

FRANCHISE DISCLOSURE DOCUMENT

PAYROLL VAULT FRANCHISING, LLC

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PAYROLL RE-DEFINED IT'S TIME TO RETHINK PAYROLL



Payroll Vault offers franchisees the opportunity to operate a business that delivers accurate and reliable software-based payroll services including payroll check writing, payroll tax payment and reporting, and independent contractor check writing and reporting, for small, medium and large businesses (Payroll Services). The total investment necessary to begin operation of a franchise is from ~~\$37,169~~44,369 to ~~\$82~~70,569. This includes ~~\$24,600~~ to ~~\$43~~31,800 that must be paid to our affiliates or us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sean Manning at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111, (303) 763-1828 or sean.manning@PayrollVault.com.

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

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

A). There may also be laws on franchising in your state. Ask your state agencies about them (Exhibit

The issuance date is: March ~~21, 2017~~20, 2018

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT ~~REQUIRE~~REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION AND ARBITRATION ONLY IN A LOCATION THAT IS WITHIN 15 MILES OF OUR THEN-CURRENT HEADQUARTERS (CURRENTLY GREENWOOD VILLAGE, CO). OUT OF STATE MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO SUE, ARBITRATE, AND MEDIATE WITH US IN OUR THEN-CURRENT HEAD QUARTER'S STATE THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT REQUIRE THAT THE LAW OF THE STATE IN WHICH THE FRANCHISOR'S CORPORATE OFFICE IS LOCATED (CURRENTLY COLORADO), WILL GOVERN THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. YOUR INABILITY TO MAINTAIN THESE LEVELS MAY RESULT IN LOSS OF ANY TERRITORIAL RIGHTS YOU ARE GRANTED, TERMINATION OF YOUR FRANCHISE, AND LOSS OF YOUR INVESTMENT.

4. YOU MUST MAKE MINIMUM ROYALTY AND ADVERTISING PAYMENTS REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

45. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use now, or may use in the future, the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California	April 5, 2017 Pending
Florida	December 21, 2016 AIN BF 50110
Illinois	April 6, 2017 Pending
Indiana	April 7, 2017 Pending
Maryland	September 22, 2017
Michigan	August 2, 2017
Minnesota	September 28, 2017
New York	May 19, 2017 Pending
South Dakota	September 14, 2017
Washington	July 10, 2017
Virginia	June 21, 2017

Connecticut - December 20, 2017

Florida - December 21, 2017 AIN BF 50110

Kentucky

Nebraska

Texas

Utah

FOR THE STATE OF MICHIGAN

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

the Department of Attorney General, State of Michigan
Consumer Protection Division
Attention: Franchise Section
, 670 G. Mennen Mennan Williams Building
First Floor
525 Ottawa St
, Lansing, MI Michigan 48913

, and telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN

Despite subparagraph (f) above, we intend to enforce fully the provisions of the arbitration section contained in our Franchise Agreement. We believe that subparagraph (f) is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce that section as written.

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EXHIBITS

<u>Exhibit A.</u>	List of State Agencies/Agents for Service of Process
<u>Exhibit B.</u>	Franchise Agreement
<u>Exhibit C.</u>	Table of Contents for Franchisee Manual
<u>Exhibit D.</u>	Current Franchisees
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<u>Exhibit G.</u>	State Specific Amendments
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PAYROLL VAULT FRANCHISING, LLC

Franchise Disclosure Document

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this Disclosure Document, “we,” “us,” or “Payroll Vault” means the Franchisor Payroll Vault Franchising, LLC. The “Franchisee” or “you” means the person or corporation, partnership, or other entity, including your owners, stockholders, or partners, who are buying the right to operate under the Franchise Agreement.

The Franchisor, Any Parents, and Its Predecessors and Affiliates

We are a Colorado limited liability company that was formed on June 22, 2012 and does business under the name “Payroll Vault Franchising, LLC” and “Payroll Vault”. We do not do business under any other name. We maintain a principal office address at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111. Our telephone number is (303) 763-1828.

We have no parent or predecessor. We have never offered franchises in any other line of business.

We have ~~two~~ affiliates. The first is named Payroll Services Group, LLC, a Colorado limited liability company (Services Affiliate). It was formed on May 1, 2003. Its address is the same as ours. Since its inception, our Services Affiliate has provided payroll services to the public that are substantially similar to those that are offered here. It is not subject to a franchise agreement.

The second affiliate is Manning & Company, P.C., doing business as Inspirence Business Services, a Colorado professional corporation that was formed on August 21, 1998 (Manning Affiliate). Its address is the same as ours. Since its inception, it has provided accounting, tax, and related services to the public.

Together the Services Affiliate and Manning Affiliate may be referred to as an “Affiliate” or the “Affiliates”. Our Affiliates have never offered franchises in this or in any other line of business.

Our Services Affiliate owns the trademark found on the first page and has agreed to license to us the right to use the mark.

Our agent for service of process in your state is disclosed in Exhibit A.

The Franchised Business

We grant you the right to operate a Payroll Vault franchised business (Franchised Business) from a “Franchised Location” within a “Protected Territory”. ~~You are given the choice of the size of the Protected Territory you wish to service based upon the number of people within the territory. The size of the Protected Territory affects the initial franchisee fee you pay and your “Royalty”.~~ that contains approximately 10,000 business of any size.

The Franchised Business permits you to sell the Payroll Services to small, medium and large businesses (Clients) using our “System” (defined below) and a software program that is licensed directly

to you from an unaffiliated third party Thomson Reuters (Thomson) (the “Payroll Software”). You are not required to be a licensed or certified public accountant. You are required to grant us the right to review your credit and criminal history as part of the approval process.

The “System” is our proprietary, confidential, and trade secret information. The System includes, but is not limited to: the trademarks, service marks, and logos (“Marks” as they may be owned by us or that may be sublicensed by us); the manner and method of training that we deliver to you; the Franchisee operations manuals (Franchisee Manual), standards and procedures that you will use in the day-to-day operation of the Businesses; advertising programs; the economic and financial characteristics of the System; and all other copyrighted, trade secret or confidential information owned by us. You must operate in accordance with our System.

This Franchise Disclosure Document (FDD) and the Franchise Agreement describe the terms and conditions for which we currently offer opportunities to new franchisees. As the needs of the market change, we will occasionally offer franchises under different terms and conditions.

Prior Business Experience

We started franchising in July of 2012. We have never engaged in any business other than as the Franchisor under the System. Our Affiliates have offered a full range of payroll and accounting and marketing services to the general public and to other accounting professionals. Such services have included payroll, accounting, bookkeeping and management.

Competition and Laws Affecting the Business

This is a mature business sector and you will be competing with other individuals and business entities, some of whom operate on a national scale, for Payroll Clients.

We do not know of any laws that directly regulate the payroll-service industry though there may be such laws in the municipality or state in which you may live. You are responsible for checking with your municipality and the state to determine whether any such laws exist.

Prior to opening you must be granted the right by your local bank, your ACH provider and, if applicable, any federal, state or municipal governmental ~~approval~~ entity, to electronically deposit funds (“Electronic Funds Transfer” or “EFT”) into an employee’s account through an automated clearing house (ACH) transaction (ACH Rights). Though each bank or ACH provider will have different ~~requirements~~ requirements, such qualifications may include: compliance with bank rules or ACH-provider rules and passing a credit report and criminal background check. Federal, state and municipal governmental rules or regulations may require your registration, finger printing and proof of timely tax filings and tax payments before granting approval to collect and remit payroll taxes for business and their employees. The bank rules, ACH provider requirements, and if applicable, any governmental rules and regulations are referred to as the “ACH Qualifications”. If you fail to obtain ACH Rights prior to opening, we have the right to terminate your Franchise Agreement in which case we ~~may~~ will refund up to \$53,000 of your initial franchise fee (Item 5). You are solely responsible for determining the ACH Qualifications ~~in your “Protected Territory” (Item 12) and whether you can qualify for ACH Rights for your Protected Territory and are solely responsible for obtaining approval for the ACH Rights. If you lose your ACH Rights during the term of the Franchise Agreement, or if you violate the rules or regulations that govern your ACH Rights, we have the right to immediately terminate your Franchise Agreement. Your failure to abide by all regulations governing your ACH Rights may result in you or your principals (if you are a business entity franchisee) suffering personal liability.~~ in your “Protected Territory” (Item 12) and whether you can qualify for ACH Rights for your Protected Territory and are solely responsible for obtaining approval for the ACH Rights. If you lose your ACH Rights during the term of the Franchise Agreement, or if you violate the rules or regulations that govern your ACH Rights, we have the right to immediately terminate your Franchise Agreement. Your failure to abide by all regulations governing your ACH Rights may result in you or your principals (if you are a business entity franchisee) suffering personal liability. You are solely

responsible for maintaining your ACH Rights and for abiding by all rules and regulations that govern your ACH Rights.

You must obtain the business licenses that are required by the locale in which you will be operating your Business. You will also be required to conform to any taxation requirements of your locale. You are not required to have a public accountancy license or certification.

ITEM 2

BUSINESS EXPERIENCE

R. Sean Manning - Founder, President and Member of the Board of Directors, Managing Member and CEO

Mr. Manning is one of the founders and is our President, Managing Member and CEO; a position he has held since our inception. From 2007 to the present, he was and continues to be the CEO and Managing Member of our Services Affiliate. From 1998 to the present, he was and continues to be the President of our Manning Affiliate.

Tricia Petteys - Founder, Member of Board of Directors, Member, Executive Vice President of Payroll Operations and Project Manager

Mrs. Petteys holds the position of Executive Vice President of Payroll Operations and Project Management, which is a position that she has held since our inception under the title of Vice President of Franchisee Operations. She also has been Operations Manager and New Client Installation Specialist with our Services Affiliate since November 3, 2008.

Kristina Kefalas - Director of Openings and Franchisee Relations

Ms. Kefalas is our Director of Openings and Franchisee Relations that is a position she has held since February 1, 2013 under the title of Chief Operating Officer. From 2001 to February, 2013 she was the Operations and Account Manager for Lohmiller and Company that is located in Denver, Colorado.

Marilyn Manning - Executive Director of Marketing, Communications and Public Relations

Mrs. Manning holds the position of Executive Director of Marketing, Communications and Public Relations, a position she has held since December of 2015. In 2007, Mr. and Mrs. Manning formed our Solutions Affiliate.—

~~Christina Walker - Director of Systems and Training~~

~~Ms. Walker joined our team in August 2014 as our Director of Systems and Training. Ms. Walker continues to work with our Payroll Vault Affiliate as a payroll specialist and new client management, which is a position she has held since May of 2012. From December of 2009 to May of 2012, Ms. Walker was a vault teller with JPMorgan Chase Bank in operated from 2017 to the present. Denver, Colorado.~~

Jessica Martin - Marketing Director

Ms. Martin joined our team in May of 2016. Prior to joining, Ms. Martin worked for Source Office & Technology in Denver Colorado from June of 2014 to May of 2016. From August 2013 to May

of 2014, Ms. Martin worked as the business development manager of AP Restoration of Denver, Colorado. From August of 2008 to August of 2012, Ms. Martin was the project manager of American Lighting in Denver, Colorado and from August 2012 to August 2013, Ms. Martin was the marketing and communications director of Mile High Adjusters of Denver, Colorado.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

For California, see the California addendum that is attached at Exhibit G.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Single Franchisee

Your initial franchise fee (IFF) for a single Franchised Business is: ~~(i) \$22,800 if you chose the “Professional Protected Territory” in which there is are approximately 10,000 businesses of any size; (ii) \$33,600 if you choose the “Business Protected Territory” which there are approximately 15,000 businesses of any size; or (iii) \$42,000 for the “Expanded Protected Territory” that contains approximately 20,000 businesses of any size. The Protected Territories are more fully described in Item 12. If you are an honorably discharged veteran, each of the above fees will be reduced by 10%.~~

~~_____ \$30,000. If you are an honorably discharged veteran, your IFF will be reduced by 10%. The IFF represents payment, in part, for expenses incurred by us in furnishing assistance and services to you, and for other costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.~~

Before you open, you will pay us our technology startup fee, which is \$750.00 (Franchisee Technology Startup Fee), which will be used to set up your franchise on our internet web system.

We will also collect: (i) \$450 (at \$150 per month) for the first 3 months of the Franchisee Technology Maintenance Fee that is used to maintain the web page; (ii) \$225 (at \$75 per month) for the first 3 months of the “Franchisee Digital Marketing Fee” (Franchisee DM Fee) which is used to optimize all web sites that advertise for clients, for the on-line purchase of key words and for other digital marketing concepts (Item 11); and, (iii) \$375 (at \$125 per month) representing the first 3 months of the “Franchisee CRM Fee” which gives you access to our customer relationship and management software- ~~(Item 7)- (Franchisee CRM Software).~~

If you fail to obtain ACH Rights before you open, we may terminate the Franchise Agreement, in which case we will refund ~~up to \$5~~\$3,000 of your IFF. The amount balance retained will compensate us for sales costs, any brokerage fees ~~paid by us~~, training costs and ~~sales costs we incurred and for a profit.~~ ~~If~~

~~these fees exceed your IFF, there will be no refund. If these fees are less than the IFF, we will refund a portion to you up to the \$5,000 figure.~~

Except as stated in this Item, the IFF and all other fees described here are uniform, payable in one lump sum, and are non-refundable.

 You pay our Affiliates or us no other fees or payments for services or goods before your Business opens.

ITEM 6

OTHER FEES

~~_____~~ **Franchisee**

Type of Fee (1)*	Amount	Due Date	Remarks
Royalty	<p>For the Professional Protected Territory you will pay the greater of \$275 per month or 6% of the "Gross Sales" (2).</p> <p>For the Business Protected Territory you will pay the greater of \$350 per month or 6% of the Gross Sales.</p> <p>For the Expanded Protected Territory you will pay the greater of \$425 per month or 6% of the Gross Sales. See Notes 2 and 3.</p>	Royalties are payable by the 10th day of the month that follows the month for which the Royalty was calculated.	This will be payable to us by an ACH (Automated Clearing House) transaction. See also Note 3.
Additional Protected Territory Fee	See Note 2	Collected at the time you are granted the right to one or two Additional Protected Territories.	Payable to us.
Local Marketing and Advertising Fee	You will spend a minimum of 1% of Sales <u>Revenue</u> .	Paid monthly beginning in the 4th month of operation.	We may increase the Local Advertising Fee up to 2% after providing you with 60 days written notice. Paid to your advertising vendors.
Franchisee National Advertising Fee	None now. If collected it will be 1% of Sales <u>Gross Revenue</u> .	Payable monthly with Royalties.	We do not now but may at any time begin collecting this fee. We may increase the Franchisee National Advertising Fee to no more than 2% upon 60 days written notice. Payable to us. (Item 11).

Type of Fee (1)*	Amount	Due Date	Remarks
Franchisee Digital Marketing Fee (Franchisee DM Fee)	Our then-current fee that now is \$75 per month.	Payable with Royalties.	Paid to us. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase before it will be due. (Item 11). This fee was formerly known as the “Franchisee SEO Fee”.
Franchisee CRM Fee	Our then-current fee that now is \$125 per month.	Payable monthly with Royalties.	Paid to us. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given 60 days prior written notice before this fee is increased.
Franchisee Technology Maintenance Fee	Our then-current fee that now is \$150 per month.	Payable monthly with Royalties.	Used for hosting website and internet maintenance. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase before it will be due. Payable to us.
Additional Technology Fees	None now.	As incurred.	See Note 4.
Franchisee Email Fee	Our then-current fee that now is \$10 per month for each email address in excess of 5 email addresses.	Payable monthly with Royalties.	We will give you 5 free email addresses. Each address after that will cost this amount. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase before it will be due. Payable to us.
Additional Training Fee	Our then-current fee that is now \$300 per day plus your travel, room and board if you travel to us; or our room, board, and travel expenses if we travel to you.		This is not mandatory. You pay this fee only if you request additional training. All fees are paid to us, or your travel vendors. There is no limit to the amount of or frequency of an increase or the number of times it may be increased during a 12-month period. You will be given no less than 60 days written notice of before any increase in this fee.
Franchisee Missed Quota Additional Training Fee	Our then-current fee that now is \$300 per day, plus your travel, room and board if you travel to us; or plus our commercially reasonable room,	As incurred.	Paid to us if you fail to meet your Franchisee Quota (Item 12) and if we decide to offer you this training (Item 11). There is no limit to the amount of an increase or the number of times it may be increased. We will notify you in

Type of Fee (1) [*]	Amount	Due Date	Remarks
	board and travel expenses if we travel to you.		writing of the then-current fee at the time this fee is due.
Owners Exchange Tuition	Our then-current fee that now is \$150.00 plus your cost to attend	As incurred.	<p>We hold an Owners Exchange meeting each Spring and all franchisees are invited though attendance is currently voluntary. See Note 5. The purpose of the meeting is to allow all franchisees to exchange ideas with each other. We may in the future make attendance mandatory. If we do this, we will give you no less than 60 days prior written notice before</p> <p>We have the right to change the Owners Exchange Tuition fee we charge in any amount and at any time after giving you no less than 60 days written notice, making attendance mandatory.</p>
Regional Meeting	Your costs to attend.	As incurred.	If we have a regional meeting, you may be required to attend. Currently there is no tuition and as a result we cannot calculate what this cost may be. We may in the future charge tuition and you will be given no less than 60 days written notice before a fee is charged. You will pay the costs to travel, and if applicable your room and board. Payable to vendors. (Item 11).
Transfer Fee	The greater of \$5,000 or 10% of the then-current IFF for the Protected Territory that you purchased and <u>10% of the then-current Additional Protected Territory Fee for your Additional Protected Territories.</u>	At time transfer is to be completed.	Payable to us if you are permitted to transfer your rights to a third party.
Successor Franchise Fee (SFF)(5)	The greater of \$10,000 or 35% of the then-current IFF for the Protected Territory that you purchased <u>plus 35% of the then-current Additional Protected Territory</u>	At time of signing.	You may be required to sign a contract with terms that are different from found in your current Franchise Agreement. Payable to us.

Type of Fee (1)*	Amount	Due Date	Remarks
	Fee for your <u>Additional Protected Territories</u> . Also, see <u>Note 6</u> .		
Franchisee Annual Conference Attendance Fee	Then-current fee that now is \$500 for the first attendee and \$350 for any addition attendees.	Due on or before date of conference.	There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase. Payable to us.
Annual Conference Travel Costs and Expenses	All costs for your travel, room and board, which may cost \$500 to \$1,500.	Expenses are paid as incurred.	Expenses vary based on travel cost and type of accommodations you choose. Annual conferences may be mandatory. Payable to vendors.
Franchisee Mandatory Fee	Then-current fee that now is \$500.	Due at the time that franchisee receives materials and attends mandatory conference call.	Charged only if you fail to attend annual conference. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase. Payable to us.
Computer System and Scanner Maintenance and Update	<p>Maintenance of the computer hardware and software (“Computer System”, Item 11) costs will vary depending on the condition of the equipment but may be between \$500 to \$1,000.</p> <p>You must maintain the “TWAIN” compliant (Item 11) scanner (Scanner)</p> <p>Updating the Computer System and Scanner may cost up to \$2,000.</p>	When incurred.	<p>You will have to maintain your Computer System and Scanner equipment as needed to insure continued operation.</p> <p>We may require you to update the Computer System and Scanner no more often than 1 time each 5 years. Paid to vendors you choose.</p>
Payroll Software License Fee and Yearly Update	The then current fee charged by Thomson which now is \$1,000 per month minimum. (6) Annual renewal costs will be subject to the then-current fee charged by Thomson.	Paid monthly by agreement with Thomson.	<p>Payable for Payroll Software license rights. Thomson is not limited to the frequency of any change to this fee and is not limited to the amount of the annual license fee.</p> <p>The annual renewal fee is due at the time your license renews. Thomson is not limited to the frequency or amount of any annual license fee.</p>

Type of Fee (1)*	Amount	Due Date	Remarks
Software Maintenance and Updates (other than Payroll Software)	Cost of software maintenance will vary. Updating software will vary depending on the manufacturers update schedule but may cost \$100 to \$1,000.	Reasonable time after notification.	Maintenance of software will vary depending on the manufacturer. There is no established frequency for this. Software updates will happen no more often than once every 3 years. Payable to vendors
Late Fee	\$100 late fee plus 1.5% per month for any payment not made timely.	Immediately when assessed.	Payable to us only if you do not make your payments on time.
Default Notice Fee	\$50.00	Immediately when assessed.	Payable to us only if a notice of default has to be sent to you.
Costs and Attorney's Fees	Will vary.	As incurred.	Payable to service providers.
Indemnification	Will vary.	As incurred	You have to reimburse us if we incur costs for any claims arising from your business.
Approval of New Supplier	Our then-current fee, which is now \$125 per hour	As incurred.	Paid to us to review and approve new suppliers. All fees are paid to us or vendors. There is no limit to the amount of an increase or the number of times it may be increased during a 12-month period. You will be given no less than 60 days written notice of any increase in this fee.
Insurance	\$500-\$1,500.	As incurred.	Paid to insurance company for liability and other required insurance.
Audit Costs	The cost of the audit plus 5% administrative fee.	As incurred.	Payable only if we audit your books and find underreporting. Paid to our accountant or us.
Special Projects Fees	Our then current fee that now is \$250 per hour	As incurred.	See Note 7.
New Line of Goods or Services	Will vary.	As incurred.	See Note 8.

1. All fees owed to us are uniform and are non-refundable unless otherwise stated here. All payments owed to third parties are also non-refundable unless you make specific arrangements with the third party.

~~2. "Gross Sales"~~ 2. For the first 12 months of business, you will pay on a monthly basis the Royalty that is the greater of 6% of your "Gross Revenue" (Percentage Royalty) or \$400 (Minimum Royalty).

In some cases, and after you have been in business for a minimum of 12 full months (as measured from the date that you open for business), we may grant you the right to increase the size of your Protected Territory by the purchase of up to two additional contiguous geographic areas, each of which will contain a minimum of an additional 5,000 businesses of any size. Each such territory is called an “Additional Protected Territory”. If we grant you this right:

a. for the first Additional Territory, you will pay us our then-current “Additional Protected Territory Fee” that now is \$10,000, and you will pay on a monthly basis, the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$600;

b. for the second Additional Territory, you will pay the then-current Additional Protected Territory Fee, and will pay on a monthly basis the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$800.

The reference to the “Royalty” in this FDD and in the Franchise Agreement includes both the Percentage Royalty and the Minimum Royalty.

We may increase the amount of the Additional Protected Territory Fee at any time and in any amount. We will give you no less than 60 days prior written notice before increasing this fee.

“Gross Revenue” means the total of all revenues and income from the sale of all products, merchandise, services and other related items to your Business Clients whether received in cash, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. You may deduct from Gross ~~Sales~~Revenue all sales tax or similar taxes which by law, are chargeable to Clients by any taxing authority and are collected by you. You may also deduct from Gross Sales the amount of any documented approved discounts, refunds and credits.

3. During your Initial Term (See Item 17(a)) and if you are awarded Successor Franchise Rights” (Item 17 (b) and (c)) you may qualify for a reduced Percentage Royalty (Graduated Reduced Royalty) as follows: (i) ~~for the first \$0 to \$250,000 in Gross Revenue, you will pay a Graduated Reduced Royalty of 6%; then~~ (ii) for the Gross Revenue of between \$250,001 and \$500,000 you will pay a Graduated Reduced Royalty of 5%; then ~~(iii)~~ for the Gross Revenue of between \$500,001 and \$750,000 you will pay a Graduated Reduced Royalty of 4%; then ~~(iv)~~ for the Gross Revenue of between \$750,001 and \$1,000,000 you will pay a Graduated Reduced Royalty of 3%; and ~~(v)~~ for Gross Revenue in excess of \$1,000,000 you will pay a Graduated Reduced Royalty of 2%. For instance if your Gross Revenue is \$350,000 you pay 6% on the first \$250,000 and then you pay 5% on the remainder of the revenue (\$250,001 to \$350,000). If you earn \$250,000 or less in Gross Revenue, you are not eligible for this program.

Your right to the Graduated Reduced Royalty is based on a calendar year and begins on January 1 of each year. If you sign the Franchise Agreement on a day other than January 1, you will not be eligible for Graduated Reduced Royalties until the following calendar year, even if you otherwise qualify in your first calendar year. We reserve the right at the end of each calendar year to terminate the right to Graduated Reduced Royalties. If this decision is made however, it will apply to all franchisees that are subject to ~~such~~the program, and the program will end at the end of the then-current calendar year. If you signed the Franchise Agreement during the year in which the program was terminated you may receive no Graduated Reduced Royalty.

4. We each acknowledge that changes to technology are dynamic and not predictable within the term of the Franchise Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing,

reasonable new standards and fees for the implementation of new technology in the System; and you agree to comply with those reasonable new standards after we provide no less than 60 days prior written notice.

~~5. We hold an Owners Exchange meeting each spring and attendance is currently voluntary. The purpose of the meeting is to allow all franchisees to exchange ideas with each other. We may in the future make attendance mandatory. — 5 — Your Successor Franchise Fee to be paid after the Initial Term (Item 17 (a)) We also have the right to change the Owner's Exchange Tuition in any amount and at any time. If we make attendance mandatory or if we change this fee we will give you no less than 60 days prior written notice.~~

6. Your Successor Franchise Fee that is paid if you are awarded renewal rights (Item 17 (a)), may be reduced as follows: (a) if your Gross Revenue has reached \$150,000 per year during the final year of your Initial Term or you have 100 clients, then your fee will be zero; or (b) if you have less than 100 clients and have earned less than \$150,000 in Gross Revenue during the final year of your Initial Term then your Successor Franchise Fee will be a percentage of the Successor Franchise Fee determined by multiplying the then-current Successor Franchise Fee ~~(that now is the greater of 35% of the then-current IFP or \$10,000)~~ by a fraction the numerator of which is the remainder found by subtracting your annualized Gross Revenue (determined on the date that your the Successor Franchise Rights Term is to begin) from \$150,000 and the denominator of which is \$150,000. For instance, if your Gross Revenue is \$100,000 and if the full Successor Franchise Fee is \$10,000, your Successor Franchise Fee will be \$3,334 ($\$10,000 \times (\$150,000 - 100,000) / \$150,000$).

~~6. Currently, Thomson licenses the software necessary to operate the payroll portion of the business (Payroll Software). You must have a license from Thomson to use the Payroll Software. You will pay the then-current "Payroll Software License Fee" that now is \$12,000 per year (first year) which is collected monthly at \$1,000 per month (Payroll License Fee) minimum. The Payroll License Fee is based upon the number of checks that the Payroll Software processes. Each standard paper check that the Payroll Software issues costs \$0.18, and each "Employee Self Service" check that is processed costs \$0.28. If you exceed \$1,000 in check processing cost in any month, then you will be charged the then-current fee per check by Thomson. An "Employee Self Service" e-check is one that delivered electronically through a secure portal to the employee. Thomson controls the cost of the Payroll Software License Fee and it may change at any time and in any amount.~~

~~You may already have a license for other Thomson software that is used for accounting or tax work. In such an event, Thomson may offer you Payroll Software at a lesser amount.~~

7. From time to time you may ask for assistance for a "Special Project". A Special Project is one that involves our delivery of goods or services such as special advertising assistance that falls outside the services we already offer. You are not required to use us for a Special Project and we are not required to deliver Special Project goods or services to you; but if we agree to work together, we will charge you our then current fee. We may increase our fee at any time and in any amount and we will notify you of our then-current fee before you decide to have us work on a Special Project. Payable to us.

8. We may in the future require all franchisees and you to add new goods or services to those already sold through the Business. If we do this, you may incur additional expenses, costs and fee, some of which may be due to an affiliate, a third-party for whom we collect the funds, or us. We have no formula for determining what such costs, fees, or expenses might be so we cannot give you an estimate of such costs. If we introduce new lines of goods and services, we will notify you in writing and give you a reasonable time to comply with the changes.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATE INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
IFF(1)	\$22,800 to \$4230,000	Lump sum	At signing of Franchise Agreement (1)	Us
Rent (2)	\$0 to \$800	As arranged	As per lease terms	to Landlord
Rental Improvements (2)	\$0 to \$400	As arranged	If incurred	Vendors
Deposits (2)	\$0 to \$1,000	As arranged	As incurred	Utilities and Landlord
American Payroll Association Training Fee_(3)	\$1,419	As arranged	As incurred	American Payroll or Our Then-current Supplier Who May Be An Affiliate or Us.
Training Expenses (3)	\$500 to \$1,500	As arranged	Before training	Airlines, Hotels, Restaurants
Computer System and Dedicated Scanner(4)	\$0 to \$2,500	As arranged	Before opening	Vendors
Furniture, Fixtures, Equipment and Phone Equipment (4)	\$150 to \$650	As arranged	Before opening	Vendors
Initial Payroll License and Training Fee (5)	\$0 to \$7,500	As arranged	Before opening	Thomson
Franchisee Technology Startup Fee (6)	\$750	As arranged	Before opening	Paid to us.
Franchisee Technology Maintenance Fee (6)	\$450	As arranged	Before opening	Paid to us.
Franchisee DM Fee and Franchisee CRM Fees (6)	\$600	As arranged.	Before Opening	Us.
Insurance and Professional Services (7)	\$500 to \$3,000	As arranged	When incurred	Professionals
Additional Funds – 3 months (8)	\$10,000 to \$20,000			

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
TOTAL (8)	\$37,169 <u>44,369</u> to <u>\$8270,569</u>			

1. All fees paid to our Affiliates or us are uniform and non-refundable unless stated in Item 5. All other fees are set by the vendor and are generally non-refundable, ~~and will be governed by the terms set by the vendor.~~ Our Affiliates and we offer no financing for any part of the initial investment.

2. It is anticipated and expected that you will work from your home or from an office that you already lease or own. We do not anticipate that the size of the Protected Territory will affect your ability to work from home or from an office you already lease or own. You may decide to lease office space, or utilize additional office space in the location that you are leasing. Any such space may be of any size that you determine. The rent figure is an estimate only and will vary depending upon the market in your location, availability of space, and other factors.

If you work from your home, or if you use space that you currently lease there should be no tenant improvement. If you lease additional space, you could spend this amount for rental improvements, such as putting in new carpet or painting walls.

If you lease space, you may be required to pay deposits for the space and deposits for utilities and suppliers. We will not review any lease agreement that you may enter into.

3. Prior to attending our training, you must complete the American Payroll Association (APA) training which will provide you the basic skills necessary to process payroll and that is more fully described in Item 11. (APA Training). This fee includes their current training cost that now is \$1,175 and the ~~yearly~~first year membership dues that now are \$244 (together the “APA Training Fee”). We have no control over the fees charged by the APA and they may change the fees at any time. ~~(Item 11)~~ Though we require you to take seven modules, the training fee pays for all 12 modules offered by the APA and cannot be prorated.

You must pay all of your out-of-pocket expenses while attending our training. These numbers are estimates only and will depend on the lodging you choose, the method of getting to the training location, and the food you purchase. This is in addition to the Payroll Software Training cost (note 5 below).

4. You must have a computer and off-the-shelf software (Computer System), and a dedicated scanner (Scanner) that meet our requirements. You may already have this equipment. If not, the Computer System and Scanner could cost this much.

If you have an office, you will need basic office furniture and office equipment including a desk, chair, fax machine copier/printer, and office supplies. We have no specifications for this furniture, fixtures, or equipment and you may already have some or all of these items. You may already have phone equipment that meets our requirements. If not you may be required to purchase a phone from our approved supplier (Item 8). This cost is included here.

5. You must purchase from Thomson the license for the cloud-based Payroll Software ~~that is cloud based.~~ If you do not already own a Payroll Software License, you will pay Thomson a one-time setup and training fee ~~of that currently is~~ \$4,500 and you will the then pay \$ current “Payroll Software License Fee” that now is a minimum of \$1,000 per month ~~beginning your first month of operation.~~ This line item reflects the \$1,000 payment for one-time fee plus the first ~~3~~three months of ~~operation.~~ the Payroll

Software License Fee. The ~~\$1,000 a month~~ Payroll Software License Fee may increase depending on the volume of checks that you process. ~~(Item 8).~~ You may already have the Payroll Software as part of a license agreement with Thomson for other Thomson products. If you do, you will continue to pay whatever fee you have agreed upon with Thomson.

6. You will be required to pay to us the Franchisee Technology Startup Fee, ~~the first 3 months of the Franchisee Technology Maintenance Fee,~~ and the first 3 months of the Franchisee Technology Maintenance Fee, Franchisee DM Fee and Franchisee CRM Fee.

7. The amount includes the initial cost for insurance if you lease space and for liability insurance to protect you against claims from Clients.

This also includes fees that you may incur from other professionals, such as CPAs or attorneys.

8. The estimate of additional funds is for the first 3 months of operating capital. The estimate of additional funds does not include an owner's salary or draw. The additional funds required will vary by your management skill, experience and business acumen, your relative effectiveness as a sales person, local economic conditions, the local market for your services, competition, and the sales level that you reach during this period. You may incur other or higher costs or fees. You may also need operating capital when running the Franchised Business that is in addition to what is estimated here. In compiling these estimates, we have relied upon the experience of our principals (Item 2) from operating businesses that are similar to the one being offered to you.

You should carefully review these figures with a business advisor before making any decision.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and System Changes

You must open and operate your Business in accordance with the System and in compliance with the Franchise Agreement. The specifications necessary to operate under the System includes standards for delivery of the services to the Client, professional standards for operation, criteria for performance, and purchases of required goods and services. These specifications were formulated by us. We may modify any specification as to any goods, service, supplies, fixtures, equipment, inventory, Computer System, Scanner, software supplier, or the like, at any time and on a local, regional, or national basis. We may also add and remove vendors at any time.

We may communicate our standards, specifications and purchase requirements directly to suppliers who wish to supply you goods or services. We will communicate our standards and specifications to you during training, before you open, during periodic visits to your Business, and through the Franchisee Manual (Franchisee Manual) as it may be printed, or in electronic or other format, and which may include ~~four~~ or more manuals and periodic bulletins. We may issue new standards and specifications through written notices. Once you are notified, you must make the change that is specified. We may also add and remove vendors at any time.

We have the right, in our sole discretion and as we may deem in the best interests of the system or a specific franchisee to vary required purchases, standards or specifications based upon that franchisee's qualifications, special circumstances, the demographics of a particular "Protected Territory" (Item 12) or development region, business potential, or any other condition which we deem to be of importance to the

successful operation of any particular Business. We will not be required to disclose or grant to you a similar variance.

Required and Approved Suppliers

You must pay us the Franchisee Technology Startup Fee, Franchisee Technology Maintenance Fee, Franchisee DM Fee, and Franchisee CRM Fees. We are the only supplier of these services. If we add additional technology services and fees in the future-, our approved vendor, an Affiliate or we will be the only supplier of such services.

You must use our email server for all business-related email. We will give you ~~five~~ free email addresses before you open for business. Each email address after that will be charged at our then-current Franchisee Email Fee-. We are the only supplier of this service.

We will require you to use at least ~~one~~ voice-over-internet-protocol (VoIP) phone (Phone Equipment) and we will suggest (but not require you) to use the VoIP service provider that we identify. You may already have Phone Equipment that is compatible with a VoIP service provider. If you do not, you must purchase Phone Equipment from our approved vendor. You will also pay for the then-current price per line charged by your VoIP service provider for phone services. (See also Computer Equipment in Item 11). If you do not have compatible equipment, our approved vendor is the only supplier for the Phone Equipment.

The American Payroll Association is currently the only supplier of online training in the basics of payroll. We may change the identity of this supplier at any time and such new supplier may be an Affiliate or us.

The bank or ACH provider you choose to work with must be able to perform EFT transactions through an ACH.

We are the only supplier of the goods and services delivered as a result of our participation in Special Projects and we are the only supplier of services provided to Owner's Exchange Meeting for which the Owners Exchange Tuition is paid.

~~_____ If you do not already have them, you must purchase the license for the Payroll Software only from Thomson. If you do not already have one, you must purchase a license for the Payroll Software only from Thomson at its then-current one time fee (Item 7) and will then pay the then-current "Payroll Software License Fee" that now is \$1,000 per month. The monthly Payroll Software License Fee is based on the number of checks that the Payroll Software processes for the month. Each standard paper check that the Payroll Software issues costs \$0.18, and each "Employee Self Service" e-check that is processed costs \$0.28. Thomson is the only supplier of this service.~~

_____ If you exceed \$1,000 in check processing cost in any month, they you will be charged the then-current fee per check by Thomson. An "Employee Self Service" e-check is one that delivered electronically through a secure portal to the employee. Thomson controls the cost of the Payroll Software License Fee and it may change at any time and in any amount. You may already have a license for other Thomson software that is used for accounting or tax work. In such an event, Thomson may offer you Payroll Software at a lesser amount. The license must annually be renewed with Thomson. Thomson sets the prices for its license rights and the license renewal, over which we have no control. Such changes may take place at any time and in any amount. Thomson is the only supplier of this service.

_____ You may also have to pay a Payroll Software License transfer fee at the time you sell the Business, or at the time that the Franchise Agreement expires or is earlier terminated. Thomson bases it

fee on the size of the payroll services that are processed through their software, and as a result, we have no way of estimating this cost to you. Thomson or we may also require you to sign an assignment agreement that will transfer your rights to your Payroll Software License to person you sell your Franchised Business or to us in the case of the expiration or earlier termination of the Franchise Agreement. Neither Thomson nor we have a current form for this assignment, and as a result, we cannot offer a copy of it for your review.

You must purchase the Computer System that we designate in the Manuals. Though we have no approved vendor, the components of the Computer System must meet our requirements.

We may in the future require all franchisees and you to add new goods or services to those already sold through the Business. If we do this, you may incur additional expenses, costs and fee, some of which may be due to an affiliate, a third-party for whom we collect the funds, or us. If we introduce new lines of goods and services, we will notify you in writing and give you a reasonable time to comply with the changes, which will not exceed 60 days.

