after valuation allowance)	168,963	15,958
Deferred tax liabilities		
Property, equipment and software (U.S.)	(30,147)	—
Goodwill, intangible assets, and assets held for sale (U.S.)	(16,678)	—
Right-of-use assets (ASC 842)	(131,637)	—
Prepaid expenses	(2,620)	—
Investment in New Holdco	—	(15,958)
Total deferred tax liabilities	(181,082)	(15,958)
Net deferred tax liability	$ (12,119)	$ —

In assessing the realizability of the gross deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company increased its valuation allowance by $41.6 million, of which $0.1 million was charged to continuing operations.

As of December 26, 2020, the Company has gross U.S. federal net operating losses of $76.2 million, state net operating losses of $51.2 million, a portion of which will begin to expire in 2024. The Company experienced an “ownership change” within the meaning of Section 382(g) of the Internal Revenue Code of 1986, as amended, during 2019. This ownership change has and will continue to subject the Company's net operating loss carry forwards to an annual limitation, which may restrict the Company's ability to use them to offset its taxable income in periods following the ownership change. As of December 26, 2020, the Company has $0.6 million of research credit carryforwards, which will begin to expire in 2035.

The Company adopted the accounting and disclosure requirements for uncertain tax positions, which require a two-step approach to evaluate tax positions. This approach involves recognizing any tax positions that are more likely than not to occur and then measuring those positions to determine the amounts to be recognized in the financial statements. The Company

increased reserves for uncertain tax positions by $0.1 million as of December 26, 2020. However, the Company maintained its position of $0.2 million related to its Canadian entity.

A reconciliation of the beginning and ending balance of the gross liability for uncertain tax positions for the fiscal years ended December 26, 2020 and December 28, 2019, is as follows:

(In thousands)	12/26/2020	12/28/2019
Liability for uncertain tax positions, beginning of year	$ 461	$ 153
Decreases related to current year positions	(104)	—
Increases related to prior year positions	—	308
Liability for uncertain tax positions, end of year	$ 357	$ 461

As of December 26, 2020, the Company's earliest open tax year for U.S. federal income tax purposes was its fiscal year ended April 30, 2018.

(14) Related Party Transactions

The Company considers directors and their affiliated companies, as well as named executive officers and members of their immediate families, to be related parties.

Brian Kahn and Andrew Laurence

As of December 26, 2020, Mr. Kahn held approximately 32.5% of the aggregate ownership of the Company's common stock directly or through entities under his control, including Vintage.

Vintage and its affiliates held approximately 19.0% of the aggregate voting power of the Company through their ownership of common stock as of December 26, 2020. Mr. Kahn and Mr. Laurence, principals of Vintage, are members of the Company's Board of Directors with Mr. Laurence serving as the Company's Chairman of the Board until March 31, 2020. Mr. Kahn is the President and Chief Executive Officer of the Company and Mr. Laurence is an Executive Vice President of the Company.

Buddy's Acquisition. On July 10, 2019, the Company completed the Buddy's Acquisition. Vintage and other entities controlled by Mr. Kahn owned approximately 60% of Buddy's. For more information about the Buddy's Acquisition, please see "Note 2 - Acquisitions".

Vitamin Shoppe Acquisition and Related Transactions. On August 7, 2019, the Company entered into an agreement to acquire Vitamin Shoppe through the Vitamin Shoppe Acquisition. Vintage had an approximately 15% equity ownership in Vitamin Shoppe. In addition, a Vintage affiliate entered into a binding equity commitment letter pursuant to which it agreed to finance up to $70.0 million in equity to complete the Vitamin Shoppe Acquisition and the repayment of the existing Vitamin Shoppe convertible notes (the “Vitamin Shoppe equity commitment”). Pursuant to the Vitamin Shoppe equity commitment, the Vintage affiliate or its designated co-investors agreed to purchase up to $70.0 million of the Company’s common stock at a purchase price of $12.00 per share to finance the Vitamin Shoppe Acquisition. On December 6, 2019, Vintage affiliates purchased an aggregate of 937,500 shares of the Company's common stock for $11.3 million and co-investors purchased 1,501,248 shares of the Company's common stock for $19.9 million under the Vitamin Shoppe equity commitment. For more information on the Vitamin Shoppe Acquisition, please see "Note 2 - Acquisitions".

Stock Subscription Agreements. Affiliates of Vintage purchased 2,083,333.33 shares of the Company's common stock for $25.0 million under the Closing Subscription Agreement on July 10, 2019. On October 21, 2019 and October 23, 2019, a Vintage affiliate and Brian Kahn and Lauren Kahn purchased an aggregate of 2,333,333.33 shares of the Company's common stock for $28.0 million under a subscription agreement dated August 7, 2019 with the Company. On December 6, 2019, Vintage affiliates purchased an aggregate of 937,500 shares of the Company's common stock for $11.3 million under a subscription agreement dated August 7, 2019 with the Company. On January 6, 2020, Vintage affiliates purchased 2,354,000 shares of the Company's common stock for $28.2 million under a subscription agreement dated August 7, 2019 with the Company.

Buddy's Partner Acquisition. On September 30, 2019, the Company completed the Buddy's Partner Acquisition. As consideration for the acquisition, the sellers, which included Vintage and affiliates, received 1,350,000 New Holdco units and 270,000 shares of Preferred Stock. For more information about the Buddy's Partner Acquisition please see "Note 2 - Acquisitions".

Buddy's Franchises. Mr. Kahn had an equity interest in an entity that owned three Buddy's franchises. The entity sold the franchisees on June 26, 2020 and Mr. Kahn no longer has an interest in any franchises of the Company. Mr. Kahn's brother-in-law owns seven Buddy's franchisees. All transactions between the Company's Buddy's segment and Mr. Kahn's brother-in-law are conducted on a basis consistent with other franchisees.

M. Brent Turner

On October 2, 2019, Mr. Turner was appointed as President and Chief Executive Officer of Liberty Tax Service. Mr. Turner is also a majority owner of Revolution Financial, Inc. and previously served as its Chief Executive Officer.

The Company is a participant in the following related party transactions with Mr. Turner during the year ended December 26, 2020 and the Transition Period:

Revolution Financial Services Agreement. The Company entered into a one-year Services Agreement (the “Revolution Agreement”) with Revolution Financial, Inc. (“Revolution”) effective as of August 23, 2019. Mr. Turner serves as the Chief Executive Officer of Revolution. The Revolution Agreement provides for certain transition services, including leased office space and information technology personnel. Pursuant to the terms as provided in the Revolution Agreement, fees for each of the services provided by Revolution are calculated based on the actual costs for each applicable service to be paid by the Company. For the transition services provided by the Company in retail locations, which includes the provision of space and staffing, Revolution will pay the Company 50% of net revenue. The Revolution Agreement expired on August 23, 2020. During the life of the Revolution Agreement the Company did not earn any revenue or receive any payments under the agreement.

Revolution Financial Tax Program Agreement. The Company entered into a one-year Tax Program Agreement (the “Revolution Tax Program Agreement”) with Revolution effective as of November 20, 2020. The Revolution Tax Program Agreement allows Revolution to use Liberty’s tax preparation systems, certain identified intellectual property licensed from Liberty, and other expertise from Liberty 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 Liberty 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 $5,000.00 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 26, 2020, the Company had not earned any revenue or incurred any expenses related to the Revolution Tax Program Agreement.

Revolution Financial Loan Program Agreement. The Company entered into a one-year Loan Program Agreement (the “Revolution Loan Program Agreement”) with Revolution effective as of December 2, 2020. The Revolution Loan Program Agreement provides that Revolution will use its lending platform and expertise to offer consumer lending in Liberty 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) 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).

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, through its subsidiary, Liberty Tax Service, Inc. 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 Liberty.

Bryant Riley (former director)

Mr. Riley, through controlled entities or affiliates held approximately 11.3% of the aggregate ownership of the Company's common stock as of December 26, 2020. Mr. Riley was also a member of the Company's Board of Directors from September 2018 through March 2020.

Credit Agreements. On December 16, 2019, the Company entered into the Vitamin Shoppe Term Loan with an entity controlled by Mr. Riley. On February 14, 2020, the Company entered into a $675.0 million credit facility, which included a $575.0 million FGNH Credit Agreement and a $100.0 million FGNH ABL Term Loan with an entity controlled by Mr. Riley acting as the administrative agent. During the year ended December 26, 2020, the Company borrowed and repaid an $11.0 million promissory note with an entity controlled by Mr. Riley. On September 23, 2020, the Company repaid in full all amounts that were outstanding under the FGNH ABL Term Loan and terminated the FGNH ABL Credit Agreement.

Stock Subscription Agreements. On February 7, 2020, Mr. Riley, and entities or affiliates of Mr. Riley purchased 669,678 shares of the Company's common stock for $11.4 million under the Equity Financing as defined above in "Note 10 - Stockholder's Equity".

Fee Letters. On February 14, 2020, the Company entered into a fee letter with B. Riley pursuant to which B. Riley was entitled to receive $5.0 million for advisory services provided for the American Freight Acquisition. B. Riley received payment for these services on June 26, 2020. On February 19, 2020, the Company entered into a fee letter with B. Riley pursuant to which B. Riley received an equity fee equal to 6% of the $36.0 million of equity raised by B. Riley for the Company as part of the Equity Financing (as defined above in "Note 10 - Stockholder's Equity"). On January 11, 2021, the Company entered into a fee letter with B. Riley pursuant to which B. Riley was entitled to receive $250,000 for advisory services provided in connection with the Company's preferred equity offering.

Backstop ABL Commitment Letter. On May 1, 2020, in connection with our acquisition of American Freight and the ABL Credit Agreement, the Company entered into an ABL Commitment Letter with B. Riley pursuant to which B. Riley agreed to provide, subject to the terms and conditions set forth therein, a backstop commitment for a $100.0 million asset-based lending facility. The ABL Commitment Letter was terminated on September 25, 2020.

Underwritten Offering of Common Stock. On June 30, 2020, the Company completed an underwritten offering of its common stock in which B. Riley FBR, an affiliate of B. Riley, acted as representative of the underwriters. In connection with the offering, B. Riley FBR and the other underwriters in the offering were entitled to an underwriting discount of approximately $5.4 million and reimbursement of certain out-of-pocket expenses incurred in connection with the offering.

September 2020 Underwritten Offering of Preferred Stock. On September 18, 2020, the Company completed an underwritten offering of its Series A Preferred Stock in which B. Riley Securities, an affiliate of B. Riley, acted as representative of the underwriters. In connection with the offering, B. Riley Securities and the other underwriters in the offering were entitled to an underwriting discount and reimbursement of certain out-of-pocket expenses incurred of approximately $0.9 million and B. Riley Securities was entitled to an advisory fee of approximately $0.3 million.

bebe Acquisition of 47 Buddy's Stores. The Company sold 47 Buddy's locations to bebe for $35.0 million. B. Riley is partial owner of bebe. The deal was funded by B. Riley including a 1.5 million primary share purchase for $5 per share, cash on hand, and a $22.0 million secured loan.

January 2021 Underwritten Offering of Preferred Stock. On January 11, 2021, the Company reopened its original issuance of the Series A Preferred Stock, which closed on September 18, 2020 as noted above. The Company completed the reopened underwritten offering on January 15, 2021 in which B. Riley Securities, an affiliate of B. Riley, acted as representative of the underwriters. In connection with the offering B. Riley Securities and the other underwriters in the offering were entitled to an underwriting discount and reimbursement of certain out-of-pocket expenses incurred of approximately $3.0 million and B. Riley Securities was entitled to a structuring fee of $0.3 million.

Steve Belford

The Company's American Freight segment leases retail space and purchases inventory from entities either fully or partially owned by Steve Belford, the former Chief Executive Officer of American Freight. Mr. Belford's employment with American Freight ended on April 6, 2020. The amounts the Company's American Freight segment paid these entities prior to Mr. Belford's departure from the Company were immaterial.

Tax Receivable Agreement

In connection with the Buddy's Acquisition, the Company entered into a TRA with the Buddy's Members that provides for the payment to the Buddy's Members of 40% of the amount of any tax benefits that the Company actually realizes as a result of increases in the tax basis of the net assets of New Holdco resulting from any redemptions or exchanges of New Holdco units. There were no amounts paid or due under the TRA to the Buddy's Members as of and during the period ended December 28, 2019. Amounts due under the TRA to the Buddy's Members as of December 26, 2020, were $16.8 million which is recorded in "Other non-current liabilities" in the accompanying condensed consolidated balance sheets. No payments were made to former members of New Holdco pursuant to the TRA during the year ended December 26, 2020.

(15) 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 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.

Stockholder Class-Action and Derivative Complaint

On August 12, 2019, Asbestos Workers’ Philadelphia Pension Fund, individually and on behalf of all others similarly situated and derivatively on behalf of the Company filed a class action and derivative complaint (the “Derivative Complaint”) in the Court of Chancery of the State of Delaware, against Matthew Avril, Patrick A. Cozza, Thomas Herskovits, Brian R. Kahn, Andrew M. Laurence, Lawrence Miller, G. William Minner Jr., Bryant R. Riley, Kenneth M. Young, (collectively the “Derivative Complaint Individual Defendants”), and against Vintage, B. Riley, and the Company as a Nominal Defendant.

The Derivative Complaint alleges breach of fiduciary duty against the Derivative Complaint Individual Defendants based on the following allegations: (a) causing the Company to completely transform its business model and to acquire Buddy’s at an inflated price, (b) transfer the control of the Company to Vintage and B. Riley for no premium and without a stockholder vote, (c) allowing Vintage and B. Riley’s other former stockholders to unfairly extract additional value from the Company by virtue of a TRA, (d) the offering to the Company's non-Vintage and non-B. Riley stockholders of an inadequate price for their shares of Company stock ($12.00 per share), (e) disseminating materially misleading and/or omissive Tender Offer documents, and (f) issuing additional Company shares to Vintage at less than fair value to fund the Tender Offer and Vitamin Shoppe Acquisition. The Derivative Complaint also includes a count of unjust enrichment against Vintage and B. Riley.

The Derivative Complaint seeks: (a) declaration that the action is properly maintainable as a class action; (b) a finding the Individual Defendants are liable for breaching their fiduciary duties owed to the class and the Company; (c) a finding that demand on the Company's Board is excused as futile; (d) enjoining the consummation of the Tender Offer unless and until all material information necessary for the Company's stockholders to make a fully informed tender decision has been disclosed; (e) a finding Vintage and B. Riley are liable for unjust enrichment; (f) an award to Plaintiff and the other members of the class damages in an amount which may be proven at trial; (g) an award to Plaintiff and the other members of the class pre-judgment and post-judgment interest, as well as their reasonable attorneys’ and expert witness fees and other costs; (h) an award to the Company in the amount of damages it sustained as a result of Individual Defendants’ breaches of fiduciary duties to the Company; and (i) awarding such other and further relief as this Court may deem just and proper.

Simultaneously with the filing of the Derivative Complaint, the Plaintiff filed a motion seeking expedited proceedings. The motion was withdrawn as the Derivative Complaint Individual Defendants agreed to produce certain documents.

On October 23, 2019, the Plaintiff filed a Verified Amended Stockholder Class Action and Derivative Complaint (the "Amended Complaint"), following the Company's filing of the amended and restated offer to purchase on October 16, 2019 (the "Offer to Purchase"). The Amended Complaint contained substantially similar allegations but revised certain allegations based on disclosures contained in, or purportedly omitted, from the Offer to Purchase. The Plaintiff filed a Motion for Preliminary Injunction on October 25, 2019, seeking to prevent the consummation of the pending Offer to Purchase unless additional information was disclosed. On November 5, 2019, the Company filed Amendment No. 5 to the Offer to Purchase making certain additional disclosures, and Plaintiff withdrew its Motion for Preliminary Injunction.

On February 7, 2020, Matthew Sciabacucchi, a purported stockholder of the Company, filed a motion to intervene to pursue some or all of the derivative claims pending in the Court of Chancery. Mr. Sciabacucchi's motion states that Asbestos Workers' Philadelphia Pension Fund has sold its shares in the Company. The motion to intervene was granted March 10, 2020.

On June 8, 2020 the Court entered an order governing briefing on Plaintiff's petition for an interim award of attorneys' fees. Plaintiff's opening brief was filed on June 8, 2020. Defendant's opposition was filed on July 23, 2020, and Plaintiff's reply was due on or before August 6, 2020. The Court held oral arguments on August 18, 2020 and reserved decision on Plaintiff's motion for interim fees. On September 29, 2020, the parties agreed to settle this matter in principle and the matter has been stayed pending the parties' filing of settlement papers. The settlement is expected to contain broad and customary releases. A Scheduling Order was issued by the court on January 7, 2021 for the settlement hearing to be held on April 16, 2021 to approve the settlement. Despite the parties' desire to settle the matter, there is no assurance that the settlement will be approved by the Delaware Court of Chancery. The Company does not expect the proposed settlement to be material to the Company. As of December 26, 2020, the Company had accrued $0.5 million related to this case, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet.

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 the Company 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. The Company highly disputes the allegations set forth in the Complaint and filed a motion to dismiss. On May 29, 2019, the Court denied the Company's motion to dismiss, but granted the Company leave to file a motion to strike. The Company filed a motion to strike and on August 20, 2019, the Court granted in part and denied in part the Company's motion. The Court provided the Company with twenty days to file its answer to the Complaint and lifted the discovery stay. Discovery in this matter is ongoing and the parties have agreed to participate in a mediation currently scheduled to take place in May 2021.

DOJ and IRS Matters

On December 3, 2019, the DOJ initiated a legal proceeding against the Company, in the U.S. District Court for the Eastern District of Virginia. Also, on December 3, 2019, the DOJ and the Company filed a joint motion asking the court to approve a proposed order setting forth certain enhancements to the Company's Liberty Tax segments compliance program and requiring the Company to retain an independent monitor to oversee the implementation of the required enhancements to the compliance program. The monitor will work with the Company's Liberty Tax segments compliance team and may make recommendations for further refinements to improve the tax compliance program. As part of the proposed order, the Company also agreed that it would not rehire or otherwise engage the Company'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 the Company, or to nominate him to the Company'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, the Company entered into a settlement agreement resolving the previously disclosed investigation by the IRS with respect to the tax return preparation activities of the Company's Liberty Tax segments franchise operations and Company-owned stores. Pursuant to that agreement, the Company 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, followed by a $0.5 million payment on each anniversary thereof.

As previously disclosed, the Company expects that the increased costs to enhance its compliance program could exceed $1.0 million per year over several years.

Other Matters

Convergent Mobile, Inc. v. JTH Tax, Inc. On August 26, 2019, Convergent Mobile, Inc. (“Convergent”) filed a complaint in the Superior Court of the State of California, County of Sonoma, against the Company (the "California Complaint"). The California Complaint alleges that the Company breached a contract between it and Convergent, and Convergent has asserted counts for breach of contract, promissory estoppel, and breach of the covenant of good faith and fair dealing. The California Complaint generally seeks damages according to proof, special damages according to proof, interest, attorneys’ fees and cost. The Company removed the matter to the federal district court for the Northern District of California and filed a motion to dismiss and motion to strike. On January 16, 2020, the Court vacated the previously scheduled hearing on Company’s motion to dismiss and motion to strike and stated a written opinion would be forthcoming. On April 22, 2020, the Court granted in part and denied in part the Company's motion to dismiss. The Court denied the Company's motion to strike. The Company filed its answer and a counterclaim against Convergent. On December 3, 2020 the court entered a Case Management Order whereby the Court set a tentative trial date to start on either March 15, 2021 or March 29, 2021 and a pre-trial conference scheduled for either February 26, 2021 or March 12, 2021. The Company also filed a motion for partial summary judgment in December of 2020. The Court held oral arguments on that motion on January 19, 2021, which remains pending before the Court. The Company disputes these claims and intends to defend the matter vigorously.

The Company is also party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning 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.

(16) Segments

The Company's operations are conducted in four reporting business segments: Vitamin Shoppe, American Freight, Liberty Tax, and Buddy's. The Company defines its segments as those operations which results its chief operating decision maker ("CODM") regularly reviews to analyze performance and allocate resources. The results of operations of Buddy's are included in the Company's results of operations beginning on July 10, 2019, the results of operations of Vitamin Shoppe are included in the Company's results of operations beginning on December 16, 2019, while the results of operations of American Freight are included in the Company's results of operations beginning on February 14, 2020. The results of operations of the Sears Outlet business are included in the Company's results of operations beginning on October 23, 2019 and are included in the results of operations of the American Freight segment. Prior to July 10, 2019, the Company operated as a single reportable segment that was comprised of Liberty Tax.

The Vitamin Shoppe segment is an omni-channel specialty retailer and wellness lifestyle company with the mission of providing customers with the most trusted products, guidance, and services to help them become their best selves, however they define it. The Vitamin Shoppe segment offers a comprehensive assortment of nutritional solutions, including vitamins, minerals, specialty supplements, herbs, sports nutrition, homeopathic remedies, green living products, and natural beauty aids. The Vitamin Shoppe segment consists of our operations under the "Vitamin Shoppe" brand and is headquartered in Secaucus, New Jersey.

The American Freight segment operates under the American Freight banner. American Freight provides in-store and online access to purchase new, one-of-a-kind, out-of-box, discontinued, obsolete, reconditioned, overstocked, scratched and dented household appliances and unbranded furniture and mattresses at value prices. The American Freight segment consists of our operations under the "American Freight" banner and is headquartered in Delaware, Ohio.