The list of approved products and suppliers is published in the Manuals.

There are no other approved suppliers for the above goods or services.

Except as described above, you may purchase all other equipment, goods and services from any approved source.

Except for purchases made only from us, our officers own no interest in any supplier. No purchases are currently required to be made from Affiliates. Except for purchases made from us, an Affiliate and we are not approved suppliers.

Prior to opening the Franchised Business, you will purchase and maintain in full force and effect the following insurance coverage: all of which must include an “additional insured” endorsement covering us:

a. Commercial general liability insurance for not less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,

b. Employer’s liability and Worker’s Compensation Insurance as required by state law in the state in which the Business is found; plus,

c. Professional liability insurance of no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,

d. Employee dishonesty insurance. For annual revenues of: (i) \$100,000 or less, coverage should be for no less than \$250,000 per occurrence and \$250,000 in the aggregate; (ii) \$100,001 to \$250,000, coverage should be for no less than \$500,000 per occurrence and \$500,000 in the aggregate; and, (iii) \$501,000 or more coverage should be for no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,

e. Computer fraud coverage (including coverage for cyber attacks or losses, hacking losses and loss because of malware, pretexting, phishing attacks and the like) in an amount of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. To the extent that this coverage requires multiple policies or endorsements, then you will obtain each such policy or endorsement; plus,

f. “Social Engineering Fraud” (which is the manipulation of a person through social media that results in such person disclosing confidential personal or company information that then causes a loss) coverage of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate; plus,

g. Crime coverage (to the extent that the insurance purchased above does not fully protect you and us from losses from computer fraud or general fraud, theft or deception) of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

Although we require certain insurance coverage and may recommend other coverages, we do not guarantee that the required or recommended insurance will be adequate to fully protect you. You should consult with an insurance professional to determine what coverage, in addition to the minimum required coverage, may be needed for you and your Business.

Approval of Alternative Suppliers

In some cases, you may wish to purchase a required good or service from a supplier that has not been previously approved by us. We do not maintain written criteria for approving suppliers and thus, these criteria are not available to you or your proposed supplier. To obtain our approval, you must submit such information as we may reasonably require in order to evaluate the prospective supplier. We will evaluate the submitted information and will provide written notice of our decision to you within 15 days. We may grant or deny approval for any reason or for no reason at all. We may bill you for our time at our then-current fee, which is now \$125 per hour. Other than as stated here, we have no other process for approving suppliers.

Approval of alternative suppliers may be revoked by us if we determine in good faith that the goods or services they are supplying no longer meet the quality standards that are in effect at that time. We will notify you if we revoke any supplier.

Revenue from Franchisee Purchases

~~We have received revenue as a result of required purchases. In the year ending December 31, 2016, we earned \$113,660 in gross revenue from the collection of the Franchisee Technology Startup Fee, Franchisee Technology Maintenance Fee, Franchisee DM Fee, and Franchisee CRM Fees. This represents approximately 17% of our total gross revenue of \$672,022 for this period. In 2017, we received no revenue as a result of required purchases.~~

We estimate that the cost of equipment and supplies purchased in accordance with our specifications will represent 70 to 80% of your total purchases to establish the Franchised Business, and approximately 50% of your total purchases during the operation of the Business. We do not now, but may, in the future, receive rebates and material benefits from vendors with whom you are to do business.

Cooperatives

Though there are no cooperatives at this time, we may in the future develop regional a purchasing cooperative. The purpose of the purchasing cooperative will be to obtain some or all goods and services of the same quality at a more competitive price. Upon the creation of the same, you must participate in the program.

Negotiated Prices

We have been able to negotiate prices with vendors for the benefit of the franchisees.

Material Benefits

We do not provide or withhold material benefits to you (including renewal rights or the right to open additional businesses) based on whether you purchase through the sources we designate or approve. However, purchases of unapproved services, the use of unapproved vendors, or supplying to Clients unapproved services will be a violation of the Franchise Agreement, and you may be terminated as a result.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

_____ Franchisee

Obligation	Section or Article in Franchise Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	Section 2.2	Items 7 and 11
(b) Pre-opening purchase/leases	Section 2.4	Item 8
(c) Site development and other pre-opening requirements	Articles 2 and 5	Items 6,7,11
(d) Initial and ongoing training	Article 7	Item 11
(e) Opening	Section 2.1	Item 11
(f) Fees	Article 3	Items 5,6,7
(g) Compliance with standards and policies/operating manuals	Article 8	Item 11
(h) Trademarks and proprietary information	Article 6	Items 13 and 14
(i) Restrictions on products/services offered	Section 8.4	Items 11 and 16
(j) Warranty and customer service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	Not Applicable	Item 12
(l) On-going product/service purchases	Section 8.4	Item 8
(m) Maintenance, appearance, and remodeling requirements	Not Applicable	Item 11
(n) Insurance	Article 17	Items 7,8
(o) Advertising	Article 3	Items 6,7,11
(p) Indemnification	Article 14	Item 6
(q) Owner’s participation/management/staffing	Section 8.9	Items 11 and 15
(r) Records and reports	Sections 3.6 and 8.3	Item 11

Obligation	Section or Article in Franchise Agreement	Item in Disclosure Document
(s) Inspections and audits	Section 8.3	Item 6
(t) Transfer	Article 9	Item 17
(u) Renewal	Article 4	Item 17
(v) Post-termination obligations	Article 11	Item 17
(w) Non-competition covenants	Article 15	Item 17
(x) Dispute resolution	Article 16	Item 17
(y) Other: One year limitation of action; (Note 1); Guarantee of Franchisee Obligations; (Note 2); Waiver of right to a jury or exemplary, punitive or consequential damages (Note 3)	Article 16	Item 17

1. We each agree to be limited to bringing any action against the other within one year of the date that the facts which give rise to the claim were discovered, or one year from the date that such facts reasonably should have been discovered, except for certain claims of Franchisor. This waiver may not be enforceable under federal or state law.

2. The principals of any business-entity Franchisee will be required to sign a personal guaranty (Franchise Agreement, Section 18.11).

3. We both agree to waive the right to a jury trial and to be awarded exemplary, punitive or consequential damages (Item 17; Franchise Agreement, Sections 10.6 and 16.8). These waivers may not be enforceable under federal or state law.

ITEM 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your ~~note, lease notes, leases or obligations~~.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as stated below, Payroll Vault Franchising, LLC is not required to provide you with any assistance.

A. Pre-Opening Assistance

Before you open your business, we will:

- a. define your Protected Territory (Item 12 and Franchise Agreement, Articles 2 and 5);
- b. provide you with the training that is described in this Item 11 (Franchise Agreement, Articles 5 and 7);

c. provide you with the contact information necessary to obtain ~~receive~~ the Thomson License and training (if applicable). (Items 6 and 7; Franchise Agreement, Articles 5 and 7);

d. provide you with a list of any approved suppliers for all equipment, goods, and services. (Franchise Agreement, Articles 5 and 7);

e. loan you one copy of the Franchisee Manuals that you will need to operate the Franchised Business (Franchise Agreement, Articles 5 and 7);

f. supply reasonable telephone, fax, and email support (Franchise Agreement, Articles 5 and 7);

g. deliver 5 free email addresses to you (Franchise Agreement, Articles 3 and 5); and,

h. provide you the services for the Franchisee Technology Startup Fee (Franchise Agreement, Article 5).

B. Post-Opening Assistance

After you open your Franchised Business, we will:

a. offer additional conferences, seminars or programs, at a frequency that we ~~shall~~ determine, on various topics relevant to you. Some of these seminars or programs may be mandatory. There may be a tuition fee for these seminars. (Franchise Agreement, Section 5.3);

b. provide updates to the Franchisee Manuals, the System, the Marks; (Franchise Agreement, Section 5.3);

c. review all promotional materials and advertising you wish to use. (this Item 11 and Franchise Agreement, Section 5.3);

d. if requested by you, and if approved by us, we will provide additional training at a location determined by us. You will pay the travel, room, board, and the then-published daily fee for such services. (Franchise Agreement, Section 5.3 and Article 7);

e. visit your Franchised Business, in our discretion and will use other methods to insure that you are delivering quality services and products that conform to the System (Franchise Agreement, Section 5.3);

f. provide promotional materials and advertising programs from time to time as we deem appropriate (Franchise Agreement, Section 5.3);

g. provide the services under the Franchisee Technology Maintenance Fee (Franchise Agreement, Section 5.3);

h. provide CRM services for which you pay your fees. (Franchise Agreement, Article 3);

i. provide the franchise system with digital marketing services through the payment of the Franchisee DM Fee (Franchise Agreement, Article 3); and,

j. work with you on Special Projects (Franchise Agreement, Articles 3 and 5).

We do not offer any help or advice concerning your employees, and we do not set prices though we may suggest pricing schedules from time to time.

C. Schedule for Opening

~~Regardless of the size of Protected Territory you choose, you will~~ You must open for business within 90 days after signing the Franchise Agreement. (Opening Date). You must obtain ACH Rights and must complete the APA Training, Franchisee Training and Thomson Training before you open. We may extend the Opening Date for a reasonable time (not to exceed 30 days) in the event factors beyond your reasonable control prevent you from meeting the deadline, and you request an extension of time from us at least 15 days before the set Opening Date. The factors that affect the period required to open the Franchised Business may include the ability to obtain ACH Rights and the ability to obtain financing or insurance.

D. Optional Assistance and Special Projects

You may wish to get advanced or additional on-site training from us. This is optional and is not required for the operation of the Franchised Business unless you feel it is necessary. We will charge our then-current fee plus all costs for travel, lodging and food. ~~(Item 6)~~. Such training will be of no specific duration and will have a curriculum that is tailored to address your needs. We will use the Manuals and hand outs for such training. The personnel used to deliver Franchisee Training will also be used for this training.

If you and we decide to work on a Special Project, we will tell you our then-current hourly fee (Item 6) before any work is started and if you decide to go forward, we will outline the scope of the work to be done. There is no requirement to bring Special Projects to us.

E. Advertising

Local Advertising

Beginning with the 4th month of operation, ~~and regardless of the size your Protected Territory,~~ you will be required to spend a minimum of 1% per month of Gross ~~Sales~~Revenue on local marketing and advertising (Local Marketing and Advertising Fee). ~~You~~Subject to the next paragraph, you may spend any additional amount on local advertising and such advertising may take any form.

We must approve any advertising before it is placed. You will deliver the proposed advertising to us no less than 15 calendar days before its insertion into any medium. If you do not receive written notice within 15 calendar days, it is ~~deemed to be approved.~~approved.

Though you may advertise on the Internet, all such advertising and all modifications to such advertising must first be approved by us in the same manner as is other local advertising. Further, all social media accounts you create for use with the Franchised Business and any modifications to the accounts must first be approved by us. Once created, all social media posts, blogs, vlogs and content belongs to us. All of this media will be transferred to us upon the expiration or earlier termination of the Franchise Agreement.

We have the right to increase the Local Marketing and Advertising Fee to 2%. We will give you written notice of our intent to do this and 60 days to comply.

~~_____ You may advertise on the Internet. Such advertising, however, must first be approved by us in the same manner as other local advertising.~~

~~_____ You must advertise only within your Protected Territory. You may however service any Client that may be referred to you regardless of from where the referral originated. This means that you may have Clients that are within the Protected Territory of another franchisee or company owned or Affiliate-owned Business, and another franchisee or company owned or Affiliated owned Business may have Clients within your Protected Territory.~~

National Advertising Fund and Regional Advertising

We ~~are do~~ not now, but may at any time in the future, collect from all franchisees 1% of your Gross Sales Revenue per month for national advertising (Franchisee National Advertising Fee) from all Franchisees regardless of the size of a Protected Territory. The Franchisee National Advertising Fee will be due at the same time as your Royalties. We will give you no less than 60 days prior written notice before we ~~start~~begin collecting this amount.

The Franchisee National Advertising Fees will be deposited in an interest bearing checking account, savings account, or any other account of our determination (Franchisee National Advertising Account). Any monies not used in any year will be carried to the next year. The Franchisee National Advertising Account is not a trust and we assume no fiduciary duty in administering it.

The Franchisee National Advertising Account will be administered by us in our sole discretion and may be used by us for all advertising expenditures (including the creation of various advertising and promotional products for use with printed materials, posters, and the creation of radio on local, regional basis or national basis) reasonably intended to benefit some or all franchisees, and for the payments to us of costs related to administering the Franchise Advertising Account such as reasonable salaries, administrative costs, costs allocated to any conferences, travel expenses, and overhead. Franchisee National Advertising Fees ~~are not now, but may, in the future~~ be used to sell additional franchises.

We make no guarantee to any ~~other~~ franchisee or you that advertising expenditures from the Franchise Advertising Account will benefit you or any other franchisee directly or on a pro rata basis. We will assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to the Franchisee National Advertising Account or with respect to maintaining, directing or administering the Franchisee National Advertising Account.

Any company-owned Businesses (but not Affiliate-owned businesses) will participate in any national or regional advertising programs on the same basis as franchisee-owned Businesses.

The advertising will be produced by a local, national or international advertising agency or by us.

Upon your prior written request, we will make available to you, no earlier than 90 days after the end of each calendar year, an annual unaudited financial statement for the Franchisee National Advertising Account. ~~This account is unaudited.~~

Though we have no plans now, we reserve the right to increase the amount of the Franchisee National Advertising Fee to no more than 2%. We will give you written notice of our intent to do this and 60 days to comply.

If implemented, we intend for the Franchisee National Advertising Fees to be continual and perpetual, but we have the right to suspend (and subsequently reinstate) or terminate it if necessary. We

will not close the Franchise National Account however, until all contributions and earnings have been used for the purpose for which they were collected.

We collected no Franchisee National Advertising Fees in 2017.

We reserve the right, upon 30 days prior written notice to you, to allocate all or a portion of the Franchisee National Advertising Fees to a regional advertising program for the benefit of Franchised Businesses located within a particular region (Regional Advertising Program). We have the right to determine the composition of all geographic territories and market areas included in a particular Regional Advertising Program and to require that you participate if the same is established by us. If a Regional Advertising Program is implemented on behalf of a particular region, we will only use contributions from franchisees within such region for the particular regional advertising program, to the extent reasonably calculable by us.

We have the right to change, dissolve, or merge any Regional Advertising Program. We will prepare unaudited financial statements and will deliver the same to you no earlier than 90 days of its year-end.

~~Though we have no plans now, we reserve the right to increase the amount of the Franchisee National Advertising Fee to no more than 2%. We will give you written notice of our intent to do this and 60 days to comply.~~

~~If implemented, we intend for the Franchisee National Advertising Fees to be continual and perpetual, but we have the right to suspend (and subsequently reinstate) or terminate it if necessary. We will not close the Franchisee Advertising Account however, until all contributions and earnings have been used for the purpose for which they were collected.~~

There is no advertising council or advertising cooperative.

~~We collected no Franchisee National Advertising Fees in 2016.~~

Franchisee Digital Marketing Fee (Franchisee DM Fee)

You will pay us the then-current Franchise DM Fee, which will be collected with the Royalties. This fee was formerly known as the “Franchisee SEO Fee”

The Franchisee DM Fees will be deposited into an interest bearing checking account, savings account, or any other account of our determination. (Franchisee DM Account). Any monies not used in any year will be carried to the next year. The Franchisee DM Account is not a trust and we assume no fiduciary duty in administering it.

The Franchisee DM Account will be administered by us in our sole discretion and may be used by us: to optimize all web sites that advertise for Clients for the benefit of some or all franchisees; and, for the payments to us of costs related to administering the Franchisee DM Account such as reasonable salaries, administrative costs, travel expenses, and overhead. We may use in-house personnel or may use the services of third-party independent contractors to perform the search engine optimization services. The Franchisee DM Fees will not be used to sell additional franchises.

We make no guarantee that expenditures from the Franchisee DM Account will benefit any other franchisee or you directly or on a pro rata basis. We will assume no other direct or indirect liability or

obligation to you with respect to collecting the Franchisee DM Fee or with respect to maintaining, directing or administering the Franchisee DM Account.

Upon your prior written request, we will make available to you, no earlier than 90 days after the end of each calendar year, an annual unaudited financial statement for the Franchisee DM Account. This account is unaudited.

All franchisees and any company-owned (but not Affiliate-owned) businesses will contribute equally to the Franchisee DM Account.

We intend for the Franchisee DM Fees to be continual and perpetual, but we have the right to suspend (and subsequently reinstate) or terminate it if necessary. We will not close the Franchisee DM Account however, until all contributions and earnings have been used for the purpose for which they were collected.

~~Any leads from the website and “request a quote” portals will be distributed to the franchisee that is geographically closest to the Client. As a result, some franchisees may receive more leads than others.~~

~~———— We collected \$22,250 in In 2017. 28% of the Franchisee DM Fees in was 2016. 100% of the funds were used for digital marketing media placement; 30% was used for web services; 25% was used for administrative costs, and 17% was used to provide further training on the use of DM Marketing.~~

F. Computer Requirements

~~You will be~~ required to own or purchase the following electronic equipment and software ~~in order to operate your Franchised Business;~~

a. ~~A PC notebook or desktop computer of any model or age so long as it has the following configuration:~~ A PC notebook or desktop computer of any model or age (Computer Hardware) so long as it use the Microsoft Windows operating system and has sufficient hard drive space and RAM memory to carry out all of the operations required of the Franchised Business. The Computer Hardware must also have the following off-the-shelf software: (i) the latest version of Microsoft Office (which may be the online version of this software); (ii) the latest version of QuickBooks (which may be the online version of this software); and (iii) the latest version of Internet Explorer or compatible browser. You must also have a license for the Payroll Software. If you purchase only the Payroll Software license and have no other Thomson software products, maintenance and support are currently included in the monthly Payroll Software License Fee. If you have additional Thomson software, Thomson may charge a fee for the maintenance and support of the Payroll Software. Such fees are determined by Thomson over whom we have no control and cannot therefore quote any such fee to you. Thomson may change its policies and procedures at any time. All of the software on the Computer Hardware may be referred to as the “Computer Software”. Together, the Computer Hardware and Computer Software will be referred to as the “Computer System”.

- ~~————~~ i. ~~It must operate on the most current version of the Windows operating system;~~
- ~~————~~ ii. ~~It must have a minimum 100 gigabytes of hard drive memory; and,~~
- ~~————~~ iii. ~~It must have a minimum of 2 megabytes of RAM memory.~~

~~———— Together, the computer and the above software will be referred to as the “Computer System”.~~

b. A dedicated scanner (Scanner). Currently, the Fujitsu Model 7160 is recommended, though you may use any Scanner you choose so long as it is “TWAIN” compliant. TWAIN is a software protocol that allows your Computer System and Scanner to communicate. This may change at any time.

~~The Computer System must be continuously connected to a high-speed internet access portal.~~

~~We may in the future offer other proprietary software or web-based programs that may include accounting, word processing and other features. We reserve the right to change at any time the supplier of required payroll related software from Thomson to any other vendor. We will give you no less than 90 days written notice of such change and you must comply by the end of that time period.~~

You may already have the Computer System and Scanner. If not, it could cost you up to \$2,500 to purchase one or both.

You are not required to have a maintenance, update, upgrade, or support contracts for the Computer System or Scanner.

~~You will be~~ required to maintain the Computer System and Scanner in order to keep ~~it~~each operational. The cost of, and the frequency of such maintenance cannot be estimated as various factors, such as the age of the equipment, and its treatment while in operation cannot be determined. ~~You will be required~~We may require you to update the Computer System and Scanner no more often than once every 5 years. This could cost ~~up to \$2,000~~up to \$2,000 or more.

~~c. The Computer must also have the following off the shelf software:~~

- ~~i. A word processor and spreadsheet program;~~
- ~~ii. Microsoft Office;~~
- ~~iii. The latest version of Internet Explorer or compatible browser; and~~
- ~~iv. QuickBooks Professional.~~

~~c. d. You must have a license for the Payroll Software. If you purchase only the Payroll Software license and have no other Thomson software products, maintenance and support are currently included in the monthly Payroll Software license Fee. This may change at any time.~~

~~e. You must have VoIP-compatible Phone Equipment that can be used with a VoIP service provider that we suggest, but that you are not required to use. If you do not already have this equipment, it could cost you \$150 or more per phone. You must subscribe a VoIP vendor’s VoIP system. This can cost \$45 or more per month per line or per phone. You must maintain the Phone Equipment. There is no frequency requirement for such maintenance and we do not require you to update the Phone Equipment. As a result, we cannot calculate the cost to you to maintain or update the Phone Equipment.~~

~~You will also need a plain paper printer, copier and fax machine, which may be an “all-in-one” machine of any make or model.~~

~~The Computer System must be continuously connected to a high-speed internet access portal.~~

~~You will be required to maintain all other software with any patches that may come from its manufacturer. The cost of, and the frequency of such patches cannot be estimated as various factors, such as the age of the software, and the manufacturers’ update schedule cannot be determined. You are not required to have a maintenance contract for the above software.~~

~~———— We may in the future offer other proprietary software or web-based programs that may include accounting, word processing and other features. We reserve the right to change at any time the supplier of required payroll-related software from Thomson to any other vendor. We will give you no less than 90 days written notice of such change and you must comply by the end of that time period.~~

e. ~~———— A plain paper printer/fax machine, and a copier (can be a combination unit); and,~~

~~———— f. High speed internet access with a configuration acceptable to us.~~

~~———— For auditing, marketing and other commercially reasonable purposes, we will have independent access to your databases at any time; except we will never disclose any personally identifiable information of a Client. If your databases are passcode protected, you will provide the code to us upon request. The information accessed will include any Client lists and Client information.~~

For auditing, marketing and other commercially reasonable purposes, we will have independent access to ~~your~~all of the databases on your Computer System at any time; except we will never disclose any personally identifiable information of a Client. If your databases are passcode protected, you will provide the code to us upon request. The information accessed will include any Client lists and Client information. Except as stated here, there are no other contractual limitations on our access to your information.

G. Manuals and Table of Contents

We will loan you one copy of the Franchisee Manual though it will always remain our property. It is part of the System and it contains our confidential, proprietary and trade secret information. The Tables of Contents of the Franchisee Manual is found in Exhibit C to this Disclosure Document. The Franchisee Manual contains approximately 6458 pages. The Franchisee Manuals may be delivered to you electronically through our website for which you will have a passcode.

H. Location Selection

Franchisee

~~———— You may locate your Franchised Business anywhere within your Protected Territory. It is anticipated~~anticipate~~ and expected that you will operate the Franchised Business from your home or your current office space located within the Protected Territory (your “Franchised Location”). We do not select your site and have no criteria for approving your Franchised Location. We will not own or lease your Franchised Location. You must locate your Franchised Location before you open for business. We have no requirement for the Franchised Location design or decor. As with any business, you must conform ~~generally~~your Franchised Location to local ordinances and building codes and must obtain any permits necessary. We have no criteria for ~~remodeling~~remodeling or decorating the Franchised Location. You must notify us of the address of your Franchised Location no later than the date that you open for business.~~

~~———— If you decide to lease space outside your home or if you are currently using office space outside your home, and though you may configure the interior design and decor in any manner that you deem appropriate, we have the right to inspect it to insure that it is commercially reasonable clean and attractive to Clients. Further, we have the right to require you to change the interior decor of the office if it fails to meet commercially reasonable standards.~~

I. Training

APA Training

For the first franchise that you are awarded and prior to attending our live “Franchisee Training” , you must complete to our reasonable satisfaction 7 modules of APA Training that are described below. ~~(Item 7)~~. This training could take up to approximately 43 hours to complete depending upon such things as your learning style and experience. There is no limit to the number of people who may take this training, though your “Principal Operator”, “Designated Manager” or you must complete the APA Training. You must pay the APA Training Fee at the time you take the training. The trainers and the material used are determined by the APA over which we have no control and as a result, we cannot provide you such information. As this is online training, it can be taken at any time that is convenient and there are is no travel or similar expense to be paid. The “Designated Manager” is defined as If you are a business-entity franchisee, the “Principal Operator” is the person designated by the franchisee to operate the Franchised Business from day to day. The “Designated Manager” is the person, besides you or your Principal Operator, who acts as the general manager of the Franchised Business, has been trained by us, and who delivers our services directly to the Clients. We reserve the right to reduce or eliminate this requirement depending on the experience of the attendee and his or her position with the Business—once you are open.

APA Training consists of the follow:

Training Program - APA Training

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Module 1* - Introduction to Payroll	Up to 6 Hours	0	On line
Module 2 - Calculating Payroll	Up to 6 Hours	0	On line
Module 3 - Calculating Deductions and Net Pay	Up to 6 Hours	0	Online
Module 4 - Fringe Benefits	Up to 6 Hours	0	On line
Module 6 - Cafeteria Plan	Up to 6 Hours	0	On line
Module 7 - Payroll Reporting	Up to 7 Hours	0	Online
Module 9 - Accounting and Audits	Up to 6 Hours	0	Online
Total	Up to 43 Hours	0	

* Module numbering is based on the APAs numbering schedule, and as a result, the Module numbers in the table are not consecutive.

Franchisee Training

Also for the first franchise ~~that~~ you purchase, your Principal Operator, Designated Manager or you must complete our training to our satisfaction (Franchisee Training). These are the only attendees allowed at this training. Franchisee Training cannot be taken until the APA Training has been completed.

Franchisee Training consists of approximately 5 days of instruction of which approximately 40 hours is classroom instruction, or online training and testing. There is no on-the-job training. Franchisee Training is held as needed, but no more often than once each month. Franchisee Training will occur at our facility in our then-current headquarters, at another facility that we designate and online. Franchisee Training may be increased or decreased in our sole discretion depending upon your experience and knowledge. You are responsible for all costs associated with attending training, including travel, room and board. Franchisee Training materials consist of the Manuals and handouts. Except for the training of replacement personnel, tuition is not charged.The “Principal Operator” is the person designated by your business entity to operate the business on a day-to-day basis and to receive our training. You are responsible for training your own employees and other management personnel.

Franchisee Training consists of the following:

TRAINING PROGRAM - FRANCHISEE TRAINING

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Day 1: Mission Stmt.; Competition; Industry Overview; In-house Administrative Services	8 hours	none	Our Colorado headquarters or other location we designate.
Days 2: Class room training in Sales and Marketing; Dinner	8 hours	none	Our Colorado headquarters or other location we designate.
Day 3: Operations and Software; Hiring and Management	8 hours	none	Our Colorado headquarters or other location we designate
Day 4(1): Operations Continuing Training	8 hours	none	Online
Day 5(2): Marketing Continuing Training	8 hours	none	Online
Totals	40	0	

- 1. ~~This training must be taken within 30 days after you open.~~
- 2. ~~This training must be taken within 60 days after you open.~~

Sean Manning, Marilyn Manning, ~~Ms. Messler, Mrs. Tricia Petteys, Ms. Kristina Kefalas, Mr. Heinz Ms. Walker and Tim Loefelm~~ are the training instructors for both the live and online training. The background and experience of each is the Mannings, Mrs. Petteys and Ms. Kefalas are described in Item 2. Mr. and Mrs. Tim Loefelm is also Manning and Mrs. Petteys have worked with our Services Affiliate since its inception and have experience in the operation of a payroll service similar to one being offered here. Mr. Manning has been a certified public accountant since 1995 and he will use that experience to train you. Ms. Kefalas joined our team in February of 2013. ~~trainer~~She worked with Mr. Manning at his accountancy firm for over 12 years as a manager of operations and customer account management and will bring this experience to her training duties. Mr. Loefelm has been with us since July of 2014 and has recently been added as a trainer who offers insight in the use of our customer relationship management and other software programs. His past experience includes training personnel in

~~this information for our Affiliates since 2014. Affiliate since 2014. Mr. and Mrs. Manning, Ms. Messler and Mrs. Petteys have worked with our Services Affiliate since its inception and have experience in the operation of a payroll service similar to one being offered here. Except for Mr. Loefelm, they have been providing training for our franchisees since our inception. Mr. Manning has been a certified public accountant since 1995 and he will use that experience to train you. Ms. Kefalas joined our team in February of 2013. She previously worked with ownership as a Manager of Operations and Customer Account Management for over 12 years and will bring this experience to her training duties. Ms. Messler is responsible for facilitating Sales and Marketing training for new franchise offices. Mr. Heinz has been with us since 2012. He helped train franchisees in all aspects of the training beginning in 2015. Ms. Walker has been with us since 2014 and has trained our franchisees in the Training Program since that date. From time-to-time persons who are active in the operations and administrative side of our business, as well as support staff, may assist in the training.~~

~~Franchisee Training classes at our offices are held as needed. You must pay for your own travel, meals, and lodging expenses. There is no charge for training materials. Franchisee Training materials consist of the Manuals and handouts. Except for the training of replacement personnel, tuition is not charged.~~

Thomson Training

You will also be required to train on the use of the Payroll Software (Thomson Training). Thomson training is done on-line and Thomson personnel are the trainers. As a result, we do not determine the subject matter or the hours of classroom or on-the-job training. As this is on-line, you may take the training at any time and from any computer. You may already have sufficient Thomson Training. Thomson may charge a training fee-. The training materials will include the Thomson Software and handouts. Tuition is paid as part of the Initial Payroll License and Training Fee (Item 7).

THOMSON TRAINING PROGRAM - THOMSON

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Payroll Processing, Payroll Tax Reporting and Accounting with the Thomson Payroll Software	10	0	On line
Thomson Payroll Software “File Cabinet” Module	4	0	On line
Thomson Payroll Software “NetClient/Remote Payroll” Module	4	0	On line
Totals	18	0	

Your Principal Operator, Designated Manager, or you must complete the Thomson Training to the reasonable satisfaction of Thomson. These are the only attendees allowed to take this training.

APA Training, Franchisee Training and Thomson Training must be completed before you open.

Franchisee Missed Quota Additional Training

If you fail to maintain the Franchisee Quota for any 12-month period, we have the right in our sole discretion to: (a) allow a current franchisee, a newly-signed franchisee, or a company-owned or Affiliate-owned Business to begin to sell Payroll Services in your Protected Territory; (b) terminate your franchise rights; or (b) require you to attend the Franchisee Missed Quota Additional Training in lieu of termination or the placement of another franchisee, company-owned or Affiliate-owned Business in your Protected Territory.

If we offer you this training, you will have 18 months after such training ends to increase the number of Clients to the Franchisee Quota level required in the final twelve months of that 18-month period. If, after such training and the 18-month period you fail to meet the then-current Franchisee Quota, we have the right to terminate your franchise or allow another franchisee, company-owned or Affiliate-owned Business to operate in your Protected Territory.

The Franchisee Missed Quota Additional Training will be held as needed and may be held on-line, through webinars, in person at your location, at our then-current headquarters, or at any other location that we determine. You will pay for your travel, room and board if you travel to us, will pay our travel, room and board if we travel to you, and you may have to pay the Missed Quota Additional Training Fee if we charge it. (Item 6). We will use the Manuals and handouts for such training. The personnel used to deliver Franchisee Training will also be used for the Franchisee Missed Quota Additional Training. The Franchisee Quota may change at the time a Successor Franchise Rights Term is awarded.

Online training is held online and you may access it at any time through our website. You must however complete by the deadlines stated above. The training materials will be handouts and documents downloadable through our website.

We do hold an annual conference and your attendance is mandatory. You will be responsible for the payment of all expenses for travel, accommodations, food, and wages of any attendees. When it is known, you will be provided with the duration of such a meeting, as well as its location, the identities of those who will present information at the meeting, and the content of any seminars or information that will be delivered at that time. The annual conference will be held in a location to be determined by us. We reserve the right to charge an attendance fee. ("Franchisee Annual Conference Attendance Fee" - Item 6)

If you fail to attend the annual conference, you will be required to pay the then-current ~~mandatory Franchisee Mandatory~~ fee for not attending the annual convention ~~(Franchisee Mandatory Fee)~~. The Franchisee Mandatory Fee will be collected at the time that the materials are sent to you and you must then participate in the mandatory conference call, video or webinar that will be held for all franchisees who fail to attend the annual conference. Failure to participate in the mandatory conference call, video or webinar may result in the termination of the Franchise Agreement.

In addition to the annual conference and though we do not now, we have the right, in the future to require your Principal Operator, Designated Manager and you to attend a local or regional meeting up to 2 times per year (Regional Meeting). Any additional local or regional meetings will last between 1 and 2 days and will be held at a location to be approved by us that will be within easy car or bus commuting distance. Any instructors at such meetings will be Mr. or Ms. Manning, or another person not yet identified by us, but whose identity and background will be disclosed to you before the meeting. There

will be no tuition, but you will be responsible for all travel and living expenses that are associated with attendance at the same. The instruction materials will include the Manuals and handouts.

We also hold an Owners Exchange Meeting every spring. You are not currently required to attend though we may in the future require attendance. If you attend, you will pay the then-current Owners Exchange Tuition (Item 6). If we do in the future require attendance, or if we decide to change the amount of the Owners Exchange Tuition, we will let you know no less than 60 days before the event. The current instructors at the meetings are Mr. Manning, Ms. Messler and Ms. Petteys, though we may add other instructors in the future, whose identity and background will be disclosed to you before the meeting. You are responsible for all travel and living expenses that are associated with attendance. The instruction materials include the Manuals and handouts.

ITEM 12

TERRITORY

~~It is expected~~For the first 12 months of your operations (measured from the day that you open for business), you will receive a “Protected Territory” that contains no less than 10,000 businesses of any size.

In some cases, and after you have been in operation for no less than 12 full months, we may grant you the right to increase the size of your Protected Territory by adding up to two contiguous Additional Protected Territories, each of which will contain an additional 5,000 businesses of any size. You will be granted this right if:

a. you are current in of all of your obligations under the Franchise Agreement on that date that you request an Additional Protected Territory and on the date that we grant you the Additional Protected Territory;

b. you have not breached the Franchise Agreement during the period during the period of time prior to your request;

c. you have met the Franchisee Quota during the period of time prior to your request, and,

d. using our “Reasonable Business Judgment” (Franchise Agreement, Article 1) we agree to grant you such right. As part of our decision in this regard, we will determine whether you have sufficient employees or contractors, sufficient financial resources and sufficient business acumen to operate your business from your home or an office you already have. (a larger Protected Territory. There is no guaranty that you will be granted the right to an Additional Protected Territory.

For each Additional Protected Territory awarded to you, you will pay the then-current Additional Protected Territory Fee, and your Royalty will increase as stated in Item 44)–6. We may increase the Additional Protected Territory Fee at any time and in any amount. We will give you no less than 60 days prior written notice before increasing this fee.

Your Protected Territory and any Additional Protected Territory may be defined by zip codes, street names or by other natural or man-made boundaries. Your Protected Territory, and any Additional Protected Territory will be of no particular geometric shape. If you receive Additional Protected Territory, we will amend your then-current Franchise Agreement by describing the new boundaries that enclose such Additional Protected Territory. We will both agree upon the identity of your Protected

Territory before you sign the Franchise Agreement. We will not increase or decrease your Protected Territory should the number of businesses increase or decrease.

You may advertise anywhere and you may service any Client that is referred to you. This means that you may have Clients that are within the Protected Territory and Additional Protected Territory of another franchisee or company-owned or Affiliate-owned business, and another franchisee or company-owned or Affiliated-owned business may have Clients within your Protected Territory and Additional Protected Territory.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You will receive a Protected Territory the size of which depends on the level of participation you choose. The “Professional Protected Territory” covers an area of approximately 10,000 businesses of any size; the “Business Protected Territory” covers an area of approximately 15,000 businesses of any size; and the “Expanded Protected Territory” contains approximately 20. Our web page, digital marketing, national branding, public relations and our on-line and social media advertising invite all viewers to contact us to learn more about the services our franchisees offer. If we receive an inbound call, email or similar contact (Inbound Lead), and if the Inbound Lead does not specify the desire to work with a particular franchisee, it will be routed by us to the franchisee in whose Protected Territory or Additional Protected Territory the Inbound Lead originated. If there is no franchisee in that area, the Inbound Lead will be routed to the franchisee whose Protected Territory is the closest. We will determine the origin of the Inbound Lead by the zip code of the contact or by any other electronic mean that allows us to pinpoint such location.

~~,000 businesses of any size.~~

~~Your Protected Territory may be defined by zip codes, street names or by other boundaries. Except in the case where a franchisee has failed to meet the “Franchisee Quota”, (defined below) we will not place another franchisee, company owned or Affiliate owned Business within your Protected Territory. We will both agree upon the identity of your Protected Territory before you sign the Franchise Agreement.~~

~~We will use our Reasonable Business Judgment (Franchise Agreement, Article 1) to try to place no more franchisees in a “Geographic Area” than the number of Protected Territories that fill it. The Geographic Area in which your Protected Territory and the Protected Territories of other Franchisees is located may be defined by state, city or county lines, zip codes, or may be defined by natural boundaries such rivers or mountains. For instance, in a Geographic Area that has 60,000 businesses, we may place 1 franchisee with a Professional Protected Territory, two franchisees each of whom owns a Business Protected Territory, and 1 franchisee that owns an Expanded Territory. The Geographic Area and your Protected Territory will have no particular geometric shape. If the number of businesses of any size increase in the Geographic Area in which your Protected Territory is located by 10,000 or more, we may sell additional franchise opportunities.~~

~~You must advertise only within your Protected Territory. You may however service any Client that may be referred to you regardless of from where the referral originated. This means that you may have clients that are within the same Protected Territory of another franchisee or company owned or Affiliate owned business, and another franchisee or company owned or Affiliated owned business may have clients within your Protected Territory.~~

You may relocate your Franchised Business at any time within your Protected Territory ~~at any time~~ and Additional Territory. You must immediately provide us the address of the new Franchised Location once you have identified it.

The “Effective Date” of a Franchise Agreement is the date that we have signed. There is no contract between us until we sign it regardless of the order in which signatures were received.

You are required to meet these minimum performance criteria (Franchisee Quota):

- a. within 18 months of the Effective Date, you must have a minimum of 25 monthly payroll Clients or have a monthly minimum payroll billing average of \$3,125;
- b. within 36 months of the Effective Date, you must have a minimum of 75 monthly payroll Clients or have a minimum monthly payroll services billing average of \$9,375; and
- c. within 48 months of the Effective Date and for each 12-month period after that, you must maintain a minimum of 100 monthly payroll Clients or have a minimum monthly payroll services billing average of \$12,500.

The Franchisee Quota may change at the time a Successor Franchise Rights Term is awarded.

If you fail to maintain the Franchisee Quota for any 12-month period, we have the right in our sole discretion to: (i) allow a current franchisee, a newly-signed franchisee or a company-owned or Affiliate-owned Business to begin selling Payroll Services in your Protected Territory; (ii) terminate your franchise rights without any right to cure; or (iii) require you to attend the Franchisee Missed Quota Additional Training in lieu of termination or the placement of another franchisee, company-owned or Affiliate-owned Business in your Protected Territory.

~~———— You do receive rights to acquire additional franchises. (Franchise Agreement, Section 2.6). To qualify, you must:~~

- ~~———— i. ——— have been open for at least 12 full calendar months;~~
- ~~———— ii. ——— be in “Compliance” with your Franchise Agreement at the time that you seek to purchase additional franchise rights. Compliance means that you: (1) have received written notices from us of breach of the Franchise Agreement (each of which was timely cured) less than 4 times during the then-current term; and (2) are not in breach at the time that you seek to obtain more locations;~~
- ~~———— iii. ——— meet the then current financial and business requirements that are applied to franchisees that own multiple units; and,~~
- ~~———— iv. ——— have operated your current Franchised Business in such a manner that we, using our Reasonable Business Judgment, deem to be sufficient to warrant granting you an additional location.~~

~~———— If we grant you the right to an additional Franchised Business, you will sign the then current franchise agreement and, if we deem it appropriate, will attend additional training. The new franchise agreement may have terms significantly different from the franchise agreement that you previously signed.~~

Reservation of Rights

Our Affiliates and we reserve the right, among others, to:

- i. own, franchise, or operate businesses which are similar to your Franchised Business and which use the Marks and the System at any location within or outside of the Protected Territory;
- ii. use the Marks and the System to sell any products or services (which may be similar to those that you will sell) through any alternate channels of distribution such as television or over the internet within or outside of the Protected Territory. You cannot use alternate channels of distribution without our express permission, which may be granted or denied for any reason or for no reason at all. If we use alternate channels of distribution including the internet within your Protected Territory, we are not required to compensate you;
- iii. use and license others to use, either within the Protected Territory, or in alternate channels of distribution, other trademarks, trade names, service marks, logos, copyrighted materials, and methods of operation that are not the same as or confusingly similar to the Marks, in the operation of a business that offers goods, services, and related products that may be similar to, or different from, the business operated by you;
- iv. purchase, or be purchased by or merge or combine with any business, including a business that competes directly with your Franchised Business, wherever located;
- v. acquire and convert to our System any businesses offering services and products similar to those offered by you, including such businesses operated by competitors or otherwise operated independently, or as part of, or in association with any other system or chain, whether franchised or corporately owned, and whether located inside or outside of the Protected Territory; and,
- vi. retain all other rights not specifically granted to you.

Though we can use alternative channels of distribution within the Protected Territory to make sales of goods, items, and services associated with the System and the Marks, or associated with any other system or trademarks, service marks, trade names, logos, and the like, we have not done so as of the date of this disclosure document. We reserve the right to do so at any time.

Our Services Affiliate has established a company-owned unit and will continue to operate it. It is not subject to any territorial limitations; except that the Affiliate-owned businesses will never be located in any portion of your Protected Territory.

ITEM 13

TRADEMARKS

Our Services Affiliate has received registration for the below ~~marks~~Marks on the Principal Register of the United States Patent and Trademark Office (USPTO) as follows:

Registration Number	Description of Mark	Principal or Supplemental Register of the USPTO	Registration date
4,189,071	Payroll Vault	Principal	August 14, 2012

Registration Number	Description of Mark	Principal or Supplemental Register of the USPTO	Registration date
4,149,049		Principal	May 29, 2012
4,600,737	Payroll Re-Defined (Standard Character Mark)	Principal	September 9, 2014
4,596,685	It Time to Rethink Payroll (Standard Character Mark)	Principal	September 2, 2014

The Services Affiliate also claims common-law rights to the following mark:



We do not have a federal registration for the above principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All current and future trademarks, service marks, trade names, trade dress, designs, logos, and other designations, any and all variations or modifications to any of the foregoing, as all registrations, applications and renewals therefor are referred herein as the “Marks.”

Our Services Affiliate and we have entered into a license agreement (Master License Agreement) that grants us use of, and the right to sublicense to you the Marks. The Master License Agreement has a term of 30 years and is renewal for ~~2~~two additional 30-year periods. We are required to insure our Services Affiliate that you are using the Marks in a manner that protects the common law and statutory rights of each Mark. Under the franchise agreement, if you fail to meet this requirement, we have the right to terminate your franchise (Franchise Agreement, Article 6). The Agreement can only be cancelled if we breach this requirement. In such an event, our Services Affiliate has agreed that it will grant you the right to continue to use the Marks under the terms of the Franchise Agreement. Except as stated herein, there are no other agreements in place that limit our use of the Marks.

There are presently no effective material determinations of the USPTO, any trademark, trial and appeal board, or any state trademark administrator or of, and there is not pending any federal or state court ~~any pending litigation alleging~~ interference, opposition, or cancellation ~~proceedings~~ involving any of the Marks.

There is no pending federal or state court litigation regarding our use or ownership rights in any Marks. All required affidavits have been filed.

~~We and our~~Our Services Affiliate and we alone have the right to control any administrative or litigation proceedings involving the Marks. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must notify us immediately. We in our sole discretion will take the necessary steps to defend the Marks. We will indemnify you if the action solely arises from the Marks. We do not have an obligation to indemnify or defend you if the

action arises from your use of the Marks in violation of the Franchise Agreement. We know of no infringing or superior rights to any Marks.

If you learn that any unauthorized third party is using the Marks, you must notify us immediately. We, in our sole discretion, will determine what, if any, action will be taken to protect the Marks. You may not take any action against an alleged infringer. Any costs incurred by you for actions against an alleged infringer are solely your own; we will not reimburse you for any costs associated with defending the Marks.

We, in our sole discretion, may modify or discontinue the use of the Marks at any time. You will be provided adequate time to comply, at your sole expense, with any new guidelines regarding the Marks.

We have secured the following Internet domain names: www.payrollvault.com. Other domain names may be added at our discretion.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents or copyright registrations that are material to the franchise.

We do have common law copyrights and copyright protection in all of the components of the System, our "Proprietary Information" (Franchise Agreement, Article 6) including, but not limited to, the Franchisee Manual and related materials, training modules, and all marketing and advertising materials. There are no known instances of copyright infringement of our System or Proprietary Information.

Each component of the System, the Proprietary Information is proprietary, a trade secret and confidential. You may only use each such component as allowed pursuant to the Franchise Agreement. You must maintain strict confidentiality of each component of the System and our Proprietary Information and adopt procedures to prevent unauthorized disclosure of any such information.

We alone have the right to control any administrative or litigation proceedings involving the System and the Proprietary Information. . If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the System or the Proprietary Information, you must notify us immediately. We, in our sole discretion, will take the necessary steps to defend the claim. We do not have an obligation to indemnify or defend you if the action arises from your use of the System or the Proprietary Information in violation of the Franchise Agreement.

If you learn that any unauthorized third party is using any component of the System or Proprietary Information, you must notify us immediately. We, in our sole discretion, will determine what, if any, action will be taken. You may not take any action against said third party. Any costs incurred by you for actions against a third party are solely your own; we will not reimburse you for any costs associated with protecting the System or Proprietary Information.

In the event that we, in our sole discretion, determine it necessary to modify or discontinue use of any portion of the System or Proprietary Information, or to develop additional or substitutes for a portion of the System or Proprietary Information, you will be given adequate time after receipt of written notice of such a modification or discontinuation from use, to take such action, at your sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution.

You may never during the term of the Franchise Agreement or upon termination of either agreement, reveal any component of the System or Proprietary Information to any person or entity, and may not use it for any other business. You may not copy any Proprietary Information unless we specifically authorize it in writing. All persons affiliated with you must sign a Confidentiality Agreement (Franchise Agreement, Exhibit 6).

Your “Client List” is defined as the name and contact information of all persons or business entities, whether present or future, to which you provide Payroll Services under the Franchise Agreement. In consideration of the time and effort that we have put into the System and its goodwill, and for other good and valuable consideration, you agree that we retain ownership and control of your Client List for Payroll Services. Upon termination of your Franchise Agreement, for any reason, we will retain and own your Client List, and may use your Client List to continue to offer and provide Payroll Services. You may use your Client list to offer non-Payroll Services.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Each Business must be under the direct full-time and day-to-day supervision of your Principal Operator, your Designated Manager, or you each of whom must have completed our training (Item 11).

If you purchase the Business through a business entity, or if you convert to a business entity other than a sole proprietorship, each individual who owns an interest in the Business entity must sign a confidentiality and non-competition agreement that is attached to the Franchise Agreement and a personal guaranty assuming and agreeing to discharge all obligations of you under the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell only those products and services approved by us and may not use the Franchised Business or the Systems, or Marks for any other purposes. You may offer other services and products only after you have obtained our express written permission to do so.

We have the right to add, delete, change, or supplement the types of services that you provide, and there are no limits on our right to do so. You will have 30 days to implement any such changes.

We do not set minimum or maximum prices for any products, goods or services.

You as the Franchisee may operate any other business including an accountant’s, tax and bookkeeper or similar business from the Franchised Location so long as it does not compete with the Franchised Business.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document:

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Article 4	5 years (Initial Term)
b. Renewal or extension of the term	Article 4	3 Four additional consecutive 5-year terms (each a “Successor Franchise Rights Term”) if all obligations for “Successor Franchise Rights” are met. If Successor Franchise Rights are granted, you may be eligible for a reduced Royalty (Item 6, footnote 3). <u>Additional renewals will be by mutual agreement.</u>
c. Requirements for franchisee to renew or extend	Article 4	You must provide no less 48 <u>90</u> days prior notice and we will deliver the then-current FDD, you must have no outstanding material defaults or money owed, you must have not had more than 4 default notices, we must not have determined in our Reasonable Business Judgment not to renew, you must sign then— current <u>Agreement and pay renewal fee. You may be asked to sign a contract with materially different terms and conditions than your original contract, and the boundaries of the Protected Territory may change. The Royalties, advertising fees and other fees may be adjusted to conform with such fees then being charged to new franchisees. _</u> <u>current Franchise Agreement which may have terms that are significantly different than those of your current Franchise Agreement.</u> You must agree to sign the then-current Franchise Agreement no more than 60 days before the end of the Initial Term or the then-current Successor Franchise Rights Term. You will pay the then-current Successor Franchise Fee, which may be reduced (Item 6), and you may have the right to - Graduated Reduced Royalties (Item 6).
d. Termination by franchisee	Not Applicable	Not Applicable
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	Article 10	We can terminate only if you default. See (g) and (h) below.
g. “Cause” defined - curable defaults	Article 10	Failure to pay fees after 5 days notice; 30 days to cure; any defaults under the Franchise Agreement except for those described in (h) below.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" defined - non-curable defaults	Article 10	Non-curable defaults: bankruptcy; insolvency; abandonment; felonies or offenses involving moral turpitude or which may affect the System; material judgments or awards; misuse of marks; failure to pay Royalties or other fees; violation of laws; failure to pay taxes or wages; unauthorized business practices; disclosure of Proprietary Information; repeated breaches beyond 4 even if cured; unapproved Transfers; violation of law and failure to cure; material misrepresentation; cross-default; underreporting; inability to obtain ACH Rights before you open-; <u>or if you lose ACH Rights during the term of your Franchise Agreement.</u>
i. Franchisee's obligations on termination/non-renewal	Article 11	Obligations include, deidentification, payment of amounts due sums, cessation of use of trademarks and proprietary information, and return of all proprietary information; <u>assignment of the Software License and assignment of contact information</u> (see (r-) below).
j. Assignment of contract by franchisor	Article 9	No restriction on franchisor's right to assign.
k. "Transfer" by franchisee - defined	Article 9	Sale, assignment, gift, pledge, or mortgage or other disposition of any part of the Franchise Agreement, ownership of you or the Business.
l. Franchisor approval of transfer by franchisee	Article 9	Transferee has background, financial resources, etc. We have 30 days right of first refusal; transferee pays for training.
m. Conditions for franchisor approval of transfer	Article 9	Must be in compliance; must pay fee; must not be in breach; new franchisee qualifies, you must have no outstanding defaults or money owed, you must provide terms to us, new franchise must have signed current Franchise Agreement and have attended training, transfer fee paid, you must have signed release.
n. Franchisor's right of first refusal to acquire franchisee's business	Article 9	30 days on same terms as bona fide offer.
o. Franchisor's option to purchase franchisee's business	Article 9	Our option upon termination or expiration of the Franchise Agreement to purchase a part or all of assets for fair market value.
p. Death or disability of franchisee	Article 9	Franchise must be assigned by estate to approved transferee within 180 days

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
q. Non-competition covenants after the term of the franchise	Article 15	No involvement in competing business.
r. Non-competition covenants after the franchise is terminated or expires	Article 15	No competing business for 2 years within the Protected Territory or within any other Protected Territory that is serviced by a franchisee; except that if you already have payroll Clients at the time you sign the Franchise Agreement (Pre-existing Clients), these Clients will be exempt from any non-competition covenant. You will supply us with a list of your Pre-Existing Clients at the time you sign the Franchise Agreement. If no Pre-existing Clients list is provided it will be assumed that none exist.
s. Modification of the Agreement	Article 15	The System and Franchisee Manuals are subject to change.
t. Integration/merger clause	Article 18	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 16	Except for certain claims, all disputes will be subject to arbitration (if the mandatory face-to-face meeting and mediation do not resolve issue). Meetings, mediation and arbitration to be conducted within 15 miles of our then-current headquarters.
v. Choice of forum	Article 16	Subject to state law, meeting/mediation/arbitration or State/Federal Courts in the state in which our then-current headquarters
w. Choice of Law	Article 16	Subject to state law, the state law of our then-current headquarters

ITEM 18

PUBLIC FIGURES

There is no compensation or other benefit given or promised to any public figure arising from either the use of the public figure in the name or symbol of the Businesses, or the endorsement or recommendation of a Business by the public figure in advertisements. There are no public figures involved in our management.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchise outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mr. Sean Manning at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111, 303-763-1828, sean.manning@PayrollVault.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

If multiple events occurred that affected an outlet, the tables below show the event that occurred last. :

**Table No. 1
Systemwide Outlet Summary
for the years ~~2014~~2015 to ~~2017~~2016**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the end of the Year	Column 5 Net Changes
Franchisee/ Owned	2015 <u>2014</u>	16 <u>22</u>	<u>22</u> <u>24</u>	<u>+6</u> <u>2</u>
	2016 <u>2015</u>	<u>22</u> <u>24</u>	<u>24</u> <u>31</u>	<u>+2</u> <u>7</u>
	2017 <u>2016</u>	<u>24</u> <u>31</u>	<u>31</u> <u>36</u>	<u>+7</u> <u>5</u>
Company Owned*	2015 <u>2014</u>	1	1	0
	2016 <u>2015</u>	1	1	0
	2017 <u>2016</u>	1	1	0
Total Outlets	2015 <u>2014</u>	17 <u>23</u>	<u>23</u> <u>25</u>	<u>+6</u> <u>2</u>
	2016 <u>2015</u>	<u>23</u> <u>25</u>	<u>25</u> <u>32</u>	<u>+2</u> <u>7</u>
	2017 <u>2016</u>	<u>25</u> <u>32</u>	<u>32</u> <u>37</u>	<u>+7</u> <u>5</u>

* This includes Affiliate owned businesses.

**Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) For the Years
~~2014~~2015 to ~~2017~~2016**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
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Column 1 State	Column 2 Year	Column 3 Number of Transfers
Colorado	2015 2014	0
	2016 2015	<u>0</u> <u>1</u>
	2016 2017	<u>1</u> <u>2</u>
Total	2015 2014	0
	2016 2015	<u>0</u> <u>1</u>
	2016 2017	<u>1</u> <u>2</u>

Table No. 3
Status of Franchised Outlets For the Years ~~2014~~2015 to ~~2017~~2016

Column 1 State	Column 2 Year	Column 3 Franchises at the start of the Year	Column 4 Franchises Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operation - other reasons	Column 9 End of the Year
Alabama	2015 2014	0	<u>0</u> <u>1</u>	0	0	0	0	<u>0</u> <u>1</u>
	2016 2015	<u>0</u> <u>1</u>	<u>1</u> <u>0</u>	0	0	0	0	1
	2017 2016	1	<u>0</u> <u>1</u>	0	0	0	0	<u>1</u> <u>2</u>
Alaska	2015 2014	1	0	<u>0</u> <u>1</u>	0	0	0	<u>1</u> <u>0</u>
	2015	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2016	0	0	0	0	0	0	0
	2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Arizona	2015 2014	<u>0</u> <u>1</u>	<u>1</u> <u>0</u>	0	0	0	0	1
	2015 2016	1	0	0	0	0	0	1
	2016 2017	1	0	0	0	0	1	0
Arkansas	2015 2014	1	0	0	0	0	0	1
	2016 2015	1	0	0	0	0	0	1
	2016 2017	1	0	0	<u>0</u> <u>1</u>	0	0	<u>1</u> <u>0</u>
California	2015 2014	<u>0</u> <u>1</u>	<u>1</u> <u>0</u>	0	0	0	0	1
	2015	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2016	1	1	0	0	0	0	2
	2017	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Colorado	2015 2014	<u>6</u> <u>7</u>	<u>2</u> <u>1</u>	<u>1</u> <u>0</u>	0	0	0	<u>7</u> <u>8</u>
	2015	<u>7</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8</u>
	2016	8	2	0	0	0	0	10
	2017	<u>10</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>9</u>

Column 1 State	Column 2 Year	Column 3 Franchises at the start of the Year	Column 4 Franchises Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operation - other reasons	Column 9 End of the Year
Florida	2015 2014	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Georgia	2015	0	0	0	0	0	0	0
	2016	0	40	0	0	0	0	40
	2017	0	1	0	0	0	0	1
Illinois	2015 2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Indiana	2015 2014	0	0	0	0	0	0	0
	2016 2015	0	02	0	0	0	0	02
	2016	02	20	0	0	0	0	2
Louisiana	2015 2014	01	40	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	1	0	0	0	0	2
Michigan	2015 2014	01	40	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
New York	2015	40	0	0	0	0	0	40
	2016	40	40	0	0	0	0	20
	2017	0	1	0	0	0	0	1
Minnesota	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Missouri	2015 2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Ohio	2014 2017	42	0	0	01	0	0	1
Ohio	2015	1	0	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	1	0	0	0	0	3
Oklahoma	2015 2014	0	02	0	0	0	0	02
	2015	0	2	0	0	0	0	2
	2016	2	0	0	0	0	0	2

Column 1 State	Column 2 Year	Column 3 Franchises at the start of the Year	Column 4 Franchises Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operation - other reasons	Column 9 End of the Year
	<u>2017</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Tennessee	2015 <u>2014</u>	0 <u>2</u>	0	0	0	0	0 <u>2</u>	0
	2015	<u>2</u>	0	0	0	0	<u>2</u>	0
	<u>2016</u>	0	0	0	0	0	0	0
	<u>2017</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Texas	2015 <u>2014</u>	1 <u>2</u>	1 <u>0</u>	0	0	0	0	2
	2015	<u>2</u>	0	0	0	0	0	<u>2</u>
	<u>2016</u>	2	1	1	0	0	0	2
	<u>2017</u>	<u>2</u>	<u>2</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Virginia	2014 <u>2015</u>	2	<u>1</u> <u>0</u>	0	0	0	<u>1</u> <u>0</u>	2
	2015	<u>2</u>	0	0	0	0	0	<u>2</u>
	<u>2016</u>	2	0	0	0	0	0	2
Washington	2014 <u>2017</u>	1 <u>2</u>	0	0	0	0	0	1 <u>2</u>
	2015	<u>1</u>	0	<u>1</u>	0	0	0	0
	<u>2016</u>	0	0	0	0	0	0	0
Total	<u>2014</u>	16	7	1	0	0	0	22
Total	<u>2015</u>	22	6	2	0	0	0	24
	<u>2016</u>	24	9	1	0	0	1	31
	<u>2016</u>	31	8	0	3	0	0	36

Table No. 4
Status of Company/Affiliate-Owned Outlets For the Years ~~2014~~2015 through ~~2016~~2017

Column 1 State	Column 2 Year	Column 3 Outlets as the start of the year	Column 4 Outlets Opened	Column 5 Outlets reacquired from franchisee	Column 6 Outlets closed	Column 7 Outlets sold to franchisees	Column 9 Outlets at the End of the Year
Colorado	2014 <u>2015</u>	1	0	0	0	0	1
	2016 <u>2015</u>	1	0	0	0	0	1
	2016 <u>2017</u>	1	0	0	0	0	1
Totals	2014 <u>2015</u>	1	0	0	0	0	1
	2016 <u>2015</u>	1	0	0	0	0	1
	2016 <u>2017</u>	1	0	0	0	0	1

Table No. 5
Projected Openings As Of December 31, ~~2016~~2017

Column 1 State	Column 2 Franchise Agreements Signed but not Opened	Column 3 Projected new Franchise Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Current Fiscal Year
Colorado Florida	40	1	0
Ohio	1	1	0
Texas	1	1	0
TOTALS	30	31	0

Exhibit D lists the names of all franchisees including their addresses and telephone numbers of their outlets December 31 of the past calendar year.

Exhibit E lists the name, city, and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Franchise Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you enter or leave the franchise system.

In some instances, current or former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Exhibit F lists, to the extent known, the names, addresses, telephone numbers, e-mail address and web address of each trademark-specific franchisee organization associated with the franchise system being offered that we have created, sponsored, or endorsed. Exhibit F also lists the independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Our fiscal year is a calendar year. Attached to this Disclosure Document as Exhibit H are our audited financial statements for the periods ending December 31, 2014, ~~December 31, 2015, December 31, 2016 and December 31, 2017.~~ ~~2015 and December 31, 2016.~~ Also attached at this Exhibit are the ~~unaudited financials through June 30, 2017.~~ ~~PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED OUR STATEMENTS OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONSENT OR FORM.~~

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following contracts:

Franchise Agreement - Exhibit B

Exhibit 1	Statement of Ownership
Exhibit 3	ACH Agreement
Exhibit 4	General Release
Exhibit 5	Collateral Assignment of Contact and Electronic Information
Exhibit 6	Confidentiality Agreement
Exhibit 8	Guaranty
Exhibit 9	Closing Acknowledgement

ITEM 23

RECEIPT

The Receipt is found at the end of this booklet as Exhibit I.

EXHIBIT A
STATE AGENCIES

Names and Addresses of State Regulatory Authorities and Registered Agents in States

The following is a list of state administrators responsible for registration of these states. We may register in one or more of these states.

California

Department of Business Oversight
One Sansome Street, Ste. 600
San Francisco, CA 94104

Commissioner of Department of Business Oversight
320 W. 4th Street, Suite 700
Los Angeles, California 90013

Commissioner of Department of Business Oversight
1515 K. Street, Suite 200
Sacramento, California 95814
(866) 275-2677 Toll Free

Connecticut

Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103
(860) 240-8299

Florida

Division of Consumer Services
Attn: Business Opportunities
2005 Apalachee Parkway
Tallahassee, Florida 32399-6500

Hawaii

Commissioner of Securities
Department of Commerce & Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

Kentucky

Office of the Attorney General
Consumer Protection Division

Attn: Business Opportunity
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204

Maine

Department of Professional and Financial Regulations
Bureau of Banking
Securities Division
121 Statehouse Station
Augusta, Maine 04333

Maryland

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

Michigan

Department of the Attorney General
Consumer Protection Division, Franchise Unit
525 Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913

Minnesota

Minnesota Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101

Nebraska

Nebraska Department of Banking and Finance
Commerce Court
1230 O Street, Suite 400
Lincoln, Nebraska 68509

New York

Bureau of Investor Protection and Securities
New York State Department of Law
120 Broadway, 23rd Floor
New York, New York 10271

North Carolina

Secretary of State
Securities Division
Old Revenue Complex
2 South Salisbury Street
Raleigh, North Carolina 27601

North Dakota

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol – 5th Floor
Department 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Rhode Island

Department of Business Regulation
John O. Pastore Complex
1511 Pontiac Avenue
Bldg. 69, First Floor
Cranston, RI 02920

South Carolina

Office of the Secretary of State
1205 Pendleton Street
Edgar Brown Building, Suite 525
Columbia, South Carolina 29201

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
605-773-3562

Texas

Office of the Secretary of State
Statutory Document Section
1019 Brazos Street
Austin, Texas 78701

Utah

Utah Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
P.O. Box 146704
Salt Lake City, Utah 84114-6704

Virginia

State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

Washington

Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin

Division of Securities
Department of Financial Institutions
345 West Washington Avenue
Madison, Wisconsin 53703

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

The following state agencies are designated as our agent for service of process in accordance with the applicable state laws. We may register in one or more of these states.

California

Commissioner of Department of Business Oversight
One Sansome Street, Ste. 600
San Francisco, California 94104

Commissioner of Department of Business Oversight
320 W. 4th Street, Suite 700
Los Angeles, California 90013

Commissioner of Department of Business Oversight
1515 K St., Suite 200
Sacramento, California 95814
(866) 275-2677

Connecticut

Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103
860-240-8299

Hawaii

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

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204

Maryland

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202

Michigan

Michigan Department of Commerce
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

Minnesota

Minnesota Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101

New York

Secretary of the State of New York
~~41 State Street~~
99 Washington Avenue
Albany, New York 12231

North Dakota

North Dakota Securities Department
State Capitol – 5th Floor
600 East Boulevard
Bismarck, North Dakota 58505-0510

Rhode Island

Department of Business Regulation
John O. Pastore Complex
1511 Pontiac Avenue
Bldg. 69, First Floor
Cranston, RI 02920

South Dakota

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
605-773-3562

Virginia

Clerk, State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, Virginia 23219

Washington

Director, Department of Financial Institutions
Securities Division
150 Israel Road Southwest
Olympia, Washington 98501

Wisconsin

Commissioner of Securities
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703

AGENT FOR SERVICE OF PROCESS IN COLORADO

Michael J. Katz
Corporon & Katz, LLC
12835 E. Arapahoe Road, 2-700

Centennial, CO 80112

EXHIBIT B
FRANCHISE AGREEMENT

PAYROLL VAULT FRANCHISING, LLC

FRANCHISE AGREEMENT

PAYROLL RE-DEFINED IT'S TIME TO RETHINK PAYROLL



THIS CONTRACT IS SUBJECT TO ARBITRATION

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EXHIBITS

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Exhibit 3	ACH Agreement
Exhibit 4	General Release
Exhibit 5	Collateral Assignment of Contact and Electronic Information
Exhibit 6	Confidentiality Agreement
Exhibit 7	State Amendments
Exhibit 8	Guaranty
Exhibit 9	Closing Acknowledgement

**PAYROLL VAULT FRANCHISING, LLC
FRANCHISE AGREEMENT**

This Franchise Agreement (“Franchise Agreement” or “Agreement”) is entered into and made effective as of the _____ day of _____, 20____, by and between Payroll Vault Franchising, LLC, a Colorado limited liability company having a principal place of business at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111, , (hereinafter referred to at times as “we,” “us,” “our,” or “Franchisor”), and _____ and _____ having a principal place of ~~residence~~business located at _____ (hereinafter referred to as “you,” “yourself,” “your,” “Franchisee,” or words of a similar nature). You and we may sometimes be referred to in the singular as a “Party” or jointly as the “Parties.”

RECITALS

WHEREAS, you desire to enter into an agreement with us so as to be able to obtain the rights to open and operate a Business using the Marks and the System developed by us; and

WHEREAS, you declare that you have fully investigated and familiarized yourself with the essential aspects and purposes of this opportunity and have been advised by counsel, or have had the reasonable opportunity to be advised by counsel chosen by you, of the terms and conditions of this Franchise Agreement, and you agree that your consistent and uniform operation of the Business using the System are essential;

NOW, THEREFORE, in consideration of the mutual covenants, agreements, terms, and conditions herein contained and the acts to be performed by the respective parties hereto, the Parties agree as follows:

COVENANTS

ARTICLE 1

**DEFINITIONS, GRANT OF FRANCHISE LICENSE, REASONABLE BUSINESS JUDGMENT,
AND RESERVATION OF RIGHTS**

1.1 Definitions

Unless otherwise defined in the body of this Franchise Agreement, the following capitalized terms ~~shall~~ have the meaning set forth here:

“ACH” or “Automated Clearing House” refers to the process used for electronic bank-to-bank transfers of fees due to us and of funds that you will transfer to a Client’s employee’s account.

ACH Rights” means the approval given to you by your local bank or ACH provider that ~~will~~ allow you to electronically transfer funds into the accounts of a client’s employee through an ACH EFT transaction.

“ACH Qualifications” mean the qualifications that your local bank, ACH provider and governmental authorities may impose (which qualifications may include criminal and credit background checks, federal, state or municipal registration, finger printing, proof of timely tax filings and tax payments) before granting approval to collect and remit payroll taxes for ~~business~~your clients and their employees ~~required to meet in order to grant you ACH Rights.~~

“Additional Training Fee” means the fee that we are then charging for the delivery to you of training requested by you but which is otherwise not required by us.

“Additional Protected Territory” refers to the increase in the size of your Protected Territory pursuant to Article 2.

“Additional Protected Territory Fee” means the then-current fee we charge for the award of an Additional Protected Territory.

“Affiliate” or “Affiliates” means Payroll Services Group, LLC, a Colorado limited liability company (Services Affiliate) and Manning & Company, P.C., d/b/a Inspirence Business Services a Colorado professional corporation (Inspirence Affiliate). Collectively, the Services Affiliate and Inspirence Affiliate may be referred to as an “Affiliate” or the “Affiliates”. You may be obligated to work with one or more of our Affiliates.

“American Payroll Association” or “APA” means the association from whom you will receive basic payroll training. We reserve the right to change this supplier at any time.

“Annual Conference” means the annual conference that is sponsored by us for which attendance is mandatory.

“APA Training” means the basic payroll training that you are required to take prior to attending our training as more specifically identified in Article 7.

“APA Training Fee” means the fees that the APA charges to take their training.

“Assignment” has the meaning given to it in Article 9.

~~“Business Protected Territory” means a single Franchised Business in which there is a population of approximately 15,000 businesses of any size.~~

“Change of Control” in reference to a Transfer under Article 9 means that: (i) the natural person franchisee takes on a partner regardless of whether such partner is in control or not; (ii) a natural person franchisee converts to a business entity franchisee and then delivers more than 49% of the equity interest of such business entity to another Person; (iii) a business entity franchisee takes on any number equity partners and delivers more than 49% of the equity interest to one or more of such Persons; or, (iv) the franchisee (whether a natural person or business entity) in any manner delivers control of the day-to-day operations of the Franchised Business to a Principal Operator or Designated Manager who has not first been approved by us.

“Claims” has the meaning given to that term in Article 14.

“Client” means the business entity, or other party that the Franchisee represents in the delivery of payroll or any other services offered by you through the franchise now or in the future.

“Client List” means the name and contact information of all persons or business entities, whether present or future, to which you provide Payroll Services under this Agreement.

“Competitive Business” means a business that delivers payroll services and other services offered by the franchise system as of the date of the alleged competition to individuals or businesses where such payroll or other services make up more than ~~five percent (5%)~~ 5% of the Gross ~~Sales~~ Revenue of the business deemed to be competing.

“Compliance” means that you: (1) have received written notices from ~~the Franchisor~~ us of breach of this Agreement (each of which was timely cured) no more than four times during the Initial Term and four times during any Successor Franchise Rights Term; and, (2) are not in breach at the time that you make application for some other right for which Compliance is required.

“Computer System” means the computer hardware and off-the-shelf software that we describe in the Franchisee Manual, in a handout, or in other communications to you.

“Default Notice Fee” means our then-current fee charged to you if you default under this Franchise Agreement. Currently it is \$250.00.

“Designated Manager” means the person besides your Principal Operator and you that has received our training and is authorized by you to operate the Franchised Business from day to day. The Designated Manager need not be an owner of any interest in the Franchised Business.

“Due Date” means the date that we will collect from you by ACH all fees due to us including Royalties, Technology, Franchisee CRM Fee, Franchisee DM Fee, and similar fees. This may be on a weekly, monthly, quarterly, or yearly basis as more fully described in this Franchise Agreement.

“Effective Date” ~~shall be~~ is the date that this Franchise Agreement is fully executed by us. There is no agreement and this is not a contract between us until that date regardless of order in which signatures are obtained.

“Electronic Funds Transfer” means the process used to transfer funds bank-to-bank or bank-to-ACH provider through the use of the ACH.

~~“Expanded Protected Territory” means a single Franchised Business in which there is a population of approximately 20,000 businesses of any size.~~

“Force Majeure” means that except for monetary obligations ~~hereunder~~, which are due regardless of the existence of an event of Force Majeure, or as otherwise specifically provided in this Franchise Agreement, if either ~~Franchisor or Franchisee~~ shall be ~~of us~~ is delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the Party required to perform such work or act ~~under the terms of this Agreement not the fault of such party~~, then performance

of such ~~work or act shall~~will be excused for the period of the delay, but in no event to exceed 45 days from the stated time periods in this Agreement.

“Franchise Agreement” means this agreement.

“Franchised Business” means the franchise that you operate under this Franchise Agreement.

“Franchisee” means the Person that signs this Franchise Agreement. The term also includes all Franchisee Parties, regardless of whether the phrase “Franchisee Parties” is present or absent in the covenant or condition.

“Franchisee Annual Conference Attendance Fee” means our then-current fee for attending the annual conference.

“Franchisee CRM Software” means the software that our approved vendor or we provide you access that will be used by you to manage current Clients and to help you solicit and manager prospective Clients.

“Franchisee CRM Software Fee” means our then-current fee for the use of the Franchisee CRM Software.

“Franchise Disclosure Document” or “FDD” means the disclosure document that was delivered to you at least 14 calendar days before you signed this Franchise Agreement or paid any money to ~~the Franchisor~~us.

“Franchisee Digital Marketing Account” or “Franchisee DM Account” means the account into which the Franchisee DM Fee is deposited in accordance with Article 3.

“Franchisee Digital Marketing Fee” or “Franchisee DM Fee” means our then-current fee paid to us to optimize all web sites that advertise for clients, for the on-line purchase of key words and for other digital marketing concepts;

“Franchisee Email Fee” means our then-current fee per month charged by us for each email address in excess of the first five ~~(5)~~ addresses that are given to you free of charge.

“Franchisee Mandatory Fee” means the fee that you will be charged if you fail to attend the Annual Conference.

“Franchisee Manual” or “Manual” means the operations manuals (that may be more than one manual, booklet, or handout), that are delivered to you before you open for business and which Franchisee Manuals disclose the operating methods used in the Franchised Business.

“Franchisee Missed Quota Additional Training” means the additional training that ~~the Franchisor~~we may in ~~its~~our sole discretion offer if you miss the Franchisee Quota.

“Franchisee Missed Quota Additional Training Fee” means our then-current fee that we may charge for this training.

“Franchisee National Advertising Fee” ~~will have~~has the meaning given to it in Article 3.

“Franchisee Parties” means your Principal Operator, any Designated Manager, you, any officers, directors, Managers, Members, the holder of any equitable interest in a business entity, your family members that actively participate in the Franchised Business, any Guarantor all others who may take an active role in the operation of the Franchised Business as well as any agents, servants, employees and all others in active concert or participation with you in operation of the Franchised Business.

“Franchisee Quota” has the meaning given to it in Article 2.

~~“Franchisee Digital Marketing Account” or “Franchisee DM Account” means the account into which the Franchisee DM Fee is deposited in accordance with Article 3.~~

~~“Franchisee Digital Marketing Fee” or “Franchisee DM Fee” means our then-current fee paid to us to optimize all web sites that advertise for clients, for the on-line purchase of key words and for other digital marketing concepts.~~

“Franchisee Technology Startup Fee” and “Franchisee Technology Maintenance Fee” means our then-current initial fee that is paid with the IFF and that will be used to create your presence on our website, and our then-current Franchisee Technology Maintenance Fee charged on a monthly basis to maintain your web presence.

“Franchisee Training” ~~shall have~~has the meaning given to it in Article 7.

“Franchised Location” means the address of the space that holds the Franchised Business.

“Franchisor” means the ~~person or business~~ entity identified ~~herein~~ as the Franchisor, and ~~shall~~ also ~~include~~includes Franchisor’s parent, predecessors, an Affiliate (as applicable), Franchisor’s officers, directors, shareholders, members, member managers, managers, partners, agents, attorneys, and all others that direct and control the Franchisor, ~~any parent and their~~plus the respective shareholders, directors, officers, managers, members, employees, and agents, and all successors, and assignees of the ~~persons or entities so named in this section and Franchisor’s officers, directors, shareholders, members, managers, equity holders, employees, agents, successors, assigns or~~of any parent, predecessor, any Affiliate, and all others whose conduct is charged to Franchisor. Pronouns such as “we”, “us” and “our” mean the Franchisor.

“Geographic Area” has the meaning given to it in Article 2.

~~“Gift” has the meaning given to it in Article 9.~~

“Graduated Reduced Royalty” means the Royalty you will pay during the Initial Term or during a Successor Franchise Rights Term if you qualify pursuant to Article 4.

“Gross Sales Revenue” means the total of all revenues and income from the operation of the Franchised Business whether received in cash, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. You may deduct from Gross Sales Revenue all sales tax or similar taxes which by law, are chargeable to customers by any taxing authority and are collected

by you. You may also deduct from Gross ~~Sales~~Revenue the amount of any documented approved discounts, refunds and credits.

“Inbound Lead” has the meaning given to it in Article 2.