The Liberty Tax segment is one of the largest providers of tax preparation services in the U.S. and Canada. The Liberty Tax segment includes the Company's operations under the "Liberty Tax," "Liberty Tax Canada" and "Siempre" brands. The Liberty Tax segment and our corporate headquarters are located in Virginia Beach, Virginia.

The Buddy's segment leases and sells electronics, residential furniture, appliances and household accessories. The Buddy's segment consists of the Company's operations under the "Buddy's" brand and is headquartered in Orlando, Florida.

The Company measures the results of its segments, using, among other measures, each segment's total revenue, depreciation, amortization, and impairment charges and income (loss) from operations. The Company may revise the measurement of each segment's income (loss) from operations as determined by the information regularly reviewed by the CODM. When the measurement of a segment changes, previous period amounts and balances are reclassified to be comparable to the current period's presentation.

Total revenues by segment are as follows:

	Twelve Months Ended	Transition Period From 5/1/2019 -	Twelve Months Ended	
(In thousands)	**12/26/2020**	**12/28/2019**	**4/30/2019**	**4/30/2018**
Total revenue:				
Vitamin Shoppe	$ 1,035,964	$ 30,574	$ —	$ —
American Freight	896,431	68,230	—	—
Liberty Tax	122,777	14,984	132,546	174,872
Buddy's	97,332	35,722	—	—
Consolidated total revenue	$ 2,152,504	$ 149,510	$ 132,546	$ 174,872

Depreciation, amortization, and impairment charges by segment are as follows:

	Twelve Months Ended	Transition Period From 5/1/2019 -	Twelve Months Ended	
(In thousands)	**12/26/2020**	**12/28/2019**	**4/30/2019**	**4/30/2018**
Depreciation, amortization, and impairment charges:				
Vitamin Shoppe	$ 40,289	$ 986	$ —	$ —
American Freight	6,202	549	—	—
Liberty Tax	10,391	28,501	14,084	14,416
Buddy's	5,661	2,365	—	—
Consolidated depreciation, amortization, and impairment charges:	$ 62,543	$ 32,401	$ 14,084	$ 14,416

Operating income (loss) by segment are as follows:

	Twelve Months Ended	Transition Period From 5/1/2019 -	Twelve Months Ended	
(In thousands)	**12/26/2020**	**12/28/2019**	**4/30/2019**	**4/30/2018**
Income (loss) from operations:				
Vitamin Shoppe	$ 5,371	$ (13,509)	$ —	$ —
American Freight	40,348	(18,539)	—	—
Liberty Tax	23,611	(69,590)	(859)	7,599
Buddy's	20,364	3,172	—	—
Total Segments	89,694	(98,466)	(859)	7,599
Corporate	(13,572)	(7,133)	—	—
Consolidated income (loss) from operations	$ 76,122	$ (105,599)	$ (859)	$ 7,599

Total assets by segment are as follows:

(In thousands)	12/26/2020	12/28/2019
Total assets:		
Vitamin Shoppe	$ 607,148	$ 679,646
American Freight	801,731	267,176
Liberty Tax	90,565	123,576
Buddy's	137,698	188,941
Total Segments	1,637,142	1,259,339
Corporate	200,519	39,206
Consolidated total assets	$ 1,837,661	$ 1,298,545

Goodwill by segment is as follows:

(In thousands)	12/26/2020	12/28/2019
Goodwill:		
Vitamin Shoppe	$ 1,277	$ 4,951
American Freight	367,882	31,028
Liberty Tax	8,719	9,780
Buddy's	79,099	88,542
Consolidated goodwill	$ 456,977	$ 134,301

(17) Subsequent Events

On December 27, 2020, the Company completed the acquisition of FFO, a regional retailer of furniture and mattresses, for an all cash purchase price of $13.8 million. The Company acquired 31 operating locations which will be rebranded to its American Freight segment in the first quarter of 2021.

On January 15, 2021, the Company completed a public offering of 3.3 million shares of its Series A Preferred Stock with net cash proceeds to the Company of approximately $79.7 million, after deducting underwriting discounts, an advisory fee and estimated offering expenses totaling approximately $3.2 million.

On January 25, 2021, the Company entered into a definitive agreement to acquire Pet Supplies Plus ("PSP"), a leading omnichannel retail chain and franchisor of pet supplies and services, in an all cash transaction valued at approximately $700.0 million from affiliates of Sentinel Capital Partners. Additionally, the Company estimates that the net present value of the tax benefits related to the PSP acquisition are expected to be approximately $100.0 million. In connection with the signing of the definitive agreement, the Company entered into commitments with its lenders for $1,300.0 million in new term loan credit facilities to refinance its existing term loan and provide PSP acquisition financing. This includes commitments from B. Riley for up to $300.0 million in unsecured financing. The transaction closed on March 10, 2021. Preliminary purchase price information is not available at this time due to the closing being on the same date as this filing.

On February 21, 2021, the Company entered into a definitive agreement with NextPoint Acquisition Corp., a special purpose acquisition corporation incorporated under the laws of the Province of British Columbia ("Purchaser") to sell its Liberty Tax segment for a total preliminary purchase price of $243.0 million, consisting of approximately $182.0 million in cash and an equity interest in the Purchaser worth an estimated $61.0 million at the time of signing. In connection with the transaction, the Company expects to enter into a transition service agreement with the Purchaser, pursuant to which each party will provide certain transition services to each other. The Company expects the transaction to close in the second quarter of 2021.

On March 2, 2021, The Company's Board of Directors declared quarterly dividends of $0.375 per share of common stock and $0.46875 per share of Series A Preferred Stock. The dividends will be paid in cash on or about April 15, 2021 to holders of record of the Company's common stock and Series A Preferred Stock on the close of business on March 31, 2021.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company’s Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 26, 2020. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 26, 2020, the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) accumulated and communicated to management to allow their timely decisions regarding required disclosure..

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 26, 2020 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 26, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Based on the criteria set forth in the Internal Control-Integrated Framework, management concluded that, as of December 26, 2020, the Company maintained effective internal control over financial reporting. Deloitte and Touche LLP, the Company's independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued their attestation report on the Company's internal control over financial reporting, which is included herein.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The information required by this item will be provided by being incorporated herein by reference to the Company’s definitive proxy statement for its 2021 Annual Meeting of Stockholders.

Item 11. Executive Compensation.

The information required by this item will be provided by being incorporated herein by reference to the Company’s definitive proxy statement for its 2021 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will be provided by being incorporated herein by reference to the Company’s definitive proxy statement for its 2021 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item will be provided by being incorporated herein by reference to the Company’s definitive proxy statement for its 2021 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services.

The information required by this item will be provided by being incorporated herein by reference to the Company’s definitive proxy statement for its 2021 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) **Financial Statements.**

The following financial statements of the Company are included in Item 8 of this Annual Report:

Audited Financial Statements for the Year Ended December 26, 2020, Transition Period, and Years Ended April 30, 2019 and April 30, 2018

	Page
Reports of Independent Registered Public Accounting Firms	43
Consolidated Balance Sheets as of December 26, 2020 and December 28, 2019	47
Consolidated Statements of Operations for the Year Ended December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited), and Years Ended April 30, 2019 and April 30, 2018	48
Consolidated Statements of Comprehensive Income (Loss) for the Year Ended December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited), and Years Ended April 30, 2019 and April 30, 2018	49
Consolidated Statements of Stockholders' Equity for the Year Ended December 26, 2020, Transition Period Ended December 28, 2019, and Years Ended April 30, 2019 and April 30, 2018	50
Consolidated Statements of Cash Flows for the Year Ended December 26, 2020, Transition Period Ended December 28, 2019, December 29, 2018 (Unaudited), and Years Ended April 30, 2019 and April 30, 2018	54
Notes to Consolidated Financial Statements	56

(b) **Exhibits.**

Exhibit Number	Exhibit Description
2.1	Agreement of Merger and Business Combination Agreement dated as of July 10, 2019, among Liberty Tax, Inc., Buddy's Newco, LLC, Franchise Group New Holdco, LLC, Franchise Group B Merger Sub, LLC, and Vintage RTO, L.P. (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
2.2	Agreement and Plan of Merger, dated as of August 7, 2019, by and among Liberty Tax, Inc., Vitamin Shoppe, Inc. and Valor Acquisition, LLC (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on August 8, 2019).
2.2.1	First Amendment to Agreement and Plan of Merger, dated as of November 11, 2019, by and among Franchise Group, Inc., Vitamin Shoppe, Inc. and Valor Acquisition, LLC. (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on November 12, 2019).
2.3	Equity and Asset Purchase Agreement, dated as of August 27, 2019, by and between Sears Hometown Outlet Stores, Inc., Franchise Group Newco S, LLC and solely for purposes of Section 10.17 thereto, Liberty Tax, Inc. (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 on August 28, 2019).
2.4	Asset Purchase Agreement, dated as of December 16, 2019, by and among Franchise Group Newco R, LLC, the sellers listed on Schedule I thereto, and Revolution Financial, Inc. as the representative of the sellers (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
2.4.1	Amendment No. 1, dated as of March 12, 2020, to Asset Purchase Agreement, dated as of December 16, 2019, by and among Franchise Group Newco R, LLC, the sellers listed on Schedule I thereto, and Revolution Financial, Inc. as the representative of the sellers (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on March 12, 2020).
2.4.2	Mutual Termination Agreement, dated as of March 31, 2020, by and among Franchise Group Newco R, LLC, the sellers listed on Schedule I thereto, and Revolution Financial, Inc. as the representative of the sellers (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on April 3, 2020)
2.5	Agreement and Plan of Merger, dated as of December 28, 2019, by and among Franchise Group Newco Intermediate AF, LLC, American Freight Group, Inc., Franchise Group Merger Sub AF, Inc., and The Jordan Company, L.P., solely in its capacity as representative (incorporated by reference to Exhibit 2.1 to Form 8-K, File No. 001-35588 filed on December 30, 2019).
2.5.1	Amendment to Agreement and Plan of Merger, dated as of February 14, 2020, by and among American Freight Group, Inc., Franchise Group Newco Intermediate AF, LLC and The Jordan Company, L.P., solely in its capacity as representative for the Fully-Diluted Stockholders (as defined in the Merger Agreement) (incorporated by reference to Exhibit 2.1, File No. 001-35588 filed on February 18, 2020).
2.6	Equity Purchase Agreement, dated as of January 23, 2021, by and among Franchise Group Newco PSP, LLC, PSP Holdings, LLC, Sentinel Capital Partners VI-A, L.P., Sentinel PSP Blocker, Inc., PSP Midco, LLC, PSP Intermediate, LLC, Sentinel Capital Partners, L.L.C., solely for purposes of agreeing to the covenants set forth in Section 6.8 and Section 6.9 thereof, effective as of immediately prior to the Closing (as defined therein), a newly formed Delaware limited liability company to be named PSP Midco Holdings, LLC, and Franchise Group, Inc., solely for purposes of agreeing to the covenants set forth in Section 10.19 thereof (incorporated by reference to Exhibit 2.1, File No. 001-35588 filed on January 28, 2021).
3.1	Second Amended and Restated Certificate of Incorporation of Liberty Tax, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed on December 19, 2018).
3.1.1	Certificate of Designation of the Voting Non-Economic Preferred Stock of Liberty Tax, Inc. filed with the Secretary of State of the State of Delaware July 10, 2019 (incorporated by reference to Exhibit 3.1, File No. 001-35588 filed on July 11, 2019).
3.1.2	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Liberty Tax, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed on September 19, 2019).
3.1.3	Certificate of Increase of the Number of Shares of Voting Non-Economic Preferred Stock of Franchise Group, Inc., filed with the Secretary of State of the State of Delaware on September 30, 2019 (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed on October 1, 2019).
3.1.4	Certificate of Designation designating the 7.50% Series A Cumulative Perpetual Preferred Stock of Franchise Group, Inc. (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed September 18, 2020).

Exhibit Number	Exhibit Description
3.1.5	Certificate of Increase of the Number of Shares of 7.50% Series A Cumulative Perpetual Preferred Stock of Franchise Group, Inc., filed with the Secretary of State of the State of Delaware on January 15, 2021 Certificate of Increase of the Number of Shares of Voting Non-Economic Preferred Stock of Franchise Group, Inc., filed with the Secretary of State of the State of Delaware on September 30, 2019 (incorporated by reference to Exhibit 3.1 to Form 8-K, File No. 001-35588 filed on January 15, 2021).
3.2	Second Amended and Restated Bylaws of Liberty Tax, Inc. (incorporated by reference to Exhibit 3.2 to Form 8-K, File No. 001-35588 filed on July 15, 2014).
4.1	Form of Indenture with respect to Senior Debt Securities (incorporated by reference to Exhibit 4.2 to Form S-3, File No. 333-199579 filed on October 23, 2014).
4.2	Form of Indenture with respect to Subordinated Debt Securities (incorporated by reference to Exhibit 4.4 to Form S-3, File No. 333-199579 filed on October 23, 2014).
4.3*	Description of the Company's Common Stock
10.1#	JTH Holding, Inc. 2011 Equity and Cash Incentive Plan (incorporated by reference to Exhibit 10.1 to Amendment No. 3 to Form S-1, File No. 333-176655 filed on February 3, 2012).
10.2#	Form of Incentive Stock Option Agreement for Employees via JTH Holding, Inc. 2011 Equity and Cash Incentive Plan (incorporated by reference to Exhibit 10.7 to Amendment No. 5 to Form S-1, File No. 333-176655 filed on October 15, 2012).
10.3#	Form of Restricted Stock Unit Agreement for Employees via JTH Holding, Inc. 2011 Equity and Cash Incentive Plan (incorporated by reference to Exhibit 10.5 to Form 10-K, File No. 001-35588 filed on October 1, 2013).
10.4	Credit Agreement dated as of May 16, 2019 among Liberty Tax, Inc. Citizen Bank, N.A. and other parties (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on May 16, 2019).
10.4.1	Second Amendment to Credit Agreement and Assumption Agreement dated as of July 10, 2019, among Liberty Tax, Inc., as the original borrower, JTH Tax LLC, SiempreTax+ LLC, JTH Financial, LLC, Wefile LLC, JTH Properties 1632, LLC, LTS Properties, LLC, LTS Software LLC, JTH Tax Office Properties, LLC, 360 Accounting Solutions LLC, JTH Court Plaza, LLC, and Franchise Group Intermediate L 1, LLC, each as guarantors, Franchise Group Intermediate L 2, LLC, as the replacement borrower, Citizen Bank, N.A., as administrative agent, and the lenders party thereto (Exhibit 10.7 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.4.2	Third Amendment to Credit Agreement, dated as of October 2, 2019, among Franchise Group, Inc., as borrower, JTH Tax LLC, SiempreTax+ LLC, JTH Financial, LLC, Wefile LLC, JTH Properties 1632, LLC, LTS Properties, LLC, LTS Software LLC, JTH Tax Office Properties, LLC, 360 Accounting Solutions LLC, JTH Court Plaza, LLC, and Franchise Group Intermediate L 1, LLC, each as guarantors, CIBI Bank USA, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on October 4, 2019).
10.4.3	Sixth Amendment to Credit Agreement, dated as of February 14, 2020, by and among Franchise Group Intermediate L 2, LLC, the other Loan Parties thereto, the Lenders party thereto and CIBC Bank USA, as Administrative Agent (incorporated by reference to Exhibit 10.5, File No. 001-35588 filed on February 18, 2020).
10.5	Pledge and Security Agreement dated as of May 16, 2019 among Liberty Tax Inc., certain of Liberty Tax Inc's direct and indirect subsidiaries, Citizen Bank, N.A. and other parties (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on May 16, 2019).
10.6	Guarantee Agreement dated as of May 16, 2019 among Liberty Tax, Inc. certain of Liberty Tax Inc's direct and indirect subsidiaries, Citizen Bank, N.A. and other parties (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed on May 16, 2019).
10.7	Subordinated Delayed Draw Note dated as of May 16, 2019 given by Liberty Tax, Inc in favor or Vintage Capital Management, LLC (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed on May 16, 2019).
10.8	Credit Agreement dated as of July 10, 2019, among Buddy's Newco, LLC and Buddy's Franchising and Licensing LLC, each as borrowers, Franchise Group Intermediate B, LLC, various lenders from time to time party thereto, and Kayne Solutions Fund, L.P., as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.8 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.8.1	Amendment Number One and Consent, dated as of August 23, 2019, to Credit Agreement, dated as of July 10, 2019, among Buddy's Newco, LLC and Buddy's Franchising and Licensing LLC, each as borrowers, Franchise Group Intermediate B, LLC, various lenders from time to time party thereto, and Kayne Solutions Fund, L.P., as administrative agent and as collateral agent. (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on August 28, 2019).

Exhibit Number	Exhibit Description
10.8.2	Amendment Number Two to Credit Agreement, dated as of September 30, 2019, to Credit Agreement, dated as of July 10, 2019, among Buddy's Newco, LLC and Buddy's Franchising and Licensing LLC, each as borrowers, Franchise Group Intermediate B, LLC, various lenders from time to time party thereto, and Kayne Solutions Fund, L.P., as administrative agent and as collateral agent (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on October 4, 2019).
10.9	Security Agreement dated as of July 10, 2019, among Buddy's Newco, LLC, Buddy's Franchising and Licensing LLC and Franchise Group Intermediate B, LLC, as grantors, and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.9 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.10	Closing Subscription Agreement dated as of July 10, 2019, among Liberty Tax, Inc., and Tributum, L.P. (incorporated by reference to Exhibit 10.10 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.11	Post-Closing Subscription Agreement dated as of July 10, 2019, among Liberty Tax, Inc., and Tributum, L.P. (incorporated by reference to Exhibit 10.11 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.12	First Amended and Restated Limited Liability Company Agreement dated as of July 10, 2019, among Franchise Group New Holdco, LLC, as the company, Liberty Tax, Inc., the Brian DeGustino Revocable Trust, the Amy DeGustino Revocable Trust, Samjor Family LP, Vintage RTO, L.P., Martin Meyer, Fengfeng Ren, David O'Neil and Jeffrey D. Miller, each as a member, and Liberty Tax, Inc., as the manager (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.12.1	Amended Schedule 1 to the First Amended and Restated Limited Liability Company Agreement, dated as of July 10, 2019, among Franchise Group New Holdco, LLC, as the company, Franchise Group, Inc., the Brian DeGustino Revocable Trust, the Amy DeGustino Revocable Trust, Samjor Family LP, Vintage RTO, L.P., Martin Meyer, Fengfeng Ren, David O'Neil and Jeffrey D. Miller, each as a member, and Franchise Group, Inc., as the manager (incorporated by reference to Exhibit 10.2 File No. 001-35588 filed on October 1, 2019).
10.13	Registration Rights Agreement dated as of July 10, 2019, among Liberty Tax, Inc., Tributum, L.P., the Brian DeGustino Revocable Trust, the Amy DeGustino Revocable Trust, Samjor Family LP, Vintage RTO, L.P., Martin Meyer and Fengfeng Ren, David O'Neil and Jeffrey D. Miller (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.13.1	Amendment No. 1 to Registration Rights Agreement, dated as of September 30, 2019, among Franchise Group, Inc., Tributum, L.P., Samjor Family LP, Vintage RTO, L.P., Vintage Capital Management, LLC and Vintage Tributum, LP (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on October 1, 2019).
10.13.2	Amendment No. 2 to Registration Rights Agreement, dated as of October 23, 2019, by and among Franchise Group, Inc., Tributum, L.P., Samjor Family LP, Vintage RTO, L.P., Vintage Capital Management, LLC and Vintage Tributum, LP (incorporated by reference to Exhibit 10.7 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.13.3	Amendment No. 3 to Registration Rights Agreement dated as of December 16, 2019 (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
10.13.4	Amendment No. 4 to Registration Rights Agreement, dated January 31, 2020, by and among Franchise Group, Inc., Tributum, L.P., Samjor Family LP, Vintage RTO, L.P., Vintage Capital Management, LLC, Vintage Tributum, LP, Stefac LP, Brian Kahn and Lauren Kahn, as tenants by the entirety, and B. Riley FBR, Inc. (incorporated by reference to Exhibit 4.4.4 to Form S-3, File No. 333-236211 filed on January 31, 2020).
10.14	Income Tax Receivable Agreement dated as of July 10, 2019, among Liberty Tax, Inc., Vintage RTO, L.P., Samjor Family LP, the Brian DeGustino Revocable Trust, the Amy DeGustino Revocable Trust, Martin Meyer, Fengfeng Ren, David O'Neil and Jeffrey D. Miller (incorporated by reference to Exhibit 10.6 to Form 8-K, File No. 001-35588 filed on July 11, 2019).
10.15#	Executive Employment and Severance Agreement between Brian Kahn and Franchise Group, Inc., dated October 2, 2019 (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed on October 4, 2019).
10.16#	Executive Employment and Severance Agreement between Eric Seeton and Franchise Group, Inc., dated October 2, 2019 (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed on October 4, 2019).
10.17#	Executive Employment and Severance Agreement between Andrew Laurence and Franchise Group, Inc., dated October 2, 2019 (incorporated by reference to Exhibit 10.5 to Form 8-K, File No. 001-35588 filed on October 4, 2019).
10.18#	Executive Employment and Severance Agreement between Andrew Kaminsky and Franchise Group, Inc., dated October 2, 2019 (incorporated by reference to Exhibit 10.6 to Form 8-K, File No. 001-35588 filed on October 4, 2019).