“Indemnified Parties” has the meaning given to it in Article 14.

“Initial Franchise Fee (IFF)” means the initial fee that you will pay us at the time you are awarded a franchise (Article 3).

“Initial Payroll License and Training Fee” means the initial fee charged by Thomson to set up your Payroll Software and to train you in the use of the software.

“Initial Term” has the meaning given to it in Article 4.

“Interim Period” has the meaning given to it in Article 4.

“Involuntary Transfer” means any Transfer not approved by us and includes the loss of, transfer of, or assignment of: any interest in this Franchise Agreement; any of your interest in the Business; a substantial portion of the assets of the Business; any interest in the business entity that is the Franchisee (except as permitted by this Franchise Agreement). It also includes the transfer or assignment of any other asset or interest as a result of: any insolvency or bankruptcy proceeding; the foreclosure of any manner of lien or encumbrance; the taking as a result of a divorce or separation, or in the case of a business entity any action by the equity owners or creditors the result of which is the loss of any equitable interest; or the transfer, assignment or loss of control of the Business, the assets, the equity in the Business, this Franchise Agreement or through any other means or method over which you have no control, or against which you cannot substitute a bond or other monetary instrument so as to avoid such Involuntary Transfer.

“Late Fee” means our then-current late fee for failure to timely make payments hereunder. Our current fee now is \$100 plus 1.5% per month for any payment not made timely.

“Licenses” refers to ~~any and~~ all licenses that ~~Franchisee~~you may be required to have in order to operate the Franchised Business and ~~shall~~may include any business or professional licenses that may be required, and any other license required in the state, city, or municipality in which the Franchised Location is found.

~~“Mandatory Fee” means our then current fee for your failure to attend an annual meeting.~~

“Marks” ~~mean~~includes all of our current and future trademarks, trade names, trade dress, designs, logos, service marks, and similar commercial symbols ~~that we require you,~~ as well as all variations or modifications to any of the foregoing, and all registrations, applications and renewals of the Marks.

“Minimum Royalty” has the meaning given to use as more fully stated ~~it~~ in Article ~~63~~.

“Opening Date” means the date by which you must be open for business as more fully defined in Article 2 below.

“Owners Exchange Meeting” is a summit meeting to which all franchisees are invited to exchange ideas with each other.

“Owners Exchange Tuition” is the then-current fee we charge for attendance at the Owners Exchange Meeting.

“Payroll Services” means the service of providing payroll to a company’s employees.

“Payroll Software” means the business payroll software owned and supplied by Thomson Reuters as more fully identified in Article 2 below.

“Payroll Software License Fee” means the monthly license fee charged by Thomson Reuters to use its Payroll Software defined in Article 2 below.

“Payroll Software License Transfer Fee” means the fee that Thomson is then charging to transfer your Payroll Software License to another Person.

“Percentage Royalty” has the meaning given to it in Article 3.

“Permanent Disability” means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee, the Principal Operator or the owner of a controlling interest in the Franchisee entity from supervising the management and operation of the Franchised Business for a period of 120 days from the onset of such disability, impairment or condition.

“Person” means a natural person or a business entity.

“Phone Equipment” means the voice over internet protocol (VoIP) equipment that you must have or that you must purchase.

“Phone Services” mean the voice over internet protocol (VoIP) or similar phone services that must be used. We may suggest a provider, but you are not required to use it.

“Principal Operator” means the person authorized by the business-entity Franchisee to receive our training, to operate the Business, and to act as the contact between us. The Principal Operator must own no less than ~~twenty five percent (25%)~~ 25% of the equity in the Franchisee business entity.

~~**“Professional Protected Territory”** means a single Franchised Business in which there is a population of approximately 10,000 businesses of any size.~~

“Proprietary Information” ~~shall have~~ has the meaning given to it in Article 6.

“Protected Territory” means the territory in which your Franchised Business is located. The Protected Territory includes at least 10,000 businesses. You do not receive an exclusive territory. You

may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

“Reasonable Business Judgment” has the meaning given to it in Section 1.4 below.

“Reduced Royalty” means the Royalty you will pay during a Successor Franchise Rights Term if you qualify pursuant to Article 4.

“Regional Advertising Program” has the meaning given to it in Article 3.

“Royalty” ~~has means the meaning given to it~~ monthly amount you pay us of the greater of the Percentage Royalty or Minimum Royalty as more fully stated in Article 3.

“Scanner” means the TWAIN-compliant dedicated scanner that we require you to have as more fully described in the Franchisee Manual, in a handout, or in other communications.

“Social Engineering Fraud” is a type of fraud in which a person is psychologically manipulated into divulging confidential or trade secret information through social media that results in a loss.

“Special Projects” is one that involves our delivery of goods or services such as special advertising assistance that falls outside the services we already offer.

“Special Projects Fee” means our then-current fee that we may charge in exchange for our participation in a Special Project.

“Successor Franchise Fee” equals the greater of \$10,000 or 35% of the then-current IFF for the Protected Territory that you purchased plus 35% of the then-current Additional Protected Territory Fee for your Additional Protected Territories as the same may be reduced pursuant to Article 4.

“Successor Franchise Rights” has the meaning given to it in Article 4.

“Successor Franchise Rights Term” has the meaning given to it in Article 4.

“System” means without limitation: the trademarks, service marks, and logos (“Marks” as they may be owned by us, or that may be sublicensed by us); the manner and method of training that we deliver to you; the Franchisee operations manuals (Franchisee Manuals), handouts, or similar written or electronic information; standards and procedures that you will use in the day-to-day operation of the Business; advertising programs; the economic and financial characteristics of the System; and all other copyrighted, trade secret or confidential information owned by us. You must operate in accordance with our System. This definition may be supplemented by other language of this Franchise Agreement and by us from time to time.

“Thomson Reuters” or “Thomson” means our current third-party supplier of the Payroll Software and other services needed by you to operate the Franchised Business.

“ThompsonThomson Training” means the initial and any subsequent training that may be delivered by ~~the Franchisor~~ Thomson to you. (Article 7).

“**Transfer**” has the meaning given to it in Article 9.

“**Transfer Fee**” will equal the greater of \$5,000 or 10% of the then-current IFF for the Protected Territory that you purchased, and 10% of the then-current Additional Protected Territory Fee for the Additional Protected Territories.

“**TWAIN**” is the software protocol that allows your Computer System and Scanner to communicate.

“**Voice-over-Internet-Protocol**” or “**VoIP**” refers to a phone system that allows you the place and receive calls through an internet-based service provider for a fee.

1.2. Grant of Franchise

a. ~~The Franchisor grants to the Franchisee~~We grant you, and the Franchisee accepts you ~~accept~~ from ~~the Franchisor~~us, the non-exclusive right to use the System in connection with the establishment and operation of one Business at the ~~location described herein.~~ Franchised Location. ~~The Franchisee agrees~~You agree to use the Marks and the System as they may be changed, improved, and further developed by ~~the Franchisor~~us from time to time, only in accordance with the terms and conditions of this Franchise Agreement. ~~You, each of your Principal Operators~~You and each owner of any equitable interest in the business entity franchisee ~~all Franchisee Parties~~ represent, warrant and agree that Exhibit 1 is current, complete and accurate. You agree that an updated Exhibit 1 will be furnished within 30 days of any change, ~~so that Exhibit 1 (as revised and signed by you) is at all times current, complete and accurate.~~ Each Person who is or becomes a Principal Operator and each natural ~~Person~~person that joins the business-entity Franchisee as an equity owner must sign a guaranty in the then-current form that is now found at Exhibit 8.

1.3. Scope of Franchise Operations

~~The Franchisee shall~~You will comply at all times with ~~the Franchisee's~~you obligations ~~hereunder~~under this Franchise Agreement and ~~shall~~will continuously use ~~his~~your best efforts to promote and operate the Business. ~~The Franchisee shall~~You will utilize the Marks, System, and Franchisee Manuals to operate all aspects of the Business ~~franchised hereunder~~ in accordance with the methods and systems developed and prescribed by us from time to time ~~by the Franchisor.~~ The Business ~~shall~~will offer all products and services that ~~the Franchisor shall~~we designate and ~~shall be~~is restricted from offering or selling any products and services not previously approved by ~~the Franchisor~~us in writing.

1.4. Reasonable Business Judgment

a. We will use our Reasonable Business Judgment in the exercise of our rights, obligations, and discretion, except where otherwise indicated. Use of our Reasonable Business Judgment will mean that our determination on a given matter will prevail even in cases where other alternatives are also reasonable so long as we are intending to benefit, or are acting in a way that could reasonably benefit any component of the System or the Marks, any one or more of the franchisees, or any other aspect of the franchise system. Such decisions may include, but will not be limited to, decisions that may: enhance or protect the Marks and the System; increase Client satisfaction; increase the use of the services all franchisees offer; and matters that correspond with franchisee satisfaction. ~~Franchisor will~~We are not be required to consider your or any ~~Franchisee's~~other franchisee's particular economic or other

circumstances when exercising our Reasonable Business Judgment. Reasonable business decisions will not affect all franchisees equally, and some may be benefited while others will not. If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, you and we agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement.

b. As part of our Reasonable Business Judgment, and in order to respond timely to market conditions and the needs and wishes of Clients to the Businesses, we reserve the right, in our sole and exclusive determination, to vary any standard of the System, the Marks, or the Proprietary Information. We have the right, in our sole discretion and as we may deem in the best interests of the System or a specific franchisee to vary required purchases, standards or specifications based upon that franchisee's qualifications, special circumstances, the demographics of a particular geographic territory, or development region, business potential, or any other condition which we deem to be of importance to the successful operation of any particular business. We will not be required to disclose or grant to you a like or similar variance.

1.5 Reservation of Rights

a. Our Affiliates and we reserve the right, among others, to:

i. own, franchise, or operate businesses which are similar to your Business and which use the Marks and the System at any location within or outside of the Protected Territory;

ii. use the Marks and the System to sell any products or services (which may be similar to those that you will sell) through any alternate channels of distribution such as television or over the internet within or outside of the Protected Territory. You cannot use alternate channels of distribution without our express permission, which may be granted or denied for any reason or for no reason at all. If we use alternate channels of distribution including the internet within your Protected Territory, we are not required to compensate you;

iii. use and license others to use, either within the Protected Territory or in alternate channels of distribution, other trademarks, trade names, service marks, logos, copyrighted materials, and methods of operation that are not the same as or confusingly similar to the Marks, in the operation of a business that offers goods, services, and related products that may be similar to, or different from, the business operated by you;

iv. purchase, or be purchased by or merge or combine with any business, including a business that competes directly with your Franchised Business, wherever located;

v. to acquire and convert to our System any businesses offering services and products similar to those offered by you, including such businesses operated by competitors or otherwise operated independently, or as part of, or in association with any other system or chain, whether franchised or corporately owned, and whether located inside or outside of the Protected Territory; and

vi. retain all other rights not specifically granted to you.

b. Though we can use alternative channels of distribution within your Protected Territory to make sales of goods, items, and services associated with the System and the Marks, or associated with

any other system or trademarks, service marks, trade names, logos, and the like, we have not done so as of the date of this disclosure document. We reserve the right to do so at any time.

1.6 Other Covenants Relating to the Grant of this License

a. WE BOTH AGREE TO WAIVE THE RIGHT TO A JURY TRIAL AND TO BE AWARDED EXEMPLARY, PUNITIVE, OR CONSEQUENTIAL DAMAGES IN ANY ACTION BROUGHT IN REFERENCE TO THE RELATIONSHIP BETWEEN YOU AND US.

b. WE BOTH AGREE THAT EXCEPT FOR AN ALLEGED VIOLATION OF YOUR USE OF THE MARKS OR ANY INTELLECTUAL PROPERTY LICENSED TO YOU (WHICH CLAIMS MAY BE BROUGHT AT ANY TIME BY EITHER PARTY), AND EXCEPT AS OTHERWISE STATED IN THIS FRANCHISE AGREEMENT, EACH OF US IS LIMITED TO BRINGING ANY LEGAL CLAIM AGAINST THE OTHER WITHIN ONE YEAR OF THE DATE THAT THE FACTS WHICH GIVE RISE TO THE CLAIM WERE DISCOVERED OR ONE YEAR FROM THE DATE THAT SUCH FACTS REASONABLY SHOULD HAVE BEEN DISCOVERED.

c. THIS FRANCHISE AGREEMENT DESCRIBES THE TERMS AND CONDITIONS ON WHICH WE CURRENTLY OFFER FRANCHISES TO NEW FRANCHISEES. WE MAY OFFER FRANCHISES UNDER DIFFERENT TERMS AND CONDITIONS IN ORDER TO ENHANCE, BUILD, AND PRESERVE THE SYSTEM.

d. ~~Franchisee covenants, represents, You covenant, represent and warrants warrant~~ as follows and ~~acknowledges acknowledge~~ that ~~Franchisor is we are~~ relying upon such covenants, representations, and warranties in making its decision to enter into this Agreement:

i. ~~Franchisee acknowledges You acknowledge~~ that ~~he has you have~~ received and ~~has have~~ read this Franchise Agreement and all exhibits attached hereto. Specifically, ~~the Franchisee has you have~~ been advised by us to seek out and use professional counsel of ~~Franchisee's your~~ choosing in order to interpret any terms, covenants, or conditions of this Franchise Agreement and advise on the relationship overall. It is ~~the Franchisee's your~~ sole and exclusive obligation to obtain such counsel, and ~~Franchisor we~~ will not provide any legal, financial, or other counsel in reference to this Franchise Agreement.

ii. ~~Franchisee has You have~~ adequate funding to purchase and operate the Franchised Business and, as a result, is financially capable of undertaking the risks involved in the opening and operation of any business. Franchisee knows of no circumstances that would lead to litigation against him in the future.

iii. All statements made by ~~Franchisee you~~ in writing and in connection with its application for this Franchise were, to the best of his knowledge, true when made and each continues to be true as of the date of this Agreement.

iv. ~~Franchisee is You are~~ not a party to any litigation or legal proceedings other than those that have been disclosed to ~~Franchisor by Franchisee us~~ in writing.

v. ~~Franchisee~~You and ~~its~~your owners agree to comply with and to assist ~~Franchisor~~us to the fullest extent possible in ~~Franchisor's~~our efforts to comply with Anti-Terrorism Laws as defined below. As a result, ~~the Franchisee~~you and ~~its~~your owners certify, represent, and warrant that: (A) none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws; (B) none of them is listed in the Annex to Executive Order 13224 (which can be accessed at <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>); (C) they will refrain from hiring (or, if already employed, retain the employment of) any individual who is listed in the Annex; (D) they have no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224; (E) they are solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this subparagraph; and (F) any misrepresentation under this subparagraph or any violation of the Anti-Terrorism Laws by ~~Franchisee, its owners, agents, and employees~~ shall you will constitute grounds for immediate termination of this Franchise Agreement and the immediate termination of any other agreement Franchisee has entered with Franchisor or any of Franchisor's affiliates (if any) agreements between us.

e. For purposes of this Franchise Agreement, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations, and other regulations found at 31 CFR 515, 595, 597, and any laws which now pertain or which may in the future pertain to the matters of this Section.

f. We do not set minimum or maximum prices for any products, goods or services. We offer no advice concerning your hiring or training of your employees. Your employees are not our employees.

1.7 ACH Qualifications, ACH Rights and Other Governmental Prerequisites

a. Before you open, you must obtain ACH Rights from a local bank or ACH provider of your choosing. Each local bank or ACH provider may have ACH Qualifications that are different than other banks or ACH providers.

b. You are solely responsible for determining what ACH Qualifications your bank or ACH provider requires to be met in order to obtain the ACH Rights.

c. If you fail to obtain ACH Rights before you open, we have the right to terminate this Franchise Agreement without any right to cure in which case we ~~may~~will refund a portion of your IFF (Article 3).

~~d. If you fail to maintain your ACH Rights during the term of this Franchise Agreement, we have the right to terminate this Franchise Agreement without any right to cure.~~

e. YOUR FAILURE TO ABIDE BY ALL REGULATIONS GOVERNING YOUR ACH RIGHTS MAY RESULT IN YOU OR YOUR PRINCIPALS (IF YOU ARE A BUSINESS ENTITY FRANCHISEE) SUFFERING PERSONAL LIABILITY. YOU ARE SOLELY RESPONSIBLE FOR MAINTAINING YOUR ACH RIGHTS AND FOR ABIDING BY ALL RULES AND REGULATIONS THAT GOVERN YOUR ACH RIGHTS.

f. In addition, federal, state and municipal governmental agencies may require registration, finger printing, proof of timely tax filings and payments before granting approval to collect and remit payroll taxes for business and their employees. You are solely responsible for determining such obligations.

ARTICLE II

OPENING PERIOD, PROTECTED TERRITORY, ADDITIONAL PROTECTED TERRITORY, EQUIPMENT, QUOTA AND ADDITIONAL RIGHTS

2.1 Opening Period

~~_____ a. _____~~ Regardless of the size of the Protected Territory you choose, you will ~~_____~~ You must open for business within 90 days after signing this Franchise Agreement. (Opening Date). You must obtain ACH Rights ~~and~~, must complete the APA Training, Franchisee Training and Thomson Training ~~and must have in place all insurance, permits and Licenses~~ before you open. We may extend the Opening Date for a reasonable time (not to exceed 30 days) in the event factors beyond your reasonable control prevent you from meeting the deadline, and you request an extension of time from us at least 15 days before the set Opening Date. ~~The factors that affect the period required to open the Franchised Business may include the ability to obtain ACH rights and the ability to obtain financing or insurance.~~

~~===== b. =====~~ Unless otherwise agreed to in writing by us, you must secure all necessary permits and licenses, own or have purchased all of the equipment required, and have obtained and provided evidence of insurance prior to the Opening Date.

2.2 ~~Franchised Location and Protected Territory~~

~~_____ a. _____~~ Regardless of the size of your Protected Territory, it, **Additional Protected Territory, Franchised Location and Inbound Leads**

~~_____ a. _____~~ Prior to signing this Franchise Agreement, you and we will agree upon the perimeter of your Protected Territory which will encompass no less than 10,000 business of any size. We will identify the geographic limit of your Protected Territory in Exhibit 2.

~~===== b. =====~~ It is anticipated and expected that you will operate the ~~business out of Franchised Business from~~ your home or your current office space located within the Protected Territory ~~and such location will be your or Additional Protected Territory (your "Franchised Location. We will not approve any lease.")~~. You must locate your Franchised Location before you open for business. You may relocate the Franchised Business to another location, which must be within your Protected Territory or Additional Protected Territory. As with any business, you must conform your Franchised Location to local ordinances and building codes and must obtain any permits necessary. We have no criteria for remodeling or decorating the Franchised Location. You must notify us of the address of your Franchised Location no later than the date that you open for business-

~~or the day===== b. =====~~ If you decide to lease space outside your home or if you are currently using office space outside your home, and though you may configure the interior design and decor in any

~~manner that you deem appropriate, we have relocate. We do not review or approve your Franchised Location and do not review or approve any lease.~~

c. Additional Protected Territory.

~~i. In some cases and after you have been in business for a minimum of 12 full months (as measured from the date that you open for business), we may grant you the right to increase the size of your Protected Territory by the purchase of up to two additional contiguous geographic areas, with each containing a minimum of 5,000 businesses. Each such territory is called an “Additional Protected Territory”). You will be granted this right if:~~

~~A you are current in of all of your obligations under this Franchise Agreement on that date that you request an Additional Protected Territory and on the date that we grant you the Additional Protected Territory;~~

~~B. you have not breached the Franchise Agreement during the period of time prior to your request;~~

~~C. you have met the Franchisee Quota during the period of time prior to your request, and,~~

~~D using our Reasonable Business Judgment, we agree to grant you such right. As part of our decision in this regard, we will determine whether you have sufficient employees or contractors, sufficient financial resources and sufficient business acumen to operate a larger Protected Territory.~~

~~ii. the right to inspect it to insure that it is commercially reasonable clean and attractive to Clients. Further, we have the right to require you to change the interior decor of the office if it fails to meet commercially reasonable standards.~~

~~There~~

~~e. The identity of your is no guaranty that you will be granted the right to an Additional Protected Territory.~~

~~iii. is-For each Additional Protected Territory awarded to you, you will pay the then-current Additional Protected Territory Fee, and your Royalty will increase as stated in Exhibit 2, Article 3. We may increase the Additional Protected Territory Fee at any time and in any amount. We will give you no less than 60 days prior written notice before increasing this fee.~~

~~d. Our web page, digital marketing, national branding, public relations and our on-line and social media advertising invite all viewers to contact us to learn more about the services our franchisees offer. If we receive an inbound call, email or similar contact (Inbound Lead), and if the Inbound Lead does not specify the desire to work with a particular franchisee, it will be routed by us to the franchisee in whose Protected Territory or Additional Protected Territory the Inbound Lead originated. If there is no franchisee in that area, the Inbound Lead will be routed to the franchisee whose Protected Territory is the closest. We will determine the origin of the Inbound Lead by the zip code of the contact or by any other electronic mean that allows us to pinpoint such location.~~

~~_____ e. Your Protected Territory and any Additional Protected Territory may be defined by zip codes, street names or by other natural or man-made boundaries and will be of no particular geometric shape.~~

~~_____ f. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will use our Reasonable Business Judgment to try to place no more franchisees in a “Geographic Area” than the number of Protected Territories that fill it. The Geographic Area in which your Protected Territory and the Protected Territories of other Franchisees is located may be defined by state, city or county lines, zip codes, or may be defined by natural boundaries such rivers or mountains. Your Protected Territory may be defined by zip codes, street names or by other boundaries. If the number of businesses in a Geographic Area in which your Protected Territory is located increases by increments of 10,000 businesses of any size, we may sell additional franchise opportunities. We will define your Protected Territory before you sign this Franchise Agreement.~~

~~_____ e. The Franchised Location and the size and makeup of the Protected Territory does not in any way guaranty your success or profitability.~~

~~_____ f. Your rights to the Protected Territory are subject to you meeting the Franchisee Quota.~~

~~_____ g. You may advertise anywhere and you may service any Client from anywhere. This means that you may have Clients that are within the Protected Territory and Additional Protected Territory of another franchisee or company-owned or Affiliate-owned business, and another franchisee or company-owned or Affiliated-owned business may have Clients within your Protected Territory and Additional Protected Territory.~~

~~_____ h. We will not increase or decrease your Protected Territory should the number of businesses increase or decrease.~~

2.3 Franchisee Quota

~~a. You are required to meet these minimum performance criteria (“Franchisee Quota”, which Franchisee Quota is a material covenant in this Franchise Agreement):~~

~~i. within 18 months of the Effective Date, you must have a minimum of 25 monthly payroll Clients or have a monthly minimum payroll billing average of \$3,125;~~

~~ii. within 36 months of the Effective Date, you must have a minimum of 75 monthly payroll Clients or have a minimum monthly payroll services billing average of \$9,375; and~~

~~iii. within 48 months of the Effective Date and for each 12-month period after that, you must maintain a minimum of 100 monthly payroll Clients or have a minimum monthly payroll services billing average of \$12,500.~~

~~_____ b. Failure to meet your Franchisee Quota is a material violation of this Franchise Agreement. If you fail to maintain the Franchisee Quota for any 12-month period, we have the right in our sole discretion to: (i) allow a current franchisee, a newly-signed franchisee or a company-owned or Affiliate-owned Business to begin selling Payroll Services in your Protected Territory; (ii) terminate your franchise rights without any right to cure; or (iii) require you to attend the Franchisee~~

Missed Quota Additional Training in lieu of termination or the placement of another franchisee, company-owned or Affiliate-owned Business in your Protected Territory. If we offer you this training, you will have 18 months after such training ends to increase the number of Clients to the Franchisee Quota level required in the final twelve months of that 18-month period. If, after such training and the 18-month period you fail to meet the then-current Franchisee Quota, we have the right to terminate your franchise or allow another franchisee, company-owned or Affiliate-owned Business to operate in your Protected Territory. You may be required to pay the then-current Franchisee Missed Quota Fee and pay your travel, room and board if you travel to us, or our travel, room and board if we travel to you.

c. The Franchisee Quota may change at the time a Successor Franchise Rights Term is awarded.

~~2.4~~ **Relocation**

~~You may relocate your Franchised Business within your Protected Territory at any time. You must immediately provide us the address of the new Franchised Location once you have identified it.~~

~~2.5~~ **Lease Approval**

~~We do not review or approve any lease.~~

~~2.6~~ **2.4 Furniture, Fixtures and Equipment, Electronics, Software, Payroll Software, and Access to Data**

a. You will purchase or otherwise obtain for use in the Franchised Business all furniture, fixtures, and equipment that comply with our standards and specifications. This will be disclosed in our Franchisee Manuals.

b. You will ensure that the Franchised Location is wired for Internet access via a high-speed connection with a configuration acceptable to ~~the Franchisor~~ us.

c. You must own, or must purchase or lease the Computer System and Scanner that are configured as more fully described in the Franchisee Manual, a handout, or in other communications.

d. You ~~will be~~ are required to maintain the Computer System and Scanner in order to keep them operational. You may be required to update the Computer System and Scanner no more often than once every 5 years.

e. You must own Phone Equipment that is compatible with our Phone Service provider. If you do not have compatible Phone Equipment you must purchase it from a reputable VoIP vendor. You will pay the approved vendor a monthly fee that may be based on the number of phone lines you have or the number of phones that use its system.

~~f. Currently Thomson supplies the Payroll Software.~~ f. You must have a license with Thomson for the Payroll Software. You may already have such a license. If not, then you will have to pay the then-current Initial Payroll Software License and Training Fee and the on-going Payroll Software License Fee. Thomson controls the cost of the Payroll Software License Fee and it may change at any time and in any amount.

~~g.~~ You will be
g. Upon the sale of the Franchised Business to a third party, or upon the expiration or earlier termination of this Franchise Agreement, Thomson or we may require you to sign an assignment of your Payroll Software License. If you are required to do so, you will sign the document as part of the transfer, expiration or earlier termination procedure. There is not yet a form for this assignment.

h. You are required to renew the Payroll Software License on a yearly basis under such terms and conditions as are set by Thomson.

~~hi.~~ You may have to take the Thomson Training. ~~(Article 7).~~

ij. We also reserve the right to change at any time the supplier of required payroll-related software from Thomson to any other vendor. Payroll Software. We will give you no less than 9060 days written notice of such change and you must comply by the end of that time period.

jk. You will also need such other equipment as is more fully stated in the Franchisee Manuals.

kl. For audit, marketing and other commercially reasonable purposes, we will have independent access to ~~your~~ all of the databases on your Computer System at any time; except we will never disclose any personally identifiable information of a Client. If your databases are passcode protected, you will provide the code to us upon request. The information accessed will include ~~any~~ your Client lists and Client information Lists. Except as stated here, there are no other contractual limitations on our access to your information.

~~2.7~~ Purchase of Additional Rights During the Term

~~a.~~ If you meet the below preconditions and you are not an Area Developer (as that term is defined in the FDD), you may, during the Initial Term or any Successor Franchise Rights terms (as those terms are defined below), be permitted to purchase additional franchise rights. In order to qualify for this right, you must:

~~i.~~ have been open at least 12 full calendar months;

~~ii.~~ be in Compliance with your Franchise Agreement at the time that you seek to purchase additional franchise rights;

~~iii.~~ meet the then current financial and business requirements that are applied to franchisees that own multiple units; and

~~iv.~~ have operated your current Franchised Business in such a manner that we, using our Reasonable Business Judgment, deem to be sufficient to warrant granting you an additional location; and,

~~b.~~ If we grant you the right to an additional Franchised Business, you will sign the then-current franchise agreement and, if we deem it appropriate, will attend additional training. ~~The new~~

~~franchise agreement may have terms significantly different from this franchise agreement including a different IFF, royalty structure, advertising fee structure and the like.~~

ARTICLE III

FEES, ADVERTISING, and REPORTING

3.1 Initial Franchise Fee Fees, Royalties and Other Fees ~~Collected or Due Before You Open~~

a. The IFF is set forth in Exhibit 2. If you are an honorably discharged veteran, your IFF will be reduced by 10%.

b. The IFF represents payment, in part, for expenses incurred by us in furnishing assistance and services to you, ~~and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.~~

~~c. and for a profit.~~ All fees, including the IFF, are earned upon payment and are non-refundable under any circumstances unless otherwise stated here.

~~d.~~ In addition to the IFF, ~~and~~ prior to opening, you will also pay us the Franchisee Technology Startup Fee, the first 3 months of the Franchisee Technology Maintenance Fee, the first 3 months of the Franchisee DM Fee, and the first 3 months of the Franchisee CRM Fee,

~~e.~~ If you do not already have a license with Thomson, you will have pay Thomson the Initial Payroll License and Software Fee.

~~f.~~ If you fail to obtain ~~the ACH Rights (Section 1.7 above),~~ we may terminate ~~this~~ the Franchise Agreement in which case we will refund up to \$53,000 of your IFF. The amount retained will compensate us for our sales cost, any brokerage fees paid by us, our training costs and ~~sales costs we incurred and a profit. If these fees exceed your IFF, there will be no refund. If these fees are less than the IFF, we will refund a portion to you up to the \$5,000 figure.~~

3.2 Franchisee Technology Maintenance Fee

a. You will pay the then-current Franchisee Technology Maintenance fee.

b. We have the right to change the amount of this fee at any time and in any amount after giving you 60 days prior notice before implementing a change to a Fee.

3.3 Royalty Royalties, and Graduated Reduced Royalty

a. You will pay the following monthly Royalty:

i. For the ~~Professional Protected Territory first 12 months of your operation~~ you will pay on a monthly basis the greater of ~~\$275 per month or~~ 6% of your “Gross Sales Revenue” (Percentage Royalty) or \$400 (Minimum Royalty).

ii. For Additional Protected Territory Royalties:

A. for the ~~Business Protected~~ first Additional Territory awarded you will pay on a monthly basis, the greater of ~~\$350 per month~~ the Percentage Royalty or ~~6% of Gross Sales~~. ~~the Minimum Royalty that will increase to \$600; and,~~

~~iii.~~ For B. for the ~~Expanded Protected~~ second Additional Territory, you will pay on a monthly basis the greater of ~~\$425 per month~~ the Percentage Royalty or ~~6% of Gross Sales~~. ~~the Minimum Royalty that will increase to \$800.~~

b. During your Initial Term and if you are awarded Successor Franchise Rights, you may qualify for a reduced Percentage Royalty (Graduated Reduced Royalty) as follows: (i) for ~~the first \$0 to \$250,000 in Gross Revenue, you will pay a Graduated Reduced Royalty of 6%; then~~ (ii) for the Gross Revenue of between \$250,001 and \$500,000 you will pay a Graduated Reduced Royalty of 5%; then ~~(iii,~~ (ii) for the Gross Revenue of between \$500,001 and \$750,000 you will pay a Graduated Reduced Royalty of 4%; then ~~(iv,~~ (iii) for the Gross Revenue of between \$750,001 and \$1,000,000 you will pay a Graduated Reduced Royalty of 3%; and ~~(v)~~ (iv) for Gross Revenue in excess of \$1,000,000 you will pay a Graduated Reduced Royalty of 2%. ~~-For instance, if your Gross Revenue is \$350,000 you pay 6% on the first \$250,000 and then you pay 5% on the remainder of the revenue (\$250,001 to \$350,000).~~ If you earn \$250,000 or less in Gross Revenue, you are not eligible for this program.

c. Your right to the Graduated Reduced Royalty is based on a calendar year and begins on January 1 of each year. If you sign this Franchise Agreement on a day other than January 1, you will not be eligible for Graduated Reduced Royalties until the following calendar year, even if you otherwise qualify in your first calendar year. We reserve the right at the end of each calendar year to terminate the right to Graduated Reduced Royalties. If this decision is made however, it will apply to all franchisees that are subject to ~~such~~ the program, and the program will end at the end of the then-current calendar year. If you signed this Franchise Agreement during the year in which the program was terminated you may receive no Graduated Reduced Royalty.

3.4 Advertising, Advertising Fees, Franchisee DM Fee, and Franchisee CRM Fee

a. Local Advertising:

~~i.~~ i. ~~Regardless of the size of your Protected Territory, beginning~~ i. ~~Beginning with the 4th month of operation, you will be required to spend a minimum of 1% per month of Gross Sales~~ Revenue on local marketing and advertising. ~~You (Local Marketing and Advertising Fee).~~ Subject to the next paragraph, you may spend any additional amount on local advertising and such advertising may take any form.

ii. We must approve any advertising before it is placed. You will deliver the proposed advertising to us no less than 15 calendar days before its insertion into any medium. If you do not receive written notice within 15 calendar days, it is ~~deemed to be~~ approved.

iii. Though you may advertise on the Internet, all such advertising and all modifications to such advertising must first be approved by us in the same manner as is other local advertising. Further, all social media accounts you create for use with the Franchised Business and any modifications to the accounts must first be approved by us. Once created, all social media posts, blogs,

vlogs and content belongs to us. All of this media will be transferred to us upon the expiration or earlier termination of this Franchise Agreement.

~~_____ iv. _____ We have the right to increase the amount spent on local advertising to two percent (2%). We will give you written notice of our intent to do this and 60 days to comply.~~

~~_____ iv. _____ You may advertise on the Internet. Such advertising, however, must first be approved by us in the same manner as is other local advertising.~~

~~_____ v. _____ You must advertise only within your Protected Territory. You may however service any Client that may be referred to you regardless of from where the referral originated. This means that you may have Clients that are within the Protected Territory of another franchisee or company owned or Affiliate owned Business, and another franchisee or company owned or Affiliated-owned Business may have Clients within your Protected Territory.~~

b. National Advertising Fund, Regional Advertising Program, and Cooperative Advertising

i. We do not now, but may, at any time in the future, collect 1% of your Gross Sales Revenue per month for national advertising (Franchisee National Advertising Fee) ~~regardless of the size of your Protected Territory.~~ The Franchisee National Advertising Fee ~~will be~~ due at the same time as your Royalties. We will give you no less than 60 days written notice before we begin collecting this fee.

ii. The Franchisee National Advertising Fee is deposited in an interest bearing checking account, savings account, or any other account of our determination (Franchisee National Advertising Account). Any monies not used in any year are carried to the next year. The Franchisee National Advertising Account is not a trust and we assume no fiduciary duty in administering it.

iii. The Franchisee National Advertising Account will be administered by us in our sole discretion and may be used by us for all advertising expenditures (including the creation of various advertising and promotional products, printed materials, posters, and the creation of radio on a local, regional or national basis) reasonably intended to benefit some or all franchisees, and for the payment to us of costs related to administering the ~~Franchisee~~ Franchisee National Advertising Account such as reasonable salaries, administrative costs, costs allocated to any conferences, travel expenses, and overhead. Franchisee National Advertising ~~Fee~~ Fees may be used to sell additional franchises.

iv. We make no guarantee to any ~~other~~ franchisee or you that advertising expenditures from the Franchise Advertising Account will benefit you or any other franchisee directly or on a pro rata basis. We will assume no other direct or indirect liability or obligation to you with respect to collecting amounts due to the Franchisee National Advertising Account or with respect to maintaining, directing or administering the Franchisee National Advertising Account.

v. Upon your prior written request, we will make available to you, no earlier than 90 days after the end of each calendar year, an annual unaudited financial statement for the Franchisee National Advertising Account. This account is unaudited.

~~_____vi. _____ vi. _____ Though we have no plans now, we reserve the right to increase the amount of the Franchisee National Advertising Fee to no more than 2%. We will give you written notice of our intent to do this and 60 days to comply.~~

~~_____vii. _____ If implemented, we intend for the Franchisee National Advertising Fee to be continual and perpetual, but we have the right to suspend (and subsequently reinstate) or terminate it if necessary. We will not close the Franchise National Account however, until all contributions and earnings have been used for the purpose for which they were collected.~~

~~_____viii. _____ We reserve the right, upon 30 days prior written notice to you, to allocate all or a portion of the Franchisee National Advertising Fee to a regional advertising program for the benefit of franchised businesses located within a particular region (Regional Advertising Program). We have the right to determine the composition of all geographic territories and market areas included in a particular Regional Advertising Program and to require that you participate if the same is established by us. If a Regional Advertising Program is implemented on behalf of a particular region, we will only use contributions from franchisees within such region for the particular Regional Advertising Program, to the extent reasonably calculable by us.~~

~~_____vii. _____ We have the right to change, dissolve, or merge any Regional Advertising Program. We will prepare unaudited financial statements and will deliver the same to you no earlier than 90 days of its year-end.~~

~~_____viii. _____ Though we have no plans now, we reserve the right to increase the amount of the Franchisee National Advertising Fee to no more than 2%. We will give you written notice of our intent to do this and 60 days to comply.~~

~~_____ix. _____ If implemented, we intend for the Franchisee National Advertising Fee to be continual and perpetual, but we have the right to suspend (and subsequently reinstate) or terminate it if necessary. We will not close the Franchisee Advertising Account however, until all contributions and earnings have been used for the purpose for which they were collected.~~

c. Franchisee DM Fees, Franchisee CRM Fees and Special Projects Fees

i. You will pay us our then-current Franchisee DM Fee, which will be collected with the Royalties.

~~_____ii _____~~ A. The Franchisee DM Fees will be deposited into an interest bearing checking account, savings account, or any other account of our determination. (Franchisee DM Account). Any monies not used in any year will be carried to the next year. The Franchisee DM Account is not a trust and we assume no fiduciary duty in administering it.

~~_____iii _____~~ B. The Franchisee DM Account will be administered by us in our sole discretion and may be used by us: to optimize all web sites that advertise for Clients for the benefit of some or all franchisees; and, for the payments to us of costs related to administering the Franchisee DM Account such as reasonable salaries, administrative costs, travel expenses, and overhead. We may use in-house personnel or may use the services of third-party independent contractors to perform the search engine optimization services. The Franchisee DM Fees will not be used to sell additional franchises.