Exhibit Number	Exhibit Description
10.19	Credit Agreement, dated as of October 23, 2019, by and among Franchise Group Intermediate S, LLC, Franchise Group Newco S, LLC, each of its subsidiaries named therein, Franchise Group Intermediate Holdco, LLC, Franchise Group New Holdco, LLC, Franchise Group Intermediate L, LLC, the lenders named therein and Guggenheim Credit Services, LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.20	Security Agreement, dated as of October 23, 2019, by and among Franchise Group Intermediate S, LLC, Franchise Group Newco S, LLC, each of its subsidiaries named therein and Guggenheim Credit Services, LLC (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.21	Parent Guaranty and Collateral Agreement, dated as of October 23, 2019, among Franchise Group Intermediate Holdco, LLC, Franchise Group New Holdco, LLC, Franchise Group Intermediate L, LLC and Guggenheim Credit Services, LLC (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.22	Subscription Agreement, dated as of October 23, 2019, by and between Franchise Group, Inc. and Stefac LP (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.23	Subscription Agreement, dated as of October 23, 2019, by and between Franchise Group, Inc. and B. Riley FBR, Inc. (incorporated by reference to Exhibit 10.5 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.24	Subscription Agreement, dated as of October 23, 2019, by and between Franchise Group, Inc. and Brian R. Kahn and Lauren Kahn, as tenants by the entirety (incorporated by reference to Exhibit 10.6 to Form 8-K, File No. 001-35588 filed on October 23, 2019).
10.25#	Franchise Group, Inc. 2019 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on December 5, 2019).
10.26#	Form of Franchise Group, Inc. 2019 Omnibus Incentive Plan Stock Option Award Agreement (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on December 5, 2019).
10.27#	Form of Franchise Group, Inc. 2019 Omnibus Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed on December 5, 2019).
10.28#	Form of Franchise Group, Inc. 2019 Omnibus Incentive Plan Performance Restricted Stock Unit Award Memorandum and Agreement (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed on December 5, 2019).
10.29	Loan and Security Agreement dated as of December 16, 2019, by and between GACP II, LP, a Delaware limited partnership, Vitamin Shoppe Industries LLC, a New York limited liability company, Vitamin Shoppe Mariner, LLC, a Delaware limited liability company, Vitamin Shoppe Global, LLC, a Delaware limited liability company, Vitamin Shoppe Florida, LLC, a Delaware limited liability company, Betancourt Sports Nutrition, LLC, a Florida limited liability company and Vitamin Shoppe Procurement Services, LLC, a Delaware limited liability company, Valor Acquisition, LLC, a Delaware corporation, GACP Finance Co., and LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
10.29.1	Amendment Number One to Loan and Security Agreement, dated as of May 22, 2020, by and among Vitamin Shoppe Industries LLC and each of its subsidiaries named therein, as borrowers, Valor Acquisition, LLC, as a guarantor, the lenders named therein and GACP Finance Co., LLC, as agent (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on May 29, 2020).
10.30	Intercreditor Agreement dated as of December 16, 2019, by and between Lender, Borrowers, Guarantor, Agent, and GACP Finance Co., LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
10.31	Second Amended and Restated Loan and Security Agreement dated as of December 16, 2019, by and between Lenders, Borrowers, Guarantor, and Agent (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
10.31.1	Amendment Number One to Second Amended and Restated Loan and Security Agreement, dated as of May 22, 2020, by and among Vitamin Shoppe Industries LLC and each of its subsidiaries named therein, as borrowers, Valor Acquisition, LLC, as a guarantor, and JPMorgan Chase Bank, N.A., as agent and a lender (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on May 29, 2020).
10.31.2*	Amendment Number Two and Limited Waiver to Second Amended and Restated Loan and Security Agreement dated as of August 25, 2020, by and between Lenders, Borrowers, Guarantor, and Agent
10.32	Forms of Subscription Agreement (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
10.33	Equity Commitment Letter dated as of August 7, 2019, by and between Liberty Tax, Inc. and Tributum, L.P. (incorporated by reference to Exhibit 4.11 to Form S-3, File No. 333-236211 filed on January 31, 2020).

Exhibit Number	Exhibit Description
10.33.1	Amendment to Equity Commitment Letter dated as of December 16, 2019 (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed on December 17, 2019).
10.34	Subscription Agreement, dated as of January 3, 2020, by and between Franchise Group, Inc. and Stefac LP (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on January 6, 2020).
10.35	Forms of Subscription Agreement (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on February 12, 2020).
10.36	Credit Agreement, dated as of February 14, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of its subsidiaries named therein, the lenders named therein, GACP Finance Co., LLC, as administrative agent, and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.1, File No. 001-35588 filed on February 18, 2020).
10.36.1	Limited Waiver, Joinder and Amendment Number Two to Credit Agreement, dated as of May 1, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of its subsidiaries named therein, the lenders named therein, GACP Finance Co., LLC, as administrative agent, and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed on May 7, 2020).
10.36.2	Amendment Number Three to Credit Agreement, dated as of September 23, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of their direct and indirect subsidiaries named therein, the lenders named therein, GACP Finance Co., LLC, as administrative agent, and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed September 28, 2020).
10.36.3	Amendment Number Four to Credit Agreement, dated as of September 25, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of their direct and indirect subsidiaries named therein, the lenders named therein, GACP Finance Co., LLC, as administrative agent, and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed September 28, 2020).
10.37	Security Agreement, dated as of February 14, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of its subsidiaries named therein and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.2, File No. 001-35588 filed on February 18, 2020).
10.38	ABL Credit Agreement, dated as of February 14, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of its subsidiaries named therein, the lenders named therein, and GACP Finance Co., LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.3, File No. 001-35588 filed on February 18, 2020).
10.38.1	Joinder and Amendment Number Three to ABL Credit Agreement, dated as of May 1, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of its subsidiaries named therein, the lenders named therein, and GACP Finance Co., LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed on May 7, 2020).
10.39	Security Agreement, dated as of February 14, 2020, by and among by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of its subsidiaries named therein and GACP Finance Co., LLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.4 File No. 001-35588 filed on February 18, 2020).
10.40	Subscription Agreement, dated as of February 14, 2020, by and between Franchise Group, Inc. and Kayne FRG Holdings, L.P. (incorporated by reference to Exhibit 10.6, File No. 001-35588 filed on February 18, 2020).
10.41	Registration Rights Agreement, dated as of February 14, 2020, by and between Franchise Group, Inc. and Kayne FRG Holdings, L.P. (incorporated by reference to Exhibit 10.7, File No. 001-35588 filed on February 18, 2020).
10.42	Second Amended and Restated Limited Liability Company Agreement of Franchise Group New Holdco, LLC dated as of April 1, 2020, between Franchise Group New Holdco, Inc., as the company, and Franchise Group, Inc. (incorporated by reference to Exhibit 10.18.2 to Form 10-K/T, File No. 001-35588 filed on April 24, 2020).
10.43	Underwriting Agreement, dated June 25, 2020, by and between Franchise Group, Inc. and B. Riley FBR, Inc., as representative of the several underwriters (incorporated by reference to Exhibit 1.1 to Form 8-K, File No. 001-35588 filed June 30, 2020).
10.43.1	Amendment Number One, dated as of July 25, 2020, to Underwriting Agreement, dated June 25, 2020, by and between Franchise Group, Inc. and B. Riley FBR, Inc., as representative of the several underwriters (incorporated by reference to Exhibit 1.1 to Form 8-K, File No. 001-35588 filed July 30, 2020).

Exhibit Number	Exhibit Description
10.44	Senior Secured Super Priority Debtor-In-Possession Delayed Draw Term Loan Agreement, dated as of July 10, 2020, by and among Franchise Group, Inc., Tuesday Morning Corporation, Tuesday Morning, Inc. and each of the subsidiaries of Tuesday Morning Corporation and Tuesday Morning, Inc. named therein (incorporated by reference to Exhibit 10.1 to Form 8-K, File No. 001-35588 filed July 10, 2020).
10.45	Underwriting Agreement, dated as of September 15, 2020, by and between the Company and B. Riley Securities, Inc., as representative of the several underwriters named therein (incorporated by reference to Exhibit 1.1 to Form 8-K, File No. 001-35588 filed September 18, 2020).
10.46	Amendment Number Four to Credit Agreement, dated as of September 25, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of their direct and indirect subsidiaries named therein, the lenders named therein, GACP Finance Co., LLC, as administrative agent, and Kayne Solutions Fund, L.P., as collateral agent (incorporated by reference to Exhibit 10.2 to Form 8-K, File No. 001-35588 filed September 28, 2020).
10.47	ABL Security Agreement, dated as of September 23, 2020, by and among by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of their direct and indirect subsidiaries named therein and Citizens Bank, N.A., as administrative agent and collateral agent (incorporated by reference to Exhibit 10.4 to Form 8-K, File No. 001-35588 filed September 28, 2020).
10.48	ABL Credit Agreement, dated as of September 23, 2020, by and among Franchise Group New Holdco, LLC, Franchise Group Intermediate Holdco, LLC, each of their direct and indirect subsidiaries named therein, the lenders named therein, Citizens Bank, N.A., as administrative agent and collateral agent, and the other persons named therein (incorporated by reference to Exhibit 10.3 to Form 8-K, File No. 001-35588 filed September 28, 2020).
10.49	Underwriting Agreement, dated as of January 11, 2021, by and between the Company and B. Riley Securities, Inc., as representative of the several underwriters named therein (incorporated by reference to Exhibit 1.1 to Form 8-K, File No. 001-35588 filed January 15, 2021).
10.50#*	Executive Employment and Severance Agreement between Todd Evans and Franchise Group, Inc., dated August 1, 2020.
10.50.1#*	Amendment to Executive Employment and Severance Agreement between Todd Evans and Franchise Group, Inc., dated March 8, 2021.
21.1*	Subsidiaries of Franchise Group, Inc.
23.1*	Consent of Deloitte & Touche LLP
23.2*	Consent of Cherry Bekaert LLP
24.1*	Power of Attorney (included on signature page)
31.1**	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2**	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1**	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101	The following materials from the Registrant's Annual Report on Form 10-K for the year ended December 26, 2020, are formatted in XBRL (eXtensible Business Reporting Language):(i) Consolidated Balance Sheets as of December 26, 2020 and December 28, 2019, (ii) Consolidated Statements of Operations for the year ended December 26, 2020, Transition Period ended December 28, 2019, and years ended April 30, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income for the year ended December 26, 2020, Transition Period ended December 28, 2019, and years ended April 30, 2019 and 2018, (iv) Consolidated Statement of Stockholders' Equity for the year ended December 26, 2020, Transition Period ended December 28, 2019, and years ended April 30, 2019 and 2018, (v) Consolidated Statements of Cash Flows for the year ended December 26, 2020, Transition Period ended December 28, 2019, and years ended April 30, 2019 and 2018, and (vi) Notes to Audited Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

\# Indicates management contract or compensatory plan

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		FRANCHISE GROUP, INC. (Registrant)
Date: March 10, 2021	By:	/s/ BRIAN R. KAHN
		Brian R. Kahn Chief Executive Officer and Director (Principal Executive Officer)
Date: March 10, 2021	By:	/s/ ERIC F. SEETON
		Eric F. Seeton Chief Financial Officer (Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each of the undersigned whose signature appears below constitutes and appoints Brian R. Kahn and Eric F. Seeton, his true and lawful attorneys-in-fact, with full power of substitution and resubstitution for him and on his behalf, and in his name, place, and stead, in any and all capacities to execute and sign any and all amendments to this Annual Report on Form 10-K and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof and the registrant hereby confers like authority on its behalf.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 10, 2021	By:	/s/ BRIAN R. KAHN
		Brian R. Kahn Chief Executive Officer and Director (Principal Executive Officer)
Date: March 10, 2021	By:	/s/ ERIC F. SEETON
		Eric F. Seeton Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 10, 2021	By:	/s/ ANDREW M. LAURENCE
		Andrew M. Laurence Executive Vice President and Chairman of the Board
Date: March 10, 2021	By:	/s/ MATTHEW AVRIL
		Matthew Avril Director
Date: March 10, 2021	By:	/s/ PATRICK A. COZZA
		Patrick A. Cozza Director

Date: March 10, 2021	By:	/s/ THOMAS HERSKOVITS Thomas Herskovits Director
Date: March 10, 2021	By:	/s/ LAWRENCE MILLER Lawrence Miller Director
Date: March 10, 2021	By:	/s/ G. WILLIAM MINNER, JR. G. William Minner, Jr. Director

Exhibit 4.3

DESCRIPTION OF CAPITAL STOCK

The following is a summary of the capital stock of Franchise Group, Inc. (the "Company") and certain terms of its Second Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), the Certificate of Designation of its Voting Non-Economic Preferred Stock (the "Voting Non-Economic Preferred Stock"), as amended, and, together with that certain Certificate of Increase, dated September 30, 2019 (the "Voting Non-Economic Preferred Certificate of Designation"), the Certificate of Designation of its Series A Preferred Stock (the "Series A Preferred Stock"), as amended, and, together with that certain Certificate of Increase, dated January 15, 2021 (the "Series A Preferred Certificate of Designation"), its Second Amended and Restated Bylaws (the "Bylaws"), that certain Registration Rights Agreement, dated July 10, 2019, as amended as of September 30, 2019, October 23, 2019 and December 16, 2019, between the Company and certain of its investors listed on Schedule I thereto (the "Vintage Registration Rights Agreement"), and that certain Registration Rights Agreement, dated February 14, 2020, between the Company and Kayne FRG Holdings, L.P. (the "Kayne Registration Rights Agreement" and, together with the Vintage Registration Rights Agreement, the "Registration Rights Agreements"). This discussion summarizes the material features of the Company's capital stock but does not purport to be a complete description of these rights and may not contain all of the information regarding the Company's capital stock. The descriptions herein are qualified in their entirety by reference to the Certificate of Incorporation, Certificate of Designation, Bylaws and Registration Rights Agreements, copies of which are filed as exhibits to this Annual Report on Form 10-K of which this exhibit is a part.

General

The Company's current authorized capital stock consists of 180,000,000 shares of common stock, par value $0.01 per share ("Common Stock"), and 20,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock"), of which 1,886,667 shares are designated as shares of Voting Non-Economic Preferred Stock and 4,800,000 shares are designated as Series A Preferred Stock. As of March 4, 2021, the Company had outstanding 40,094,915 shares of Common Stock, no shares of Voting Non-Economic Preferred Stock and 4,541,125 shares of Series A Preferred Stock.

Certain of the common units ("New Holdco Units") of Franchise Group New Holdco, LLC ("New Holdco") issued under that certain First Amended and Restated Limited Liability Company Agreement of New Holdco, dated as of July 10, 2019, by and among New Holdco and its members, as amended, restated or otherwise modified from time to time (the "New Holdco LLC Agreement") were, together with one-fifth of a share of Voting Non-Economic Preferred Stock, redeemable in exchange for one share of Common Stock after an initial six-month lockup period which has expired. As of April 1, 2020, all shares of outstanding Voting Non-Economic Preferred Stock and New Holdco Units (except for the New Holdco Units held by the Company) were redeemed for shares of Common Stock and no shares of Voting Non-Economic Preferred Stock or New Holdco Units remained outstanding (except for the New Holdco Units held by the Company).

Common Stock

Dividends and Distributions. Subject to preferences that may apply to any shares of Preferred Stock outstanding at the time, the holders of shares of Common Stock are entitled to share equally, on a per share basis, in dividends and other distributions of cash, property or shares of the Company's stock as may be declared by the Company's board of directors with respect to shares of Common Stock out of the Company's assets or funds legally available for dividends.

Liquidation. In the event of a voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of the Company, the holders of shares of Common Stock are entitled to share equally, on a per share basis, in all assets of the Company of whatever kind available for distribution after payment to creditors and subject to any prior distribution rights granted to holders of any outstanding shares of Preferred Stock.

Voting Rights. Each holder of shares of Common Stock is entitled to one vote for each share of Common Stock held of record as of the applicable record date on any matter submitted to a vote of the Company's stockholders.

Fundamental Transactions. In connection with certain fundamental transactions, all holders of shares of Common Stock are entitled to receive consideration in the same form and of the same kind and amount, calculated on a per share basis.

Related Person Transactions. Certain transactions with persons owning 20% or more of the Company's outstanding shares of Common Stock are subject to (i) the approval of 66-2/3% of the voting power of the Company's capital stock held by unaffiliated stockholders, (ii) the approval of independent directors or (iii) the satisfaction of certain price requirements.

Voting Non-Economic Preferred Stock

Liquidation. The Voting Non-Economic Preferred Stock has no economic rights other than to receive $0.01 per share of Voting Non-Economic Preferred Stock upon the liquidation, dissolution or winding up of the Company prior to any distribution of assets to holders of shares of Common Stock or any other class of the Company's capital stock ranking junior to the Voting Non-Economic Preferred Stock in connection with such liquidation, dissolution or winding up of the Company. As a result, there are no restrictions on the repurchase or redemption of shares of Preferred Stock while there is any arrearage in the payment of dividends or sinking fund installments.

Voting Rights. With respect to all meetings of the Company's stockholders at which the holders of shares of Common Stock are entitled to vote and with respect to any written consent sought by the Company or any other person from the holders of shares of Common Stock, the holders of Voting Non-Economic Preferred Stock will vote together with the holders of shares of Common Stock as a single class, except as otherwise required under non-waivable provisions of the Delaware General Corporation Law (the "DGCL"), and the holders of Voting Non-Economic Preferred Stock are entitled to cast five votes per share of Voting Non-Economic Preferred Stock held on any such matter. Until the date on which no shares of Voting Non-Economic Preferred Stock are outstanding, the Company is prohibited, without the prior affirmative vote or written consent of the holders of a majority of the issued and outstanding shares of Voting Non-Economic Preferred Stock, from changing, amending, altering or repealing any provision of the Certificate of Incorporation or the Bylaws, whether by merger, consolidation or otherwise, or creating a new series of Preferred Stock or issuing any other securities, in each case to the extent any such action would have a material and disproportionate adverse effect on the voting rights of the holders of Voting Non-Economic Preferred Stock relative to the voting rights of the holders of Common Stock.

Redemption and Exchange. One-fifth of a share of Voting Non-Economic Preferred Stock held by certain holders thereof, together with one New Holdco Unit held by such holders, was redeemable at the election of such holders, following the expiration of an initial six-month lockup period which has expired, in exchange for one share of Common Stock in accordance with the Voting Non-Economic Preferred Certificate of Designation and the New Holdco LLC Agreement. Under certain circumstances as provided in the New Holdco LLC Agreement and the Voting Non-Economic Preferred Certificate of Designation (e.g., a change of control), the Company had the right to require New Holdco Units and shares of Voting Non-Economic Preferred Stock held by certain holders to be redeemed in exchange for shares of Common Stock as further described above. As of April 1, 2020, all shares of outstanding Voting Non-Economic Preferred Stock and New Holdco Units (except for the New Holdco Units held by the Company) were redeemed for shares of Common Stock and no shares of Voting Non-Economic Preferred Stock or New Holdco Units remained outstanding (except for the New Holdco Units held by the Company).

Transfer Restrictions. Subject to certain exceptions set forth in the New Holdco LLC Agreement, Voting Non-Economic Preferred Stock may not have been transferred, in whole or in part, by any holder directly or indirectly without the prior written consent of the Company. To the extent that certain holders of New Holdco Units transferred any of their New Holdco Units in accordance with the New Holdco LLC Agreement, such holders were required to transfer one-fifth of a share of Voting Non-Economic Preferred Stock held by such holders for each such New Holdco Unit transferred, to the same transferee of such New Holdco Unit.

Series A Preferred Stock

Ranking. The Series A Preferred Stock ranks, as to dividend rights and rights upon the Company's liquidation, dissolution or winding-up:

1. Senior to all classes or series of Common Stock and to all other equity securities issued by the Company expressly designated as ranking junior to the Series A Preferred Stock;
2. On parity with any future class or series of the Company's equity securities expressly designated as ranking on parity with the Series A Preferred Stock;
3. Junior to all equity securities issued by the Company with terms specifically providing that those equity securities rank senior to the Series A Preferred Stock with respect to the payment of dividends and the distribution of assets upon the Company's liquidation, dissolution or winding up; and
4. Effectively junior to all of the Company's existing and future indebtedness (including indebtedness convertible into Common Stock or Preferred Stock) and to the indebtedness and other liabilities of (as well as any preferred equity interests held by others in) the Company's existing or future subsidiaries.

Dividends. Holders of Series A Preferred Stock are entitled to receive, when and as declared by the Company's board of directors, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 7.50% of the $25.00 liquidation preference per year (equivalent to $1.875 per year). Dividends are payable quarterly in arrears on or about the 15th day of January, April, July and October; provided that if any dividend payment date is not a business day, as defined in

the Series A Preferred Certificate of Designation, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accumulate on the amounts so payable for the period from and after that dividend payment date to that next succeeding business day.

Any dividend, including any dividend payable on the Series A Preferred Stock for any partial dividend period, is computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends are payable to holders of record of Series A Preferred Stock as they appear in the transfer agent's records at the close of business on the applicable record date, which will be the date that the Company's board of directors designates for the payment of a dividend that is not more than 30 nor less than 10 days prior to the dividend payment date.

The Company's board of directors will not authorize, pay or set apart for payment by the Company any dividend on the Series A Preferred Stock at any time that:

- the terms and provisions of any of the Company's agreements, including any agreement relating to the Company's indebtedness, prohibits such authorization, payment or setting apart for payment;

- the terms and provisions of any of the Company's agreements, including any agreement relating to the Company's indebtedness, provides that such authorization, payment or setting apart for payment thereof would constitute a breach of, or a default under, such agreement; or

- the law restricts or prohibits the authorization or payment.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock accumulate whether or not:

- the terms and provisions of any of the Company's agreements relating to the Company's indebtedness prohibit such authorization, payment or setting apart for payment;

- the Company has earnings;

- there are funds legally available for the payment of the dividends; and

- the dividends are authorized.

No interest, or sums in lieu of interest, is payable in respect of any dividend payment or payments on the Series A Preferred Stock, which may be in arrears, and holders of the Series A Preferred Stock are not entitled to any dividends in excess of the full cumulative dividends described above. Any dividend payment made on the Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividends due with respect to those shares.

The Company will not pay or declare and set apart for payment any dividends (other than a dividend paid in Common Stock or other stock ranking junior to the Series A Preferred Stock with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution or winding up of the Company) or declare or make any distribution of cash or other property on Common Stock or other stock that ranks junior to or on parity with the Series A Preferred Stock with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution or winding up of the Company or redeem or otherwise acquire Common Stock or other stock that ranks junior to or on parity with the Series A Preferred Stock with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution or winding up of the Company (except (i) by conversion into or exchange for Common Stock or other stock ranking junior to the Series A Preferred Stock with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, (ii) for the redemption of shares of the Company's stock pursuant to the provisions of the Company's charter relating to the restrictions upon ownership and transfer of the Company's stock and (iii) for a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock and any other stock that ranks on parity with the Series A Preferred Stock with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution or winding up of the Company), unless the Company also has either paid or declared and set apart for payment full cumulative dividends on the Series A Preferred Stock for all past dividend periods.

Notwithstanding the foregoing, if the Company does not either pay or declare and set apart for payment full cumulative dividends on the Series A Preferred Stock and all stock that ranks on parity with the Series A Preferred Stock with respect to dividends, the amount which the Company has declared will be allocated pro rata to the holders of Series A Preferred Stock and to each equally ranked class or series of stock, so that the amount declared for each share of Series A Preferred Stock and for each share of each equally ranked class or series of stock is proportionate to the accrued and unpaid dividends on those

shares. Any dividend payment made on the Series A Preferred Stock will first be credited against the earliest accrued and unpaid dividend.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, the holders of shares of Series A Preferred Stock are entitled to be paid out of the Company's assets legally available for distribution to the Company's shareholders a liquidation preference of $25.00 per share, plus an amount equal to any accumulated and unpaid dividends to the date of payment (whether or not declared), before any distribution or payment may be made to holders of shares of Common Stock or any other class or series of the Company's equity stock ranking, as to liquidation rights, junior to the Series A Preferred Stock.

If, upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, the Company's available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on a parity with the Series A Preferred Stock, then the holders of the Series A Preferred Stock and each such other class or series of capital stock ranking, as to liquidation rights, on a parity with the Series A Preferred Stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. Holders of Series A Preferred Stock will be entitled to written notice of any liquidation no fewer than 30 days and no more than 60 days prior to the payment date. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of the Company's remaining assets.

The Company's consolidation or merger with or into any other entity or the sale, lease, transfer or conveyance of all or substantially all of the Company's property or business will not be deemed to constitute the liquidation, dissolution or winding up of the Company. The Series A Preferred Stock ranks senior to the Common Stock as to priority for receiving liquidating distributions and on a parity with any existing and future equity securities which, by their terms, rank on a parity with the Series A Preferred Stock.

Optional Redemption. The Series A Preferred Stock is not redeemable prior to September 18, 2025, except under the circumstances described below. On or after September 18, 2025, the Series A Preferred Stock may be redeemed at the Company's option, in whole or in part, from time to time, at a redemption price of $25.00 per share, plus all dividends accumulated and unpaid (whether or not declared) on the Series A Preferred Stock up to, but not including, the date of such redemption, upon the giving of notice, as provided below.

If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the shares to be redeemed will be determined pro rata or by lot.

In the event the Company elects to redeem Series A Preferred Stock, notice of redemption will be mailed to each holder of record of Series A Preferred Stock called for redemption at such holder's address as it appear on the Company's stock transfer records, not less than 30 nor more than 60 days prior to the date fixed for redemption. The notice will notify the holder of the election to redeem the shares and will state at least the following:

- the date fixed for redemption thereof, which is referred to as the Redemption Date;
- the redemption price;
- the number of shares of Series A Preferred Stock a to be redeemed (and, if fewer than all the shares are to be redeemed, the number of shares to be redeemed from such holder);
- the place(s) where holders may surrender certificates, if any, evidencing the Series A Preferred Stock for payment; and
- that dividends on the shares of Series A Preferred Stock will cease to accumulate on the date prior to the Redemption Date.

On or after the Redemption Date, each holder of Series A Preferred Stock to be redeemed that holds a certificate other than through The Depository Trust Company book entry described below must present and surrender the certificates evidencing the shares of Series A Preferred Stock at the place designated in the notice of redemption and shall be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender.

From and after the Redemption Date (unless the Company defaults in payment of the redemption price):

- all dividends on the shares designated for redemption in the notice will cease to accumulate;

- all rights of the holders of the shares, except the right to receive the redemption price thereof (including all accumulated and unpaid dividends up to the date prior to the Redemption Date), will cease and terminate; and

- the shares will not be deemed to be outstanding for any purpose whatsoever.

Unless full cumulative dividends on all shares of Series A Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock (except by exchanging it for the Company's capital stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition by the Company of shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock.

Notwithstanding the foregoing, for at least five years after January 15, 2021, the Company has elected not to redeem the 3,291,125 shares of the Series A Preferred Stock issued on January 15, 2021 (except in the case of a redemption following the occurrence of a Delisting Event or a Change of Control as described below).

Special Optional Redemption. During any period of time (whether before or after September 18, 2025) that both (i) the Series A Preferred Stock are no longer listed on the NASDAQ Global Market ("Nasdaq"), the New York Stock Exchange (the "NYSE") or the NYSE American LLC (the "NYSE AMER"), or listed or quoted on an exchange or quotation system that is a successor to Nasdaq, the NYSE or the NYSE AMER, and (ii) the Company is not subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), but any Series A Preferred Stock is still outstanding (referred to collectively as a "Delisting Event"), the Company may, at its option, redeem the Series A Preferred Stock, in whole or in part and within 90 days after the date of the Delisting Event, by paying $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of redemption.

In addition, upon the occurrence of a Change of Control (defined below), the Company may, at its option, redeem the Series A Preferred Stock, in whole or in part and within 120 days after the first date on which such Change of Control occurred, by paying $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of redemption (other than any dividend with a record date before the applicable redemption date and a payment date after the applicable redemption date, which will be paid on the payment date notwithstanding prior redemption of such shares).

If, prior to the Delisting Event Conversion Date or Change of Control Conversion Date (each as defined below), as applicable, the Company has provided or provides notice of redemption with respect to the Series A Preferred Stock (whether pursuant to the Company's optional redemption right described above or the Company's special optional redemption), the holders of Series A Preferred Stock will not be permitted to exercise the conversion right described below under "— Conversion Rights" in respect of their shares called for redemption.

The Company will mail to you, if you are a record holder of the Series A Preferred Stock, a notice of redemption, no fewer than 30 days nor more than 60 days before the redemption date. No failure to give the notice or any defect in the notice or in the mailing of the notice will affect the validity of the proceedings for the redemption of any shares of Series A Preferred Stock except as to a holder to whom notice was defective or not given. Each notice will state the following:

- the redemption date;

- the redemption price;

- the number of shares of Series A Preferred Stock to be redeemed;

- the place(s) where holders may surrender certificates, if any, evidencing the Series A Preferred Stock for payment;

- that the Series A Preferred Stock is being redeemed pursuant to the Company's special optional redemption right in connection with the occurrence of a Delisting Event or Change of Control, as applicable, and a brief description of the transaction or transactions or circumstances constituting such Delisting Event or Change of Control, as applicable;

- that the holders Series A Preferred Stock to which the notice relates will not be able to convert such shares of Series A Preferred Stock in connection with the Delisting Event or Change of Control, as applicable, and each share of Series A Preferred Stock tendered for conversion that is selected, prior to the Delisting Event Conversion Date or Change of

Control Conversion Date, as applicable, for redemption will be redeemed on the related date of redemption instead of converted on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable; and

- that dividends on the Series A Preferred Stock to be redeemed will cease to accumulate on the date prior to the redemption date.

A "Change of Control" occurs when, after the original issuance of the Series A Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of the Company entitling that person to exercise more than 50% of the total voting power of all shares of the Company entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither the Company nor any acquiring or surviving entity (or if, in connection with such transaction shares of Common Stock are converted into or exchanged for (in whole or in part) common equity securities of another entity), has a class of common securities (or ADRs representing such securities) listed on Nasdaq, the NYSE or the NYSE AMER, or listed or quoted on an exchange or quotation system that is a successor to Nasdaq, the NYSE or the NYSE AMER.

If the Company redeems fewer than all of the outstanding shares of Series A Preferred Stock, the notice of redemption mailed to each record holder of Series A Preferred Stock will also specify the number of shares of Series A Preferred Stock that the Company will redeem from such record holder. In this case, the Company will determine the number of shares of Series A Preferred Stock to be redeemed on a pro rata basis or by lot.

If the Company has given a notice of redemption and has irrevocably set aside sufficient funds for the redemption for the benefit of the holders of the shares of Series A Preferred Stock called for redemption, then from and after the redemption date, those shares of Series A Preferred Stock will be treated as no longer being outstanding, no further dividends will accumulate on the Series A Preferred Stock and all other rights of the holders of those shares of Series A Preferred Stock will terminate. If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accumulate on the amount payable for the period from and after that redemption date to that next business day. The holders of those shares of Series A Preferred Stock will retain their right to receive the redemption price for their shares of Series A Preferred Stock (including any accumulated and unpaid dividends to but excluding the redemption date).

The holders of Series A Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable with respect to the Series A Preferred Stock on the corresponding payment date notwithstanding the redemption of the Series A Preferred Stock between such record date and the corresponding payment date or the Company's default in the payment of the dividend due. Except as provided above, the Company will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series A Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed and the Company shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock (except by exchanging it for the Company's capital stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition by the Company of shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all shares of Series A Preferred Stock.

Conversion Rights. Upon the occurrence of a Delisting Event or a Change of Control, as applicable, each holder Series A Preferred Stock has the right (unless, prior to the Delisting Event Conversion Right or Change of Control Conversion Date, as applicable, the Company has provided or provides notice of the Company's election to redeem the Series A Preferred Stock as described above under "— Optional Redemption" or "— Special Optional Redemption") to convert some or all of the shares of Series A Preferred Stock held by such holder (the "Delisting Event Conversion Right" or "Change of Control Conversion Right," as applicable) on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, into a number of shares of Common Stock (or equivalent value of alternative consideration) per share of Series A Preferred Stock, or the "Common Stock Conversion Consideration," equal to the lesser of:

- the quotient obtained by dividing (1) the sum of the $25.00 per share liquidation preference plus the amount of any accumulated and unpaid dividends to, but not including, the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable (unless the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, is after a record date for a Series A Preferred Stock dividend payment and prior to the corresponding Series A Preferred Stock dividend payment date, in which case no additional amount for such accumulated and then remaining unpaid dividend will be included in this sum) by (2) the Common Stock Price (such quotient, the "Conversion Rate"); and

- 1.9608 (i.e., the Share Cap), subject to certain adjustments.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of shares of Common Stock to existing holders of Common Stock), subdivisions or combinations (in each case, a "Share Split") with respect to the Common Stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of Common Stock that is equivalent to the product obtained by multiplying (1) the Share Cap in effect immediately prior to such Share Split by (2) a fraction, the numerator of which is the number of shares of Common Stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of Common Stock outstanding immediately prior to such Share Split.

In the case of a Delisting Event or Change of Control pursuant to, or in connection with, which Common Stock will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Form Consideration"), a holder of Series A Preferred Stock will receive upon conversion of such Series A Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Delisting Event or Change of Control, as applicable, had such holder held a number of shares of Common Stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Delisting Event or Change of Control, as applicable (the "Alternative Conversion Consideration," and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Delisting Event or Change of Control, as applicable, is referred to as the "Conversion Consideration").

If the holders of Common Stock have the opportunity to elect the form of consideration to be received in the Delisting Event or Change of Control, the Conversion Consideration that the holders of Series A Preferred Stock will receive will be the form and proportion of the aggregate consideration elected by the holders of Common Stock who participate in the determination (based on the weighted average of elections) and will be subject to any limitations to which all holders of Common Stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in, or in connection with, the Delisting Event or Change of Control, as applicable.

The Company will not issue fractional shares of Common Stock upon the conversion of the Series A Preferred Stock. In the event that the conversion would result in the issuance of fractional shares of Common Stock, the Company will pay the holder of Series A Preferred Stock the cash value of such fractional shares in lieu of such fractional shares.

Within 15 days following the occurrence of a Delisting Event or Change of Control, as applicable, the Company will provide to holders of Series A Preferred Stock a notice of occurrence of the Delisting Event or Change of Control, as applicable, that describes the resulting Delisting Event Conversion Right or Change of Control Conversion Right, as applicable. This notice will state the following:

- the events constituting the Delisting Event or Change of Control, as applicable;

- the date of the Delisting Event or Change of Control, as applicable;

- the last date on which the holders of Series A Preferred Stock may exercise their Delisting Event Conversion Right or Change of Control Conversion Right, as applicable;

- the method and period for calculating the Common Stock Price;

- the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable;

- that if, prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the Company has provided or provides notice of the Company's election to redeem all or any portion of the Series A Preferred Stock, holders will not be able to convert the Series A Preferred Stock and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable;

- if applicable, the type and amount of Conversion Consideration entitled to be received per share of Series A Preferred Stock;
- the name and address of the paying agent and the conversion agent;
- the procedures that the holders of Series A Preferred Stock must follow to exercise the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable; and
- the last date on which holders of Series A Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

The Company will issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on the Company's website, in any event prior to the opening of business on the first business day following any date on which the Company provides the notice described above to the holders of Series A Preferred Stock.

To exercise the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, each holder of Series A Preferred Stock will be required to deliver, on or before the close of business on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the certificates, if any, evidencing the shares of Series A Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to the Company's transfer agent, or, in the case of shares of Series A Preferred Stock held in global form, comply with the applicable procedures of The Depository Trust Company. The conversion notice must state:

- the "Delisting Event Conversion Date" or "Change of Control Conversion Date", as applicable, which will be a business day fixed by the Company's board of directors that is not fewer than 20 days nor more than 35 days after the date on which the Company provides the notice described above to the holders of the Series A Preferred Stock; and
- the number of shares of Series A Preferred Stock to be converted.

The "Common Stock Price" for any Change of Control will be: (1) if the consideration to be received in the Change of Control by the holders of Common Stock is solely cash, the amount of cash consideration per share of Common Stock; and (2) if the consideration to be received in the Change of Control by holders of the Company's Common Stock is other than solely cash (x) the average of the closing prices for the Common Stock on the principal U.S. securities exchange on which the Common Stock is then traded (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which the Common Stock is then traded, or (y) the average of the last quoted bid prices for the Common Stock in the over-the-counter market as reported by OTC Markets Group Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if the Common Stock is not then listed for trading on a U.S. securities exchange.

The "Common Stock Price" for any Delisting Event will be the average of the closing price per share of the Common Stock on the 10 consecutive trading days immediately preceding, but not including, the effective date of the Delisting Event.

Holders of the Series A Preferred Stock may withdraw any notice of exercise of a Delisting Event Conversion Date or Change of Control Conversion Date, as applicable (in whole or in part), by a written notice of withdrawal delivered to the Company's transfer agent prior to the close of business on the business day prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable. The notice of withdrawal must state:

- the number of withdrawn shares of Series A Preferred Stock;
- if certificated shares of Series A Preferred Stock have been issued, the receipt or certificate numbers of the withdrawn shares of Series A Preferred Stock; and
- the number of shares of Series A Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the shares of Series A Preferred Stock are held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company.

Shares of Series A Preferred Stock as to which the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, on the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, unless prior to the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, the Company has provided or provides notice of the Company's election to redeem such shares of Series A Preferred Stock, whether pursuant to the Company's optional redemption right or the Company's special optional redemption right. If the Company elects to redeem shares of Series A Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Delisting Event Conversion Date or Change of Control Conversion Date, as applicable, such shares of Series A Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date $25.00 per share, plus any accumulated and unpaid dividends thereon to, but not including, the redemption date.

The Company will deliver the applicable Conversion Consideration no later than the third business day following the Delisting Event Conversion Date or Change of Control Conversion Date, as applicable.

In connection with the exercise of any Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, the Company will comply with all applicable federal and state securities laws and stock exchange rules in connection with any conversion of Series A Preferred Stock into Common Stock.

The Delisting Event Conversion Right or Change of Control Conversion Right, as applicable, may make it more difficult for a third party to acquire the Company or discourage a party from acquiring the Company.

The Series A Preferred Stock are not convertible into or exchangeable for any other securities or property, except as provided above.

***Limited Voting Rights*.** Except as described below, holders of Series A Preferred Stock generally have no voting rights. In any matter in which the Series A Preferred Stock may vote (as expressly provided herein, or as may be required by law), each share of Series A Preferred Stock is entitled to one vote.

If dividends on the Series A Preferred Stock are in arrears, whether or not declared, for six or more quarterly periods, whether or not these quarterly periods are consecutive, holders of Series A Preferred Stock and holders of all other classes or series of parity preferred stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class, and are exercisable, voting together as a single class, are entitled to vote, at a special meeting called by the holders of record of at least 10% of any series of Preferred Stock as to which dividends are so in arrears or at the next annual meeting of shareholders, for the election of two additional directors to serve on the Company's board of directors until all dividend arrearages have been paid. If and when all accumulated dividends on the Series A Preferred Stock for all past dividend periods shall have been paid in full, holders of shares of Series A Preferred Stock shall be divested of the voting rights set forth above (subject to re-vesting in the event of each and every preferred dividend default) and, unless outstanding shares of parity preferred stock remain entitled to vote in the election of preferred stock directors, the term of office of such preferred stock directors so elected will terminate and the number of directors will be reduced accordingly.

In addition, so long as any shares of Series A Preferred Stock remain outstanding, the Company will not, without the consent or the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock and each other class or series of parity preferred stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class on such matter (voting together as a single class):

- authorize, create or issue, or increase the number of authorized or issued number of shares of, any class or series of stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon the Company's liquidation, dissolution or winding up, or reclassify any of the Company's authorized capital stock into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or

- amend, alter or repeal the provisions of the Company's charter, including the terms of the Series A Preferred Stock, whether by merger, consolidation, transfer or conveyance of all or substantially all of the Company's assets or otherwise, so as to materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock,

except that, with respect to the occurrence of any of the events described in the second bullet point immediately above, so long as the Series A Preferred Stock remains outstanding with the terms of the Series A Preferred Stock materially unchanged, taking into account that, upon the occurrence of an event described in the second bullet point above, the Company

may not be the surviving entity and the surviving entity may not be a corporation, the occurrence of such event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock, and in such case such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. Furthermore, if holders of shares of the Series A Preferred Stock receive the greater of the full trading price of the Series A Preferred Stock on the date of an event described in the second bullet point immediately above or the $25.00 per share of the Series A Preferred Stock liquidation preference plus all accrued and unpaid dividends thereon pursuant to the occurrence of any of the events described in the second bullet point immediately above, then such holders shall not have any voting rights with respect to the events described in the second bullet point immediately above. If any event described in the second bullet point above would materially and adversely affect the rights, preferences, privileges or voting powers of the Series A Preferred Stock disproportionately relative to any other class or series of parity preferred stock, the affirmative vote of the holders of at least two-thirds of the outstanding shares of the Series A Preferred Stock, voting as a separate class, will also be required.

The following actions are not deemed to materially and adversely affect the rights, preferences, powers or privileges of the Series A Preferred Stock:

- any increase in the amount of the Company's authorized Common Stock or Preferred Stock or the creation or issuance of equity securities of any class or series ranking, as to dividends or liquidation preference, on a parity with, or junior to, the Series A Preferred Stock; or

- the amendment, alteration or repeal or change of any provision of the Company's articles of incorporation, including the Series A Preferred Certificate of Designation, as a result of a merger, consolidation, reorganization or other business combination, if the Series A Preferred Stock (or shares into which the Series A Preferred Stock have been converted in any successor entity to us) remain outstanding with the terms thereof materially unchanged.

No maturity, sinking fund or mandatory redemption. The Series A Preferred Stock has no maturity date and the Company is not required to redeem the Series A Preferred Stock at any time. Accordingly, the Series A Preferred Stock will remain outstanding indefinitely, unless the Company decides, at its option, to exercise its redemption right or, under circumstances where the holders of Series A Preferred Stock have a conversion right, such holders convert the Series A Preferred Stock into Common Stock. The Series A Preferred Stock is not subject to any sinking fund.