~~iv~~ C. We make no guarantee that expenditures from the Franchisee DM Account will benefit any other franchisee or you directly or on a pro rata basis. We ~~will~~ assume no other direct or indirect liability or obligation to you with respect to collecting the Franchisee DM Fee or with respect to maintaining, directing or administering the Franchisee DM Account.

~~v~~ D. Upon your prior written request, we will make available to you, no earlier than 90 days after the end of each calendar year, an annual unaudited financial statement for the Franchisee DM Account. This account is unaudited.

~~vi~~ E. We intend for the Franchisee DM Fee to be continual and perpetual, but we have the right to suspend (and subsequently reinstate) or terminate it if necessary. We will not close the Franchisee DM Account however, until all contributions and earnings have been used for the purpose for which they were collected.

~~vii~~ F. Any leads from the portals will be distributed to the franchisee that is geographically closest to the Client. As a result, some franchisees may receive more leads than others.

~~viii~~ G. You will also pay us our then current Franchisee CRM Fee for use of the Franchisee CRM Software. There is no limit to the amount of an increase, or the number of times this fee may be increased. You will be given 60 days prior written notice before this fee is changed.

~~ix~~ H. From time to time you may ask for assistance on a Special Project. You are not required to use us for a Special Project and we are not required to deliver Special Project goods or services to you; but if we agree to work together, we will charge you our then-current Special Projects Fee. We may increase our fee at any time and in any amount and we will notify you of our then-current fee before you decide to have us work on a Special Project.

3.5 Other Fees and New Lines

a. You will pay our then-current Default Notice Fee if we are required to send you a default notice. We will notify you of this fee at the time incurred. This is paid only if a notice of default has to be sent to you.

b. You will pay the Franchisee Email Fee if you request email addresses in excess of the five ~~(5)~~ that we will provide free of charge. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase before it will be due.

c. Other fees that you must pay us are identified elsewhere in this Franchise Agreement.

d. We may from time and in our sole discretion assess other fees or costs incurred in the operation of the Business.

e. We may in the future require all franchisees and you to add new goods or services to those already sold through the Business. If we do this, you may incur additional expenses, costs and fee, some of which may be due to an affiliate, a third-party for whom we collect the funds, or us. If we

introduce new lines of goods and services, we will notify you in writing and give you a reasonable time to comply with the changes.

f. We each acknowledge that changes to technology are dynamic and not predictable within the term of this Franchise Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards and fees for the implementation of new technology in the System; and you agree to comply with those reasonable new standards after we provide no less than 60 days prior written notice.

3.6 Method of Payment, Reports and Auditing

a. No later than the 7th day of the month following the month in which the Royalty is due, you will report to us by electronic means or in written form, as we may be reasonably ~~directed by the Franchisor~~direct, the calculation of the Royalty, and any other fees due as well as such additional information as ~~may be requested by the Franchisor~~we may request.

b. The Royalty, Technology Fee, Franchisee DM Fee, Franchisee CRM Fee, if required, advertising fees, and any other monthly fees ~~shall be made~~are paid monthly and will be delivered to us by ACH. You will be required to sign the ACH agreement that is found at Exhibit 3. All such fees must be deposited into the Franchisee's operating account no later than 3:00 p.m. Mountain Time no later than the 9th day of the month following the end of the prior accounting period. The Due Date for such fees ~~shall be on~~is the 10th day of the month day for all such fees and we will sweep your operating account on that date by ACH. .

c. We have the right to change the method of collection of the Royalties and any other fees due under this Agreement at any time after reasonable notice is given to ~~the Franchisee~~you.

d. You agree to record all sales at the time of the sale in your computer or other sales recording system approved by us. You agree to retain all computer records, charge account records, sales slips, orders, return vouchers, sales tax reports, and all of your other business records and related background material for at least 7 years following the end of the year in which the items were or should have been generated.

e. In our discretion, we may require you to, and you ~~shall~~will then provide us with ~~monthly~~bi-yearly financial statements, including a profit and loss statement, ~~by the 25th day of each month for the previous month.~~ In addition, you will submit to us, within 90 days after the end of each calendar year ~~during the term of this Franchise Agreement,~~ a complete financial statement for ~~the preceding~~that calendar year, ~~(including profit and loss statement, and balance sheet),~~ and your year-end tax returns, all of which have been prepared, reviewed, and certified by you or an independent, certified public accountant as being accurate; except that the financial statement and accompanying documents need not be audited unless requested in writing by ~~Franchisor~~us.

f. In the event ~~that the Franchisee fails~~you fail to have sufficient funds in the account or otherwise fails to pay any Royalties or other fees due under this Franchise Agreement as of the Due Date, ~~the Franchisee shall,~~you will (and in addition to such Royalties and other fees, ~~owe that are due),~~ pay a \$100.00 late fee which ~~shall be~~is due and payable for each month that the payment is late without other notice than this Agreement. This will be automatically assessed and debited or paid along with the late

debit or payment of the Royalty. In addition, ~~the Franchisor shall~~ we will charge interest on any payments made after the Due Date at 1½% per month.

g. ~~The Franchisee acknowledges~~ You acknowledge that this subsection does not constitute ~~the Franchisor's~~ our agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance the operation of the Business. In no event ~~shall the Franchisee be~~ are you required to pay interest at a rate greater than the maximum interest rate permitted by applicable law. The collection of any late fee and the acceptance of any late payment will not diminish ~~the Franchisor's~~ our right to any other remedies available under this Franchise Agreement.

h. Our designated agents or we also have the right, at all reasonable times, to examine and copy the books, records, and tax returns of Franchisee and the Business. We also have the right, at any time, to have an independent audit made of the books of the Business. If an inspection should reveal that your Gross Revenue has been understated in any report then you will immediately pay to us the amount understated upon demand, in addition to interest on such amount from the date such amount was due until paid, at the Default Rate, calculated on a daily basis. If an inspection discloses an understatement in your Gross Revenue by more than 3%, you will in addition, reimburse us for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at our discretion, submit audited financial statements prepared, at your expense, by an independent auditor that we approve. Further, under such conditions we have the right to: (i) require all of the above; (ii) take other remedial action granted to us in law or equity or by this Franchise Agreement; or, (iii) terminate this Franchise Agreement.

3.7 Application of Payments

a. Notwithstanding any designation by ~~the Franchisee~~ you as to the application of ~~his~~ your payment, ~~the Franchisor shall~~ we will allocate any payments ~~made by the Franchisee~~ first to any late fees and interest owed by ~~the Franchisee to the Franchisor~~ you, then to any Royalty or other fees ~~which that~~ are past due, and then to the current Royalty and other fees ~~owed to the Franchisor~~ you owe. The allocation set forth above ~~shall~~ does not serve to postpone any payments that are due on any current or future Due Date.

b. We will also have the sole discretion to allocate in the same manner as stated above any payments or any credits from third party vendors that are delivered to ~~the Franchisor~~ us on the ~~Franchisee's~~ your behalf. To the extent necessary to carry out the intent of this subsection, ~~the Franchisee~~ you hereby appoints ~~the Franchisor~~ us as ~~its~~ your attorney-in-fact and grants ~~his~~ this power of attorney ~~coupled with an interest~~ for the sole purpose of allocating any such funds received. This power of attorney ~~shall continue~~ continues throughout the term of this Agreement, any extension thereof, and, if applicable, after the termination of this Agreement, but in the latter case, only to the extent that ~~the Franchisee~~ you still ~~owes~~ owe us money to ~~the Franchisor~~ from ~~his~~ your operation of the franchise.

ARTICLE IV

TERM and SUCCESSOR FRANCHISE RIGHTS

4.1 Effective Date and Term

a. This Agreement ~~shall be~~ is effective as a contract on the Effective Date.

b. The Initial Term of this Franchise Agreement ~~shall be~~ is for a period of five years from the Effective Date, unless terminated earlier. If we are required by law to give you notice before the termination or expiration of this Franchise Agreement, and if we fail to do so, this Franchise Agreement will remain in effect until we have given the required notice.

4.2 Successor Franchise Rights

a. At the end of the Initial Term, you have the option to renew ~~its~~ your franchise rights for ~~three~~ four additional 5-year terms (each a "Successor Franchise Rights Term") by acquiring Successor Franchise Rights under the following conditions:

i. if we do not exercise our right to refuse to offer Successor Franchise Rights as permitted under 4.3 below;

ii. you are, ~~at the time you apply for Successor Franchise Rights,~~ in Compliance with all provisions of your then-current Franchise Agreement during at the time you apply for Successor Franchise Rights and at the then-current Term time that we grant such rights;

iii. **you sign the then-current franchise agreement that may contain materially different terms and conditions than your original Franchise Agreement.** Such agreement must be signed and delivered to us no later than 45 days before the end of the then-current term. If it is not so delivered, then you will be deemed to have withdrawn your decision to purchase Successor Franchise Rights, and such rights will thereafter no longer be available to you;

iv. at the time you sign the then-current Franchise Agreement, you also sign the then-current form of general release, a copy of the current form of which is found at Exhibit 4. Notwithstanding the foregoing, to the extent that the law of the state in which the Business is located has determined that the requirement that a franchisee sign a general release be unenforceable, then this requirement ~~shall be deemed to will~~ be deleted, and ~~the franchisee shall~~ you will not be required to sign the same; or if signed, then such general release ~~shall be deemed to will~~ not be enforceable. If, however, the law of the state in which the Business is located permits the Franchisee to sign such general release, or if by agreeing to the terms of Article 16, the choice-of-law provisions of this Franchise Agreement prevail over the law of the state in which the Business is located, then ~~the Franchisee shall~~ you will sign ~~such~~ the release as part of the renewal process ~~described in this subparagraph 4.2~~. Notwithstanding the foregoing, excluded from any release are claims arising from representations in the FDD.

v. you pay a Successor Franchise Fee. The Successor Franchise Fee is ~~deemed to be~~ earned when you pay it and is not refundable under any circumstances. The Successor Franchise Fee may be reduced as follows: (1) if your Gross Revenue has reached \$150,000 per year during the final year of your Initial Term or you have 100 clients, then your fee will be zero; or (2) if you have less than 100 clients and have earned less than \$150,000 in Gross Revenue during the final year of your Initial Term then your Successor Franchise Fee will be a percentage of the Successor Franchise Fee determined by multiplying the then current Successor Franchise Fee ~~(that now is the greater of 35% of the then current FFF or \$10,000)~~ by a fraction the numerator of which is the remainder found by subtracting ~~you~~ your annualized Gross Revenue (determined on the date that your the Successor Franchise Rights Term is to begin) from \$150,000, and the denominator of which is \$150,000. For instance, if your Gross Revenue is

\$100,000 and if the full Successor Franchise Fee is \$10,000, your Successor Franchise Fee will be \$3,334 (\$10,000 x (\$150,000 - 100,000)/\$150,000); and,

vi. you exercise the option for Successor Franchise Rights by giving written notice of such exercise to us ~~not earlier than one year or~~ no later than ~~180~~90 days prior to the scheduled expiration of this Franchise Agreement.

b. the Successor Franchise Rights under the new Franchise Agreement ~~shall~~ begin on the day following the end of the Initial Term.

c. Additional renewals beyond those identified in this Section will be by mutual agreement between you and us.

4.3. Conditions of Refusal

a. ~~The Franchisor shall~~ We are not be obligated to offer ~~the Franchisee~~ Successor Franchise Rights upon the expiration of ~~this Agreement~~ the Initial Term or a Successor Franchise Rights Term if ~~the Franchisee~~ you:

i. ~~has~~ have received a ~~5th~~fifth written notice of breach of any combination of terms, covenants, or conditions of this Franchise Agreement during the then-current term even though ~~each such breach may have been~~ the prior four violations were timely cured;

ii. ~~fail~~ have failed to comply with any of the conditions necessary to obtain Successor Franchise Rights as described in subparagraph 4.2 above;

iii. ~~is~~ are in breach of this Franchise Agreement at the time that you attempt to exercise your right to purchase Successor Franchise Rights or are in breach at the time that we may award such rights, even if such breach is not the fifth breach and even if such breach is timely cured; or

iv. we have determined in good faith, and after using our Reasonable Business Judgment, not to grant Successor Franchise Rights.

b. In such event, ~~the Franchisor shall~~ we will give notice of expiration at least ~~sixty (60)~~ days prior to the expiration of the term, and such notice ~~shall~~ will set forth the reasons for such refusal to offer Successor Franchise Rights.

4.4 Expiration at the End of a Term, Holdover and Interim Term

a. Unless it is terminated earlier, or if you fail to elect to purchase Successor Franchise Rights or if Successor Franchise Rights are not granted ~~to you~~, this Franchise Agreement will expire at 12:00 midnight Mountain Time on the last day of the Initial Term or the then-current Successor Franchise Rights Term.

b. If at the expiration of this Franchise Agreement you continue to accept the benefits of this Franchise Agreement, then in our sole option, we may treat this Franchise Agreement either as: (i) being expired as of the date of natural expiration of the then-current term, in which case you will be operating the business without the right or permission and in violation of our rights; or (ii) continued on a month-to-

month basis (Interim Period) until one Party provides the other with written notice of such Party's intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after delivery of such notice to terminate. During the Interim Period (if allowed) all obligations under this Franchise Agreement will remain in full force and effect as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Franchise Agreement ~~shall be deemed to~~ will take effect at the end of the Interim Period. The rights under this Section do not apply in the event of a termination of this Franchise Agreement earlier than the natural end of then then-current term.

ARTICLE V

MANUALS and SERVICES PROVIDED TO YOU BY US

5.1 Franchisee Manuals

a. We will provide you one or more operations manuals, technical bulletins, or other written materials (Franchisee Manuals) covering our standards, specifications, and operating and marketing procedures that you are required to utilize in operating the Business. You will comply with the Franchisee Manuals as an essential aspect of your obligations under this Agreement, and your failure to comply substantially with the Franchisee Manuals will be considered by us to be a breach of this Agreement. The Franchisee Manuals will be updated from time to time, and you must comply with any changes in every update within the time period provided in such updates. The Franchisee Manuals may be delivered to you electronically through our website for which you will have a passcode.

b. ~~You will only use the Marks and Systems as specified in the Franchisee Manuals. The Franchisee Manuals are the our sole property of the Franchisor and shall~~ will be used by you only during the term of this Franchise Agreement and in strict accordance with the terms and conditions hereof.

c. We may modify any specification as to any goods, service, supplies, or the like, at any time, on a regional or national basis, by amendment to the Franchisee Manuals or by written notice to you. Once you are notified, you must make the change that is specified. All such changes will be effective as stated in such notice.

5.2 Services Provided by Us Prior to Commencement of Operations

Prior to the commencement of business, we will:

- a. define a Protected Territory;
- b. provide you with the Training;
- c. provide you with the contact information necessary to ~~take~~ receive the Thomson Training (if applicable);
- d. ~~provides~~ provide you with a list of approved suppliers for all equipment, goods, and services;
- e. ~~loan you one copy of the Franchisee Manuals that you will need to operate as a Franchisee.~~

~~_____ f. _____~~ supply reasonable telephone, fax, and email support;

~~_____ f. _____~~ deliver five free email addresses to you; and,

~~_____ g. _____~~ provide the services for the Franchisee Technology Startup Fee

5.3 Services Offered by Us During Operations

During the operation of your Business, we will:

a. offer additional conferences, seminars or programs, at a frequency that we ~~shall~~will determine, on various topics relevant to you as the Franchisee. Some of these conferences, seminars or programs may be mandatory. There may be a tuition fee for these seminars;

b. provides updates to the Franchisee Manuals, the System, and the Marks;

c. review all promotional and advertising you wish to use;

d. if requested by you, and if approved by us, we will provide additional training at a location determined by us. You will pay the travel, room, board, and the then-published daily fee for such services;

e. visit your Business at our discretion, and will use other methods to insure that you and all other franchisees are delivering quality services and products that conform to the System; ~~and,~~

f. provide promotional materials and advertising programs from time to time, as we deem appropriate

g. provide the services under the Franchisee Technology Maintenance Fee;

h. provide CRM services for which you pay your fees;

i. provide the franchise system with digital marketing services through the payment of the Franchisee DM Fee; and,

j. work with you on Special Projects.

Except as provided above, we are not required to offer you any other services.

ARTICLE VI

MARKS, COPYRIGHTS, COPYRIGHTS, THE SYSTEM, and PROPRIETARY INFORMATION

6.1. ~~Definitions of~~ Proprietary Information, System, and Client List

a. ~~Prior to and during the term of this Franchise Agreement, Franchisor has we have provided and will hereafter continue to provide Franchisee access to Franchisor's various trade secrets and other confidential or our Proprietary Information. We grant you the limited, non-exclusive license to use the Proprietary Information, System, and Client List in the operation of the Franchised Business, pursuant to the terms of this Agreement. You recognize and acknowledge that our Proprietary Information, System, and Client Lists are valuable, special and unique and that the protection thereof is of critical importance to us in maintaining our competitive position. You therefore, covenant and agree that you will use the Proprietary Information, the System, and the Client List solely in accordance with this Franchise Agreement.~~

b. ~~Proprietary Information includes but is not limited to: financial data and, statements, reports and information; marketing concepts, plans and information; contracts; Client List; vendor lists, employee lists; price lists; product designs; training methods and training content; the Manuals; specifications; software; workflow; formulae; drawings; compilations; methods; inventions; devices; programs; the Marks; source code; object code; techniques; and other technical information and know-how; whether oral or in writing or in some other form, relating to the Business and the System, whether furnished by Franchisor us, or by another person to whom Franchisor has we have furnished any Proprietary Information, or obtained by Franchisee you through observations made by Franchisee while reviewing or working with any Proprietary Information. Proprietary Information further includes the Marks, trade secrets, Proprietary Information and confidential information, encompassing without limitation, anything that is owned by the Franchisor and is regularly used in the operation of Franchisor's business and the System, to obtain a competitive advantage over its competitors, Client List, records, files, documents, bulletins, publications, manuals, advertising, training procedures, and proposals, and information concerning and the identity of and dealings with franchisees, customers, prospects and suppliers.~~

c. ~~The System includes, but is not limited to: training methods and programs; all Business operations standards, processes and procedures; the Manuals; advertising programs; the Business' economic and financial characteristics; and all copyrighted, trade secret or confidential and Proprietary Information owned by us.~~

d. You acknowledge that we own each component of the Proprietary Information and System (including without limitation, the Client List), and we have taken measures to protect such information. This Franchise Agreement will not, and the disclosure of any component of the Proprietary Information, System, or Client does not by implication or otherwise vest in you any ownership rights in or to the Proprietary Information. In this regard, you will not challenge our ownership in or to any component of the Proprietary Information.

6.2 Use of, and Protection of Proprietary Information, System and Client List

~~a. Franchisee acknowledges that Franchisor owns each component of the Proprietary Information, System, and Client List, and has taken measures to protect such information. Neither this Agreement, nor the disclosure of any component of the Proprietary Information, System, or Client Information, by Franchisor shall be deemed, by implication or otherwise, to vest in Franchisee any rights in the Proprietary Information disclosed by Franchisor or any other trade secrets or property of Franchisor.~~

a. You may only use the Proprietary Information and the System within your Protected Territory and Additional Protected Territory. You agree

~~b. Franchisee may only use the Proprietary Information, the System, and the Client List within its Protected Territory. Franchisor hereby grants Franchisee the limited, non-exclusive license to use the Proprietary Information, System, and Client List in the operation of the Franchised Business, pursuant to the terms of this Agreement. Franchisee agrees to maintain as confidential each component of the Proprietary Information, the System, and the Client List as heretoforenow or hereafterin the future disclosed to it by Franchisoryou.~~

~~b. You~~

~~e. Franchisee will not reproduce any component of the Proprietary Information, the System, or Client List unless Franchisorwe expressly ~~authorizes~~authorize such reproduction in writing, which authorization may be granted or denied for any reason or for no reason at all.~~

~~d. Franchisee recognizes and acknowledges that Franchisor's Proprietary Information, System, and Client List are valuable, special and unique and that the protection thereof is of critical importance to Franchisor in maintaining its competitive position. Franchisee, therefore, covenants and agrees that it will use Franchisor's Proprietary Information, the System, and the Client List solely in accordance with this Agreement.~~

~~e. Except as required to perform its obligations under this Agreement or with Franchisor's express prior written consent, Franchisee~~

~~c. You will not, during the term of this Franchise Agreement or at any time thereafter, either directly or indirectly, make independent use of, publish or otherwise disclose any component of Franchisor'sthe Proprietary Information, System, or Client List, to any ~~person, firm, corporation, association or other entity~~Person, for any reason or purpose ~~whatsoever~~, and will not allow any other ~~person, firm, corporation, association or other entity~~Person to make use of, publish or disclose any component of the Franchisor's Proprietary Information, System, or Client List. Franchisee ~~agrees~~You also agree not to use, steal or appropriate such items or versions thereof, whether copied or reconstructed from memory or otherwise, in any manner whatsoever.~~

~~fd. The use of any component of the Proprietary Information, the System, or the Client List by Franchisee within its own organization shall must be limited to those employees and consultants of Franchisee whose duties justify the need to know such information, and then only after such employees or consultants have signed the Confidentiality Agreement attached hereto as Exhibit 6.~~

~~ge. The provisions of this Article do not apply to information that: (i) was or becomes generally available to the public other than as a result of a disclosure by Franchisee or its representatives; (ii) was or becomes available to Franchisee on a non-confidential basis from a source other than the other party or its representatives, provided that such source is not bound by a confidentiality agreement with Franchisor; (iii) was within Franchisee's possession prior to its being furnished, provided that the source of such information was not bound by a confidentiality agreement in respect thereof; or, (iv) was or is independently developed by Franchisee or its representatives.~~

~~hf. Upon expiration or termination for any reason of this Agreement, Franchiseeyou must (except as otherwise provided in this Agreement) immediately cease using, return or destroy, as Franchisorwe may direct, all documentation in any medium that contains, refers to, or relates to any component of the Franchisor's Proprietary Information, System, or Client List.~~

ig. You may use the Client List only in conjunction with the operation of the Business. ~~In consideration of the time, effort and resources that Franchisor has we have invested in the System and the resulting goodwill that has resulted because of such time, effort and resources,~~ and for other good and valuable consideration, you agree that ~~Franchisor will we~~ retain ownership and control of your Client List for Payroll Services. Upon termination of ~~your the~~ Franchise Agreement, for any reason, we will retain and own your Client List, and may use your Client List to continue to offer and provide Payroll Services. You may use your Client list to offer non-Payroll Services.

jh. We alone have the right to control any administrative or litigation involving any component of the Proprietary Information, the System, or the Client List. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims, you must notify us immediately. We in our sole discretion will take the necessary steps to defend the same. We will indemnify you if the action solely arises from the Proprietary Information, or the System. We do not have an obligation to indemnify or defend you if the action arises from your use of the Proprietary Information, the System, or the Client List in violation of this Franchise Agreement.

ki. If you learn that any unauthorized third party is using any component of the Proprietary Information, the System, or the Client List, you must notify us immediately. We, in our sole discretion, will determine what, if any, action will be taken. You may not take any action against an alleged infringer. Any costs incurred by you for actions against an alleged infringer are solely your own; we will not reimburse you for any costs associated with such defense.

lj. Nothing contained herein ~~shall will~~ be construed so as to require ~~Franchisor us~~ to divulge any component of the Proprietary Information, System, or Client List. ~~Failure except as strictly necessary to help you operate your Business.~~

~~k. Our failure to mark any component of the Proprietary Information, System, or Client list as confidential or proprietary shall does~~ not affect its status as protected information under this Franchise Agreement and does not reduce any of our ownership rights.

~~l. You will m. Franchisee shall~~ not remove any copyright or proprietary rights or notices attached to or included in any component of the Proprietary Information, System, or Client List. ~~Franchisee shall reproduce all such notices on any copies. All copies made by Franchisee shall also be considered you are part of our~~ Proprietary Information.

~~m. n. Franchisee shall~~ You will use reasonable means, not less than that used to protect its own proprietary information, to safeguard and store any component of the Proprietary Information, the System, and the Client List.

~~o. In the event Franchisee is you are~~ required to make a disclosure ~~pursuant to a because of requirement of a governmental agency or of law, Franchisee a court of competent jurisdiction, you will immediately notify Franchisor us in writing prior to making any such disclosure in order to facilitate Franchisor in seeking a protective order or other appropriate remedy from the proper authority. Franchisee agrees any action we may take to protect disclosure. You agree to cooperate with Franchisor us in seeking such order or other remedy. Franchisee further agrees You also agree that if Franchisor is not successful we are unsuccessful in precluding the requesting legal body from requiring obtaining the disclosure of the Proprietary Information, Franchisee, you will furnish only that portion of the Proprietary~~

Information, System, or Client List that is legally required and will exercise all reasonable efforts to obtain reliable assurances that confidential treatment will be accorded the Proprietary Information.

o. You will not without our express written permission, use our name, Marks, copyrighted information or other Proprietary Information on any checks, employee records, employee applications, employee handbooks or other items that are delivered to the employee.

6.3. Marks

a. Our Services Affiliate has received registration for the below ~~marks~~Marks on the Principal Register of the United States Patent and Trademark Office (USPTO) as follows:

Registration Number	Description of Mark	Principal or Supplemental Register of the USPTO	Registration date
4,189,071	<p style="text-align: center;">Payroll Vault</p> <p style="text-align: center;">Payroll Vault</p>	Principal	August 14, 2012
4,149,049		Principal	May 29, 2012
4600737	Payroll Re-Defined (Standard Character Mark)	Principal	September 9, 2014
4596685	It's Time to Rethink Payroll (Standard Character Mark)	Principal	September 2, 2014

b. The Services Affiliate also claims common-law rights to the following mark:



c. We do not have a federal registration for the above ~~combined~~ principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

~~d. All current and future trademarks, service marks, trade names, trade dress, designs, logos, and other designations, any and all variations or modifications to any of the foregoing, and all registrations, applications and renewals therefor are referred to herein as the "Marks."~~

e. Our Services Affiliate and we have entered into a license agreement (Master License Agreement) that grants us use of the Marks pursuant to the Master License Agreement terms. Except as stated herein, there are no other agreements in place that limit our use of the Marks.

f. Our Services Affiliate and we alone have the right to control any administrative or litigation proceedings involving the Marks. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must notify us immediately. We in our sole discretion will take the necessary steps to defend the Marks. We will indemnify you if the action solely arises from the Marks. We do not have an obligation to indemnify or defend you if the action arises from your use of the Marks in violation of this Franchise Agreement.

g. If you learn that any unauthorized third party is using the Marks, you must notify us immediately. We, in our sole discretion, will determine what, if any, action will be taken to protect the Marks. You may not take any action against an alleged infringer. Any costs incurred by you for actions against an alleged infringer are solely your own; we will not reimburse you for any costs associated with defending the Marks.

h. We, in our sole discretion, may modify or discontinue the use of the Marks at any time. You will be provided adequate time to comply, at your sole expense, with any new guidelines regarding the Marks.

i. We have secured the following Internet domain names: www.PayrollVault.com. Other domain names may be added at our discretion.

j. You will not: ~~(aj)~~ directly or indirectly contest nor aid in contesting the validity of the ownership of the Marks; ~~(bij)~~ in any manner interfere with or attempt to prohibit our use of the Marks; or, ~~(eiii)~~ at any time interfere with the use of the Marks by our other franchisees or licensees.

k. You further agree to execute ~~any and~~ all additional documents and assurances reasonably requested by us in connection with our ownership and use of the Marks, and agree to fully cooperate with us or any of our other franchisees or licensees in securing all necessary and required consents of any federal or state agency or legal authority.

6.4 Business Name and Contact Information

a. ~~Franchisee acknowledges~~ You acknowledge that our Services Affiliate and we have a prior and superior claim to each portion of the Marks. You will not use the phrase “Payroll Vault”, “Vault” or any portion of the Marks in the legal name of your corporation, partnership, or any other business entity used in conducting the business provided for in this Agreement. You also agree not to register or attempt to register a trade name using the words “Payroll Vault” in your name or that of any other person or business entity without our prior written consent, which may be withheld for any reason or for no reason at all. You may adopt a “DBA” (doing business as) or fictitious name such as “Payroll Vault” so long as this is not part of the business entity name. Your use of the DBA is through this license only and you gain no ownership interest in it.

b. ~~Franchisee shall~~ You will not change the telephone number(s), Uniform Resource Locator (URL), email or similar electronic contact information for the Business without our prior ~~notice and~~

written approval ~~by Franchisor. Franchisee shall.~~ You will advertise and publicize the telephone number(s), URL email and similar electronic contact information for the Business in the manner prescribed by ~~Franchisor~~us. Upon termination of this Agreement, all contact information other than your address; if you operate your Business out of your home, ~~shall be deemed theis our~~ property ~~of the Franchisor~~. In furtherance thereof, you agree to sign the Collateral Assignment of Contact and Electronic Information found at Exhibit 5.

6.5 Modification, Discontinuation and Goodwill

a. In the event that ~~the Franchisor~~we, in ~~its~~our sole discretion, ~~shall~~ determine it necessary to modify or discontinue the use of any Mark, any portion of the Proprietary Information or the System or to develop additional or substitute Marks or components of the Proprietary Information or System, you will, within a reasonable time after receipt from us of written notice of such a modification or discontinuation, take such action, at your sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution.

b. Any and all goodwill associated with any component of the Proprietary Information, the System, or the Client List including any goodwill that might be deemed to have arisen through your activities, ~~shall inure inures~~ directly and exclusively to ~~theour~~ benefit ~~of the Franchisor.~~ You further agree to execute ~~any and~~ all additional documents and assurances reasonably requested by us in connection therewith and agree to fully cooperate with us or any of our other franchisees or licensees in securing all necessary and required consents of any federal or state agency or legal authority. If you take any action that in any manner disparages, brings disrepute to, or other harm to the goodwill associated with the Proprietary Information, the System, or the Client List, we will have the right to terminate immediately this Franchise Agreement without granting you any right to cure.

6.6 No Use of Other Marks

~~No marks, logotypes, trade names, trademarks or the like other than~~Only Marks specifically approved by us ~~shall~~will be used in the identification, marketing, promotion, or operation of the Business.

6.7 Innovations by You.

a. During the Initial Term or any Successor Franchise Rights Term, you may create, design, or otherwise improve upon any portion of the Proprietary Information or the System including, but not limited to improving upon any manner of doing business (Innovation). Any such Innovation ~~will be deemed theis our~~ sole and exclusive property ~~of the Franchisor and not Franchisee.~~ Upon the creation of such Innovation, you will immediately notify ~~the Franchisor~~us in writing which will describe in detail, the nature of the Innovation. ~~The Franchisor has~~We have the sole and exclusive right to approve or disapprove of any such Innovation for any reason or no reason at all. If we approve of it, we may permit you to use the Innovation and may, in our sole and exclusive option, permit any one or more franchisees or company-owned stores to use any portion of the Innovation.

b. You agree that as between us, we will own the right, title, and interest to the Innovation. You agree to take any action necessary to insure that we obtain such right, title, and interest, so long as such action costs you nothing.

c. We are not obligated to pay you for the Innovation, though we reserve the right to do so, without incurring the obligation to pay you or any other franchisee for any future Innovation.

6.8 Compliance

~~Franchisee acknowledges~~ You acknowledge that any failure to comply with the requirements of this Article will cause ~~Franchisor's~~ irreparable injury, ~~and Franchisor shall be for which no adequate remedy at law is available.~~ As a result, we are entitled to ~~obtain~~ seek specific performance of, or an injunction against, any violation of such requirements ~~and may seek such damages as may be available.~~ Further, upon breach of any covenant in this Article, ~~the Franchisor we~~ may terminate this Franchise Agreement without granting any right to cure. The foregoing remedies ~~shall be~~ are in addition to any other legal or equitable remedies that ~~Franchisor we~~ may have.

ARTICLE VII

TRAINING

7.1 APA Training, Franchisee Training and Thomson Training

a. For the first franchise that you are awarded and prior to attending Franchisee Training, you must complete to our reasonable satisfaction the online APA Training. You must pay the APA Training Fee at the time you take the training. More information on this training may be provided in the Franchisee Manuals, through handouts or orally. There is no limit to the number of people that can take this training.

b. Also for the first franchise that you purchase, your Principal Operator, Designated Manager or you must complete the Franchisee Training to our reasonable satisfaction. Franchisee Training cannot be taken until APA Training has been completed. Franchisee Training is more specifically set forth in the Franchisee Manuals and training materials. Franchisee Training will occur at our ~~facility on an as needed basis, at our~~ then-current headquarters or at another facility that we designate. You ~~will be~~ are responsible for ~~any and~~ all travel expenses, living expenses, and wages incurred by you in connection with attendance at the training program. Training participants will not receive any compensation from ~~the Franchisor while attending the Franchisor's training us.~~ You are responsible for training your own employees and other management personnel.

c. In addition to APA Training and Franchisee Training, and if you have had no Thomson-sponsored training on the Payroll Software you will also be required to obtain training from Thomson in the operation of the Payroll Software (Thomson Training). Currently the fee for this training is included in the Initial Payroll License and Training Fee. Thomson is the trainer. ~~As a result, we do not determine the subject matter, hours of classroom or on the job training, or the location of such training. Further, we do not determine the frequency of such training, the nature of the training materials, instructor experience or any costs associated with such training.~~ You may already have sufficient Payroll Software training.

d. We reserve the right to reduce or eliminate this requirement depending on the experience of the attendee and his or her position with the Business once you are open.

e. All of the training described here must be completed before you open.

7.2 Franchisee Missed Quota Additional Training, Seminar, Annual Conference, Owners Exchange Meeting, and Other Education Development Programs

a. If you fail to meet your Franchisee Quota, we may in our sole discretion ~~decide to~~ require you to take additional training (Franchisee Missed Quota Additional Training).

i. If this is offered to you, you will be responsible for all costs to attend such training including travel, room and board if you travel to us, or our commercially reasonable room, board and travel expenses if we travel to you, and we may charge our then-current Franchisee Missed Quota Additional Training Fee. Such training will be of no specific duration and will have a curriculum that is tailored to address your needs.

ii. These training classes will be held as needed and they may be held on-line, through webinars, in person at your location, at our then-current headquarters, or at any other location that we determine. We will use the Franchisee Manuals and handouts for such training. The personnel used to deliver Franchisee Training will also be used for the Franchisee Missed Quota Additional Training.

iii. If we offer you this training, you will have 18 months after such training ends to increase the number of Clients to the Franchisee Quota level required in the final twelve months of that 18-month period. If, after such training and the passage of the 18-month period you fail to meet the minimum Franchisee Quota we have the right to terminate your Franchise or allow another franchisee, company-owned or Affiliate-owned Business to operate in your Protected Territory. If we do not offer this training to you, we may: (i) allow another franchisee, company-owned or Affiliate-owned Business to operate in your Protected Territory; or, (ii) terminate your franchise rights.

b. If you propose to sell or transfer the Business to a third party, part of our approval process will be the requirement that the transferee attend training and that he or she pay for the training at our then-current fee.

c. We have an annual conference and attendance is mandatory.

i. You ~~will be~~ are responsible for the payment of all expenses for travel, accommodations, food, and wages of any attendees. We require the payment of the then-current attendance fee.

ii. If you fail to attend the annual conference, you will be required to pay the then-current Franchisee Mandatory Fee for not attending the annual convention ~~(Mandatory Fee)~~. The Franchisee Mandatory Fee will be collected at the time that the materials are sent to you and you participate in the mandatory conference call that will be held for all franchisees who fail to attend the annual conference. Failure to participate in the mandatory conference call may result in the termination of this Franchise Agreement.

d. In addition to the annual conference, and though we do not now, we have the right in the future to require your Principal Operator, Designated Manager and you to attend a local or regional meeting up to 2 times per year (Regional Meeting). Any additional local or regional meetings will last between 1 and 2 days and will be held at a location to be approved by us. You will be responsible for all travel and living expenses that are associated with attendance at the same. Currently there is no tuition.

We may in the future charge tuition and you will be given no less than 60 days written notice before a fee is charged.

e. You may wish to get advanced or additional on-site training from us. This is optional and is not required for the operation of the Franchised Business unless you feel it is necessary. We will charge our then-current fee plus all costs for travel, lodging and food. Such training will be of no specific duration and will have a curriculum that is tailored to address your needs. We will use the Manuals and hand outs for such training. The personnel used to deliver Franchisee Training will also be used for this training. You will be charged our then-current Additional Training Fee.

f. We also hold an Owners Exchange meeting every spring. You are not currently required to attend though we may in the future require attendance. If you attend, you will pay the then-current Owners Exchange Tuition. If we do in the future require attendance, or if we decide to change the amount of the Owners Exchange Tuition, we will let you know no less than 60 days before the event. The current instructors at the meetings are Mr. Manning, Ms. Messler and Ms. Petteys, though we may add other instructors in the future, whose identity and background will be disclosed to you before the meeting. You are responsible for all travel and living expenses that are associated with attendance. The instruction materials include the Manuals and handouts.

7.3 Employees and Employee Training

Your employees are not our employees. You will be solely and exclusively responsible for properly training all employees in the operation of the Business. We make no determination and provide no advice on any matter governing the essential terms or conditions of your employees employment. You are exclusively responsible for the performance of any and all matters pertaining to your employees including hours worked, scheduling, the payment of taxes, and purchasing any workers compensation insurance, and following all municipal, state and federal rules, laws and statutes pertaining to the employees.

ARTICLE VIII
QUALITY CONTROL

In addition to all other obligations and representations of yours set forth in this Franchise Agreement, you agree as follows:

8.1 System Compliance

You agree to follow strictly the System, the Franchisee Manuals, and other procedures, forms and obligations promulgated or provided by us from time to time. You agree to use only those records and record keeping practices that we determine.

8.2 Compliance with Applicable Laws

a. You agree to comply with all applicable laws, ordinances and regulations, or rulings of every nature whatsoever that in any way regulate or affect the operation of your Business. You agree not to engage in any activity or practice which results in, or may reasonably be anticipated to result in, any public criticism of the System or any part thereof.

b. We have not made, and you have not relied upon, any representation that no Licenses, or only certain Licenses, are necessary in connection with the operation of your Business.