Other Preferred Stock

The Company's board of directors may in the future, without further action by the Company's stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 13,313,333 shares of Preferred Stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which could adversely affect the rights of holders of Common Stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of additional Preferred Stock could have the effect of delaying, deferring or preventing a change of control or other corporate action.

Registration Rights

The Company is party to the Registration Rights Agreements granting certain of its investors certain registration rights applicable to certain shares of Common Stock as set forth below. The registration of shares of Common Stock pursuant to the exercise of the registration rights described below would enable the holders of these shares to trade these shares without restriction under the Securities Act of 1933, as amended (the "Securities Act"), when the applicable registration statement is declared effective. The Company is required to pay certain of the registration expenses of the Registrable Shares registered pursuant to the Form S-3, demand and piggyback registrations described below.

Form S-3 Registration. Pursuant to the Vintage Registration Rights Agreement, on or before January 31, 2020, the Company was required to register the shares of Common Stock held by certain of its investors (the "Vintage Registrable Shares") on a "shelf" registration statement on Form S-1 or Form S-3 if it was eligible to do so at such time and to maintain the effectiveness of such registration statement until no Vintage Registrable Shares remain.

Pursuant to the Kayne Registration Rights Agreement, on or before the expiration of a six-month lock-up period applicable to certain shares acquired by Kayne FRG Holdings, L.P. ("Kayne") pursuant to that certain Subscription Agreement, dated February 14, 2020, between the Company and Kayne (the "Kayne Registrable Shares" and, together with the Vintage Registrable Shares, the "Registrable Shares"), the Company is required to register the Kayne Registrable Shares on a "shelf" registration statement on Form S-1 or Form S-3 if it is eligible to do so at such time, except to the extent the Company has an

existing shelf registration statement covering the Kayne Registrable Shares which may be used for the purposes contemplated in the Kayne Registration Rights Agreement, and to maintain the effectiveness of such registration statement until no Kayne Registrable Shares remain.

In addition, in connection with certain private placements shares of Common Stock in February 2020 pursuant to subscription agreements with certain investors, the Company agreed to provide such investors certain registration rights applicable to such shares of Common Stock.

Demand Registration Rights. Pursuant to the Vintage Registration Rights Agreement, certain holders of Common Stock are entitled to certain demand registration rights. During a period in which a shelf registration statement covering the Vintage Registrable Shares is effective, if any of Tributum, L.P., Vintage Tributum, L.P., Vintage Capital Management, LLC, Samjor Family LP, Vintage RTO, L.P., Stefac LP, Brian Kahn and Lauren Kahn, as tenants by the entirety, and B. Riley FBR, Inc., or certain of their respective affiliates (each, a "Vintage Group Member") holding any Vintage Registrable Shares delivers notice to the Company stating that it and/or one or more other holders of Vintage Registrable Shares (such Vintage Group Member, together with such other holders, the "Participating Investors") intend(s) to effect an underwritten public offering of all or part of its or their Vintage Registrable Shares included on the shelf registration statement (a "Demand Underwritten Offering"), the Company is required to use its reasonable best efforts to amend or supplement the shelf registration statement or related prospectus as may be necessary in order to enable such Vintage Registrable Shares to be distributed pursuant to the Demand Underwritten Offering. The holders of Vintage Registrable Shares are only entitled to offer and sell their Vintage Registrable Shares pursuant to a Demand Underwritten Offering if the aggregate amount of Vintage Registrable Shares to be offered and sold in such offering by the Participating Investors is reasonably expected to result in aggregate gross proceeds (based on the current market price of the number of Vintage Registrable Shares to be sold) of not less than $25 million.

Piggyback Registration Rights. In the event that the Company proposes to publicly sell or register for sale any of its securities in an underwritten offering pursuant to a registration statement under the Securities Act (other than a registration statement on Form S-8 or on Form S-4) (a "Piggyback Registration"), the Company is required to give prompt written notice to the holders of Registrable Shares of its intention to effect such sale or registration and, subject to certain exceptions, is required to include in such transaction all Registrable Shares with respect to which it has received a written request from any holder of Registrable Shares or inclusion therein within ten business days after the receipt of the Company's notice.

Certificate of Incorporation and Bylaws

Certain provisions of the DGCL and the Certificate of Incorporation and Bylaws could have the effect of delaying, deferring or discouraging another party from acquiring control of the Company. These provisions are designed in part to allow management to continue making decisions for the long-term best interest of the Company and all of its stockholders and encourage anyone seeking to acquire control of the Company to first negotiate with its board of directors.

The Bylaws include an advance notice procedure for stockholder proposals to be brought before an annual meeting of the Company's stockholders, including proposed nominations of persons for election to the Company's board of directors. The advance notice provisions will make it more difficult for the Company's existing stockholders to replace the Company's board of directors as well as for another party to obtain control of the Company by replacing its board of directors. Since the Company's board of directors has the power to retain and discharge the Company's officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated Preferred Stock in the Certificate of Incorporation makes it possible for the Company's board of directors to issue Preferred Stock with voting or other rights or preferences that could impede the success of any attempt to change control of the Company. The Certificate of Incorporation also provides that certain transactions with persons owning 20% or more of the Company's outstanding Common Stock are subject to (i) the approval of 66-2/3% of the voting power of the Company's capital stock held by unaffiliated stockholders, (ii) the approval of independent directors or (iii) the satisfaction of certain price requirements. Finally, the Bylaws specify that special meetings of the Company's stockholders can be called only by the Company's board of directors, the Chair of the Company's board of directors, or holders of at least 20% of the shares that will be entitled to vote on the matters presented at such special meeting, which restricts the ability of the Company's stockholders to meet and act outside of regularly scheduled meetings of the Company's board of directors, adding delay to attempts to change control of the Company.

The Certificate of Incorporation does not give stockholders the right to cumulative voting in the election of directors. Without cumulative voting, a minority stockholder may not be able to gain as many seats on the board of directors as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on the Company's board of directors or influence the Company's board of directors' decision regarding a takeover.

These provisions may have the effect of deterring hostile takeovers or delaying changes in the Company's control or management. They are intended to enhance the likelihood of continued stability in the composition of the Company's board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of the Company. These provisions are designed to reduce the Company's vulnerability to an unsolicited acquisition proposal. In addition, these provisions are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for the Company's shares and, as a consequence, they also may inhibit fluctuations in the value of the Company's stock that could result from actual or rumored takeover attempts.

Section 203 of the Delaware General Corporation Law

The Company has elected not to be governed by Section 203 of the DGCL ("Section 203"). Section 203 regulates corporate acquisitions and provides that specified persons who, together with affiliates and associates, own, or within three years did own, 15% or more of the outstanding voting stock of a corporation may not engage in business combinations with the corporation for a period of three years after the date on which the person became an interested stockholder unless:

- prior to such time, the corporation's board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an "interested stockholder," the interested stockholder owned at least 85% of the corporation's outstanding voting stock at the time the transaction commenced, other than statutorily excluded shares; or

- at or after the time a person became an interested stockholder, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two thirds of the outstanding voting stock which is not owned by the interested stockholder.

The term "business combination" is defined to include mergers, asset sales and other transactions in which the interested stockholder receives or could receive a financial benefit on other than a pro rata basis with other stockholders.

Limitations of Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties. The Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;

- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;

- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or

- for transactions from which the director derived improper personal benefit.

The Certificate of Incorporation and Bylaws provide that the Company indemnify its directors and officers to the fullest extent permitted by law. The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit the Company and its stockholders. In addition, an investment in the Company's Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Exclusive Forum

The Certificate of Incorporation provides that unless the Company otherwise determines, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on the Company's behalf, any action asserting a claim of breach of a fiduciary duty owed by any of the Company's directors, officers or other employees to the Company or its stockholders, any action asserting a claim against the Company arising pursuant to any provision of the DGCL, the Certificate of Incorporation or Bylaws, or any action asserting a claim against the Company governed by the internal affairs doctrine. This provision may limit a stockholder's ability to bring a claim in a judicial forum

(other than in a Delaware court) that it finds preferable for disputes with the Company and its directors, officers or other employees.

The exclusive forum provision does not apply to suits brought to enforce any duty or liability created by the Securities Act, the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction.

Authorized but Unissued Shares

The Company's authorized but unissued shares of Common Stock and Preferred Stock will be available for future issuance and such future issuance may not require stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, employee benefit plans and rights plans. The existence of authorized but unissued shares of Common Stock and Preferred Stock could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock, Voting Non-Economic Preferred Stock and Series A Preferred Stock is EQ Shareowner Services.

Listing of Securities

The Common Stock is listed on Nasdaq under the symbol "FRG".

The Series A Preferred Stock is listed on Nasdaq under the symbol "FRGAP."

Exhibit 10.50

EXECUTIVE EMPLOYMENT AND SEVERANCE AGREEMENT

This Agreement (this "**Agreement**") is between Todd Evans ("**Executive**") and Franchise Group, Inc. ("**Franchise Group**" and, together with its Affiliates, the "**Company**").

WHEREAS, Executive commenced employment with Franchise Group on August 1, 2020 (the "**Employment Commencement Date**") as its Chief Franchising Officer, and Executive's services are valuable to the conduct of the business of the Company; and

WHEREAS, Franchise Group and Executive desire to specify the terms and conditions on which Executive will continue employment on and after August 1, 2020 (the "**Effective Date**"), and under which Executive will receive severance in the event that Executive separates from service with the Company under the circumstances described in this Agreement.

NOW, THEREFORE, for the consideration described herein, and intending to be legally bound, the parties agree as follows:

1. **Effective Date; Term**. This Agreement shall become effective on the Effective Date and continue until the third (3rd) anniversary of the Effective Date (the "**Initial Term**"). Thereafter, the Agreement shall renew automatically for successive one (1) year periods unless and until either party provides written notice to the other party of the intent not to renew the Agreement at least ninety (90) days prior to the end of the Initial Term or any subsequent one-year term (the Initial Term and the period, if any, thereafter, during which the Executive's employment shall continue are collectively referred to herein as the "**Term**"). Notwithstanding the foregoing, (a) if a Change of Control (as defined below) occurs prior to the end of the Initial Term or any subsequent one-year term, then the Agreement shall be extended automatically until the later of (i) the end of the Initial Term or (ii) one (1) year from the date of the Change of Control, and (b) if Executive provides notice of resignation for Good Reason (as defined in Section 2(j) below) prior to the expiration of the Term, and if the Executive terminates Executive's employment for such Good Reason, then the Term of this Agreement will be extended to the date that is one day following the Termination Date (as defined in Section 2(p) below). The expiration of the Agreement due to the Company's notice of non-renewal shall be considered a termination without Cause of Executive's employment by the Company (as described in Section 4(a)(iii) below) effective as of the last day of the Term.

2. **Definitions**. For purposes of this Agreement, the following terms shall have the meanings ascribed to them:

a. "**Affiliate**" shall mean, with respect to Franchise Group, any partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture, or other organization that, directly or through one or more intermediaries, is controlled by, controls, or is under common control with, Franchise Group within the meaning of Code Section 414(b) or (c); provided that, in applying such provisions, the phrase "at least 50

percent” shall be used in place of “at least 80 percent” each place it appears therein.

b. “**Accrued Benefits**” shall mean the following amounts, payable as described herein: (i) all Base Salary that has accrued but is unpaid as of the Termination Date; (ii) reimbursement of Executive for Executive’s reasonable and necessary expenses, which have been approved in accordance with Company policy and which were incurred by Executive on behalf of the Company as of the Termination Date; (iii) any and all other cash earned by Executive through the Termination Date and deferred at the election of Executive pursuant to any deferred compensation plan then in effect (to the extent vested); and (iv) all other payments and benefits to which Executive (or in the event of Executive’s death, Executive’s surviving spouse or other beneficiaries) is entitled on the Termination Date under the terms of any benefit plan of the Company, excluding severance payments under any Company severance policy, practice or agreement in effect on the Termination Date. Payment of Accrued Benefits shall be made promptly in accordance with the Company’s prevailing practice with respect to clauses (i) and (ii) or, with respect to clauses (iii) and (iv), pursuant to the terms of the benefit plan or practice establishing such benefits, and any applicable law (but in each instance no less favorable than that applied to the most senior executive officers of the Company).

c. “**Base Salary**” shall mean Executive’s annual base salary with the Company as in effect from time to time.

d. “**Board**” shall mean the Board of Directors of Franchise Group or a committee of such Board authorized to act on its behalf in certain circumstances, including the Compensation Committee of the Board.

e. “**Cause**” shall mean any of the following, as determined by the Company in its reasonable judgment, exercised in good faith: (i) Executive’s willful, intentional or grossly negligent failure to substantially perform Executive’s duties under this Agreement; if, within 30 days of receiving a written demand for substantial performance from the Board that specifically identifies the manner in which the Executive has not substantially performed such duties, the Executive shall have failed to cure the non-performance or to take measures to cure the non-performance; (ii) the Executive’s willful, intentional or grossly negligent violation of the Company’s Code of Conduct, Insider Trading Policy or any other material written policy; (iii) the Executive’s conviction of, or plea of nolo contendere to, a crime constituting (x) a felony under the laws of the United States or any state thereof or (y) a misdemeanor under the laws of the United States or any state thereof (not including any traffic offense) involving moral turpitude, deceit, dishonesty or fraud that relates to the Company’s property; (iv) the willful, intentional or grossly negligent conduct of the Executive which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (v) the Executive’s material breach of any provision of this Agreement. For

purposes of this definition of Cause, no act, or failure to act, on the Executive's part shall be deemed willful, intentional or grossly negligent if the Executive acted in good faith and in a manner that the Executive reasonably believed to be in, or not opposed to, the best interest of the Company. If the alleged conduct or act constituting Cause is described in clause (i) above but Executive does not timely cure such conduct or act, then Executive's employment will terminate on the date immediately following the end of the cure period. In all other cases, then Executive's employment will terminate on the date specified in the written notice of termination (which may be immediate).

f. "**Change of Control**" shall mean a "Change of Control" as defined in the Franchise Group, Inc. 2019 Omnibus Incentive Plan, as amended and in effect from time to time, or any successor incentive plan thereto.

g. **"COBRA"** shall mean the provisions of Code Section 4980B.

h. **"Code"** shall mean the Internal Revenue Code of 1986, as amended, as interpreted by rules and regulations issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

i. "**Disability**" shall mean, subject to applicable law, that a medically determinable physical or mental impairment of Executive renders Executive unable to perform the essential functions of Executive's position with the Company, either with or without a reasonable accommodation in substantially the manner and to the extent required hereunder prior to the commencement of such disability, and Executive shall be unable to return to such duties at the end of the short-term disability period provided under the Company's short-term disability plan applicable to other senior executive officers of the Company (or such longer period as the Company may grant in its sole discretion or as otherwise required by law).

j. "**Good Reason**" shall mean the occurrence of any of the following events while this Agreement is in effect, without the Executive's written consent:

i. A relocation of Executive's principal place of employment to a location more than fifty (50) miles from Executive's current office location, unless such new location is no further from the Executive's then-current residence than the immediately prior location;

ii. Any material reduction in Executive's Base Salary or Target Incentive Plan Compensation opportunity, unless part of an across-the-board reduction applicable on a similar basis to all other senior executive officers of Franchise Group and, in that event, provided that such reduction does not exceed five (5%) of Executive's total cash compensation opportunity (Base Salary and Target Incentive Plan Compensation);

iii. Any material breach of this Agreement by Franchise Group; or

iv. Any material reduction in Executive's duties, responsibilities or authority, or any change in Executive's title;

provided that such event shall constitute Good Reason only if: (A) Executive continues to perform Executive's job duties as set forth in this Agreement and continues to comply with all of the covenants set forth herein (including the terms of Section 7 hereof) and any other non-compete, confidentiality, invention or other written agreements otherwise applicable to him; (B) Executive provides Franchise Group written notice of resignation, specifying in reasonable detail the event constituting Good Reason, within ninety (90) days after the initial existence of such event; and (C) Franchise Group fails to cure (if curable) the Good Reason event within thirty (30) days following receipt of such notice. If Franchise Group timely cures the Good Reason event, then Executive's notice of resignation shall be automatically rescinded. If Franchise Group does not timely cure the Good Reason event, then the Termination Date shall be the date immediately following the end of the Company's cure period.

k. **"Separation Agreement"** shall mean the form of Separation Agreement which is substantially similar to that used for departing executives who receive severance, subject to modifications to reflect the terms of this Agreement.

l. "**Separation from Service**" shall mean Executive's separation from service (within the meaning of Code Section 409A) from Franchise Group and its Affiliates.

m. "**Severance Benefits**" shall mean the payments and benefits described in Section 5 hereof.

n. **"Severance Payment"** shall mean one (1) times the sum of Executive's Base Salary. For purposes of this definition, the Executive's Base Salary shall be the amount in effect immediately preceding the Termination Date; *provided* that if a reduction in Executive's Base Salary constituted a Good Reason for the termination, then Base Salary for purposes of calculating the Severance Payment shall be the amount in effect immediately prior to such reduction.

o. **"Severance Period"** shall mean the twelve (12)-month period following the Termination Date.

p. "**Termination Date**" shall mean the date of Executive's termination of employment from the Company, as further described in Section 4.

3. **Employment of Executive**

a. **Position.**

i. Executive shall serve as the Chief Franchising Officer of Franchise Group, reporting to the Chief Executive Officer of Franchise Group. In such position, Executive shall have such duties, responsibilities and authority as is customarily associated with such position and shall have such other duties, as may be reasonably assigned from time to time by the Chief Executive Officer of Franchise Group, consistent with Executive's position and the terms of this Agreement.

ii. Executive shall devote substantially all of Executive's business time and efforts to the performance of Executive's duties on behalf of the Company, and will not engage in or be concerned with any other commercial duties or pursuits, either directly or indirectly, without the prior written consent of the Board. Notwithstanding the foregoing, nothing herein shall preclude Executive from (1) continuing to engage in the outside, activities disclosed here: [__________] (if left blank, then there are no such activities for which approval has been provided); (2) serving as an officer or a member of charitable, educational or civic organizations; (3) engaging in charitable activities and community affairs; and (4) managing Executive's personal investments and affairs; provided, however, that such service and activities do not, in the Company's reasonable opinion, interfere with the performance of Executive's duties on behalf of the Company, create any conflict of interest as it relates to the Company, and are not represented in a manner that suggests the Company supports or endorses the services or activities without the advance approval of the Company.

Executive shall be responsible for complying with all policies and operating procedures of the Company applicable to all senior executives of the Company (that are provided or made available to the Executive) in the performance of Executive's duties on behalf of the Company, including any clawback or recoupment policy adopted by Franchise Group.

i. Executive's principal place of employment shall be based in Atlanta, GA as of the Effective Date. Notwithstanding the foregoing, Executive shall travel to such other places, including, without limitation, the site of such facilities of the Company and its Affiliates as are established from time to time, at such times as are advisable for the performance of Executive's duties and responsibilities under this Agreement. Executive shall submit to the Company all business, commercial and investment opportunities or offers presented to Executive or of which Executive becomes aware which relate to the business of the Company (the "**Company Opportunities**"). Unless approved by the Board, Executive shall not accept or pursue, directly or indirectly, any Company Opportunities on Executive's own behalf.

b. **Base Salary**. Commencing on the Effective Date, Franchise Group shall pay Executive a Base Salary at an annual rate of four hundred thousand dollars ($400,000), payable in regular installments in accordance with the Company's usual payroll practices. At least once per year, the Board shall review

Executive’s Base Salary for potential increase based on market trends, performance, and such internal and other considerations as the Board may deem relevant.

c. **Incentive Compensation Plan and Equity Incentives**.

i. Starting on the Effective Date through Executive’s Termination Date, Executive shall be paid (less applicable tax withholdings) a commission equal to 10% of all amounts paid to Company and/or its subsidiaries or affiliates in connection with the sale of any franchise, including, but not limited to, the initial franchise fee, any resale franchise fee, any adjusted franchise fee, any initial area development fee, any initial franchise fee or initial area development fee balance, any transfer fee and, if applicable, any initial regional representative fee (as such terms are commonly understood in the franchise industry) (collectively, the “Initial Fees”); provided, (A) if the Company and/or its subsidiaries or affiliates utilize a third party business broker for a franchise sale, the amount of the commission paid to that broker may be deducted from the commission otherwise payable to Executive on account of such sale, (B) the Company, in its sole discretion, agrees that Executive’s commission shall be determined based on the terms of this Section 3(c)(i) without regard to how the Company and/or its subsidiaries or affiliates recognizes Initial Fees for accounting purposes, (C) if the Company and/or any of its subsidiaries or affiliates finance any amount otherwise payable in connection with the sale of any franchise, the amount so financed shall be deemed paid in full to the Company and/or any of its subsidiaries or affiliates for purposes of this Section 3(c)(i) on the date the financing is closed, (D) if the Company and/or its subsidiaries and affiliates choose to discount or waive any payments which otherwise would be taken into account in the calculation of Executive’s commission under this Section 3(c)(i), the Company will so notify Executive in writing and the Company and Executive will seek to agree on a fair and reasonable commission to be paid to Executive, (E) this Section 3(c)(i) shall apply to any franchise sales closed after the Effective Date through Executive’s Termination Date without regard to whether the sale is made directly by Executive or by any members of the sales teams he builds as the Chief Franchising Officer or by any other person, except for franchise sales that have occurred prior to the Effective Date and have not closed for 90 days after the Effective Date. Finally, commissions earned under this Section 3(c)(i) are payable to Executive on the first payroll date after the 10th day of the month following the receipt of payment of the fees described in this Section 3(c)(i) to the Company and/or its subsidiaries or affiliates.

ii. Beginning with the fiscal year following the Effective Date, and for each fiscal year thereafter during the Term, Executive shall be eligible to participate in such long-term equity incentive plans of Franchise Group as

are generally provided to other the senior executives of Franchise Group, as determined by the Board in its discretion.

d. **Executive Benefits**. Executive shall be eligible to participate in the Company's employee benefit plans (in addition to the annual and/or long-term incentive programs, which are addressed in Section 3(c)) as in effect from time to time on the same basis as those benefits are generally made available to other similarly-situated senior executives of Franchise Group. Executive shall be entitled to four (4) weeks of paid time-off per fiscal year, prorated for the first calendar year of employment.

e. **Business Expenses**. The Company shall reimburse Executive for any reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder subject to and in accordance with Company policies.

f. **Additional Payments and Benefits**. Executive shall be entitled to the amounts and benefits set forth on Exhibit A, subject to the terms and conditions thereof.

g. **Withholding**. All payments under this Agreement shall be subject to payroll taxes and other withholdings in accordance with the Company's (or the applicable employer of record's) standard payroll practices and applicable law.

4. **Termination of Employment**.

a. **Date and Manner of Termination**. Executive's employment with the Company will terminate during the Term, and this Agreement will terminate on the date of such termination, as follows:

i. Executive's employment will terminate on the date of Executive's death.

ii. If Executive is subject to a Disability, and if within thirty (30) days after Franchise Group notifies Executive in writing that it intends to terminate Executive's employment, Executive shall not have returned to the performance of Executive's essential functions (either with or without a reasonable accommodation), Franchise Group may terminate Executive's employment, effective immediately following the end of such thirty-day (30) period.

iii. Franchise Group may terminate Executive's employment with or without Cause (other than as a result of Disability which is governed by Section 4(a)(ii)). If the termination is without Cause, then Executive's employment will terminate on the date set forth in Franchise Group's written notice of termination to Executive (which may be immediate). If the termination is for Cause, then Executive's employment will terminate in accordance with Section 2(e). Unless otherwise directed by Franchise Group, from and after the date of the written notice of proposed

termination (subject to all applicable cure periods), Executive shall be relieved of Executive's duties and responsibilities and shall be considered to be on a paid leave of absence pending any final action by Franchise Group confirming such proposed termination, *provided* that during such notice period Executive shall remain a full-time employee of the Company, and shall continue to receive Executive's then current Base Salary and all other benefits as provided in this Agreement.

iv. Executive may terminate Executive's employment with or without Good Reason. If the termination is without Good Reason, then Executive must provide at least thirty (30), but no more than ninety (90), days advance written notice to Franchise Group; *provided* that the Company may immediately relieve Executive of all duties and responsibilities upon receipt of such notice, and choose to terminate Executive's employment without further notice or delay, which termination shall not constitute a termination without Cause. If the termination is for Good Reason, then Executive's employment will terminate in accordance with Section 2(j).

b. **Relinquishment of Positions Upon Termination**. Upon termination of employment for any reason, Executive shall resign all officerships, directorships or other positions that Executive then holds with the Company or any of its Affiliates.

5. **Payments upon Termination.**

a. **Entitlement to Accrued Benefits and Equity Awards**. Upon termination of Executive's employment for any reason, whether by the Company or by Executive, the Company shall pay or provide Executive with the Accrued Benefits and all of Executive's outstanding equity awards shall be subject to the terms of the applicable award agreement and plan (except as described in subsection (d)(iv)).

b. **Entitlement to Severance.** Subject to the other terms and conditions of this Agreement, Executive shall be entitled to Severance Benefits in the following circumstances:

i. Executive's employment is terminated by Franchise Group without Cause, and for other than death or Disability; or

ii. Executive terminates Executive's employment with the Company for Good Reason.

If Executive dies after receiving a notice by Franchise Group that Executive is being terminated without Cause, or after providing notice of termination for Good Reason, then Executive's estate, heirs and beneficiaries (as the case may be) shall be entitled to the Accrued Benefits and the Severance Benefits at the same time such amounts would have been paid or benefits provided to Executive had Executive lived.

a. **Requirement for Severance Benefits.** As an additional prerequisite for receipt of the Severance Benefits, Executive must (i) execute, deliver to Franchise Group, and not revoke (to the extent Executive is allowed to do so) a Separation Agreement within sixty (60) calendar days (or such longer period as is provided in the Separation Agreement) following the Executive's receipt of such Separation Agreement, which Franchise Group must provide Executive within ten (10) days following Executive's Termination Date, and (ii) comply with all of Executive's covenants set forth in this Agreement.

b. **Severance Benefits; Timing and Form of Payment**. Subject to the limitations imposed by Section 6, if Executive is entitled to Severance Benefits, then:

i. The Company shall pay Executive the Severance Payment in equal installments, consistent with the Company's normal payroll practices, over the Severance Period; *provided* that any amounts that would be payable prior to the effectiveness of the Separation Agreement shall be delayed until the Separation Agreement becomes effective. Notwithstanding the foregoing, if, as of the date of Executive's Separation from Service (i) Executive is a "specified employee" as determined under Code Section 409A, then any portion of the Severance Payment that is subject to Code Section 409A and that would otherwise be payable within the first six (6) months following such Separation from Service shall be delayed until the first regular payroll date of the Company following the six (6) month anniversary of Executive's Separation from Service (or the date of Executive's death, if earlier than that anniversary) or (ii) Executive is not a "specified employee" as determined under Code Section 409A, then any portion of the Severance Payment that is subject to Code Section 409A and that would be otherwise payable within the first sixty (60) days after Executive's Separation from Service shall be paid sixty (60) days after Executive's Separation from Service (and not promptly following the effectiveness of the Separation Agreement).

ii. (iii) The Company shall continue to provide to Executive and Executive's dependents (as applicable) up to eighteen (18) months of group health and dental benefits to the extent that such benefits were in effect for Executive and Executive's family as of the Termination Date, subject to Executive's timely election of COBRA. The Company shall be responsible for payment of all premiums necessary to maintain these benefits. Benefit continuation under this Section 5(d)(iii) shall be concurrent with any coverage under the Company's plans pursuant to COBRA or similar state laws. Such benefits shall be terminated prior to the expiration of the 18 months to the extent Executive has obtained new employment and is covered by benefits which in the aggregate are comparable to such continued benefits. Executive shall promptly notify the Company when Executive becomes employed after the Termination Date and shall provide such reasonable cooperation as the Company

requests with respect to determining whether Executive is covered by comparable benefits with such new employer. If the health or dental benefits are fully insured, and the provision of such benefits under this Section 5(d)(iii) would subject the Company or its benefits arrangements to a penalty or adverse tax treatment, then the Company shall provide a cash payment to Executive in an amount reasonably determined by the Company to be equivalent to the COBRA premiums for such benefits. If the health or dental benefits are self-insured, and the provision of such benefits under this Section 5(d)(iii) is considered discriminatory under Code Section 105(h), then to the extent required by the Code, Executive acknowledges that the value of the premiums paid by the Company hereunder shall be considered taxable wages to Executive, and the Company shall be permitted to withhold applicable taxes with respect to such wages from other amounts owed to Executive, or require Executive to make satisfactory arrangements with the Company for the payment of such withholding taxes.

iii. With respect to any long-term incentive awards (whether cash or equity) (A) if the award is subject to time-based vesting only, then upon the Termination Date, Executive shall become vested in a pro-rata portion (based on Executive's length of employment during the applicable vesting period) of such award, and (B) if the award is subject to performance vesting, then following the completion of the applicable performance period, Executive will receive a pro-rata portion of such award (based on Executive's length of employment during the applicable performance period), to the extent the performance goals are otherwise achieved for the performance period. Notwithstanding the foregoing, with respect to any award, if the terms of the award provide for a more favorable result upon the termination of the Executive's employment, then the terms of such award shall supersede the provisions herein.

6. **Limitations on Severance Payments and Benefits.** Notwithstanding any other provision of this Agreement, if any portion of the Severance Payment or any other payment under this Agreement, or under any other agreement with or plan of the Company (in the aggregate "**Total Payments**"), would constitute an "excess parachute payment," then the Total Payments to be made to Executive shall be reduced such that the value of the aggregate Total Payments that Executive is entitled to receive shall be One Dollar ($1) less than the maximum amount which Executive may receive without becoming subject to the tax imposed by Code Section 4999 or which the Company may pay without loss of deduction under Code Section 280G(a); *provided* that the foregoing reduction in the amount of Total Payments shall not apply if the After-Tax Value to Executive of the Total Payments prior to reduction in accordance herewith is greater than the After-Tax Value to Executive if Total Payments are reduced in accordance herewith. For purposes of this Agreement, the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in Code Section 280G, and such "parachute payments" shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with

Code Section 1274(b)(2). Within twenty (20) business days following delivery of the notice of termination or notice by Franchise Group to Executive of its belief that there is a payment or benefit due Executive that will result in an excess parachute payment as defined in Code Section 280G, Executive and Franchise Group, at Franchise Group's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel selected by Franchise Group, which opinion sets forth: (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments, (C) the amount and present value of any excess parachute payments without regard to the limitations of this Section 6, (D) the After-Tax Value of the Total Payments if the reduction in Total Payments contemplated under this Section 6 did not apply, and (E) the After-Tax Value of the Total Payments taking into account the reduction in Total Payments contemplated under this Section 6. As used in this Section 6, the term "**Base Period Income**" means an amount equal to Executive's "annualized includible compensation for the base period" as defined in Code Section 280G(d)(1). For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by Franchise Group's independent auditors in accordance with the principles of Code Sections 280G(d)(3) and (4), which determination shall be evidenced in a certificate of such auditors addressed to Franchise Group and Executive. For purposes of determining the After-Tax Value of Total Payments, Executive shall be deemed to pay federal income taxes and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Severance Payment is to be made and state and local income taxes at the highest marginal rates of taxation in the state and locality of Executive's domicile for income tax purposes on the date the Severance Payment is to be made, net of the maximum reduction in federal income taxes that may be obtained from deduction of such state and local taxes. Such opinion shall be dated as of the Termination Date and addressed to Franchise Group and Executive and shall be binding upon Franchise Group and Executive. If such opinion determines that there would be an excess parachute payment and that the After-Tax Value of the Total Payments taking into account the reduction contemplated under this Section 6 is greater than the After-Tax Value of the Total Payments if the reduction in Total Payments contemplated under this Section 6 did not apply, then the Severance Payment hereunder or any other payment determined by such counsel to be includible in Total Payments shall be reduced or eliminated as specified by Executive in writing delivered to Franchise Group within five (5) business days of Executive's receipt of such opinion or, if Executive fails to so notify Franchise Group, then as Franchise Group shall reasonably determine, so that under the bases of calculations set forth in such opinion there will be no excess parachute payment. If such legal counsel so requests in connection with the opinion required by this Section 6, Executive and Franchise Group shall obtain, at Franchise Group's expense, and the legal counsel may rely on in providing the opinion, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by Executive. If the provisions of Code Sections 280G and 4999 are repealed without succession, then this Section 6 shall be of no further force or effect.

7. **Covenants by Executive**.

a. **Confidentiality**. Executive acknowledges and agrees that Executive's work for the Company will bring Executive into close contact with many confidential affairs of the Company not readily available to the public, including plans for further developments or activities by the Company. Executive agrees that during the Term and at all times thereafter, Executive shall keep and retain in the strictest confidence all confidential matters ("**Confidential Information**") of the Company, including but not limited to, "know how," sales and marketing information or plans; business or strategic plans; salary, bonus, or other personnel information; information about or concerning existing, new, or potential customers, franchisees, clients, or shareholders; trade secrets; pricing policies; operational methods; technical processes; inventions and research projects; and other business affairs of the Company, in each case that Executive may develop or learn in the course of Executive's employment, and shall not remove such Confidential Information from the Company's premises (other than for the purpose of working from home), use such Confidential Information for personal gain or disclose such Confidential Information to anyone outside of the Company, either during or after the Term, except (i) in good faith, in the course of performing Executive's duties under this Agreement; (ii) with the prior written consent of the Board; (iii) it being understood that Confidential Information shall not be deemed to include any information that is or becomes generally available to the public other than as a result of disclosure by Executive; or (iv) to the extent disclosure is compelled by a court of competent jurisdiction, arbitrator, agency, or other tribunal or investigative body in accordance with any applicable statute, rule, or regulation (but only to the extent any such disclosure is compelled, and no further). Further, nothing herein shall prevent Executive from cooperating with any investigation or inquiry conducted by the Equal Employment Opportunity Commission regarding any employment practice or policy of the Employers. In addition, pursuant to Section 7 of the Defend Trade Secrets Act of 2016 (which added 18 U.S.C. § 1833(b)), Executive acknowledges that Executive shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. Upon the termination of Executive's employment with the Company, or at any time the Company may so request, Executive shall return to the Company all tangible embodiments (in whatever medium) relating to Confidential Information and Work Product (as defined below) that Executive may then possess or have under Executive's control.

b. **Ownership of Property**. Executive acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, processes, programs, designs, analyses, drawings, reports, patent applications, copyrightable work, and mask work (whether or not including any Confidential

Information), and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) that relate to the Company's actual or anticipated business, research and development, or existing or future products or services and that are conceived, developed, contributed to, made, or reduced to practice by Executive (either solely or jointly with others) while employed by the Company, including any of the foregoing that constitutes any proprietary information or records ("**Work Product**") belonging to the Company, and Executive hereby assigns, and agrees to assign, all of the above Work Product to the Company. Any copyrightable work prepared in whole or in part by Executive in the course of Executive's work for the Company shall be deemed a "work made for hire" under the copyright laws, and the Company shall own all rights therein. To the extent that any such copyrightable work is not a "work made for hire," Executive hereby assigns and agrees to assign to the Company all right, title, and interest, including without limitation, copyright in and to such copyrightable work. Executive shall perform all actions reasonably requested by the Board, at the Company's sole expense, to establish and confirm the Company's ownership (including, without limitation, assignments, consents, powers of attorney, and other instruments) in Work Product and copyrightable work identified by the Board.

c. **Third Party Information**. Executive understands that the Company will receive from third parties confidential or proprietary information ("**Third Party Information**") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During Executive's employment with the Company and thereafter, and without in any way limiting the provisions of Section 7(a) of this Agreement, Executive shall hold Third Party Information in the strictest confidence and shall not disclose to anyone (other than personnel and consultants of the Company who need to know such information in connection with their work for the Company) or use, except in connection with Executive's work for the Company, Third Party Information unless expressly authorized by the Board in writing.

d. **Restrictive Covenants**. Executive acknowledges that (i) in the course of Executive's employment with the Company, Executive will become familiar with the Company's trade secrets and with other Confidential Information concerning the Company; (ii) Executive's services will be of special, unique and extraordinary value to the Company; (iii) the agreements and covenants of Executive contained in this Section 7 are essential to the business and goodwill of the Company; and (iv) the Company would not have entered into this Agreement but for the covenants and agreements set forth in this Section 7. Therefore, Executive agrees that, without limiting any other obligation pursuant to this Agreement:

   i. Non-Competition. Except with prior written permission of the Board, Executive shall not, during the Term and for a period of twelve (12) months thereafter (or for the length of the Severance Period if Executive

is entitled to Severance Benefits), directly or indirectly (individually or on behalf of other persons) (i) enter (or prepare to enter) the employ of, or render services to, any person engaged in (a) the provision of franchising of tax preparation services, furniture, mattress, appliance or vitamin and supplement sales, or rent-to-own businesses; or (b) any other line of business actively being conducted by the Company accounting for more than ten percent (10%) of the Company's gross revenues on the date of Executive's termination (a "**Competitive Business**"); (ii) engage (or prepare to engage) in a Competitive Business on Executive's own account; or (iii) become interested in any such Competitive Business, directly or indirectly, as an individual, partner, shareholder, director, officer, principal, agent, employee, trustee, consultant, or in any other relationship or capacity; *provided*, *however*, that nothing contained in this Section 7(d)(i) shall be deemed to prohibit Executive from acquiring, solely as a passive investment, less than five percent (5%) of the total outstanding securities of any publicly-traded corporation.

ii. Non-Solicitation. Except with prior written permission of the Board, Executive shall not, directly or indirectly (individually or on behalf of other persons), during the Term and for a period of twelve (12) months thereafter (or for the length of the Severance Period if Executive is entitled to Severance Benefits), for any reason hire, offer to hire, or entice away any officer, employee, franchisee, or agent of the Company (or any former officer, employee, or agent of the Company who was employed by the Company at any time during the twelve (12) month period prior to Executive's termination of employment) or interfere with or attempt to interfere with business relationships between the Company and any current or prospective franchisee, customer, client, or supplier of the Company; *provided* that the foregoing shall not be violated by general advertisements not targeted at employees or consultants of the Company.

iii. Non-Disparagement. At any time during or after the Term, Executive shall not make (whether directly or through any other person) any public or private statements (whether oral or in writing) which are derogatory or damaging to the Company or its direct or indirect parents, together with each of its current and former principals, officers, directors, direct or indirect equity holders, general and limited partners, agents, representatives, and employees, or any of their businesses, activities, operations, affairs, reputations, or prospects, and the Company will not authorize any of their officers, directors, or employees to make disparaging or derogatory statements about Executive (and will use its reasonable best efforts to prevent such individuals from making such statements) except, in each case, to the extent required by law, and only after consultation with the other party to the maximum extent possible to maintain the goodwill of such party.

iv. Injunctive Relief with Respect to Covenants. Executive acknowledges and agrees that in the event of any material breach by Executive of any of section of this Agreement that remedies at law may be inadequate to protect the Company, and, without prejudice to any other legal or equitable rights and remedies otherwise available to the Company, Executive agrees to the granting of injunctive relief in the Company's favor in connection with any such breach or violation without proof of irreparable harm.

v. Enforcement. If, at the time of enforcement of this Section 7, a court or other body of legal authority holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum duration, scope, or geographical area reasonable under such circumstances shall be substituted for the stated period, scope, or area and that the court may revise such restrictions to cover the maximum duration, scope, and area permitted by law and reasonable under such circumstances. Because Executive's services are unique and because Executive has access to Confidential Information, the parties hereto agree that the Company would be irreparably harmed by, and money damages would be an inadequate remedy for, any breach of this Agreement. Therefore, in the event of a breach or threatened breach of this Agreement, the Company and/or its respective successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

e. **Reasonable Restrictions**. Executive agrees that the terms and conditions in Sections 7(a) through 7(d) are reasonable and necessary for the protection of the Company's business and to prevent damage or loss to the Company as the result of action taken by Executive. Executive acknowledges that Executive could continue to actively pursue Executive's career and earn sufficient compensation without breaching any of the restrictions contained in Sections 7(a) through 7(d).

f. **Trade Secrets**. Nothing in this Agreement diminishes or limits any protection granted by law to trade secrets or relieves Executive of any duty not to disclose, use, or misappropriate any information that is a trade secret, for as long as such information remains a trade secret.

g. **Notice**. Executive agrees that Executive will give notice of this Agreement and Executive's obligations to comply with its terms to any person or organization that Executive may become associated with during the first twelve (12) months (or for the length of the Severance Period if Executive is entitled to Severance Benefits), after the termination of Executive's employment with the Company. Executive further agrees that the Company may, if it desires, send a copy of, or otherwise

make the provisions in Section 7 hereof known to any such person, firm or entity during that time.

h. **Return of Company Property**. Upon termination of Executive's employment, Executive shall promptly return to the Company: (i) all documents, records, procedures, books, notebooks, and any other documentation in any form whatsoever, including but not limited to written, audio, video or electronic, containing any information pertaining to the Company which includes Confidential Information and Third Party Information, including any and all copies of such documentation then in Executive's possession or control regardless of whether such documentation was prepared or compiled by Executive, Company, other employees of the Company, representatives, agents, or independent contractors, and (ii) all equipment or tangible personal property entrusted to Executive by the Company. Executive acknowledges that all such documentation, copies of such documentation, equipment, and tangible personal property are and shall at all times remain the sole and exclusive property of the Company.

i. **No Conflicts**. Executive hereby represents and warrants that Executive's signing of this Agreement and the performance of Executive's obligations under it will not breach or be in conflict with any other agreement to which Executive is a party or is bound and that Executive is not now subject to any covenants against competition or similar covenants or any court order that could affect the performance of Executive's obligations under this Agreement. Further, Executive hereby represents and warrants that: (i) Executive will not bring any confidential information of any former employer, nor any proprietary work product created as part of Executive's duties with Executive's former employer; (b) Executive will not use or disclose any former employer's confidential information or proprietary work product in the performance of Executive's duties with the Company; and (c) Executive is not currently, nor will Executive take or be in a position, that breaches the Company's ethics policies as in effect from time to time.

8. **Notice**. Any notice, request, demand or other communication required or permitted herein will be deemed to be properly given when personally served in writing, by email or when deposited in the United States mail, postage prepaid, addressed to Executive at the address (or email address) last appearing in Franchise Group's personnel records and to the Company at its headquarters with attention (or an email) to the General Counsel of Franchise Group. Either party may change its address by written notice in accordance with this paragraph.