8.3 Inspections and Records

a. You hereby consent to reasonable inspections and audits during normal business hours at the Business, as more fully described in this Franchise Agreement.

b. Should we notify you at any time of defects, deficiencies, a Gross Revenue understatement (See Article 3) or unsatisfactory conditions concerning the Business, you agree to immediately correct any such item or items and you will in every event, complete such corrections within the time period for any cure that is granted by this Franchise Agreement or by the Franchisee Manuals.

~~b. You agree to use only those records and record keeping practices that Franchisor dictates.~~

8.4 Approved Products, Product Purchases, and Approval Method

a. You agree to provide only the services we specify in the Franchisee Manuals, which will be amended from time to time. You also agree that all goods or services supplied by the Business ~~shall~~will comply with our standards and specifications. You must purchase the same from designated or approved sources and suppliers.

b. In some cases, you may wish to purchase a required good or service from a supplier that has not been previously approved by us. We do not maintain written criteria for approving suppliers and thus, these criteria are not available to you or your proposed supplier. To obtain our approval, you must submit such information as we may reasonably require to enable us to evaluate the prospective supplier. We will evaluate the submitted information and will provide written notice of our decision to you within 15 days. We may grant or deny approval for any reason or for no reason at all. Other than as stated here,

we have no other process for approving suppliers. We may bill you at our then-current fee for the time it took to evaluate the good or service.

c. Approval of alternative suppliers may be revoked by us if we determine in good faith that the goods or services they are supplying no longer meet the quality standards that are in effect at that time.

8.5 Client Service

You will give prompt, courteous, and efficient service to your Clients and will otherwise operate the Business in strict compliance with the System and the policies, practices and procedures contained in the Franchisee Manuals (or otherwise communicated to you in writing) so as to preserve, maintain, and enhance the reputation and goodwill of your Business and the System.

8.6 Timely Delivery of all Reports and Fees

You will timely deliver to us all reports and fees as required herein or in the Franchisee Manuals.

~~8.7 Notification of Deficiencies~~

~~Should we notify you at any time of defects, deficiencies, Gross Revenue understatement (See Article 3) or unsatisfactory conditions concerning the Business, you agree to immediately correct any such item or items and you will in every event, complete such corrections within the time period for any cure that is granted by this Franchise Agreement or by the Franchisee Manuals.~~

~~8.8~~ **8.7 Compliance with all Terms of this Franchise Agreement**

a. You agree to comply with all covenants and duties placed upon you by this Franchise Agreement.

b. You may operate any other business including an accountant's income tax, bookkeeper, or similar business from the Franchised Location so long as it is not a "Competing Business" as that term is defined in Article 15 and you continue to adhere to all of the provisions of this Franchise Agreement.

8.98 Management and Other Business

Your Principal Operator, Designated Manager or you shall be required to devote his or her full time, attention, and best efforts to the management and operation of the Business and the compliance with this Franchise Agreement.

8.109 Modification

a. We may reasonably change or modify the System, the Franchisee Manuals, and the Marks, and you agree to accept, be bound by, use, implement, and display any such changes to the System. You will make whatever expenditures are reasonably required to implement such changes or modifications. We have complete ownership and control of any changes, modifications, enhancements, or suggestions, whether made by you or us.

b. We may approve exceptions to, or changes in the uniform standards for you or other franchisees that we believe are necessary or desirable under particular circumstances. You have no right to object to such variances or to obtain the same variances for yourself.

8.4110 Disclosure

We can disclose in our offering circular materials any information concerning your Franchise and the Business, including your name, address, telephone number, financial, and other information.

ARTICLE IX

TRANSFERS

9.1 Sale or Assignment by Franchisor

This Franchise Agreement and all rights and obligations hereunder are fully assignable and transferable by us, and if so assigned or transferred, ~~shall~~will be binding upon and inure to the benefit of our successors and assigns. By way of example and not limitation, we may be sold, or we may sell to a competitor or any other entity any portion of or all of our rights: to license or sublicense the Marks; to any component of the Proprietary Information; or any other assets. In addition, we may go public, may engage in a private or other placement of some or all of our securities, may merge, or acquire other entities or assets which may be competitive with the System or not, we may be acquired by a competitive or other entity or may undertake any refinancing, leveraged buy-out or other transaction. You waive all claims, demands, and damages with respect to any transaction allowed under this section or otherwise. You will fully cooperate with any such proposal, merger, acquisition, conversion, sale, or financing.

9.2 Transfer by You

a. This Franchise Agreement is personal as to you, and ~~is being entered into~~has been signed by us in reliance ~~upon, on~~ and in consideration of, ~~the~~your qualifications and representations ~~of you and if you are a business entity then the Franchise Parties.~~ Therefore, this Franchise Agreement, any of its rights or privileges, or any equitable, capital, voting, non-voting or other interest in ~~the Franchisee (or Franchise Parties)~~ will you may be assigned, sold, transferred or divided in any manner by you or anyone else only ~~after you have obtained~~with our express ~~prior written approval~~permission.

b. In order to obtain such written approval, you will provide us with all documentation relating to the proposed ~~transfer of the Franchise or the Business.~~Transfer. We will notify you of our approval ~~or disapproval~~ within 30 days after we receive all of the information that we may request from you. If we do not respond within this 30-day period, the proposed transfer ~~will be deemed to be disapproved by us.~~ Said approval ~~will be based upon our Reasonable Business Judgment and will be conditioned as below described.~~is disapproved by us.

c. The term "Transfer" includes the voluntary, involuntary, direct, or indirect assignment, sale, ~~Gift~~gift or other disposition by you ~~(or any owners of the Franchisee)~~ of any interest in: ~~(ai)~~ this Franchise Agreement; ~~(b) the~~ii your equity ownership of the Franchisee ~~as stated in Exhibit 1;~~ or ~~(eiii)~~ any assets of the Business (other than in the normal course of business). ~~The term "A Transfer" also includes any "assignment," "sale," "gift" or "other disposition" and shall also include~~includes but ~~is not~~ be limited to: (iv) a transfer as a gift to any Person; (v) a transfer resulting from a divorce, insolvency;

~~corporate or partnership~~business entity dissolution proceeding, ~~or otherwise:~~ (vi) by operation of law; ~~or~~(vii) in the event of the death, transfer or disposition by will or under the laws of intestate succession; (vii) by declaration of or transfer in trust; and, (viii) by any other direct or indirect assignment, sale, ~~Gift~~gift, pledge, mortgage or the granting of any security interest encumbering the assets of the Business.

d. If a proposed Transfer is only among existing shareholders ~~or~~ members of a ~~corporate or~~ limited liability company ~~franchisee~~business entity, or among existing partners of a ~~partnership franchisee~~, and if there is no Change in Control, then there will be no Transfer Fee and we will not be entitled to exercise our “Right of First Refusal” ~~which~~that is described below. All other conditions to the approval of a proposed Transfer however will apply.

e. Each stock certificate of a ~~corporate or corporation~~ and any certificate of limited liability company franchisee shallbusiness entity (or the operating documents of such entity if certificates are not issued) must have endorsed upon its face that assignment or transfer thereof is subject to the restrictions of this Franchise Agreement. You agree to provide us with a copy of each such certificate so that we can ensure compliance with this provision.

9.3 Conditions to Approval of any Transfer

a. In determining the acceptability of the proposed transferee or assignee (jointly or severally the “Proposed Transferee”), we will consider, among other things, our then-current standards for new franchisees, including the Person’s net worth, credit worthiness, background, training, personality, reputation and business experience ~~of the Proposed Transferee~~, the terms and conditions of the proposed ~~transfer~~Transfer, and any circumstances that would make the ~~transfer~~Transfer contrary to our Reasonable Business Judgment or the best interests of the System.

b. We may meet and candidly discuss all matters relating to this Franchise Agreement and the Business with the Proposed Transferee. In no case will you or a Proposed Transferee rely on us to review or evaluate any proposed transfer. We will not be liable to you or the Proposed Transferee or any other person or entity relating to the transfer.

c. As a condition of any Transfer otherwise permitted under this Franchise Agreement, you agree as follows:

i. you will notify us of the proposed Transfer by sending us written notice ~~to us~~ and by enclosing a copy of the written offer from the Proposed Transferee;

ii. you must be in ~~full compliance~~Compliance with this Franchise Agreement and not be in default ~~hereunder~~ at the time you request the ~~transfer~~Transfer;

iii. all accounts payable and other monetary obligations to Affiliates, ~~any subsidiaries~~ or us must be paid in full;

iv. you must have timely submitted all required reports, financial statements and other documents;

~~v. _____ v. _____ the terms and conditions of the proposed Transfer must be provided in writing to us;~~

_____ vi. ~~if approved,~~ the Proposed Transferee must sign the then-current form of franchise agreement **which may contain terms, covenants and conditions that are significantly different than those found in this Franchise Agreement;**

~~vii.~~ vi. the Proposed Transferee must attend training and will pay the tuition (if any) that is then being charged to new franchisees. The Proposed Transferee will also pay for his travel, room and board expenses for such training;

~~viii.~~ you must pay a transfer fee of the greater of \$5,000 or 10% of the then current ~~IFF upon execution of the franchise agreement by the Proposed Transferee~~ vii. the Transfer Fee must be paid;

~~ix.~~ viii. each of your owners and you must execute the then-current form of General Release to us. A copy of a General Release is attached as Exhibit 4; and,

_____ x. ix. you must sign the then-current Payroll Software transfer agreement that is provided by Thomson or us and for which Thomson may charge its then-current Payroll Software Transfer Fee.

_____ d. Regardless of the Transfer, all restrictive covenants found in this Franchise Agreement including any post-term covenant not-to-compete, any indemnification covenants, confidentiality obligations, and the provisions relating to dispute resolution will survive any ~~transfer~~ Transfer and continue to be your obligation.

9.4 Invalidity of Transfers

a. ~~Involuntary Transfers or Assignments by you, such as by legal process including bankruptcy, assignment for the benefit of creditors, assignment as security for any financial or non-financial matter or otherwise, are not permitted,~~ are not binding on us, and are grounds for the termination of this Franchise Agreement without the right to cure. You agree that using this Franchise Agreement as security for a loan, or otherwise encumbering this Franchise Agreement, is prohibited unless we specifically consent to any such action in writing prior to the proposed transaction.

b. You agree not to grant a sub-franchise under this Franchise Agreement, ~~nor~~ and not to otherwise seek to license or permit others to use this Franchise Agreement, the Business, or any of the rights derived by you under this Franchise Agreement ~~and~~ in any manner that violates the provisions herein.

c. Any attempt to complete a Transfer without our express written permission ~~will be considered~~ is a breach of this Franchise Agreement for which no cure ~~shall be~~ is provided.

9.5 Death or Permanent Disability

a. Upon the death or Permanent Disability of the Franchisee, Principal Operator or the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such Person ~~shall~~ will Transfer the Person's interest to an approved third party who may be the heirs or successors of the deceased or Permanently Disabled Person. Such disposition of

this Franchise Agreement or such interest (including, without limitation, transfer by operation of law, intestacy, bequest or inheritance) ~~shall will~~ be completed within a reasonable time, not to exceed 180 days from the date of death or Permanent Disability, and ~~shall will~~ be subject to all terms and conditions applicable to Transfers contained in this Article as though the Proposed Transferee was being introduced to us by the deceased or Permanently Disabled Person; provided, however, that for purposes of this Section, no Transfer Fee will be collected..

b. Failure to transfer the interest in this Section within said period of time ~~shall constitute~~ constitutes a breach of this Franchise Agreement for which no additional cure ~~may be~~ is granted.

9.6 Right of First Refusal

In the event of a Transfer, you agree the same is subject to our 30-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer for the Transfer (Right of First Refusal) provided, however, the following additional terms and conditions ~~shall~~ apply:

a. you will notify us of such offer by sending a written notice to us (which notice may be the same notice as required by Section 9.3 above), enclosing a copy of the written offer from the Proposed Transferee;

b. the 30-day Right of First Refusal period will run concurrently with the period ~~in which the Franchisor has~~ that we have to accept or ~~not accept~~ reject the Proposed Transferee;

c. such Right of First Refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer ~~shall be deemed~~ is a separate offer on which a new 30 day Right of First Refusal ~~shall will~~ be given to us;

d. if the consideration or manner of payment offered by a Proposed Transferee is such that we may not reasonably be required to furnish the same, then we may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash value of the consideration to be paid by the Proposed Transferee, an independent appraiser ~~shall will~~ be designated by ~~the Franchisor~~ us, whose determination will be binding upon the parties. All expenses of the appraiser ~~shall will~~ be paid for equally between ~~the Franchisor and the Franchisee~~ us; and

e. if we choose not to exercise the Right of First Refusal, you will be free to complete the sale, transfer, or assignment, subject to compliance with this Article 9. Our failure to reply to your notice of a proposed sale within the 30-day period is deemed a waiver of such Right of First Refusal.

ARTICLE X

DEFAULT AND TERMINATION

10.1 Termination by Franchisor - Effective upon Notice

We have the right, at our option, to terminate this Franchise Agreement and all rights granted you hereunder, without affording you any opportunity to cure (subject to any state laws to the contrary, where

such state law may prevail), or to exercise any other rights that we may have including terminating your right to operate your Business without terminating this Franchise Agreement, which notice of termination will be effective five days after mailing by prepaid certified mail, return receipt, or if by overnight or hand delivery, then effective on the date of such delivery or the date of refusal by you to accept delivery, upon occurrence of any of the following events:

a. if you cease to operate the Business or otherwise abandon the Business for a period of fourteen (14) consecutive days, or any shorter period that indicates your intent to discontinue operation of the Business, unless and only to the extent that full operation of the Business is suspended or terminated due to acts of God, fire, flood, earthquake, or other similar causes beyond the Franchisee's control and not related to the availability of funds to you;

b. if you: become "insolvent (as), meaning that term is commonly defined using generally accepted accounting principles, consistently applied); or your total liabilities are greater than your total assets; are adjudicated a bankrupt; if any action is taken by you, or by others against you under any insolvency, bankruptcy, or reorganization act; or if you make an assignment for the benefit of creditors or a receiver is appointed to operate by the Business Franchisee. This provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.; If, for any reason, this Agreement is not terminated pursuant to this Article 10, and the Franchise Agreement is assumed, or assignment of the same is made to any person or entity who has made a bona fide offer to accept an assignment of the Franchise Agreement pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (i) the name and address of the proposed assignee; and (ii) all of the terms and conditions of the proposed assignment and assumption; will be given to us within 20 days after receipt of such proposed assignee's offer to accept assignment of the Agreement; and, in any event, within ten days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will thereupon have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of this Franchise Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of this Franchise Agreement;

c. if any material judgment or award (or several judgments or awards which in the aggregate are material) is (are) obtained against you and remain(s) unsatisfied or of record for ~~thirty~~ (30) days or longer (unless a supersedeas or other appeal bond has been filed); if execution is levied against the Business or any of the property used in the operation of the Business and is not discharged within five (5) days; or if the real or personal property of the Business or the business ~~which~~ that operates the Franchisee ~~shall be~~ levied upon in accordance with the law of the state in which the Business is located;

d. if you are arrested for, convicted of, or plead no contest to, a crime (whether a misdemeanor or felony) involving moral turpitude; are arrested for, convicted of, or are arrested for, plead no contest to, a felony of any nature; or are convicted of, or plead no contest to, any crime (whether a misdemeanor, or felony) or are named as a party in a civil suit, claim, action, arbitration, administrative or similar action, that is reasonably likely, in the our sole opinion of the Franchisor, to materially and unfavorably affect the System, Marks or the goodwill or reputation thereof;

e. if you fail to pay any Royalty, fees, payments, or any other amounts due us, including any amounts which may be due as a result of any agreements between you and us within five (5) days after receiving notice that such fees or amounts are overdue;

f. if you misuse or fail to follow our direction and guideline concerning use and confidentiality of the Marks or any component of the Proprietary Information or the System and fail to correct the misuse or failure within 10 days after notification from us; except that if your violation of this subparagraph is intentional, there will be no ten-day right to cure and default and termination will be immediate.

g. if you intentionally or negligently disclose to any unauthorized person any component of the Proprietary Information, the System, or the Marks;

h. if during the Initial Term or any Successor Franchise Rights Term ~~of this Franchise Agreement you have received from us a 5th~~ you receive a fifth written notice of default as to any term, covenant or condition (or combination thereof) of this Franchise Agreement even if all prior breaches were timely cured;

i. if you ~~attempt a Transfer or Assign this Franchise Agreement, an interest in the Business, a substantial portion of the assets of the Business, or the business which operates the Franchisee or otherwise violate the terms~~ violation of Article 9 above;

j. if you violate any municipal, state, or federal law (including the payment of taxes of any nature or kind) that applies in any way to the Business or your operation under this Franchise Agreement, and you fail to cure the same within any period of cure provided by the governmental entity which cited the Franchisee;

k. if you make any material misrepresentations relating to the acquisition of your rights under this Franchise Agreement;

l. you violate any covenant or condition of subparagraph 1.6(d)(v) above;

m. you violate any other covenant or condition ~~which~~ of this Franchise Agreement that contains its own cure provision and then fail to cure within the time period provided therein;

n. if you have employees, and you fail to pay any employee his or her wages;

o. if you fail, refuse, or neglect to obtain any prior written approval or consent as required by this Agreement;

p. if you engage in any unauthorized business or practice or sell any unauthorized product or service from the Business;

q. if you fail to pay any tax (including but not limited to payroll, sales, income, or any other tax due as a result of the operation of the Business);

r. you lose the right to use the Payroll Software for a period of longer than 30 days;

s. you fail to obtain ACH Rights prior to opening, fail to maintain ACH Rights during the term of this Franchise Agreement, or fail to obtain all approvals required by any governmental agency as required by ~~Section 1.7 of~~ this Franchise Agreement;

~~_____ t.~~ t. you fail to reconcile your ACH Account in the manner required by your ACH provider, any governmental entity or us;

~~_____ u.~~ u. you fail to add new lines of goods and services after you have notified you in writing and have given you reasonable amount to comply which will be no longer than 60 days;

~~_____ v.~~ v. an audit of your books and records discloses an understatement of Gross Revenue ~~by of~~ 3% or more; ~~or,~~

~~_____ w.~~ ~~termination~~ w. there is an action taken under Section 10.3 below; ~~or,~~

~~_____ x.~~ x. you fail to meet the Franchisee Quota.

10.2. Termination by Franchisor – Thirty-Days Notice Right to Cure

a. We will have the right to terminate this Franchise Agreement (subject to any state laws to the contrary, in which case such state law ~~shall~~will prevail) effective upon ~~thirty (30)~~ days written notice to the Franchisee, if the Franchisee breaches any other term, covenant, or condition of this Franchise Agreement and fails to cure the breach during such ~~thirty day (30-day)~~ period.

b. After the passage of said ~~thirty day (30-day)~~ period without cure, this Agreement will terminate without further notice to you.

~~_____ c.~~ c. We have the right during any period of cure granted by this Franchise Agreement to suspend our performance of any obligations under this Franchise Agreement including, without limitation, the supply of any online services, online advertising, web-page hosting or the sale or delivery of any services or products until such time as you correct the breach.

10.3 Cross Default

a. If ~~Franchisee is~~you are a party to any other ~~Franchise Agreements~~franchise agreements with us, ~~is~~are a party to an area development agreements with us, or ~~is~~are a party to any agreements with our Affiliates, and if such agreement is breached and not timely cured within the time period permitted in such document with the result being that ~~that~~such agreement is terminated, then ~~the Franchisor has~~we have the right to terminate this Franchise Agreement without affording you any additional right to cure.

b. If you violate the terms, covenants or conditions of any other contract or agreement with a third party that is unrelated to us ~~but which~~ (Third Party Contract) you must first provide us with written notice of the breach and a copy of any document delivered in reference breach. If such contract or ~~agreement~~ is material to the operation of ~~theyou~~ your Business (including, ~~but not limited for instance to,~~ any real property or equipment lease, (Third Party Contract) agreements with Thomson), and if you fail to cure any such breach within the time permitted under ~~such~~ the Third Party Contract, and if as a result, you are unable to: (i) ~~to~~ operate the Business in the ~~same~~ same manner ~~that~~ as you ~~were able~~ did before the breach of the Third Party Contract; or, (ii) ~~to operate any other Business under a separate franchise agreement (cross-~~

~~default); or, (iii) operate the Business in accordance with the terms of this Franchise Agreement, then upon termination of said Third Party Contract, this and all other franchise agreements with us may, in our sole and exclusive discretion, also be terminated at the same time as the Third Party Contract terminates. You will provide us immediate notice in the event of the termination of such a material agreement.~~

10.4 Diligent Pursuit of Cure

If the breach is non-monetary in nature and is one for which cure is provided above, and if you undertake the cure within three (3) days of the date that you receive our notice, and if you continue to pursue such cure in good faith but are unable to complete the cure within the time period provided then you ~~shall~~will be given up to an additional ~~thirty (30)~~ days after the end of the first cure period within which to complete such cure. If you fail to continually pursue the cure during this additional time period or are unable to complete such cure within this additional time period, then we have the right to terminate this Franchise Agreement without further notice to you.

10.5 Our Rights to Damages

Upon any event of default and your failure to timely cure the same (if cure is provided), we may proceed to enforce any or all of the following non-exclusive remedies or any other remedy, claim, cause of action, award, or damages allowed by law or equity, with the understanding that the pursuit of any one remedy ~~shall~~is not be deemed an election or waiver by us to pursue additional remedies as all remedies are cumulative and are not exclusive:

~~_____ a. Bring~~ a. Without terminating this Franchise Agreement, bring one or more actions for: lost profits as measured by the Royalties and other fees that would have been due and payable had breach and default not occurred; penalties and interest as provided for in this Franchise Agreement; and for all other damages sustained by us because of your breach of this Franchise Agreement.

b. Accelerate the balance of any outstanding installment obligation due hereunder and bring an action for the entire accelerated balance.

~~c. Bring an action for equitable relief including temporary or permanent injunctions and obtain orders for specific performance enforcing the provisions of this Franchise Agreement and otherwise stop you from engaging in actions prohibited hereby, including, without limitation: (a) improper use of the Marks or any component of the Proprietary Information; (b) unauthorized Transfer of this Franchise Agreement; (c) violation of any of the restrictive covenants; and (d) your failure to meet or perform your obligations upon termination or expiration of this Franchise Agreement.~~

d. Terminate this Franchise Agreement and proceed to enforce our rights under the appropriate provisions. Such termination ~~shall be~~is effective upon delivery of a notice of termination to you without further action by us. Termination does not exclude us from seeking monetary compensation for our lost profits or similar losses that can be proved.

e. If after expiration, termination, ~~or Transfer, or Assignment,~~ you use any of the Marks or any component of the Proprietary Information, or violate any restrictive covenant found herein then, in addition to any remedies provided above, and in addition to any other remedies in law or equity, our remedies will include, but will not be limited to, recovery of the greater of: (i) all profits earned by you in the operation of the Business; or (ii) all Royalties, advertising contributions and other amounts that

would have been due if such Transfer, Assignment, repurchase, termination or expiration had not occurred.

~~f. Further, you agree that, in the event you continue to operate or subsequently begin to operate any other business, you will not use any reproduction, counterfeit, copy or colorable imitation of the Marks or the Proprietary Information either in connection with such other business or in the promotion thereof which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Marks and the Proprietary Information, and further agree not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor.~~

f. Avail ourselves of any other remedies available at law or in equity.

10.6 Waiver of Jury Trial and Damages

BOTH FRANCHISOR AND FRANCHISEE AGREE TO WAIVE THE RIGHT TO A JURY TRIAL AND TO BE AWARDED EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

10.7 State or Federal Law Prevails

If any mandatory provisions of governing state law prohibit termination of this Franchise Agreement as described herein, or if the same otherwise limit ~~Franchisor's rights~~ our right to terminate by imposing different rights or obligations as are found herein, then such mandatory provisions of state law ~~shall be deemed~~ is incorporated into the agreement by reference and ~~shall will~~ will prevail over any inconsistent terms in the agreement. If no such law exists, or if such law exists but permits the franchisee to agree to abide by the termination provisions as set forth herein instead of that state law, then the franchisee agrees that the terms of this agreement ~~shall will~~ will prevail. If by electing the alternative dispute resolution provisions of Article 16, it is determined that ~~Franchisor's and Franchisee's~~ our choice ~~of law~~ and other provisions prevail over any state law to the contrary, then the choices made by the Parties here will prevail so as to permit the limitations identified in this Article ~~specifically and this Franchise Agreement generally~~. Some waivers and limitations may not be enforceable under state or federal law.

10.8 Payment of Fees is an Independent Covenant

You agree that you will not withhold payments of Royalties, advertising fees, or any other amounts of money owed to us for any reason, even including a claim by you of the alleged nonperformance by us of any obligation hereunder. All such claims by you ~~shall will~~, if not otherwise resolved ~~by between~~ us, ~~shall be resolved as permitted in this Agreement. All covenants are independent of each other.~~ subject to Article 16.

10.9 Action Against the Franchisor

Subject to the limitations of actions as found in this Article that require you to take any action before the expiration of the time limit found therein, prior to starting any arbitration against us or any of our officers, agents, or employees, you agree to first give us or our officers, agents, or employees sixty (60) days prior written notice and an opportunity to cure any alleged act or omission within that time period. If such act or omission cannot be cured within such ~~sixty day (60-day)~~ period, and we or our officers, agents, or employees are diligently continuing efforts to attempt to cure such alleged act or omission, you will give us or our officers, agents, or employees such additional time as is reasonably necessary to cure which time ~~shall~~will not exceed an additional ~~thirty (30)~~ days. If we fail to complete such cure in a timely fashion, then you have such rights as are permitted herein.

ARTICLE XI

OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION

11.1 Obligations upon Termination or Expiration

Upon termination or expiration of this Franchise Agreement for any reason, you ~~shall~~will cease to be a licensed ~~Franchisee of Franchisor~~franchisee and ~~shall~~will:

- a. immediately pay for all product purchases, advertising fees, and other charges and fees owed or accrued to us;
- b. refrain from holding yourself out as a Franchisee;
- c. immediately take all necessary steps to disassociate yourself from the System and the Business;
- d. cease the use of any component of the Proprietary Information, the System and the Marks including but not limited to: any materials, designs, logos, methods, procedures, processes, and other commercial property and symbols or promotional materials provided by or licensed to you by us or in any way connected with the Business;
- e. remove all signs identifying the Business as being part of the franchise system;
- f. ~~changing~~assign to us all telephone listings, telephone numbers, Internet sites, ~~Web~~web pages, URLs (including all social media URLs such as Facebook and Twitter), all blog or vlog sites, email addresses and the like that relate to the Business. To this end ~~Franchisee understands, you understand and agrees~~agree that ~~the Franchisor shall~~we will avail ~~itself~~ourselves of the Collateral Assignment of Contract and Electronic Information found at Exhibit 5;
- g. assign your Software License to us using the forms that Thomson or we supply;
- h. take such action as shall be necessary to amend or cancel any assumed name, fictitious name, or business name or equivalent registration which contains any trade name or Mark of ours, or in any way identifies you as being affiliated with the System;

hi. immediately notify all suppliers, utilities, creditors, and concerned others that you are no longer affiliated with us, the System, or the Franchise, and provide proof to us of such notification. You covenant not to use any part of the System or any part of our trade secret or confidential or Proprietary Information or materials following the termination of this Franchise Agreement and not to identify any present or future business owned or operated by you as having been in any way associated with us or the System; and,

ij. within seven-~~(7)~~ calendar days, return to us by first class, prepaid, certified, return receipt requested, United States Mail, the Client List (including all contact information for each Person on the list) all Franchisee Manuals (including originals and any copies), all training, advertising, promotional aids, materials and all other printed materials pertaining to the operation of the Business and the Client List;

j. ~~unless.~~ Unless an earlier time is called for, in which case the earlier time prevails, furnish evidence satisfactory to us of compliance with this Article within ~~twenty-(20)~~ calendar days after the termination, expiration, or non-renewal of this Agreement;

11.2 Additional Matters

Further, upon termination, expiration, or non-renewal of this Franchise Agreement for any reason:

a. no payment will be due to you from any source on account of any goodwill or other equity claimed by you arising from your operation or ownership of the Business or this Franchise Agreement;

b. unless otherwise described herein, no fees, charges, Royalties, advertising fees, or other payments of any kind from you to us will be refundable in whole or in part; and

c. you ~~will~~ have no goodwill associated with, equity in, or other continuing interest in this Franchise Agreement.

ARTICLE XII

RIGHT TO PURCHASE

12.1 Right to Purchase

a. Except as otherwise provided in Article 9, which ~~shall prevail~~ prevails in the instance of a Transfer, upon expiration or termination of this Franchise Agreement you hereby grant to us the right to acquire, in our sole discretion, all or any part of your inventory, equipment, signs and accessories, and other personal property relating to the Business or this Franchise Agreement at the then-existing "Fair Market Value" (as below defined) of such item or items as of the date of expiration or termination of this Franchise Agreement.

b. For purposes of this Franchise Agreement, "Fair Market Value" ~~shall be deemed to be~~ is the value that a reasonable person who is under no duress or obligation would pay for the item that is

being sold by a seller who is under no duress or obligation. If the parties do not agree to the Fair Market Value, it will be established by an independent appraisal. The appraisal ~~shall~~will be done at our expense by an appraiser selected by us but who is independent and disinterested in the outcome of any such valuation.

c. No goodwill ~~shall~~will be considered associated with the valuation of any item being sold under this Article.

d. We must exercise this option within 30 days of such expiration or termination by giving written notice to you of our intent to exercise our option to purchase. Unless otherwise agreed by you, the purchase price as determined hereunder ~~shall~~will be paid in cash within the option period.

e. If we have not notified you of our election to exercise this option within the aforesaid thirty-day period, it ~~shall~~will be conclusively presumed that we have elected not to exercise our option, and you are then free to sell or transfer such assets to any person or entity on such terms as you may so choose.

ARTICLE XIII

RELATIONSHIP BETWEEN THE PARTIES

13.1 Independent Contractor

a. In all matters between us, or between you and the public, you are an independent contractor. Nothing in this Franchise Agreement or in the franchise relationship constitutes a partnership, agency, joint venture or other arrangement between us.

b. Neither party is liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, negligence, errors, or omissions of the other.

c. You are responsible for the day-to-day management and control of the Business and its operation under this Franchise Agreement, including without limitation, its daily operations, management, employee direction, and paying all costs and expenses of your Business.

d. The parties agree not to hold themselves out by action or inaction, contrary to the foregoing.

e. ~~None of your employees shall be deemed an employee of Franchisor, are our employees, and each employee shall will be so notified. As used herein, "Franchisor" shall also mean Franchisor's predecessors, affiliates, and Franchisor's officers, directors, shareholders, employees, agents, or others whose conduct Franchisor is chargeable for.~~

f. Neither party ~~shall~~will act or have the authority to act as agent for the other, and neither you nor we ~~shall~~will guaranty the obligations of the other or in any way become obligated for the debts or expenses of the other unless agreed to in writing.

13.2 No Fiduciary Relationship

It is understood and agreed between us that this Franchise Agreement does not establish a fiduciary relationship.

13.3 Posting of Signs

You agree to post promptly and maintain any signs or notices specified by us or by applicable law indicating the status of the parties as described above.

ARTICLE XIV

INDEMNIFICATION

14.1 Indemnification

a. You agree to and will indemnify, defend, and hold us (Indemnified Parties) harmless from, and you will reimburse us for all “Claims” (as defined below), obligations, and damages, and any and all claims and liabilities directly or indirectly arising out of your operation of the Business, use of the Marks and System, or as a result of your performance under this Franchise Agreement.

b. “Claims” include but are not limited to any claim, cause of action, damage, award, judgment, cost (including reasonable attorney’s fees, court costs, and expert witness fees), expenditure of funds, or loss suffered by us or brought against us and arising out of: your performance or failure to perform under this Franchise Agreement; a claim for breach of contract; premises liability; your operation of the Franchised Business; employment matters; your performance under the System; your use of the Franchisee Manuals and Proprietary Information; your use of the Marks; as well as any other claim in law or equity against an Indemnified Party that may arise as a result of your breach of any term, covenant, or condition of this Franchise Agreement or operation of the Business.

c. Included in indemnification ~~shall~~will be the reimbursement or direct payment by you of any award, damage, consequential damages, and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

d. We have the absolute right to defend any such claim against us and have the right to have counsel of our own choosing, the reasonable cost of which ~~shall~~will be borne by ~~the Franchisee~~you.

e. This indemnity ~~shall continue~~continues in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and ~~shall continue~~further, continues for any applicable limitation of actions statute- (and not for the one-year limitation of action covenants of this Franchise Agreement).

ARTICLE XV

RESTRICTIVE COVENANTS

15.1 In-Term Covenant Not to Compete

a. You and we share a common interest in avoiding situations where persons or companies who are, or have been franchisees within the System, operate or otherwise become involved with a similar competing business either during or after the termination for any reason of this Franchise Agreement.

b. Therefore, during the term of this Agreement, and for any extensions or renewals hereof, you agree that you, and all Franchisee Parties ~~shall~~will refrain from: owning; operating; leasing; franchising; conducting; consulting with; engaging in; having any interest in; assisting any person or entity engaged in for its own account; acting as an employee, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation engaged in any wholesale or retail business or other business that is a "Competitive Business", in any capacity or any location, except with our prior written consent which consent may be granted or withheld for any reason or for no reason at all. For purposes of this Franchise Agreement, a Competitive Business is one that provides Payroll Services to individuals or businesses where such Payroll Services make up more than ~~five percent (5%)~~5% of the Gross ~~Sales~~Revenue of the Franchisee's business.

c. If required by us, the Franchisee Parties and you will execute the standard non-competition agreement that we will prepare from time to time.

15.2 Post-Term Covenant Not to Compete

Upon termination or expiration of this Franchise Agreement for any reason, or upon the occurrence of any transfer, repurchase or termination of your rights hereunder, and for a period of two (2) years thereafter, you agree that the Franchisee Parties and you will refrain from: owning; operating; leasing; franchising; conducting; consulting with; engaging in; having any interest in; assisting any person or entity engaged in for its own account; acting as an employee, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership or corporation engaged in any Competitive Business which is within the Protected Territory, or within the same or a different Protected Territory in which our Affiliate or any other franchisee is operating under the System.

15.3 No Disclosure

You, and the Franchisee Parties agree that during the term of this Franchise Agreement, during any Successor Franchise Rights Term or at any other time after the termination of this Franchise Agreement (or any franchise agreement signed pursuant to the Successor Franchise Rights Term) for any reason, each will refrain from making any unauthorized disclosure or use the Marks, any component of the System, or any portion of the Proprietary Information.

15.4 Other Protection

During the term of this Agreement, for a period of ~~two (2)~~ years following the expiration or termination of this Agreement, and in the area described in paragraph 15.2 above, ~~Franchisee covenants that it~~you will not, either directly or indirectly, for ~~itself~~yourself, or through, on behalf of, or in conjunction with any ~~person, persons, or legal entity~~Person:

a. ~~divert or attempt to divert to any competitor of the Business (by direct or indirect inducement or otherwise)~~any business or Clients of the Business; to a Competitive Business;

b. do or perform, ~~directly or indirectly~~, any other act injurious or prejudicial to the goodwill associated with the Proprietary Information, the Marks, or the System; or

c. ~~Induce~~induce, directly or indirectly, any person who is at that time employed by ~~Franchisor~~ or by any other ~~Franchisee of Franchisor~~franchisee, to leave his or her employment.

15.5 Survival

~~The foregoing restrictive covenants shall of this Article survive the termination or expiration of this Agreement and shall apply regardless of whether this Franchise Agreement was terminated by lapse of time, by default of either party, or for any other reason and will continue to apply so as to remain enforceable.~~

15.6 Reasonable Restriction and Savings Clause

a. The covenants found in this Article are intended to be a reasonable restriction on Franchisee and the Franchisee Parties. ~~The Franchisor and Franchisee~~We both agree that the purpose of these restrictions is to protect the entire franchise system from unfair competition and to protect the goodwill, and time and effort spent by ~~Franchisor~~us in creating the Proprietary Information, the Marks, and the System. In fact, ~~the Franchisor~~we would not have shared such information with ~~the Franchisee~~you unless ~~the Franchisee~~you agreed to be bound by the terms of this Article.

b. ~~The Franchisee~~You further ~~agrees~~agree that ~~the Franchisee~~you has skills of a general and specific nature and ~~has~~have other opportunities, or will have other opportunities, to use such skills, and that the enforcement of these covenants will not unduly deprive ~~the Franchisee~~you of the opportunity to earn a living.

c. For purposes of interpretation of the covenants found in this Article, every location of a Business, every month of time, each mile of distance, or any other restriction ~~shall be~~are considered to be severable. In the event an arbitrator ~~or court of competent jurisdiction~~ interprets a spatial, temporal, or other limitation in any of the above restrictive covenants to be overly broad, then the ~~court shall~~arbitrator will adjust the offending limitation, in the most limited manner possible, so as to fashion a reasonably enforceable covenant ~~which~~that upholds to the fullest extent of the law the restrictive nature of this Article.

d. ~~Franchisee~~You expressly agrees that the existence of any claim ~~it~~you may have against ~~Franchisor~~us, whether or not arising from this Franchise Agreement, ~~shall~~does not constitute a defense to ~~the~~our enforcement by ~~Franchisor~~ of the covenants of this Article. ~~Franchisee further agrees that Franchisor shall be specifically or of this Franchise Agreement generally. Further, we are entitled to set off any amounts owed by Franchisor to Franchisee, against any loss or damage to Franchisor resulting from Franchisee's~~we suffer as a result of any breach by you of this section Franchise Agreement.