9. **Set Off; Mitigation**. The Company's obligation to pay Executive the amounts and to provide the benefits hereunder shall be subject to set-off, counterclaim or recoupment of amounts owed by Executive to the Company. However, Executive shall not be required to mitigate the amount of any payment provided for pursuant to this Agreement by seeking other employment or otherwise.

10. **Benefit of Agreement**. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective executors, administrators, successors and

assigns. If Franchise Group sells, assigns or transfers all or substantially all of its business and assets to any person or entity, then Franchise Group shall assign all of its right, title and interest in this Agreement as of the date of such event to such person or entity, and Franchise Group shall cause such person or entity, by written agreement, to expressly assume and agree to perform from and after the date of such assignment all of the terms, conditions and provisions imposed by this Agreement upon the Company. In case of such assignment by Franchise Group and assumption and agreement by such person or entity, as used in this Agreement, "Franchise Group" shall thereafter mean the person which executes and delivers the agreement provided for in this Section 10 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law, and this Agreement shall inure to the benefit of, and be enforceable by, such person or entity. Except as provided in this Section 10, this Agreement shall not be assignable by Franchise Group or Executive. This Agreement shall not be terminated by the voluntary or involuntary dissolution of Franchise Group.

11. **Applicable Law and Jurisdiction**. This Agreement is to be governed by and construed under the laws of the United States and of the State of Delaware without resort to Delaware's choice of law rules. Each party hereby agrees that the forum and venue for any legal or equitable action or proceeding arising out of, or in connection with, this Agreement will lie in the appropriate federal or state courts located in Delaware and specifically waives any and all objections to such jurisdiction and venue.

12. **Captions and Paragraph Headings**. Captions and section or paragraph headings used herein are for convenience only and are not a part of this Agreement and will not be used in construing it.

13. **Divisibility of Agreement or Modification By Court**. To the extent permitted by law, the invalidity of any provision of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, it shall be, to the furthest extent permitted by law, modified to the extent necessary to be interpreted in a manner most consistent with the present terms of the provision, to give effect to the provision. Finally, in the event that any provision of this Agreement is held to be invalid and not capable of modification by a court, then it shall be considered expunged, and the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.

14. **No Waiver**. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

15. **Survival**. The termination or expiration of this Agreement will not affect the rights or obligations of the parties hereunder arising out of, or relating to, circumstances occurring prior to the termination or expiration of this Agreement, which rights and obligations will survive the termination or expiration of this Agreement. In addition, the following provisions shall survive the termination or expiration of this Agreement: Sections 5 and

6 (as necessary for the payments and benefits due thereunder to be paid or provided), and Sections 7, 8, 9, and 11 through 19.

16. **Entire Agreement**. This Agreement and the Exhibits attached hereto contain the entire agreement of the parties with respect to the subject matter of this Agreement except where other agreements are specifically noted, adopted, or incorporated by reference. This Agreement and the Exhibits attached hereto otherwise supersede any and all other agreements, either oral or in writing, between the parties hereto with respect to the employment of Executive by Company. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, oral or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement, statement, or promise not contained in this Agreement will be valid or binding.

17. **Modification or Amendment**. This Agreement may not be modified or amended except through a writing signed by hand by both an authorized representative of Franchise Group and Executive, except as required by a court with competent jurisdiction in order to enforce this Agreement.

18. **Claims by Executive.** Executive acknowledges and agrees that any claim or cause of action by Executive against the Company shall not constitute a defense to the enforcement of the restrictions and covenants set forth in this Agreement and shall not be used to prohibit injunctive relief.

19. **Legal Fees.** The parties hereto agree that the non-prevailing party in any dispute, claim, action or proceeding between the parties hereto arising out of or relating to the terms and conditions of this Agreement or any provision thereof (a "Dispute"), shall reimburse the prevailing party for reasonable attorney's fees and expenses incurred by the prevailing party in connection with such Dispute; provided, however, that the Executive shall only be required to reimburse the Company for its fees and expenses incurred in connection with a Dispute if the Executive's position in such Dispute was found by the court, arbitrator or other person or entity presiding over such Dispute to be frivolous or advanced not in good faith.

20. **Directors and Officers Insurance.** During the Term, the Company shall maintain commercially reasonable directors and officers insurance. Any release requirement set forth in the Separation Agreement shall not require Executive to waive any right or claim for coverage under such insurance.

21. **Execution of Agreement**. This Agreement may be executed in multiple counterparts, any one of which need not contain the signature of more than one (1) party, but all such counterparts taken together shall constitute one and the same instrument. Further, this Agreement may be signed and delivered by means of facsimile or scanned pages via electronic mail, and such scanned or facsimile signatures shall be treated in all manner and respects as an original signature and shall be considered to have the same binding legal effect as if it were an original signature, and no party may raise the use of facsimile or scanned signatures as a defense to the formation of this Agreement.

22. **Review by Counsel.** Executive represents and warrants that this Agreement is the result of full and otherwise fair and good faith bargaining over its terms following a full and otherwise fair opportunity to have legal counsel for Executive review this Agreement, propose modifications and changes, and to verify that the terms and provisions of this Agreement are reasonable and enforceable. Executive acknowledges that Executive has read and understands the foregoing provisions and that such provisions are reasonable and enforceable. This Agreement has been jointly drafted by both parties, and shall not be interpreted as against one party as the drafter.

23. **Section 409A.** It is intended that this Agreement will comply with Code Section 409A and any regulations and other published guidance of the IRS thereunder, to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. With respect to any reimbursement or in-kind benefit arrangements of the Company that constitutes deferred compensation for purposes of Code Section 409A, the following conditions shall be applicable (except as otherwise permitted by Code Section 409A): (a) the amount eligible for reimbursement, or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other year (except that any health or dental plan may impose a limit on the amount that may be reimbursed or paid), (b) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (c) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed, this Agreement on the Effective Date.

EXECUTIVE

/s/ Todd Evans
Todd Evans

FRANCHISE GROUP, Inc.

By: /s/ Brian R. Kahn

Name: Brian R. Kahn

Title: President and CEO

AMENDMENT NUMBER TWO AND LIMITED WAIVER TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NUMBER TWO AND LIMITED WAIVER TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Second Amendment"), dated as of August 25, 2020, is entered into by and among **VITAMIN SHOPPE INDUSTRIES LLC**, a New York limited liability company, **VITAMIN SHOPPE MARINER, LLC**, a Delaware limited liability company, **VITAMIN SHOPPE GLOBAL, LLC**, a Delaware limited liability company, **VITAMIN SHOPPE FLORIDA, LLC**, a Delaware limited liability company, **BETANCOURT SPORTS NUTRITION, LLC**, a Florida limited liability company, and **VITAMIN SHOPPE PROCUREMENT SERVICES, LLC**, a Delaware limited liability company (collectively, the "Borrowers" and, each individually, a "Borrower"), **VALOR ACQUISITION, LLC**, a Delaware limited liability company ("Parent"), the **LENDERS** party hereto and **JPMORGAN CHASE BANK, N.A.**, a national banking association, in its capacity as agent for the Lenders (in such capacity, the "Agent"), in light of the following:

W I T N E S S E T H

WHEREAS, the Borrowers, Parent, the Lenders and the Agent are parties to that certain Second Amended and Restated Loan and Security Agreement dated as of December 16, 2019 (as amended, restated, supplemented, or otherwise modified from time to time prior to the date hereof, the "Existing Credit Agreement");

WHEREAS, the Borrowers have advised the Agent and the Lenders that a Default has occurred and is continuing under Section 10.1(a) of the Existing Credit Agreement on account of the Loan Parties' failure to satisfy the Required Conditions with respect to the optional prepayment of the remaining Term Loan Obligations (other than certain customary surviving obligations not yet due and owing) as required by Section 9.24(e) of the Existing Credit Agreement (the "Specified Default");

WHEREAS, the Borrowers have requested that the Agent and the Lenders (x) make certain amendments to the Existing Credit Agreement and (y) waive the Specified Default; and

WHEREAS, upon the terms and conditions set forth herein, the Agent and the Lenders have agreed to the Borrowers' requests as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. All initially capitalized terms used herein (including the preamble and recitals hereof) without definition shall have the meanings ascribed thereto in Section 1 of the Credit Agreement.

2. Amendments to Credit Agreement. In reliance upon the representations, warranties, covenants and conditions contained in this Second Amendment, and subject to the satisfaction (or waiver in writing by the Agent and the Lenders) of the conditions precedent set forth in Section 4 hereof, the Existing Credit Agreement is hereby amended as of the Second Amendment Effective Date in the manner provided in this Section 2 (the Existing Credit Agreement, as amended hereby, the "Credit Agreement").

a. Restated Definitions. The following definitions contained in Section 1 of the Existing Credit Agreement are hereby amended and restated in their respective entireties to read in full as follows:

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the purpose of this definition, the Adjusted LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate, respectively. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 3.4 (for the avoidance of doubt, only until any amendment has become effective pursuant to Section 3.4(c)), then the Alternate Base Rate shall be the greater of clause (a) and (b) above and shall be determined without reference to clause (c) above. For the avoidance of doubt, if the Alternate Base Rate as determined pursuant to the foregoing would be less than 1.00%, such rate shall be deemed to be 1.00% for purposes of this Agreement.

"Defaulting Lender" shall mean any Revolving Lender, as determined by Agent, that has (a) failed to fund any portion of its Revolving Loans or participations in Letters of Credit within three Business Days of the date required to be funded by it hereunder, (b) notified any Borrower, Agent, the Issuing Bank or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three Business Days after request by Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Revolving Loans and participations in then outstanding Letters of Credit, (d) otherwise failed to pay over Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, unless the subject of a good faith dispute, or (e) (i) become or is insolvent or has a parent company that has become or is insolvent, (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or (iii) become the subject of a Bail-In Action.

"Federal Funds Effective Rate" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions (as determined in such manner as shall be set forth on the Federal Reserve Bank of New York's Website from time to time) and published on the next succeeding Business Day by the NYFRB as the effective federal funds rate, provided that, if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Financing Agreements" shall mean, collectively, this Agreement, the First Amendment, the Second Amendment, the Intercreditor Agreement, the Collateral Documents and all notes, guarantees, security agreements, intercreditor agreements, the Fee Letter and all other agreements, documents and

instruments now or at any time hereafter executed and/or delivered by any Borrower or Guarantor in connection with this Agreement.

"Fixed Charges" shall mean, with respect to any Person for any period, the sum of, without duplication, (a) all cash Interest Expense paid during such period (net of interest income of such Person during such period and excluding, to the extent taken into account in the calculation of Interest Expense, upfront fees, costs and expenses in respect of this Agreement and any other issuance of Indebtedness permitted hereunder and the transactions contemplated hereby and thereby), plus (b) all prepayments (other than (i) prepayments and refinancings with respect to the Permitted Subordinated Indebtedness and the Convertible Notes, in each case to the extent permitted hereunder, (ii) prepayments made with the proceeds of refinancings of such Indebtedness prepaid to the extent permitted hereunder, (iii) prepayments made with, and within one-hundred eighty (180) days of receipt of, the net proceeds of new equity capital contributed after the date of this Agreement, and (iv) prepayments of Indebtedness permitted under Section 9.9(b) required in connection with any disposition or casualty of assets financed and securing such Indebtedness, which prepayments shall be in an amount not to exceed the net proceeds received as a result of such disposition or casualty event) and regularly scheduled principal repayments in respect of Indebtedness for borrowed money and Indebtedness with respect to Capital Leases paid during such period in cash (excluding the interest component with respect to Indebtedness under Capital Leases), plus (c) all income taxes paid during such period in cash (net of refunds or tax credits to such Person in respect of income taxes, and excluding income tax on extraordinary or non-recurring gains or gains from asset sales outside of the ordinary course of business) plus (d) dividends or distributions paid in cash (including, without limitation, Permitted Tax Distributions), all as determined for any Person on a consolidated basis and in accordance with GAAP. For purposes of clarity, the effect of netting out or offsetting the components set forth in the foregoing clauses (a) and (c) shall never cause the amount of cash Interest Expense or income taxes paid in cash during such period to be less than zero.

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by U.S.-managed banking offices of depository institutions (as such composite rate shall be determined by the NYFRB as set forth on the Federal Reserve Bank of New York's Website from time to time) and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate.

"Required Conditions" shall be deemed to be satisfied in connection with a Specified Transaction if:

(a) either (i) Excess Availability exceeds fifteen percent (15%) of the Borrowing Cap and the Fixed Charge Coverage Ratio is equal to or greater than 1.10 to 1.0, in each case, calculated as of the date of such Specified Transaction both prior to and on a pro forma basis after giving effect to such Specified Transaction; provided that the pro forma Fixed Charge Coverage Ratio shall be calculated as of the last Test Period prior to the date of such Specified Transaction for which financial statements for the fiscal month, fiscal quarter or fiscal year then ended have been (or have been required to be) delivered pursuant to Section 9.6(a)(i) and Section 9.6(a)(ii), as applicable, or (ii) Excess Availability exceeds the greater of (x) twenty percent (20%) of the Borrowing Cap and (y) $20,000,000 calculated as of the date of such Specified Transaction both prior to and on a pro forma basis after giving effect to such Specified Transaction; and

(b) the Administrative Borrower shall have delivered to the Agent prior to consummation of the Specified Transaction a certificate in form and substance reasonably satisfactory to the Agent certifying as to, and attaching calculations for, the items described in clause (a) above.

b. New Definitions. Section 1 of the Existing Credit Agreement is amended to add thereto in alphabetical order the following definitions which shall read in full as follows:

"Affected Financial Institution" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

"Bail-In Legislation" means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, rule, regulation or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

"Benchmark Replacement" means the sum of: (a) the alternate benchmark rate (which may be a SOFR-Based Rate) that has been selected by the Agent and the Administrative Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBO Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement; provided further that any such Benchmark Replacement shall be administratively feasible as determined by the Agent prior to the adoption thereof in its sole discretion.

"Benchmark Replacement Adjustment" means the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Agent and the Administrative Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time (for the avoidance of doubt, such Benchmark Replacement Adjustment shall not be in the form of a reduction to the Applicable Margin).

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Alternate Base Rate," the definition of "Interest Period," timing and frequency of determining rates and making payments of interest and other administrative matters) that the Agent decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Agent in a manner substantially consistent with market practice (or, if the Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to the LIBO Rate:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the LIBO Screen Rate permanently or indefinitely ceases to provide the LIBO Screen Rate; or

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the LIBO Rate:

(1) a public statement or publication of information by or on behalf of the administrator of the LIBO Screen Rate announcing that such administrator has ceased or will cease to provide the LIBO Screen Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Screen Rate, a resolution authority with jurisdiction over the administrator for the LIBO Screen Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Screen Rate, in each case which states that the administrator of the LIBO Screen Rate has ceased or will cease to provide the LIBO Screen Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate; and/or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate announcing that the LIBO Screen Rate is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Agent or the Required Lenders, as applicable, by notice to the Administrative Borrower, the Agent (in the case of such notice by the Required Lenders) and the Lenders.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder in accordance with Section 3.4 and (y) ending at the time that a Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder pursuant to Section 3.4.

“Compounded SOFR” means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which

may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Agent in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(2) if, and to the extent that, the Agent determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that the Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided, further, that if the Agent decides that any such rate, methodology or convention determined in accordance with clause (1) or clause (2) is not administratively feasible for the Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of "Benchmark Replacement."

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to the LIBO Rate.

"Early Opt-in Election" means the occurrence of:

(1) (i) a determination by the Agent or (ii) a notification by the Required Lenders to the Agent (with a copy to the Administrative Borrower) that the Required Lenders have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 3.4 are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBO Rate, and

(2) (i) the election by the Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Agent of written notice of such election to the Administrative Borrower and the Lenders or by the Required Lenders of written notice of such election to the Agent.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"Federal Reserve Bank of New York's Website" means the website of the NYFRB at http://www.newyorkfed.org, or any successor source.

"IBA" has the meaning assigned to such term in Section 3.8.

"Relevant Governmental Body" means the Federal Reserve Board and/or the NYFRB, or a committee officially endorsed or convened by the Federal Reserve Board and/or the NYFRB or, in each case, any successor thereto.

"Resolution Authority" means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

"Second Amendment" means that certain Amendment Number Two and Limited Waiver to Second Amended and Restated Loan and Security Agreement dated as of August 25, 2020, by and among the Borrowers, Parent, the Lenders party thereto and the Agent.

"SOFR" with respect to any day, means the secured overnight financing rate published for such day by the NYFRB, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

"SOFR-Based Rate" means SOFR, Compounded SOFR or Term SOFR.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"UK Financial Institution" means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended form time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any Person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

"UK Resolution Authority" means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment; provided that, if the Unadjusted Benchmark Replacement as so determined would be less than zero, the Unadjusted Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

"Write-Down and Conversion Powers" means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that Person or any other Person, to provide that any such contract or instrument is to have

effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

C. Amendment to Section 3.4 of the Existing Credit Agreement. Section 3.4 of the Existing Credit Agreement is hereby amended and restated in its entirety to read in full as follows:

Section 3.4 Alternate Rate of Interest; Illegality.

(a) If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Agent determines (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable (including, without limitation, by means of an Interpolated Rate or because the LIBO Screen Rate is not available or published on a current basis) for such Interest Period; provided that no Benchmark Transition Event shall have occurred at such time; or

(ii) the Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Agent shall give notice thereof to the Administrative Borrower and the Lenders through Electronic System as provided in Section 13.3 as promptly as practicable thereafter and, until the Agent notifies the Administrative Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (x) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and any such Eurodollar Borrowing shall be repaid or converted into an ABR Borrowing on the last day of the then current Interest Period applicable thereto, and (y) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

(b) If any Lender determines that any Requirement of Law has made it unlawful, or if any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain, fund or continue any Eurodollar Borrowing, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, dollars in the London interbank market, then, on notice thereof by such Lender to the Administrative Borrower through the Agent, any obligations of such Lender to make, maintain, fund or continue Eurodollar Rate Loans or to convert ABR Borrowings to Eurodollar Borrowings will be suspended until such Lender notifies the Agent and the Administrative Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrowers will upon demand from such Lender (with a copy to the Agent), either convert or prepay all Eurodollar Borrowings of such Lender to ABR Borrowings, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Borrowings to such day, or immediately, if such Lender may not lawfully continue to maintain such Loans. Upon any such conversion or prepayment, the Borrowers will also pay accrued interest on the amount so converted or prepaid.

(c) Notwithstanding anything to the contrary herein or in any other Financing Agreement, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Agent and the Borrowers may amend this Agreement to replace the LIBO Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will

become effective at 5:00 p.m., New York time, on the fifth (5th) Business Day after the Agent has posted such proposed amendment to all Lenders and the Administrative Borrower, so long as the Agent has not received, by such time, written notice of objection to such proposed amendment from Lenders comprising the Required Lenders; provided that, with respect to any proposed amendment containing any SOFR-Based Rate, the Lenders shall be entitled to object only to the Benchmark Replacement Adjustment contained therein. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Lenders comprising the Required Lenders have delivered to the Agent written notice that such Required Lenders accept such amendment. No replacement of the LIBO Rate with a Benchmark Replacement will occur prior to the applicable Benchmark Transition Start Date.

(d) In connection with the implementation of a Benchmark Replacement, the Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Financing Agreement, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(e) The Agent will promptly notify the Administrative Borrower and the Lenders of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Agent or Lenders pursuant to this Section 3.4, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 3.4.

(f) Upon the Administrative Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and any such Eurodollar Borrowing shall be repaid or converted into an ABR Borrowing on the last day of the then current Interest Period applicable thereto, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

d. Amendment to Section 3 of the Existing Credit Agreement. Section 3 of the Existing Credit Agreement is hereby amended by adding a new Section 3.8 immediately following Section 3.7 of the Existing Credit Agreement, which new Section 3.8 shall read in full as follows:

Section 3.8 Interest Rates; LIBOR Notifications. The interest rate on Eurodollar Rate Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the "IBA") for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon

which to determine the interest rate on Eurodollar Rate Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. Upon the occurrence of a Benchmark Transition Event or an Early Opt-In Election, Section 3.4(c) provides a mechanism for determining an alternative rate of interest. The Agent will promptly notify the Administrative Borrower, pursuant to Section 3.4(e), of any change to the reference rate upon which the interest rate on Eurodollar Rate Loans is based. However, the Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "LIBO Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 3.4(c), whether upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, and (ii) the implementation of any Benchmark Replacement Conforming Changes pursuant to Section 3.4(d)), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

e. Amendment to Section 8 of the Existing Credit Agreement. Section 8 of the Existing Credit Agreement is hereby amended by inserting a new Section 8.23 immediately following Section 8.22 of the Existing Credit Agreement, which new Section 8.23 shall read in full as follows:
Section 8.23 Affected Financial Institution. No Loan Party is an Affected Financial Institution.

f. Amendment to Section 11.4(a) of the Existing Credit Agreement. The first sentence of clause (a) of Section 11.4 of the Existing Credit Agreement is hereby amended by inserting the phrase "and subject to Section 3.4(c) and (d)" immediately after the phrase "(with respect to any increase in the Revolving Commitments)" therein.

g. Amendment to Section 13.2 of the Existing Credit Agreement. Section 13.2 of the Existing Credit is hereby amended by inserting a new clause (n) immediately following clause (m) therein, which new clause (n) will read in full as follows:

(n) For all purposes under the Financing Agreements, in connection with any Division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

h. Amendment to Section 13 of the Existing Credit Agreement. Section 13 of the Existing Credit Agreement is hereby amended by adding a new Section 13.14 immediately following Section 13.13 of the Existing Credit Agreement, which new Section 13.14 shall read in full as follows:

Section 13.14. Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Financing Agreement or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Financing Agreement, to the extent

such liability is unsecured, may be subject to the Write-Down and Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent entity, undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Financing Agreement; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

3. Limited Waiver. In reliance on the representations, warranties, covenants and agreements contained in this Second Amendment, and subject to the satisfaction (or waiver in writing by the Agent and the Lenders) of each condition precedent set forth in Section 4 hereof, the Agent and the Lenders hereby waive the Specified Default; provided that nothing contained in this Section 3, nor any past indulgence by the Agent or any Lender nor any other action or inaction on behalf of the Agent or any Lender, shall constitute or be deemed to constitute a consent to, or waiver of, any other action or inaction of the Loan Parties which constitutes (or would constitute) a violation of any provision of the Credit Agreement or any other Financing Agreement, or which results (or would result) in a Default or Event of Default under the Credit Agreement or any other Financing Agreement, nor shall this limited waiver constitute a course of conduct or dealing among the parties. Neither the Agent nor the Lenders shall be obligated to grant any future waivers, consents or amendments with respect to any provision of the Credit Agreement or any other Financing Agreement, and the parties hereto agree that the limited waiver provided herein shall constitute a one-time waiver and shall not waive, affect or diminish any right of the Agent and the Lenders to hereafter demand strict compliance with the Credit Agreement and the other Financing Agreements.