15.7 Tolling of Time and Franchisor Is Entitled to Injunctive Relief

a. ~~Franchisee~~acknowledgesYou acknowledge that any failure to comply with the requirements of this Article will cause ~~Franchisor~~us irreparable injury for which no adequate remedy at law may be available, and ~~Franchisee~~herebyyou accordingly ~~consents~~consent to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Franchisee in violation of the terms

of this section, and waives any requirement for the posting of any bond(s) relating thereto. ~~Franchisor~~We may further avail itself of any legal or equitable rights and remedies which it may have under the Agreement or otherwise.

b. If, at any time during a period of non-competition following expiration or termination of this Agreement, or if upon a Transfer, you fail to comply with your obligations under this Section, then that period of noncompliance will not be credited toward your satisfaction of the period of non-competition.

15.8. Pre-existing Clients

Notwithstanding the language of this Article, you ~~shall~~will not be in violation of any covenant-not-to-compete for payroll Clients that you have on or before the date you sign this Franchise Agreement (Pre-Existing Clients). You ~~shall~~will provide us with a list of your Pre-Existing Client on the date that you sign this Franchise Agreement. Such Pre-Existing Clients ~~shall~~will remain your sole property and you may continue to serve them during the term of this Franchise Agreement and after the expiration or earlier termination thereof. During the term of this Franchise Agreement, you will be required to pay Royalties on all Gross Revenue generated by your Pre-Existing Clients.

ARTICLE XVI

DISPUTE RESOLUTION

16.1 Resolution before Arbitration

You, ~~the Franchise Parties~~, and we believe that it is important to resolve any disputes amicably, quickly, cost effectively, and professionally and to return to business as soon as possible. We agree that the provisions of this Article 16 support these mutual, practical business objectives, and, therefore, agree as follows:

a. all provisions of this Franchise Agreement (including the language of this Article) will be fully enforced, including, but not limited to, those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, and shortened periods in which to bring claims;

b. the Parties rely on the federal preemption of state laws under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) (FAA) with the understanding that the FAA and not state law will control any matters pertaining to mediation and arbitration and, as a result, the provisions of this Franchise Agreement will be enforced only according to its terms and through the alternative dispute mechanism found in this Article. The Parties further agree that each Party intends that any state law attempting to prohibit arbitration or void out-of-state forums for arbitration is preempted by the Federal Arbitration Act and that arbitration ~~shall~~will be held as provided in this Article;

c. except as expressly provided in this Franchise Agreement, **EACH PARTY KNOWINGLY WAIVES ALL RIGHTS TO A COURT OR JURY TRIAL AND, INSTEAD, SELECTS FACE-TO-FACE MEETINGS, MEDIATION AND FINALLY BINDING ARBITRATION AS THE SOLE MEANS TO RESOLVE DISPUTES UNDERSTANDING THAT FACE-TO-FACE MEETINGS, MEDIATION AND ARBITRATION MAY BE LESS FORMAL THAN A COURT OR JURY TRIAL, MAY USE DIFFERENT RULES OF PROCEDURE AND**

EVIDENCE, THAT AN APPEAL PROCESS IS GENERALLY LESS AVAILABLE, AND THAT THE FEES AND COSTS ASSOCIATED WITH MEDIATION AND/OR ARBITRATION MAY BE SUBSTANTIALLY GREATER THAN IN CIVIL LITIGATION;

Initials of Franchisee as to the
above subsection (a) through (c)

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

d. the terms of this Franchise Agreement (including but not limited to this Article) will control with respect to any matters of jurisdiction, venue, and choice of law; and,

e. notwithstanding the fact that a Party is or may become a party to a court action or special proceeding with a third party or otherwise, and whether or not such pending court action or special proceeding: (i) may include issues of law, fact, or otherwise that arise out of the same transaction (or series of related transactions) as any arbitrable matter between or involving the Parties; (ii) involves a possibility of conflicting rulings on issues of law, fact, or otherwise; and (iii) such pending court action or special proceeding may involve a third party who cannot be compelled to arbitrate the terms, covenants, and conditions of this Franchise Agreement, the Parties still agree any dispute between the Parties to this Franchise Agreement will be enforced according to the terms found herein, including the obligation to perform under this Article.

f. Prior to arbitration, each Party agrees to adhere to the following procedure:

i. First, in the event of a complaint between them, the Parties agree to meet face-to-face within 30 days after any Party gives written notice to the other;

ii. Second, if the issues between the Parties cannot be so resolved by the face-to-face meeting, then the disagreement must be submitted to non-binding mediation ~~before: (1) FDRS, Inc., (doing business as Franchise Arbitration and Mediation, Inc: "FAM") or its successor (or an organization designated by FAM or its successor); or (2) any other mediation organization approved by all Parties. If the Parties cannot agree upon a mediation service then such mediation shall~~ will be held ~~by~~ before the Judicial Arbitration and Mediation Service (JAMS) or its successor (or an organization designated by JAMS or its successor), ~~if FAM cannot conduct such mediation and the Parties cannot agree on a mediation organization. If all of the organizations specified are).~~ If JAMS is unable or unwilling to conduct such proceeding(s), and the Parties to the dispute cannot agree on an appropriate organization or person to conduct such proceedings(s), then the mediation shall will be heard by the American Arbitration Association.

A. Mediation must be held within 30 days after the face-to-face meeting. The Parties ~~shall~~ will agree upon a single mediator. If the Parties cannot agree upon the mediator then the

senior most officer, director, or manager of the association under which the mediation is to take place ~~shall~~will choose a neutral and disinterested mediator and such choice will be final and binding upon the Parties.

B. Any mediation will be conducted by a mediator experienced in franchising. Any Party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding.

iii. If the mediation does not resolve the matter, then the Parties agree that the disagreement will be submitted to and finally resolved by binding arbitration.

16.2 Resolution under Arbitration

a. Arbitration must begin within the earlier of 120 days after mediation, but in no event later than the last day of the one-year limitation period described in Section 16.8.

~~b. Arbitration will be held before, and in accordance with the arbitration rules of, FAM or its successor (or an organization designated by FAM or its successor); provided that if such arbitration cannot be heard by any such organizations, then the arbitration will be conducted before and in accordance with the arbitration rules of JAMS or its successor (or an organization designated by JAMS or its successor). If all of the organizations specified are~~ If JAMS is unable or unwilling to conduct such proceeding(s), and the parties to the dispute Parties cannot agree on an appropriate organization or person to conduct such proceedings(s), then the mediation ~~shall~~will be heard by a single mediator from the American Arbitration Association. Any arbitrator must be experienced in franchising.

~~bc.~~ If the Parties cannot agree upon the arbitrator then the senior most officer, director or manager of the association under which the arbitration is to take place ~~shall~~will choose a neutral and disinterested arbitrator and such choice ~~shall~~will be final and binding upon the parties.

~~ed.~~ Any Party may be represented by counsel and may, with permission of the arbitrator, bring persons appropriate to the proceeding.

~~de.~~ The judgment of the arbitrator on any preliminary matter and the final arbitration award will be final and binding and may be entered in any court having jurisdiction.

~~ef.~~ The arbitrator's award will be in writing. On request by any party to the arbitration, the arbitrator will provide to all disputants a reasoned opinion with findings of fact and conclusions of law, and the Party so requesting will pay the arbitrator's fees and costs connected therewith.

~~fg.~~ There will be no right to appeal the final award.

16.3 Confidentiality:

The Parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

16.4 Choice of Law, Venue and Jurisdiction of Arbitration

f. The arbitrator will have subpoena powers limited only by the laws of the state in which our headquarters is then located

g. In addition to any other remedy, the arbitrator ~~has the right to~~will award the “Prevailing Party” his, her, or its costs, fees, reasonable attorney’s fees, expert witness fees, and the like which that Party expended in the preparation for and the prosecution of the case at arbitration. For the purposes of this Franchise Agreement in general and this Article specifically, the “Prevailing Party” ~~shall be deemed to~~will be that Party ~~which~~that has obtained the greatest net judgment in terms of money or money equivalent. If money or money equivalent has not been awarded, then the Prevailing Party ~~shall~~will be that Party that has prevailed on a majority of the material issues decided. The “net judgment” is determined by subtracting the smallest award of money or money equivalent from the largest award. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator ~~shall~~will award the above fees to the Party that it deems has prevailed over the other Party using ~~reasonable business and~~the arbitrator’s judgment.

16.6 Disputes Not Subject to the Mediation/Arbitration Process

Claims or disputes relating primarily to the Marks, to any intellectual property licensed to you, ~~or to any matter governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or claims of violation of a covenant not to compete,~~ are subject to court proceedings in a court of competent jurisdiction. ~~Only the portion of any claim or dispute identified in this Section shall be subject to court action and only to the extent that such action is necessary in order to protect the Franchisor as herein described.~~

16.7 Other Matters

———a We each understand and specifically agree that any matters concerning the relationship between us and any dispute arising as a result, will be determined on an individual basis and ~~shall~~will not be brought as a class action, or with multiple unrelated franchisees (whether as a result of attempted consolidation, joinder, or otherwise). This is prudent from a business standpoint because: (i) the mediation and arbitration procedures function most effectively on an individual case basis; (ii) there are significant factors present in each individual ~~Franchisee’s~~franchisee’s situation ~~which~~that should be respected; and (iii) class-wide or multiple plaintiff disputes do not foster quick, amicable, and economic dispute resolutions.

———b. ~~Each Party agrees that it has the right to seek damages that are in addition to the actual monetary loss that can be proven, which would include, but not be limited to, such damages as consequential, exemplary, and punitive damages. Being advised of the same, we each waive such damages; except if you are required to indemnify us under Article 14 and if as a result of the action underlying the indemnification, such damages are awarded to the injured party, then you agree that indemnification will cover such damages. If in some event such damages are awarded and if such award is not deemed to be outside the scope of what is permitted by this Article or this Franchise Agreement, then any constitutional and/or statutory limitations on punitive, exemplary, multiple, or similar damages will apply, and any award by an arbitrator or court in excess of such limitations will be in excess of legal authority and void.~~

16.8 One Year Limitation of Action

a. Except for an alleged violation of the Marks or any claim of alleged misuse by you of any intellectual property licensed to you (which may be brought at any time by either party), and except as otherwise stated in this Franchise Agreement, (including Article 14), no arbitration, ~~action, or suit~~ (whether by way of claim, counter-claim, cross-complaint, raised as an affirmative defense, offset, or otherwise) between us will be permitted, whether for damages, rescission, injunctive, or any other legal or equitable relief in respect of any alleged breach of this Franchise Agreement, or any other claim of any type, unless ~~such~~ the party commences ~~such~~ an arbitration ~~proceeding, action, or suit~~ before the expiration of ~~one (1)~~ year from the date on which the facts giving rise to the cause of action comes to the attention of, or using reasonable diligence should have come to the attention of, such party. The one-year period will begin to run and will not be tolled merely because the claiming party was unaware of legal theories, statutes, regulations, or case law upon which the claim might be based. Notwithstanding the foregoing, in the event of the breach by you of any restrictive covenant found in Article 15 or in the event of a breach by you of any other covenant of this Franchise Agreement that by its nature must survive expiration or termination of this Franchise Agreement in order to remain enforceable, will remain enforceable for the entire period of any statutory limitation of action statute and will not be subject to the ~~one~~ year limitation of action.

b. Notwithstanding the foregoing, if any federal or state law provides for a shorter limitation period than is described in this Section, then such shorter period will govern.

~~c. This subsection will not apply to issues of indemnification above and such actions under the indemnification covenant may be brought within the period provided by any limitation of action statute under the laws of the state in which the main office of the Franchisor is then located.~~

Initials as to this Section

Initials - Franchisee

Initials - Franchisee

Initials - Franchisor

16.9 Survival of Obligations

Each provision of this Article will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, termination, rescission, or finding of unenforceability of this Agreement (or any part of it) for any reason.

ARTICLE XVII

INSURANCE

17.1 Insurance is Required; Coverage

a. Prior to opening the Business, you will purchase and maintain in full force and effect during the term of this Franchise Agreement at your expense, an insurance policy or policies protecting you and us, and the officers, directors, partners, and employees of both you and us against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in

connection with the operation of the Business. ~~Franchisor and its officers, directors, partners, and employees shall~~We must be named as an additional insured on all such policies.

b. Prior to the opening of the Business and thereafter at least thirty (30) days prior to the expiration of any such policy or policies, you ~~shall~~will deliver to us the actual policy or policies of insurance or endorsements issued by the insurer (and not the broker) evidencing the proper coverage with limits not less than those required hereunder.

c. All policies ~~shall~~will expressly provide that not less than 30 days prior written notice ~~shall~~will be given to us in the event of material alteration, termination, non-renewal, or cancellation of the coverage evidenced by such policies. You will obtain the following coverage:

i. Commercial General Liability Insurance, including coverage for operations, contractual liability, personal and advertising injury, fire damage, and medical expenses having a combined single limit for any form of injury or property damage of One Million Dollars (\$1,000,000) per occurrence and \$1,000,000 in the aggregate; plus,

ii. Employer's liability and Worker's Compensation Insurance as required by state law in the state in which the Business is found; plus,

iii. Professional liability insurance of no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,

iv. Employee dishonesty insurance;

A. for annual revenues of \$100,000 or less, coverage should be for no less than \$250,000 per occurrence and \$250,000 in the aggregate;

B. for annual revenues of \$100,000 to \$250,000, coverage should be for no less than \$500,000 per occurrence and \$500,000 in the aggregate; and,

C. for annual revenues of more than \$500,000, coverage should be for no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate.

v. Computer fraud coverage (including coverage for cyber attacks or losses, hacking losses and loss because of malware, pretexting, phishing attacks and the like) in an amount of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. To the extent that this coverage requires multiple policies or endorsements, then you will obtain each such policy or endorsement; plus,

vi. Social Engineering Fraud coverage of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate; plus,

vii. Crime coverage (to the extent that the insurance purchased above does not fully protect you and us from losses from computer fraud or general fraud, theft or deception) of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

d. Such policy or policies ~~shall~~will be written by an insurance company satisfactory to us and that is rated A-minus or better, in Class 10 or higher, by Best Insurance Ratings Service ~~and~~

~~satisfactory to us in accordance with standards and specifications set or asset forth in the Franchisee Manuals or otherwise in writing, from time to time, and shall include. We reserve the right to change the above requirements at a minimum, (except as additional coverage and higher policy limits may be specified by us from any time to time) the coverage found above~~after giving you no less than 60 days prior written notice.

17.2 No Limitations on Coverage and Primacy

_____ a. Your obligation to obtain and maintain, ~~or cause to be obtained and maintained,~~ the foregoing policy or policies in the amounts specified ~~shall will~~ not be limited in any way because of any insurance that may be maintained by us, nor ~~shall will~~ your performance of these obligations relieve you of liability under the indemnity provisions set forth herein.

_____ b. All insurance policies obtained by you must contain a provision that you insurance coverage is primary over any coverage maintained by us, and we will be entitled to recover under your policies for any loss sustained by us for whatever reason.

17.3 Franchisor May Procure Insurance Coverage

Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as described from time to time by the Franchisee Manuals or otherwise in writing, we ~~shall will~~ have the right and authority (but no obligation) to procure such insurance and to charge the same to you; said charges, together with a reasonable fee for our expenses in so acting, ~~shall will~~ be immediately payable to us by you.

ARTICLE XVIII

ADDITIONAL PROVISIONS

18.1 Modification

a. This Agreement may only be modified in a written agreement that is signed by all parties to this Franchise Agreement.

b. You acknowledge however, that we may modify our standards, specifications and operating and marketing procedures, including those set forth in the Franchisee Manuals, any component of the System, the Marks, and any copyrighted or Proprietary Information, unilaterally, under any conditions and to the extent to which we, in our sole discretion, deem necessary to protect, promote or improve the Marks and the quality of the System in general.

18.2 Entire Agreement - Merger

a. This Franchise Agreement, including all exhibits and addenda, contains the entire agreement between the parties and supersedes any and all prior oral, written, express, or implied agreements, statements or understandings concerning the subject matter hereof; except that nothing in this or in any related agreement is intended to disclaim the representations ~~Franchisor we~~ made in the Franchise Disclosure Document that ~~Franchisor we~~ furnished to ~~Franchisee you~~.

b. ~~The Franchisee agrees~~ You understand and understands ~~agree~~ that ~~Franchisor will~~ we are not ~~be~~ liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation based on any such oral representations or commitments and that no modifications of this Agreement ~~shall~~ will be effective except those in writing and signed by both parties.

c. We do not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. ~~The Franchisee~~ You further ~~acknowledges~~ acknowledge that no representations have been made to Franchisee by us regarding projected sales volumes, market potential, revenues, profits of the Franchisee's Business, or operational assistance other than as stated in this Agreement or in any disclosure document provided to its representatives or us.

d. Nothing in this franchise agreement, or in any related agreement that you sign with us is intended to disclaim any representations in the franchise disclosure document.

18.3 Delegation

From time to time, we ~~shall~~ have the right to and will delegate the performance of any portion or all of our obligations and duties hereunder to a third party including a regional developer who is approved by us to deliver such services and perform such duties, whether the same are agents of ours or independent contractors which we have contracted with to provide such services. The Franchisee agrees in advance to any such delegation by us of any portion or all of its obligations and duties hereunder.

18.4 Review of Agreement

You acknowledge that you had a copy of this Agreement in your possession for a period of time not less than 14 calendar days during which time you had the opportunity to submit it for professional review and advice by one or more professionals of your choosing prior to freely executing this Agreement.

18.5 No Waiver

No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by either of us ~~shall~~ will be considered to imply or constitute a further waiver by either of us of the same or any other condition, covenant, right, or remedy.

18.6 No Right to Set Off or Third Party Beneficiaries

a. You ~~shall~~ are not allowed to set off amounts owed to us for any fees, or other amounts due ~~hereunder, to us~~ against any monies owed to you, ~~nor shall~~ and you, will not in any event, withhold such amounts due to any alleged nonperformance by us ~~hereunder~~, which right of set off is hereby expressly waived by you.

b. All of the obligations of ~~the Franchisor~~ each of us under this Franchise Agreement are solely ~~and exclusively~~ for the benefit of the ~~Franchisee~~ other Party, and no other ~~party~~ Person is entitled to rely on, enforce, benefit from, be deemed to be a third-party beneficiary, or otherwise obtain relief either directly or by subrogation.

18.7 Invalidity

If any provision of this Agreement is held ~~to be invalid by any tribunal in a final decision from which no appeal is or can be taken~~, such provision ~~shall~~will be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Franchise Agreement as though it was originally included. ~~The remaining provisions of this Agreement shall not be affected by such modification.~~

18.8 Notices

~~_____ a.~~ All notices required notice relating to be given under any breach of this Franchise Agreement shall, and all notices concerning the implementation of the alternative dispute resolution procedures must be given in writing, and must be delivered by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the first Section of this Agreement, or at such other addresses as either of us may designate from time to time, and shall will be effectively given effective when received for (or when received via overnight delivery, as may be applicable refused). A copy of all notices shall also be sent to:

Corporon & Katz, LLC
Attention: Michael J. Katz
5231 S. Quebec Street, Suite 210
Greenwood Village, Colorado 80111

~~_____ b.~~ Communication other than relating to any breach of this Franchise Agreement or relating to implementation of alternative dispute resolution, may be given by email (which is effective when received by the other Party) or by the means stated in subparagraph (a) of this Section.

18.9 Survival of Provisions and Independent Covenants

a. Any provisions that, by their terms, extend beyond termination or expiration of this Agreement ~~shall~~will continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

b. The Parties further agree that each covenant herein ~~shall be construed to be~~is independent of any other covenant or provision of this Agreement.

18.10 Force Majeure

Except for monetary obligations hereunder which are due regardless of the language of this Section, and unless otherwise specifically provided in this Franchise Agreement, Force Majeure ~~shall~~will apply.

18.11 Guaranty

If you take ownership in the franchise in other than your personal name at any time during the Initial Term or any renewal or extension thereof, then all Franchisee Parties will be required to sign the

Guaranty, which is attached as Exhibit 8. The Guarantors ~~shall be~~ bound by all restrictive covenants found herein, including, but not limited to, post-termination covenants not to compete.

18.12 Acknowledgement

BEFORE SIGNING THIS FRANCHISE AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

a. THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE’S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

b. NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

c. NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT AND IN ANY OFFERING CIRCULAR SUPPLIED TO THE FRANCHISEE, IS BINDING ON US IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

d. YOU UNDERSTAND THAT IF YOU ARE NEVER ABLE TO OPERATE THE BUSINESS PROFITABLY, YOU COULD LOSE PART OR ALL OF YOUR INVESTMENT, PLUS ANY ADDITIONAL FUNDS THAT YOU CONTRIBUTE TO THE BUSINESS.

18.13 Recitals, State Specific Amendment, and Closing Acknowledgement

a. The Recitals are made part of this Franchise Agreement.

b. Further, ~~the Franchisee shall~~you will review and sign the “Closing Acknowledgment” that is attached at Exhibit 9.

c. In some cases, the state in which you are located requires that this Franchise Agreement be amended. Please see Exhibit 7.

18.14 Time is of the Essence and Construction

a. In all matters pertaining to this Franchise Agreement, time is of the essence.

b. The headings are for the convenience only of the reader and are not intended to be inclusive or exclusive of any term, covenant, or condition.

c. In reading this Agreement, the singular ~~shall include~~includes the plural, and the reference to one gender ~~shall include~~includes the reference to the other gender and to the neutral gender.

d. The word “including” ~~shall mean~~means “including, but not limited to...”

e. Unless otherwise stated, a reference to “~~days shall be~~” means calendar days. The counting of days ~~shall~~will include weekends and all state and national holidays. If a notice is to be delivered ~~which, and such~~ notice requires the counting of days, such counting ~~shall~~will begin on the first calendar day following the day that the notice was received, refused, or deemed to have been delivered pursuant to the terms of this Franchise Agreement. Unless otherwise stated, the last day of any counted time period or the last day of the termination or the expiration of this Franchise Agreement will be 5:00 pm local time of our then-current headquarters.

f. This Franchise Agreement may be signed in any number of counterparts all of which taken together form one original document. Signatures may be done electronically or manually. Facsimile or electronically signed and delivered documents ~~shall be~~are as effective as an original.

FRANCHISOR _____ **FRANCHISEE**
PAYROLL VAULT FRANCHISING, LLC _____

By: _____ By: _____

 Managing Member _____ Its: _____
 Date: _____ Date: _____

_____ **INDIVIDUAL FRANCHISEE**

_____ Signature _____;

 _____ Date: _____

_____	Signature: _____
Name: _____	Name: _____
Address: _____	Address: _____
Address: _____	Address: _____
City: _____	City: _____
State: _____	State: _____
Zip: _____	Zip: _____
Telephone No: _____	Tele. _____
Date: _____	Date: _____

_____ OR:

(If a business entity)

Company
 Name: _____
 by: _____
 its _____
 date: _____
 Address: _____
 Address: _____

City: _____
State: _____
Zip: _____
Telephone No: _____

Date:

EXHIBIT 1
STATEMENT OF OWNERSHIP

EXHIBIT 2
INITIAL FRANCHISE FEE AND PROTECTED TERRITORY

INITIAL FRANCHISE FEE AND PROTECTED TERRITORY

1. The Initial Franchise Fee shall be \$_____ for a Protected Territory containing approximately _____ people.

2. The business address for any notices mailed under this Franchise Agreement shall be: _____ (Franchised Location).

3. The Franchisee's Protected Territory is described as follows:

EXHIBIT 3
ACH AGREEMENT

AUTHORIZATION TO HONOR ITEMS DRAWN BY

Payroll Vault Franchising, LLC Print Name of Depositor As Shown On Bank Records:
Bank Name:
Bank Address:
Account Number: ATTACH COPY OF VOID CHECK

As a convenience to me, I your customer (and Depositor named above) hereby request and authorize you to pay and charge to my account, debits originated by, and payable to the order of Manning & Company, P.C. and Payroll Vault provided there are sufficient collected funds in said account to pay the same. This authorization includes debits (here-in "items") originated by check or electronic transfer relating to franchise royalties and other fees due to Manning & Company, P.C. and Payroll Vault. I agree that your rights in respect to each said item shall be the same as if it were a check drawn on you and signed personally by me. This authority is to remain in effect until revoked by me in writing, and until you actually receive such notice, I agree that you shall be fully protected in honoring any such item; except that no such cancellation will take place until I have contacted Payroll Vault in writing that I am cancelling this authorization.

The Bank shall be under no obligation to furnish me with any special advice or notice in writing or otherwise of such payment or charge to my account.

I further agree that if any such item be dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability whatsoever even though such occurrences may result in Manning & Company, P.C.'s and Payroll Vault's termination of our agreement. Dishonored items may be charged a \$75.00 handling fee by Manning & Company, P.C. and Payroll Vault per occurrence.

I further understand and agree that you may charge me fees for the automatic payment from my account and if sufficient funds are not in my account to cover such transactions. I acknowledge that all transactions under this agreement must comply with the provisions of U.S. law.

In consideration of your participation in the plan I, your customer agrees:

1. To indemnify and hold you harmless from any loss you may suffer resulting from or in connection with the execution and issuance of any item whether or not genuine, purporting to be drawn by or on behalf of Manning & Company, P.C. and Payroll Vault and payable to it pursuant to an authorization signed by me, and received by you in the regular course or business for the purpose of payment, including any costs or expenses reasonable incurred in connection with such loss;
2. In the event that any such item shall be dishonored, whether with or without cause, and whether intentionally or inadvertently, to indemnify you and hold you harmless from any loss resulting from such dishonor, including costs and expenses;

To defend, at my cost and expenses, any action which may be brought against you by any person or persons whatsoever because of your actions taken pursuant to the foregoing request or in any manner arising by reason of your participation in this agreement.

Date: _____ Authorized Signature 1 _____ Authorized
Signature 2 _____

To: The Bank Named Above:

**EXHIBIT 4
GENERAL RELEASE**

GENERAL RELEASE

This General Release (Release) is made this ____ day of _____, 20__, by and between Payroll Vault Franchising, LLC (hereinafter “Franchisor”), and _____ (hereinafter “Franchisee”), and _____ (hereinafter “Guarantor”). Franchisor, Franchisee and Guarantor may sometimes be referred to as a “Party” or jointly as the “Parties”.

RECITALS

WHEREAS, Franchisor and Franchisee entered into that certain franchise agreement dated _____ (Franchise Agreement);

WHEREAS, Guarantor guaranteed the performance of the Franchisee under the Franchise Agreement;

WHEREAS, pursuant to the Agreement, Franchisee was permitted to open and operate a Franchised Location (as that term is defined in the Franchise) at _____ (hereinafter the “Business”);

WHEREAS, Franchisee desires: to sign the Franchise Agreement in a business entity name; to Assign or Transfer the Franchise Agreement; or desires for the Franchisor to take any action for which a General Release is called for in the Franchise Agreement;

WHEREAS, as a material inducement to the Franchisor approving the same, the Franchisee and Guarantor have agreed to provide this Release;

WHEREAS, all capitalized terms not defined herein have the meaning set forth in the Franchise Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants found herein, for that consideration stated below, and for other good and valuable consideration, the adequacy of which is admitted by all parties hereto, it is agreed as follows:

COVENANTS

1 Franchisee, for and on behalf of itself, its officers, directors, shareholders, and employees, and on behalf of any parent corporation or subsidiary, business entity, successor, assignee, and their officers, directors, shareholders, and employees (Franchisee Parties) and Guarantor for himself or herself and for and on behalf of its family members, and for and in consideration of: the Franchisor granting to the Franchisee the right to do the following; _____; and for other good and valuable consideration, all of which is deemed adequate by all Parties hereto, do each (personally, jointly and severally) from the beginning of time to the Effective Date of this Release, release, indemnify, and forever forgive and discharge Franchisor and Franchisor’s officers, directors, shareholders, agents and employees (Franchisor Parties), from any and all: equitable or legal claims; claims sounding in federal law or state statute; causes of action; complaints; direct, indirect, punitive or consequential damages; judgments; business losses; awards; injury, or any other right or action (separately and together a “Claim” or the “Claims”) which

relate in any way to: (i) the manner and method by which Franchisor delivered the FDD to Franchisee, and Guarantor (ii) the content, or lack of content of the FDD (as such content may have been required by any applicable state or federal law); (iii) the performance or failure of performance of Franchisor or Franchisor Parties in reference to any federal-required or state-required disclosure obligations and requirements; (iv) any oral, written, express or implied promises, statements, disclosures and the like relating in any way to the Franchise Agreement or the franchise relationship between the Franchisor and Franchisor Parties, Franchisee, Guarantor and the Franchisee Parties; (v) the performance or the failure to perform of Franchisor or any Franchisor Party under the Franchise Agreement; (vi) the performance or failure to perform of Franchisor or any Franchisor Party under any other oral or written, express or implied agreement, covenant, or document whether or not found in the Franchise Agreement; and, (vii) any other Claim sounding in equity or law. Notwithstanding the foregoing, nothing in this Release is intended to disclaim any representations made in the Franchise Disclosure Document.

2. Franchisee for itself and on behalf of the Franchisee Parties and Guarantor each agrees and expressly states that this Release was made in contemplation of not only known Claims and the consequences thereof, but also in contemplation of the possibility that the each such Party identified in this paragraph may or will sustain future damages presently unknown to them and which accrued on or before the Effective Date of this Release but which were not asserted until after that date. By executing this Release Franchisee for itself and on behalf of the Franchisee Parties intend to release Franchisor and the Franchisor Parties, jointly and severally from liability for any and all known, unknown and unforeseen Claims, losses, expenses, damages, costs, liabilities, business losses, and the consequences thereof.

3. Franchisee for itself and on behalf of the Franchisee Parties assume any and all risk that the facts and law may be, or may become, different from the facts and law as known to them, or believed to be known by them as of the date of this Release, and each agrees that if the execution of this Release was made on the basis of mistake (mutual or unilateral) that each will forever waive any right to claim that entering into this Release resulted from a mistake of any kind, thereby waiving all claims based upon the doctrine of mistake.

4. Franchisee for itself and on behalf of the Franchisee Parties and Guarantor deliver this Release with the intent that Franchisor rely upon the same. Should any condition, covenant, or clause herein be considered to be unenforceable, any tribunal of competent jurisdiction shall be permitted to amend the Release to the least extent possible so as to form an enforceable covenant, or if such amendment cannot be fashioned then to excise the offending clause, covenant, or condition so as to form an enforceable Release, which shall be binding upon the Parties to the fullest extent permissible.

5. Notwithstanding the terms of this Release, nothing herein relieves any Party of the obligation to maintain the confidentiality of any confidential, trade secret, proprietary or similar information of any other Party. The terms of this Release are and will remain confidential and will not be disclosed by any Party, except as required by legal process, and except as required to be disclosed in Franchisor's Franchise Disclosure Document.

6. In the event of a dispute concerning this Release, the Parties agree that the alternative dispute resolution provisions of the Franchise Agreement found at Article 16 are incorporated herein by this reference as if fully set forth here and the same will be the manner by which any such dispute is resolved.

7. If any mandatory provisions of the governing state law limit or prohibit the use of this Release, or which in any manner impose different rights or obligations as are found herein, then such mandatory provisions of state law shall be deemed incorporated in the Franchise Agreement and this Release by reference and shall prevail over any inconsistent terms in this Release. If no such law exists, or if such law exists but permits the Franchisee to agree to abide by the terms of this Release or if by accepting the alternative dispute resolution covenants of the Franchise Agreement found at Article 16, the state law is preempted by the federal law applicable to such dispute resolution, then the Franchisee for itself and on behalf of the Franchisee Parties and Guarantor each agree to abide by the terms of this Release. Notwithstanding the foregoing, excluded from this release are claims arising from representations in the FDD.

8. Notwithstanding anything herein to the contrary:

a. Release of Unknown Claims and Waiver of California Law. The Franchisee, Franchisee Parties, and Guarantors acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as Section 1542 of the Civil Code of the State of California which provides that:

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

Franchisee, Franchisee Parties, and each Guarantor waives and relinquishes every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that the Franchisee, Franchisee Parties, and Guarantors, may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, the Franchisee, Franchisee Parties, and Guarantors each acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is the Franchisee's, Franchisee Party's, and Guarantor's intention to settle and release fully, finally and forever, all claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee, and each Franchise Party and Guarantor agree to defend, and indemnify and hold harmless Franchisor and the Franchisor Parties from any and all claims arising out of, directly or indirectly, the assertion by Franchisee, each Franchisee Party, and each Guarantor, (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 6(a) above.

b. Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and each Franchisee Party and Guarantor acknowledges that each is aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the release, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

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

Franchisee and each Franchisee Party and Guarantor, waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and each Franchisee Party and Guarantor acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and each Franchisee Party and Guarantor now know or believe to be true with respect to the subject matter of this Release, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and each Franchisee Party and Guarantor agree to defend, ~~and indemnify and hold harmless the~~ Franchisor and the Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by the Franchisee and the Franchisee Affiliates (or any person or entity by, through, or on behalf of Releasor) of any Released Claims, positions, defenses, or arguments contrary to this Section 1-(b) of this Release.

9. Additional Provisions

a. Each such Party represents that the execution and delivery of this Release is the duly authorized and binding act of such Party.

b. The Recitals are incorporated herein by this reference.

c. This Release shall be interpreted in accordance with the laws of the state of Colorado without regard to any conflict of laws provision to the contrary. Enforcement of this Release is to be under the alternative dispute resolution provisions of the Franchise Agreement found at Article 16 as though such Article was incorporated in its entirety herein.

d. Each Party shall fully cooperate with all other Parties with respect to the performance of this Release. Each Party will execute, acknowledge and deliver such further documents that may reasonably be required in order to effectively perform this Release and to evidence the release of all obligations and liabilities of the Parties as more fully stated herein.

e. This Release may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same instrument, without necessity of production of the others. An executed signature page delivered via facsimile transmission or electronic signature shall be deemed as effective as an original executed signature page.

DONE AS OF THE DATE FIRST FOUND ABOVE

Franchisor

Franchisee

PAYROLL VAULT FRANCHISING, LLC

By: _____
 Managing Member
Date: _____

By: _____
Its: _____
Date: _____

INDIVIDUAL FRANCHISEES

 Signature
Date: _____

 Signature
Date: _____

GUARANTORS

Signature: _____
Print Name: _____
Date: _____

Signature: _____
Print Name: _____
Date: _____

EXHIBIT 5
COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION

COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION

This Collateral Assignment of Contact and Electronic Information (Agreement) is made this ____ day of _____, 20____, by and between Payroll Vault Franchising, LLC (Franchisor) and _____ (Franchisee).

RECITALS

WHEREAS, on _____, 20____, Franchisor and Franchisee executed a “Franchise Agreement” pursuant to the terms of which Franchisee obtained a franchise from Franchisor to operate a Business at the Franchised Location.

WHEREAS, as part of the Franchise Agreement, the Franchisee agreed that upon termination of the Franchise Agreement, that the Franchisor would have the right, title and interest in and to all contact and electronic information relating to the Franchisee’s Business;

WHEREAS, in order to insure that the Franchisor that it will have such rights, the parties have agreed to enter into this Agreement;

WHEREAS, any capitalized term not defined herein will have the meaning set forth in the Franchise Agreement;

NOW THEREFORE, for and in consideration of the covenants found in the Franchise Agreement and for other good and valuable consideration the adequacy of which is admitted by all parties hereto, it is agreed as follows:

COVENANTS

1. Franchisee acknowledges that, as between Franchisor and Franchisee, the Franchisor has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers, directory listings, URL’s web page identifiers, email addresses, social network addresses (including Twitter and Face Book) that are associated with any Mark.

2. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers, as Franchisee’s attorney-in-fact, to direct the telephone company, all telephone directory publishers, any electronic transfer agency, any URL or webpage host, and any other electronic business, company, transfer agent, host, webmaster, and the like to transfer to the Franchisor all telephone, facsimile machine numbers, and directory listings, and all electronic listings, web pages, social network pages or identities (including twitter and Face Book), URL’s, email addresses and the like that relate to the Franchised Business, should Franchisee fail or refuse to do so, and any party named herein may accept such direction under this Agreement as conclusive of Franchisor’s exclusive rights in and to such information, site, URL, electronic media, telephone numbers, directory listings and the like and Franchisor’s authority to direct their transfer.

3. This Agreement is only effective at such time as the Franchise Agreement is terminated for any reason and then only if the Franchisee fails or refuses to make the necessary assignments as contemplated by this Agreement.

4. The Recitals are incorporated into this Agreement by this reference.

In Witness Whereof, the parties hereto have executed and delivered this Agreement as of the day and year first written above.

Done as of the day and year first written above.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

by: _____
Managing Member

by: _____
its: _____

INDIVIDUAL FRANCHISEES

Individually

Individually

EXHIBIT 6
CONFIDENTIALITY AGREEMENT

**CONFIDENTIALITY AND
NON-COMPETITION AGREEMENT**

This Confidentiality and Non-Competition Agreement (Confidentiality Agreement) is entered into this ____ day of _____, 20____, between _____ (FranchiseeEmployer) and _____ (Employee) residing at _____ The FranchiseeEmployer and the Employee may sometimes be referred to in the singular as a "Party" or jointly as the "Parties."

RECITALS

Whereas, FranchiseeEmployer has been granted a franchise from the Payroll Vault Franchising, LLC (Franchisor), and as such, is the beneficiary of certain confidential and Proprietary Information of Franchisor, all of which is clearly marked as being "Confidential" or is marked with similar language or the identity of such Proprietary Information has been orally stated to Employee;

~~Whereas, _____ for the purposes of this Confidentiality Agreement, the "Employee" shall include the immediate family members of the Franchisee and its members, managing members, the holders of any equitable interest in any limited liability entity, shareholders, owners, partners, directors, managers, or officers, and any partner in a partnership franchise, as well as any agents, servants, employees, and all others in active concert or participation with the Franchisee in the Business;~~

Whereas, Employee, in the course of his employment with the FranchiseeEmployer will have access to such the Proprietary Information;

NOW, THEREFORE, in consideration of the employment of the Employee by FranchiseeEmployer, and for other good and valuable consideration, the adequacy of which is admitted by all Parties, it is agreed as follows:

COVENANTS

1. Employee acknowledges that, during the course of his employment with FranchiseeEmployer, he has obtained or may obtain knowledge of confidential matters, procedures, methods of operation, systems, techniques, pricing, accounting systems and procedures, specifications, products manuals, Franchisee Manuals, business plans, Client lists, technical designs, or drawings that relate to Franchisee'sEmployer's business, suppliers, marketing plans, and the like (System), developed and owned by the Franchisor and made available to the FranchiseeEmployer, all of which are necessary and essential to the operation of the business of the FranchiseeEmployer and without which said information the FranchiseeEmployer could not efficiently, effectively, and profitably operate its franchise. Employee further acknowledges that such confidential information was not known to him prior to his employment.