4. Conditions Precedent to Amendment. The satisfaction (or waiver in writing by the Agent and the Lenders) of each of the following shall constitute conditions precedent to the effectiveness of this Second Amendment (such date being the "Second Amendment Effective Date"):

   a. The Agent shall have received this Second Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

   b. After giving effect to this Second Amendment, with respect to each Borrower and Parent, the representations and warranties contained herein, in the Credit Agreement, and in the other Financing Agreements, in each case, shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any

representations and warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties are true and correct in all respects subject to such qualification) on and as of the date hereof, to the same extent as though made on and as of the date hereof, except to the extent that such representations and warranties specifically relate to an earlier date (provided, that the representations and warranties in Section 8.10 of the Credit Agreement are expressly deemed to specifically relate to the Closing Date), in which case such representations and warranties shall have been true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of such earlier date.

c. Other than the Specified Default, no event has occurred and is continuing or would result from the consummation of the transactions contemplated herein that would constitute a Default or Event of Default.

d. The Borrowers and Parent shall pay substantially concurrently with the closing of this Second Amendment, all fees, costs, expenses and taxes then payable pursuant to the Credit Agreement and Section 6 of this Second Amendment.

e. The Borrowers shall have made a prepayment of the Revolving Loans in a minimum amount of at least $1,810,944 so that, after giving effect to such prepayment and after giving effect to all Borrowings (if any) to be made on the Second Amendment Effective Date and the issuance of any Letters of Credit on the Second Amendment Effective Date, Excess Availability exceeds the greater of (x) twenty percent (20%) of the Borrowing Cap and (y) $20,000,000 as of the Second Amendment Effective Date.

5. Representations and Warranties. Each Borrower and Parent, jointly and severally, hereby:

a. represents and warrants that, each of the representations and warranties made to the Agent and Lenders under the Credit Agreement and all of the other Financing Agreements are true and correct in all material respects on and as of the date hereof (after giving effect to this Second Amendment and the other documents executed in connection with this Second Amendment) except to the extent that (i) such representations or warranties are qualified by a materiality standard, in which case they shall be true and correct in all respects, or (ii) such representations or warranties expressly relate to an earlier date (provided, that the representations and warranties in Section 8.10 of the Credit Agreement are expressly deemed to expressly relate to the Closing Date) (in which case such representations and warranties shall be true and correct in all material respects as of such earlier date (or, if such representations or warranties are qualified by a materiality standard, in all respects as of such earlier date));

b. reaffirms all of the covenants contained in the Credit Agreement, as amended hereby;

c. represents and warrants that, after giving effect to this Second Amendment, no Default or Event of Default has occurred and is continuing;

d. represents and warrants that the execution, delivery and performance by each Loan Party of this Second Amendment and the other documents, agreements and instruments executed by any Loan Party in connection herewith (collectively, together with this Second Amendment, the "Amendment Documents") and the consummation of the transactions contemplated hereby or thereby, are within such Loan Party's powers, have been duly authorized by all necessary organizational action, and do not contravene (i) the charter or operating agreement or other organizational or governing documents of such Loan Party or (ii) any law or any contractual restriction binding on or affecting any Loan Party, except, for purposes of this clause (ii), to the extent such contravention would not reasonably be expected to have a Material Adverse Effect;

e. represents and warrants that no authorization or approval or other action by, and no notice to or filing with, any Governmental Authority or any other third party is required for the due execution, delivery and performance by any Loan Party of any Amendment Document to which it is a party that has not already been obtained if the failure to obtain such authorization, approval or other action could reasonably be expected to result in a Material Adverse Effect;

f. represents and warrants that each Amendment Document has been duly executed and delivered by each Loan Party party thereto; and

g. represents and warrants that this Second Amendment constitutes, and each other Amendment Document to be executed on the date hereof will constitute, upon execution, the legal, valid and binding obligation of each Loan Party party thereto enforceable against such Loan Party in accordance with its respective terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization or moratorium or similar laws relating to or affecting the rights of creditors generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

6. Payment of Costs and Fees. As provided in Section 9.22 of the Credit Agreement and subject to the limitations expressly set forth therein, the Borrowers and Parent shall pay to the Agent and the Lenders all expenses incurred in connection with the preparation, negotiation, execution and delivery of this Second Amendment and any documents and instruments relating hereto.

7. **GOVERNING LAW; CHOICE OF FORUM; SERVICE OF PROCESS; JURY TRIAL WAIVER. THIS SECOND AMENDMENT SHALL BE SUBJECT TO THE PROVISIONS REGARDING GOVERNING LAW, CHOICE OF FORUM, SERVICE OF PROCESS AND JURY TRIAL WAIVER SET FORTH IN SECTION 11.1 OF THE CREDIT AGREEMENT, AND SUCH PROVISIONS ARE INCORPORATED HEREIN BY THIS REFERENCE, *MUTATIS MUTANDIS*.**

8. Amendments. This Second Amendment cannot be altered, amended, changed or modified in any respect except in accordance with Section 11.4 of the Credit Agreement.

9. Counterpart Execution. This Second Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Amendment. The words “execution,” “signed,” “signature,” and words of like import in this Second Amendment or in any other certificate, agreement or document related to this Second Amendment or any other Financing Agreement shall include images of manually executed signatures transmitted by facsimile or other electronic format (including, without limitation, “pdf”, “tif” or “jpg”) and other electronic signatures (including, without limitation, DocuSign). The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Uniform Commercial Code.

10. Effect on Financing Agreements.

   a. The Credit Agreement and each of the other Financing Agreements shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Second Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of the Agent or any Lender under the Credit Agreement or any other Financing Agreement. Except for the amendments to the Credit Agreement expressly set forth herein, the Credit Agreement and the other Financing Agreements shall remain unchanged and in full force and effect. The waivers, consents and modifications set forth herein, if any, are limited to the specifics hereof (including facts or occurrences on which the same are based), shall not apply with respect to any facts or occurrences other than those on which the same are based, shall neither excuse any future non-compliance with the Financing Agreements nor operate as a waiver of any future Default or Event of Default, shall not operate as a consent to any further waiver, consent or amendment or other matter under the Financing Agreements, and shall not be construed as an indication that any future waiver or amendment of covenants or any other provision of the Credit Agreement will be agreed to, it being understood that the granting or denying of any waiver or amendment which may hereafter be requested by a Borrower remains in the sole and absolute discretion of the Agent and the Lenders. To the extent that any terms or provisions of this Second Amendment conflict with those of the Credit Agreement or the other Financing Agreements, the terms and provisions of this Second Amendment shall control.

   b. Upon and after the effectiveness of this Second Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Financing Agreements to “the Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

c. To the extent that any of the terms and conditions in any of the Financing Agreements shall contradict or be in conflict with any of the terms or conditions of the Credit Agreement, after giving effect to this Second Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

d. This Second Amendment is a Financing Agreement.

e. Unless the context of this Second Amendment clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms "includes" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or". The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Second Amendment refer to this Second Amendment as a whole and not to any particular provision of this Second Amendment. Section, subsection, clause, schedule, and exhibit references herein are to this Second Amendment unless otherwise specified. Any reference in this Second Amendment to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to the Obligations shall (i) mean "Obligations" as defined in the Credit Agreement (including any interest and other amounts which would accrue and become due but for the commencement of any case with respect to a Borrower or Guarantor under the United States Bankruptcy Code or any similar statute, whether or not such amounts are allowed or allowable in whole or in part in such case) and (ii) include all or any portion thereof and any extensions, modifications, renewals, or alterations thereof, both prior and subsequent to the commencement of any case with respect to a Borrower or Guarantor under the United States Bankruptcy Code or any similar statute.

11. Entire Agreement. This Second Amendment, and the terms and provisions hereof, the Credit Agreement and the other Financing Agreements constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

12. Integration. This Second Amendment, together with the other Financing Agreements, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

13. Reaffirmation of Obligations. Each Loan Party hereby (a) acknowledges and reaffirms its obligations owing to the Agent and each Lender under each Financing Agreement to which it is a party (including, in respect of Parent, its guaranty of the Obligations), and (b) agrees that each of the Financing Agreements to which it is a party is and shall remain in full force and effect as modified hereby. Each Loan Party hereby (i) further ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to and in

connection with the Existing Credit Agreement or any other Financing Agreement to the Agent, on behalf and for the benefit of each Lender, as collateral security for the obligations under the Financing Agreements in accordance with their respective terms, and (ii) acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for such obligations, continue to be and remain collateral for such obligations from and after the date hereof (including, without limitation, from after giving effect to this Second Amendment).

14. Severability. In case any provision in this Second Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Second Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[Signature pages follow]

IN WITNESS WHEREOF, the parties have entered into this Second Amendment as of the date first above written.

VALOR ACQUISITION, LLC,
as Parent
By: /s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

VITAMIN SHOPPE INDUSTRIES LLC,
as a Borrower
By: /s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

VITAMIN SHOPPE MARINER, LLC,
as a Borrower

By: Vitamin Shoppe Industries LLC, its sole member

By: /s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

VITAMIN SHOPPE GLOBAL, LLC,
as a Borrower
By: Vitamin Shoppe Industries LLC, its sole member

By: /s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

VITAMIN SHOPPE FLORIDA, LLC
as a Borrower

By: Vitamin Shoppe Industries LLC, its sole member

By: /s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

BETANCOURT SPORTS NUTRITION, LLC,
as a Borrower

By: Vitamin Shoppe Industries LLC, its sole member

By: /s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

VITAMIN SHOPPE PROCUREMENT SERVICES, **LLC**
as a Borrower
By: Vitamin Shoppe Industries LLC, its sole member

By: _____/s/ Jeff Van Orden
Name: Jeff Van Orden
Title: Vice President of Finance

JPMORGAN CHASE BANK, N.A.,
as Agent
By:___/s/ James A. Knight_____________
Name: James A. Knight
Title: Authorized Officer

JPMORGAN CHASE BANK, N.A.,
as Lender and Issuing Bank
By:____/s/ James A. Knight______________
Name: James A. Knight
Title: Authorized Officer

AMENDMENT TO EXECUTIVE EMPLOYMENT AND SEVERANCE AGREEMENT

This AMENDMENT to the Executive Employment and Severance Agreement (this "Amended Employment Agreement") is entered into effective as of the 8th of March 2021 ("Effective Date") by and between Franchise Group, Inc. a Delaware corporation (the "Company") and Todd Evans (the "Executive"), each a "Party" or together, the "Parties."

WITNESSETH:

WHEREAS, the Executive is currently employed by the Company;

WHEREAS, the Company desires to continue to employ and secure the exclusive services of Executive on the terms and conditions set forth in this Amended Employment Agreement;

WHEREAS, the Executive and the Company are currently Parties to an Employment Agreement dated August 1, 2020 (the "Employment Agreement"), and both Parties desire to amend the Employment Agreement as described herein.

Now, therefore, in consideration of the mutual covenants and agreement herein, the Parties hereto agree as follows:

1. Section 3(c)(i) shall be deleted and replaced in its entirety with the following:

"(i) Starting on the Effective Date through Executive's Termination Date, Executive shall be paid (less applicable tax withholdings) a commission equal to 10% of all amounts paid to Company and/or its subsidiaries or affiliates in connection with the sale of any franchise, including, but not limited to, the initial franchise fee, any resale franchise fee, any adjusted franchise fee, any area development fee, any area development fee balance, any transfer fee and, if applicable, any initial regional representative fee (as such terms are commonly understood in the franchise industry or, if applicable, as defined in Exhibit B (collectively, the "Initial Fees"); provided, (A) if the Company and/or its subsidiaries or affiliates utilize a third party business broker for a franchise sale, the amount of the commission paid to that broker may be deducted from the commission otherwise payable to Executive on account of such sale, (B) the Company, in its sole discretion, agrees that Executive's commission shall be determined based on the terms of this Section 3(c)(i) without regard to how the Company and/or its subsidiaries or affiliates recognizes Initial Fees for accounting purposes, (C) if the Company and/or any of its subsidiaries or affiliates finance any amount otherwise payable in connection with the sale of any franchise, the amount so financed shall be deemed paid in full to the Company and/or any of its subsidiaries or affiliates for purposes of this Section 3(c)(i) on the date the financing in closed, (D) if the Company and/or its subsidiaries and affiliates choose to discount or waive any payments which otherwise would be taken into account in the calculation of Executive's commission under this Section 3(c)(i), the Company will so notify Executive in writing and the Company and Executive will seek to agree on a fair and reasonable commission to be paid to Executive, (E) this Section 3(c)(i) shall apply to any franchise sales closed on or after the Effective Date through Executive's Termination Date without regard to whether the sale is made directly by Executive or by any members of the sales teams he builds as the Chief Franchising Officer or by any other person, (F) this Section 3(c)(i) shall not apply to any initial franchise or area development fee balances that are paid on existing franchise or area development agreements as of the closing date of any acquisition. Finally, commissions earned under this Section 3(c)(i) are payable to Executive on the first payroll date after the 10th day of the month following the receipt of payment of the fees described in this Section 3(c)(i) to the Company and/or its subsidiaries or affiliates."

2. Binding Effect. This Amended Employment Agreement shall be binding on, and shall inure to the benefit of, the Parties and their respective successors, assigns, heirs, executors, administrators and legal representatives.

3. Severability; Reformation. In the event that one or more of the provisions of this Agreement shall become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. In the event any covenant contained herein is not enforceable in accordance with its terms, the Parties agree that such provision shall be reformed to make

such covenant enforceable in a manner that provides as nearly as possible the result intended by this Agreement.

4. Counterparts. This Amended Employment Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party. Delivery of an executed counterpart of a signature page to this Amended Employment Agreement by e-mail shall be as effective as delivery of a manually executed counterpart of this Amended Employment Agreement.

5. Headings. Headings to sections in this Amended Employment Agreement are for the convenience of the Parties only and are not intended to be part of or to affect the meaning or interpretation hereof. All capitalized terms shall have the meaning ascribed in the Employment Agreement.

Except as modified above, the terms of the Employment Agreement remain in full force and effect. This Amended Employment Agreement shall not be modified except in writing signed by the Parties.

IN WITNESS WHEREOF, the Parties, acting through their authorized officers, have caused this Agreement to be duly executed and delivered as of the date first above written.

COMPANY: FRANCHISE GROUP, INC.

By: /s/ Brian R. Kahn
Its: President and Chief Executive Officer

EXECUTIVE:

/s/ Todd Evans
Todd Evans

Exhibit 21.1

SUBSIDIARIES OF FRANCHISE GROUP, INC.

Entity	**Jurisdiction**	**Sole Member**
Franchise Group New Holdco, LLC	DE	Franchise Group, Inc.
Franchise Group Intermediate Holdco, LLC	DE	Franchise Group New Holdco, LLC
Franchise Group Intermediate B, LLC	DE	Franchise Group Intermediate Holdco, LLC
Buddy’s Newco, LLC	DE	Franchise Group Intermediate B, LLC
Buddy’s Franchising and Licensing, LLC	FL	Buddy’s Newco, LLC
Franchise Group Intermediate S, LLC	DE	Franchise Group Intermediate Holdco, LLC
Franchise Group Newco S, LLC	DE	Franchise Group Intermediate S, LLC
Franchise Group Newco Intermediate AF, LLC	DE	Franchise Group Intermediate Holdco, LLC
American Freight Outlet Stores, LLC	DE	Franchise Group Newco S, LLC
Outlet Merchandise, LLC	DE	Franchise Group Newco S, LLC
American Freight Franchisor LLC	DE	American Freight Outlet Stores LLC
American Freight Franchising LLC (formerly) American Freight Discount Outlet Franchising, LLC	DE	Franchise Group Newco S, LLC
American Freight Group, LLC	DE	Franchise Group Newco Intermediate AF, LLC
American Freight Holdings, LLC	DE	American Freight Group, LLC
American Freight, LLC	DE	American Freight Holdings, LLC
American Freight Management Company, LLC	DE	American Freight, LLC
Franchise Group Intermediate V, LLC	DE	Franchise Group Intermediate Holdco, LLC
Franchise Group Newco V, LLC	DE	Franchise Group Intermediate V, LLC
Valor Acquisition, LLC	DE	Franchise Group Newco V, LLC
Vitamin Shoppe Industries LLC	NY	Valor Acquisition, LLC
Vitamin Shoppe Global, LLC	DE	Vitamin Shoppe Industries LLC
Vitamin Shoppe Mariner, LLC	DE	Vitamin Shoppe Industries LLC
Vitamin Shoppe Procurement Services LLC	DE	Vitamin Shoppe Industries LLC
Vitamin Shoppe Franchising LLC	DE	Vitamin Shoppe Industries LLC
Vitamin Shoppe Florida, LLC	DE	Vitamin Shoppe Industries LLC
Betancourt Sports Nutrition, LLC	FL	Vitamin Shoppe Industries LLC
Franchise Group Intermediate L, LLC	DE	Franchise Group New Holdco, LLC
Franchise Group Intermediate L 1, LLC	DE	Franchise Group Intermediate L, LLC
Franchise Group Intermediate L 2, LLC	DE	Franchise Group Intermediate L 1, LLC
SiempreTax+ LLC	VA	Franchise Group Intermediate L 2, LLC
JTH Tax LLC	DE	Franchise Group Intermediate L 2, LLC
Liberty Credit Repair, LLC	VA	JTH Tax LLC
Wefile LLC	VA	JTH Tax LLC
JTH Court Plaza, LLC	VA	JTH Tax LLC
LTS Properties, LLC	VA	JTH Tax LLC
LTS Software LLC	VA	JTH Tax LLC
JTH Tax Office Properties, LLC	VA	JTH Tax LLC
360 Accounting Solutions LLC	VA	JTH Tax LLC
JTH Financial, LLC	VA	JTH Tax LLC
JTH Properties 1632, LLC	VA	JTH Financial LLC
Liberty Tax Holding Corporation	Canada	JTH Tax LLC
Liberty Tax Service, Inc.	Canada	JTH Tax LLC / Liberty Tax Holding Corporation
Trilogy Software Inc.		Liberty Tax Service, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-236211 on Form S-3 and in Registration Statement Nos. 333-182585 and 333-236209 on Form S-8 of our reports dated March 10, 2021, relating to the financial statements of Franchise Group, Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the fiscal year ended December 26, 2020.

/s/ Deloitte & Touche LLP

Richmond, Virginia
March 10, 2021

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333 236211), and Form S-8 (Nos. 333 182585 and 333-236209) of our report dated June 27, 2019 included in this Annual Report on Form 10-K of Franchise Group, Inc. (the “Company”), relating to the consolidated balance sheets of the Company as of April 30, 2019 and 2018, the related consolidated statements of operations, comprehensive operations, stockholders’ equity, and cash flows for each of the years in the two year period ended April 30, 2019.

Our report dated June 27, 2019, on the effectiveness of internal control over financial reporting as of April 30, 2019, expressed our opinion that the Company did not maintain effective internal control over financial reporting as of April 30, 2019, because the control environment, risk assessment, control activities, information and communication, and monitoring controls were not effective.

/s/ Cherry Bekaert LLP

Virginia Beach, Virginia
March 10, 2021

Exhibit 31.1

I, Brian R. Kahn, certify that:

1. I have reviewed this Annual Report on Form 10-K of Franchise Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2021

By: /s/ Brian R. Kahn

Brian R. Kahn
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

I, Eric F. Seeton, certify that:

1. I have reviewed this Annual Report on Form 10-K of Franchise Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2021

By: /s/ Eric F. Seeton
Eric F. Seeton
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Franchise Group, Inc. (the "Company") on Form 10-K for the year ended December 26, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian R. Kahn, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 10, 2021

By: /s/ Brian R. Kahn
Brian R. Kahn
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Franchise Group, Inc. (the "Company") on Form 10-K for the year ended December 26, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric F. Seeton, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 10, 2021

By: /s/ Eric F. Seeton
Eric F. Seeton
Chief Financial Officer
(Principal Financial and Accounting Officer)