2. Except as may be required in the performance of duties for FranchiseeEmployer, Employee will not, during the course of his or her employment and thereafter, directly or indirectly, use or disclose to any third party, or authorize any third party to use, any System relating to the business or

interest of ~~Franchisee~~Employer or Franchisor, which he knows or reasonably should know, is regarded as confidential and valuable to ~~Franchisee~~Employer or Franchisor.

3. If Employee is a manager or is a management position with the ~~Franchisee~~Employer, Employee will not, during the course of his employment and for one ~~(1)~~ year thereafter, directly or indirectly in any capacity, without ~~Franchisee's~~Employer's prior written consent, engage in a business or plan, organize a business, or have any financial interest in a business that is competitive with, or substantially similar to, the business of the Franchisor by becoming an owner, officer, director, shareholder, partner, associate, employee, agent, representative, or consultant, or serve in any other capacity in any such business.

———The ownership of not more than ~~Two Percent (2%)~~ of 5% the voting stock of a publicly-held corporation shall not be considered a violation of the foregoing provision.

Without limiting the generality of the foregoing, the minimum area of competitive nature hereinbefore referred to shall be that area within a ~~fifty (50)~~twenty mile radius of ~~the Franchisee's~~Employer's place of business or any place of business conducted by a franchisee of the Franchisor at the time of Employee's termination of employment.

4. Employee, regardless of his position with the ~~Franchisee~~Employer, will not, during the course of his employment and for one ~~(1)~~ year thereafter, directly or indirectly employ or attempt to employ, or solicit for any employment, any of ~~Franchisee's~~Employer's employees.

5. Employee, regardless of his position with the ~~Franchisee~~Employer, will not, during the course of his or her employment and for one (1) year thereafter, directly or indirectly contact any Client of ~~Franchisee~~Employer for the purpose of soliciting from any such Client any business that is the same as, or substantially similar to, the business conducted between the ~~Franchisee~~Employer and the Client.

6. At the termination of his employment, Employee agrees to deliver to ~~Franchisee~~Employer (and will not keep in his possession or deliver to anyone else) all Franchisee Manuals and other System, records, data, designs, photographs, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any such items belonging to ~~Franchisee~~Employer, its successors or assigns, which relate in any way to the operation of the ~~Franchisee's~~Employer's business.

7. Employee hereby acknowledges and agrees that any breach by him of this Confidentiality Agreement will cause damage to ~~Franchisee~~Employer and Franchisor in an amount difficult to ascertain. Accordingly, in addition to any other relief to which ~~Franchisee~~Employer may be entitled, either ~~Franchisee~~Employer or Franchisor shall be entitled to temporary, preliminary, or permanent injunctive relief for any breach or threatened breach by Employee without proof of actual damages that have been or may be caused.

8. If any portion of this Confidentiality Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement shall be considered valid and operative, and effect shall be given to the intent manifested by the portion held invalid or inoperative. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural and conversely.

9. This Agreement shall bind the successors and assigns of ~~Franchisee~~Employer and the heirs, personal representative, successors, and assigns of Employee.

10. All covenants made in this Agreement by Employee shall survive the termination of this Confidentiality Agreement.

11. This Confidentiality Agreement may be amended in whole or in part only by an agreement in writing signed by the Parties.

12. This Confidentiality Agreement contains the entire understanding of the Parties in reference to the subject matter found herein. Any prior understanding or agreement, whether oral or written, shall be merged herein.

13. Any notice, request, demand, or other communication given pursuant to the terms of this Confidentiality Agreement shall be deemed given upon delivery, if hand-delivered, or three (3) days after deposit in the United States mail, postage prepaid, and sent certified or registered mail, return receipt requested, addressed to the addresses of the parties indicated below or at such other address as such party shall have advised the other Party in writing.

EMPLOYEE ACKNOWLEDGES THAT HE HAS READ THIS AGREEMENT AND UNDERSTANDS ITS CONTENTS.

Done as of the date first found above

~~FRANCHISEE:~~ **EMPLOYER:** _____

EMPLOYEE:

by: _____
its; _____
Date Signed _____

Date Signed: _____

EXHIBIT 7
STATE AMENDMENTS

STATE OF CALIFORNIA

This Addendum to the Franchise Agreement, agreed to this ____ day of _____, 20__, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for Payroll Vault Franchising, LLC is amended as follows:

a. The California Franchise Relations Act provides rights to Franchisee concerning termination or nonrenewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement.

b. That part of Article 10 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of the Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

c. That part of the Franchise Agreement that contains a covenant not to compete which extends beyond the expiration or termination of the Agreement may not be enforceable under California Law.

d. The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

e. The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California law.

f. The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in the Franchise Agreement with the costs being borne by the non- prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

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

3. In California we agree that we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Article 5) and you are open for business. At that time, all fees to us will be due.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the California Investment Law and/or the California Franchise Relations Act are met independent of this Addendum. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PAYROLL VAULT FRANCHISING, LLC

By: _____
 Managing Member

FRANCHISEE

Signature _____
Name: _____

Signature: _____
Name: _____

OR:

(If a business entity)

Company
Name: _____
by: _____
its _____

STATE OF ILLINOIS

**ADDENDUM TO THE FRANCHISE AGREEMENT
PAYROLL VAULT FRANCHISING, LLC**

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20___, between Payroll Vault Franchising, LLC, and _____, and it amends and revises said Franchise Agreement as follows:

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement is amended as follows:

a. The conditions under which the Franchise Agreement can be terminated and Franchisee’s rights upon non-renewal, as well as the application by which Franchisee must bring any claims, may be governed by the Illinois Franchise Disclosure Act, 815 ILCS 705/19 and 705/20.

b. Further, no action for liability under the Illinois Franchise Disclosure Act will be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever will first expire.

c. The Franchise Agreement will be governed by Illinois Law. Jurisdiction and venue for court litigations will be in Illinois. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State is void, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.

d. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other laws of this State is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration any claims pursuant to the provisions of Title 9 of the United States Code.

2. The State of Illinois has reviewed our financial documents and as a result, has imposed certain financial assurances for your benefit. As a result, we will refrain from collecting your Initial Franchise Fee until we have provided the training and Start-up Kit services, and you are open for business. At that time the IFF will be due to us

3. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independent of this Addendum. To the extent this Addendum is deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

by: _____
_____ **Managing Member**

by: _____
its: _____

Individual Franchisee

FOR THE STATE OF MARYLAND

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20__, between Payroll Vault Franchising, LLC and _____, amends and revises said Franchise Agreement as follows:

a. The Franchise Agreement requires Franchisee to sign a general release as a condition of renewal, sale, termination, and transfer of the franchise. These covenants shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

b. A franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.

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

d. All representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to nor shall they act as a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

f. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Acts are met independent of this Addendum. To the extent this Addendum will be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member

FRANCHISEE

Signature _____
Name: _____

Signature: _____
Name: _____

OR:

(If a business entity)

Company
Name: _____

by:
its

STATE OF MINNESOTA

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20__, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

1. In recognition of the requirements of the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., (the “Act”) the Franchise Agreement is amended as follows:

With respect to franchises governed by Minnesota Law, Franchisor will comply with the Minnesota Franchise Law which requires, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.

Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release which may require the Franchisee to waive any claims under Minnesota Statutes 1973, Supplement, sections 80C.01 to 80C.22.

As required by Minnesota Franchise Act, Franchisor will reimburse you for any costs incurred by Franchisee in the defense of Franchisee’s right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

The Franchise Agreement is amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within three (3) years from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

Franchisor will comply with all requirements of the Act that require termination for good cause as defined by the Act.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Offering Circular or Franchise Agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee’s rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Acts are met independent of this Addendum. To the extent this Addendum will be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

by: _____
Managing Member

by: _____
its: _____

Individual Franchisee

Individual Franchisee

STATE OF SOUTH DAKOTA

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20__, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

In South Dakota we will defer collecting your initial franchisee fee or other fees due to us before you open until we have delivered all of our pre-opening services stated in Item 11 of the disclosure document and you are open for business. At that time all fees due to us will be collected.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member

FRANCHISEE

Signature _____
Name: _____

Signature: _____
Name: _____

OR:

(If a business entity)

Company Name: _____
by: _____
its _____

STATE OF VIRGINIA

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20___, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

1. In recognition of the requirements of the Virginia Retail Franchising Act, (the "Act") the Franchise Agreement for LLC is amended as follows:

The Franchise Agreement purports to terminate upon the bankruptcy of the Franchisee. This may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

In Virginia we agree that we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Article 5) and you are open for business. At that time, all fees to us will be due.

2. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Payroll Vault Franchising, LLC for use in the Commonwealth of Virginia is amended as follows:

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

3. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Act is met independent of this Addendum. To the extent this Addendum will be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member

FRANCHISEE

Signature _____
Name: _____

Signature: _____
Name: _____

OR:

(If a business entity)

Company

Name: _____

by: _____

its _____

STATE OF WASHINGTON

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20___, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

1. In recognition of the requirements of the Washington Franchise Investment Protection Act, Washington Rev. Code §§19.100.010 - 19.100.940, (the “Act”) the Franchise Agreement for Payroll Vault Franchising, LLC is amended as follows:

In Washington we agree that we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Article 5) and you are open for business. At that time, all fees to us will be due.

a. The Act provides rights to Franchisee concerning non-renewal and termination of the Franchise Agreement. If the Agreement contains a provision that is inconsistent with the Act, the Act will control.

b. Franchisee is required to sign a general release as a condition of renewal, termination and transfer of the franchise. Such release will exclude claims arising under the Washington Franchise Investment Protection Act.

c. The Franchise Agreement requires that the franchise be governed by the laws of the State of Colorado; such a requirement may be unenforceable in the event of a conflict with the Washington Franchise Investment Protection Act. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

d. The Franchise Agreement requires litigation or arbitration to be conducted in the State of Colorado; the requirement will not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.

e. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act (such as a right to a jury trial), may not be enforceable.

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

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Act is met independent of this Addendum. To the extent this Addendum will be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum will govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member

FRANCHISEE

Signature _____
Name: _____

Signature: _____
Name: _____

OR:

(If a business entity)

Company
Name: _____
by: _____
its _____

**EXHIBIT 8
GUARANTY**

GUARANTY OF FRANCHISEE’S OBLIGATIONS

This Guaranty of Franchisee’s Obligations (Guaranty) is entered into this _____ day of _____, 20__ by and between Payroll Vault Franchising, LLC, (Franchisor), and _____ (Franchisee) _____ whose address is _____ and _____ whose address is _____ (herein _____ and _____, (jointly and severally known as Guarantor(s)). Franchisor, Franchisee, and Guarantor may be referred to as a “Party” or as the “Parties”.

RECITALS

WHEREAS, Franchisee signed a franchise agreement with Franchisor on the ____ day of _____, 20__ (Franchise Agreement);

WHEREAS, as an inducement to the Franchisor for granting the Franchise Agreement, the Guarantor(s) agreed to fully guaranty the performance of Franchisee under the Franchise Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants found herein and for other good and valuable consideration, which consideration is deemed to be adequate by all parties, each of the undersigned hereby personally and unconditionally agree to the following:

COVENANTS

1. Guarantor(s) guarantee to Franchisor and its successors and assigns, for the term of the Franchise Agreement, including any amendments thereto or renewals thereof, that the Franchisee shall timely pay any amount required by the Franchise Agreement and shall perform each and every undertaking, agreement, and covenant set forth in the Franchise Agreement and any addenda or Exhibits attached thereto as each may be amended or renewed. Guarantor(s) agree that this Guaranty is one of payment and performance and not one of just collection.

2. Guarantor(s) further agrees to be personally bound by each and every term of the Franchise Agreement, as amended or renewed, and agrees to be personally liable for the breach of, and, if permitted, the cure of each and every breach of any term, covenant, or condition of the Franchise Agreement. Each Guarantor shall also be subject to all restrictive covenants in the Franchise Agreement, including, but not limited to, any pre- or post- term covenants not to compete.

3. As part of the inducement given to Franchisor by the Guarantor(s) to permit the Franchisee to enter into the Franchise Agreement, the Guarantor(s) further agree to waive the following:

- a. acceptance and notice of acceptance of the foregoing undertaking;
- b. notice of demand for payment of any indebtedness or notice of any nonperformance of any obligations hereby guaranteed;
- c. protest and notice of default with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;

d. any right Guarantor may have to require that any action be first brought against Franchisee or any other person or entity as a condition of liability; and

e. any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

4. Guarantor(s) further consent and agrees that:

a. Guarantor is directly and immediately liable under this Guaranty, and if signed by more than one Person, such liability is joint and several;

b. Guarantor(s) shall render any payment or performance required under the Franchise Agreement upon demand of Franchisor if Franchisee fails or refuses punctually to do so;

c. Guarantor(s) performance shall not be contingent or conditioned upon pursuit of any remedies against Franchisee or any other person;

d. Guarantor(s) liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims which Franchisor may from time to time grant to Franchisee or to any other person, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement, including renewals thereof;

5. Guarantor agrees to pay upon Franchisor's demand, Franchisor's reasonable out-of-pocket costs and expenses, including but not limited to attorneys' fees, costs and disbursements, incurred in any effort to collect or enforce any of the terms, covenants or conditions of the Franchise Agreement, or this Guaranty, regardless whether any lawsuit is filed.

6. Guarantor, and each of the persons or entities executing this Guaranty as Guarantor individually, makes the following representations and warranties, which are deemed to be continuing representations and warranties until payment and performance in full of terms, covenants, and conditions of the Franchise Agreement:

a. Guarantor has all the requisite power and authority to execute, deliver and be legally bound by this Guaranty on the terms and conditions herein stated;

b. this Guaranty constitutes the legal, valid and binding obligations of Guarantor enforceable against Guarantor in accordance with its terms;

c. the execution and delivery of this Guaranty and the consummation of the transaction contemplated hereby will not, with or without notice and/or lapse of time: (i) constitute a breach of any of the terms and provisions of any note, contract, document, agreement or undertaking, whether written or oral, to which Guarantor is a party or to which Guarantor's property is subject; (ii) accelerate or constitute any event entitling the holder of any indebtedness of Guarantor to accelerate the maturity of any such indebtedness; (iii) conflict with or result in a breach of any writ, order, injunction or

decree against Guarantor of any court or governmental agency or instrumentality; or (iv) conflict with or be prohibited by any federal, state, local or other governmental law, statute, rule or regulation;

d. No consent of any other person is required in connection with the valid execution, delivery or performance by Guarantor of this Guaranty; and,

e. this Guaranty and any other statement furnished by Guarantor to Franchisor contain no untrue statements of material fact or omits to state a material fact necessary in order to make the statements contained herein or therein true and not misleading.

7. Each Guarantor understands and agrees that each is bound by the Dispute Resolution covenants of the Franchise Agreement found at Article 16 which are incorporated herein by this reference as if fully set forth here.

8. The Recitals are incorporated herein by this reference.

IN WITNESS WHEREOF, each of the undersigned has affixed his, her, or its signature as of the date first found above.

PAYROLL VAULT FRANCHISING, LLC

by: _____
Managing Member

by: _____
Title: _____

GUARANTOR(S)

Personally

Personally

EXHIBIT 9
CLOSING ACKNOWLEDGEMENT

Initials Initials

CLOSING ACKNOWLEDGEMENT

Franchisee Name: _____
Address: _____
Address: _____
Telephone: _____
Today's Date: _____

A. GENERAL QUESTIONS

- 1. I had a face-to-face meeting with a franchise marketing representative.
Yes _____ No _____. If yes, the date of said meeting was: _____
- 2. The date which I received the Franchise Disclosure Document (FDD) from Franchisor. _____
- 3. The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt). _____
- 4. The earliest date on which I delivered cash, check, or consideration to the franchise marketing representative or any other person. _____
- 5. Did you initiate negotiations about the Franchise Agreement with the Franchisor?
Yes _____ No _____. If yes, what was that date? _____

B. REPRESENTATIONS

PLEASE RESPOND TO EACH PARAGRAPH. IN RESPONDING, PLEASE STATE WHETHER THE STATEMENT IS TRUE OR FALSE AND PROVIDE ANY OTHER INFORMATION THAT YOU IS IMPORTANT TO YOU

1. I had an opportunity to review the FDD and other agreements attached to the disclosure document and understand the terms, conditions, and obligations of these agreements.

Yes No

_____ initials

2. I had an opportunity to seek professional advice regarding the FDD, the Franchise Agreement and all matters concerning the purchase of my franchise.

Yes No

_____ initials

3. Except as specifically written in the Franchise Agreement, no promises, agreements, contracts, commitments, representations, understandings, "side deals" or otherwise have been made to or with me with respect to any matter, including, but not limited to, any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or other services.

Agree

Disagree

_____ initials

4. Even if promises, agreements, contracts, commitments, representations, understandings, "side deals" or otherwise have been made to or with me with respect to any matter, including, but not limited to, any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or other services, I have not relied in any way on any such promises, agreements, contracts, commitments, representations, understanding or "side deals" when making my decision to purchase this franchise.

Agree

Disagree

_____ initials

5. No oral, written or visual claim or representation, promise, agreement, contract, commitment, representation, understanding or otherwise which contradicted or was inconsistent with the disclosure document or the Franchise Agreement was made to me.

Agree

Disagree

_____ initials

6. Even if an oral written or visual claim or representation, promise, agreement, contract, commitment, representation, understanding or otherwise which contradicted or was inconsistent with the disclosure document or the Franchise Agreement was made to me, I have not relied in any way on any such matter the contradicts or is inconsistent with the disclosure document when making the decision to purchase this business.

Agree

Disagree

_____ initials

7. Unless specifically stated in Item 19 of the disclosure document, no oral, written, visual, or other claim or representations were made which stated or suggested any sales, income, expense, profits, cash flow, tax effects or otherwise was made to me by any person or entity representing the Franchisor; or if made, I did not rely on the same when making my decision to purchase this business.

Agree

Disagree

_____ initials

8. I have made my own independent determination that I have adequate working capital to develop, open, and operate my Franchised or RD Business.

Agree **Disagree**

_____ initials

9. I understand that my investment in this business contains substantial business risks and that there is no guarantee that it will be profitable.

Agree **Disagree**

_____ initials

10. I acknowledge that the success of my business depends in large part upon my ability as an independent business person and my active participation in the day to day operation of the business.

Agree **Disagree**

_____ initials

C. STATEMENTS OF THE FRANCHISOR

THE PARAGRAPHS BELOW ARE POLICIES OF THE FRANCHISOR. IF ANY IS UNTRUE OR IS CONTRADICTED BY YOUR EXPERIENCE, PLEASE PROVIDE AN EXPLANATION.

1. The Franchisor does not permit any employee, salesperson, officer, director or other individual to make or endorse any representations, warranties, projections or disclosures of any type relating to the financial success of the franchise business and, except as specifically stated in Item 19, or by you at the line below, no information as to sales, income, expenses, profits, cash flows, tax consequences or otherwise have been given to the Franchisee. *If any such representations have been made to you by any person in the Franchisor's employ, please state so below and immediately inform the Manager of the Franchisor.*

initials

2. The Franchisor does not permit any employee, salesperson, officer, director, franchisee, or other individual to project any results that a Franchisee can expect in the operation of the business. *If any such representations have been made to you by any person, please state so below and immediately inform the Manager of the Franchisor.*

initials

3. The Franchisor does not permit any promises, agreements, contracts, commitments, representations, understandings, "side deals" or variations or changes in or supplements to the Franchise Agreement except by means of a written addendum thereto signed by you and the Franchisor. *If any such deals or changes have been made or promised, please state so below and immediately inform the Manager of the Franchisor.*

initials

I have completed this Closing Acknowledgement and have disclosed any information that is contrary to any printed statement or have provided any other information that I deem to be important.

Done this _____ day of _____, 20____

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member

FRANCHISEE

Signature

Signature

Signature

Signature

(If a business entity)

Company

Name: _____

by: _____

its _____

EXHIBIT C
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EXHIBIT D

CURRENT FRANCHISEES

Owner	Address	City	State	Zip Code	Phone
<u>Karen Simmons, Cadie Simmons</u>	<u>712 Oak Circle Dr. W #A</u>	<u>Mobile</u>	<u>AL</u>	<u>36609</u>	<u>251-243-0902</u>
<u>Laura Hanlon</u>	<u>950 Hogan St., Ste#2</u>	<u>Conway</u>	<u>AR</u>	<u>72034</u>	<u>501-548-6400</u>
<u>Ade Rogers</u>	<u>1338 Center Court Dr., Ste#203</u>	<u>Covina</u>	<u>CA</u>	<u>91724</u>	<u>626-480-1414</u>
<u>Karen Simmons, Cadie Simmons (Owner of 2 units)</u>	<u>712 Oak Circle Dr. W #A</u>	<u>Mobile</u>	<u>AL</u>	<u>36609</u>	<u>251-243-0902</u>
<u>Elsie Nash, Kevin Nash</u>	<u>750 Otay Lakes Road</u>	<u>Chula Vista</u>	<u>CA</u>	<u>91910</u>	<u>619-985-4105</u>
<u>Diane Rothers Ade Rogers</u>	<u>1895 S.Evanston St. 1338 Center Court Dr., Ste#203</u>	<u>Aurora Covina</u>	<u>CO CA</u>	<u>8001291724</u>	<u>303-898-6058 626-480-1414</u>
<u>Derek Manning</u>	<u>961 S. Washington St.</u>	<u>Denver</u>	<u>CO</u>	<u>80209</u>	<u>303-763-1829</u>
<u>Derek Manning Steven Katzman, Phil Katzman</u>	<u>961 S. Washington St. 5460 Ward Road, Sute 320</u>	<u>Denver Arvada</u>	<u>CO</u>	<u>80209 80002</u>	<u>303-763-1857 720-619-0404</u>
<u>Matt Sorenson, Stephanie Sorenson Derek Manning</u>	<u>98 Inverness Drive East, Ste#130 961 Washington Street</u>	<u>Denver Englewood</u>	<u>CO</u>	<u>80209 80112</u>	<u>303-763-1844 1844-1857</u>
<u>Matt Sorenson, Stephanie Sorenson (Owner of 3 units)</u>	<u>98 Inverness Drive East, Ste#130</u>	<u>Englewood</u>	<u>CO</u>	<u>80112</u>	<u>303-763-1844</u>
<u>Melissa Clary</u>	<u>375 E. Horsetooth Rd., #2-101</u>	<u>Fort Collins</u>	<u>CO</u>	<u>80525</u>	<u>970-682-6600</u>
<u>Zane Glover, Meredith Glover</u>	<u>325 Cherry St., Ste#110</u>	<u>Fort Collins</u>	<u>CO</u>	<u>80525</u>	<u>970-221-5553</u>
<u>Suzie Jenkins</u>	<u>5335 Orchard St.</u>	<u>Golden</u>	<u>CO</u>	<u>80403</u>	<u>303-656-1680</u>
<u>Dean Rodahl, Allyson Rodahl</u>	<u>1630 25th Ave., Unit#K</u>	<u>Greeley</u>	<u>CO</u>	<u>80634</u>	<u>970-353-0170</u>
<u>Jeff Kefalas, Kristina Kefalas</u>	<u>9225 W. Jewell Place #105</u>	<u>Lakewood</u>	<u>CO</u>	<u>80227</u>	<u>303-763-1857</u>
<u>Eric Golomb*</u>	<u>2000 NW 150th Ave. #2106</u>	<u>Pembroke Pines</u>	<u>FL</u>	<u>33028</u>	<u>954-889-0075</u>
<u>Cal Elliott</u>	<u>121 Westwind Drive</u>	<u>Pooler</u>	<u>GA</u>	<u>31322</u>	<u>9912-373-6025</u>
<u>Blair Motl</u>	<u>324 N. River Street</u>	<u>East Dundee</u>	<u>IL</u>	<u>60118</u>	<u>309-750-9040</u>
<u>Bob Jennings</u>	<u>4403 Hamburg Pike</u>	<u>Jeffersonville</u>	<u>IN</u>	<u>47130</u>	<u>502-410-0655</u>
<u>Debra Schill (Owner of 2 units)</u>	<u>209 S. Armstrong St.</u>	<u>Crothersville</u>	<u>IN</u>	<u>47229</u>	<u>812-793-2101</u>

Owner	Address	City	State	Zip Code	Phone
<u>Chris Mobley</u>	<u>1524 Harmony Street</u>	<u>New Orleans</u>	<u>LA</u>	<u>70115</u>	<u>504-291-8400</u>
Sean Thomas, Tara Thomas, James South	2825 Carey Street	Slidell	LA	70458	985-781-1818
James Lippens, Jami Lippens	7945 Second Street	Dexter	MI	48130	734-972-9649
Steven Hamacher	8089 Stadium Dr.	Kalamazoo	MI	49009	269-353-3830
<u>Priscilla Vang</u>	<u>800 Minnehaha Ave, Suite 265</u>	<u>St. Paul</u>	<u>MN</u>	<u>55106</u>	<u>651-776-2222</u>
William Roderique, Wendy Mashburn	920 E. 15 th Street	Joplin	MO	64804	417-782-0829
Krystal Russell, Colby Keeth	4650 South National Ave.	Springfield	MO	65810	417-881-8281
<u>Andrew Dowe</u>	<u>416 Morgan Drive</u>	<u>Lewiston</u>	<u>NY</u>	<u>14092</u>	<u>716-405-7831</u>
<u>Darius Burnette, Kelli Burnett</u>	<u>2952 Helena Drive NW</u>	<u>Carroll</u>	<u>OH</u>	<u>43112</u>	<u>740-756-1040</u>
Kim Perry	4695 Lake Forest Dr., Ste#400	Cincinnati	OH	45242	513-483-3100
Robert Seibel ^z	Marlemont Bldg Department, 3814 West Street #311	Cincinnati	OH	45227	513-271-7835
Cynthia Cox (Owner of 2 units)	923 N Robinson, Suite #400	Oklahoma City	OK	73102	405-516-8811
Cynthia Cox	923 N Robinson, Suite#400	Oklahoma City	OK	73102	405-516-8811
<u>Paula Johnson</u>	<u>724 Shamrock Drive</u>	<u>Hartford</u>	<u>SD</u>	<u>57033</u>	<u>605-799-4884</u>
Dawn Sabo Amy Knight, Robert Knight	2323 S. Shepherd Manhaca, Ste#970 404	Houston Austin	TX	77019 78748	713-337- 7144 512-249- 8342
Brooke Miller, Debbie Busch, Dee Sandhop, Lindsey Baker, Trish Joseph*	7520 FM 3180 Road #400	Baytown	TX	77523	281-402-8427
<u>Dawn Sabo (Owns 2 units)</u>	<u>2323 S. Shepherd, Ste#970</u>	<u>Houston</u>	<u>TX</u>	<u>77019</u>	<u>713-337-7144</u>
<u>Sean Pettit, Rebecca Pettit</u>	<u>12710 Viodorra Vista Dr</u>	<u>San Antonio</u>	<u>TX</u>	<u>78216</u>	<u>210-996-2753</u>
Jeff Robinson	3781 Westerre Parkway, Ste#A	Richmond	VA	23233	804-270-6980
Diane Grubbs, Terri Stewart	397 Little Neck Rd., 3300 South Bldg, #208	Virginia Beach	VA	23452	757-536-1046

* These franchisees signed their franchise agreements in 2016 but did not open until 2017.

EXHIBIT E
FRANCHISEES WHO HAVE BEEN TERMINATED, CANCELED, OR NOT RENEWED

<u>Owner</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Phone</u>
<u>Laura Hanlon</u>	<u>950 Hogan St., Ste#2</u>	<u>Conway</u>	<u>AR</u>	<u>72034</u>	<u>501-548-6400</u>
<u>Krystal Russell, Colby Keeth</u>	<u>4650 South National Ave.</u>	<u>Springfield</u>	<u>MO</u>	<u>65810</u>	<u>417-881-8281</u>
<u>Derek Manning</u>	<u>961 Washington Street</u>	<u>Denver</u>	<u>CO</u>	<u>80209</u>	<u>303-763-1857</u>

Transfers

<u>Owner</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Phone</u>
<u>Diane Rothers</u>	<u>1895 S. Evanston St.</u>	<u>Aurora</u>	<u>CO</u>	<u>80012</u>	<u>303-898-6058</u>
<u>Suzie Jenkins</u>	<u>5335 Orchard St.</u>	<u>Golden</u>	<u>CO</u>	<u>80403</u>	<u>303-656-1680</u>

EXHIBIT E
FRANCHISEES WHO HAVE BEEN TERMINATED, CANCELED, OR NOT RENEWED

<u>Owner</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Phone</u>
<u>Lisa Lindenken</u>	<u>10645 N. Tatum Blvd #200-282</u>	<u>Phoenix</u>	<u>AZ</u>	<u>85253</u>	<u>602-456-1973</u>
<u>Chris Christensen</u>	<u>120 E. Myrtle St</u>	<u>Angleton</u>	<u>TX</u>	<u>77515</u>	<u>979-848-2858</u>

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT F
TRADEMARK-SPECIFIC FRANCHISEE ASSOCIATIONS AND
INDEPENDENT FRANCHISEE ASSOCIATIONS

NONE

EXHIBIT G
STATE-SPECIFIC AMENDMENTS

STATE OF CALIFORNIA

1. The State Cover Page is amended to add the following statement:

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

2. Item 3 of the Disclosure Document is amended to add the following:

Neither we nor any person listed in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in that association or exchange.

3. Item 5 of the Disclosure Document is amended to add the following:

In California, we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Item 11) and you are open for business. At that time, all fees to us will be due.

3. Item 17 of the Disclosure Document is amended to add the following:

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

- b. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

- c. The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California Law.

- d. The Franchise Agreement may contain a liquidated damages clause. Under California Law, certain liquidated damages clauses are unenforceable.

- e. The Franchise Agreement requires litigation to be conducted in a court located in the State of Colorado. This provision might not be enforceable for any cause of action arising under California Law.

- f. The Franchise Agreement requires application of the laws of the State of Colorado. This provision might not be enforceable under California Law.

- g. The Franchise Agreement requires binding arbitration. The arbitration will occur at the forum indicated in ITEM 17 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

- h. The following URL address is for the franchisor's website: www.payrollvault.com.

FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

STATE OF ILLINOIS

The Franchise Disclosure Document is amended as follows:

1. For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act, 815 ILCS 705 governs.
2. No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the Franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.
3. Illinois law governs the Franchise Agreement (without regard to conflict of laws), and jurisdiction and venue for court litigation shall be in Illinois.
4. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void, provided that a Franchise Agreement may provide for arbitration in a forum outside of Illinois.
5. The conditions under which a franchise can be terminated and your rights upon non-renewal may be affected by the Illinois Franchise Disclosure Act of 1987.
6. The Illinois Franchise Disclosure Act provides that any provision in the Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.
7. ~~Based upon the franchisor's~~ on our financial condition, the ~~Maryland Securities Commissioner~~ State of Illinois has ~~required~~ imposed a financial assurance. ~~Therefore, requirement on us. As a result, the payment of all initial franchise fees and payments owed by franchisees shall be~~ deferred until the franchisor completes its pre-opening obligations under the franchise agreement your franchise business is open and operating.
8. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other laws of this State is void. This shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of the Illinois Franchise Disclosure Act, nor shall it prevent the arbitration any claims pursuant to the provisions of Title 9 of the United States Code.

STATE OF MARYLAND

The Franchise Disclosure Document is amended to add the following:

Item 5 is amended to state the following: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

In Item 17 and the Franchise Agreement requires you to sign a general release. The general release required as a condition of renewal, termination or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

In Item 17 and the Franchise Agreement, we require you to arbitrate in Tennessee using Tennessee law. This is amended to provide that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17 and the Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

Item 17 is amended to state: "Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Closing Acknowledgment that is attached to the Franchise Agreement is amended to state: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

STATE OF MINNESOTA

The following Minnesota-specific language must be included in an exhibit attached to the Franchise Disclosure Document and also to the franchise agreements:

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

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

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

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

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5. 3.

NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

The following additional RISK FACTOR is added to the cover page of the Franchise Disclosure Document:

SEE ITEM 6. THERE ARE SEVERAL FEES THAT STATE THERE IS NO LIMIT TO THE AMOUNT OF AN INCREASE IN THIS FEE OR THE NUMBER OF TIMES IT MAY BE INCREASED. IN ADDITION, YOU MUST MAKE MINIMUM ROYALTY, ADVERTISING, AND OTHER PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

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

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

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

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

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

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

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

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

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

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

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

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

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

STATE OF SOUTH DAKOTA

In South Dakota we will defer collecting your initial franchisee fee or other fees due to us before you open until we have delivered all of our pre-opening services stated in Item 11 and you are open for business. At that time all fees due to us will be collected.

STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Payroll Vault Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

- a. The third sentence of the third paragraph of the FTC Cover Page is amended to state:

“You must receive this disclosure document at least 14 days before you sign a binding agreement or make any payment in connection with the franchise sale or grant.”

- b. Additional Disclosure.

Item 3 is amended to state the following:

In Virginia, we will defer collecting the IFF and any other fees that are described in this Item until we have provided you with all of our pre-opening services (Item 11) and you are open for business. At that time, all fees to us will be due.

The following statements are added to Item 17.h.

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

- c. The first sentence of the second paragraph of both Receipt Pages is amended to state:

“If Payroll Vault Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Payroll Vault Franchising, LLC or an affiliate in connection with the proposed franchise sale or grant.”

STATE OF WASHINGTON

Item 17 of the Disclosure Document is amended to add the following:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- b. A general release or waiver of rights executed by a franchisee will not include rights under the Washington Franchise Investment Protection Act.
- c. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
- d. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- e. The Franchise Agreement requires any litigation or arbitration to be conducted in a state other than Washington; the requirement shall not limit any rights franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.
- f. Item 5 is amended to provide that in Washington we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Item 11) and you are open for business. At that time, all fees to us will be due.

EXHIBIT H
FINANCIAL STATEMENTS

PAYROLL VAULT FRANCHISING LLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017 and 2016

PAYROLL VAULT FRANCHISING LLC

AUDITED FINANCIAL STATEMENTS

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February 26, 2018

SUBJECT: AUTHORIZATION TO USE ACCOUNTANT'S AUDIT REPORT AND FINANCIAL STATEMENTS

To whom it may concern:

By signature of this letter, I, Richard X. Robinett, C.P.A., hereby authorize Payroll Vault Franchising, LLC to use the prepared audited financial statements as of December 31, 2017, the accompanying footnotes, and the Independent Auditor's Report as an exhibit within the required franchise disclosure document for Payroll Vault Franchising, LLC.

Richard X. Robinett, C.P.A., takes no responsibility for and will not express an opinion or any other form of assurance on any other information presented in the disclosure document.

Sincerely,

Richard Robinett

Richard X. Robinett, C.P.A.
Richard X. Robinett, C.P.A. LLC

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Payroll Vault Franchising, LLC
Greenwood Village, CO 80111

I have audited the accompanying balance sheet of Payroll Vault Franchising, LLC as of December 31, 2017 and 2016, and the related statements of income (comparative totals only for 2015), owner's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Payroll Vault Franchising, LLC as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then needed in conformity with U.S. generally accepted accounting principles.

Richard Robinett

Richard X. Robinett, C.P.A.

February 26, 2018

PAYROLL VAULT FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31,

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents	\$ 110,266	\$ 63,523
Accounts Receivable	18,617	50,394
Inventory - Marketing	9,000	9,000
Total Current Assets	<u>137,883</u>	<u>122,917</u>
Fixed Assets		
Transportation Equipment	\$ 22,744	\$ 45,521
Fixtures & Equipment	9,671	9,671
Less: Accumulated Depreciation	<u>(29,139)</u>	<u>(44,267)</u>
Total Fixed Assets	3,276	10,925
Non-Current Assets		
Software Systems	\$ 24,500	\$ 24,500
Organizational Costs	57,000	57,000
Goodwill	10,000	10,000
Accumulated Amortization	<u>(83,833)</u>	<u>(75,567)</u>
Total Non-Current Assets	7,667	15,933
 TOTAL ASSETS	 <u><u>\$ 148,826</u></u>	 <u><u>\$ 149,775</u></u>

LIABILITIES AND OWNER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 427	\$ 434
Credit Card Payable	15,752	4,599
Total Current Liabilities	<u>16,179</u>	<u>5,033</u>
Non Current Liabilities		
Note Payable - US Bank 2000	\$ 10,977	\$ 15,492
Note Payable - US Bank 3000	-	15,470
Total Non Current Liabilities	<u>10,977</u>	<u>30,962</u>
Owner's Equity		
Partners' Capital - Sean Manning	\$ 768,338	\$ 718,338
Partners' Capital - Tricia Petteys	25,000	12,500
Partners' Capital - Malvina Messler	-	12,500
Retained Earnings	<u>(671,668)</u>	<u>(629,558)</u>
Total Owner's Equity	121,670	113,780
 TOTAL LIABILITIES AND OWNER'S EQUITY	 <u><u>\$ 148,826</u></u>	 <u><u>\$ 149,775</u></u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDING DECEMBER 31,

REVENUE	2017	2016	2015
Franchise Fees	\$ 540,850	\$ 484,514	\$ 376,737
Technology Fee	59,115	54,385	43,119
Speaking	48,080	39,574	38,900
Marketing Support	31,500	66,049	14,000
Payroll Service Group	1,338	27,500	63,500
TOTAL REVENUE	680,883	672,022	536,256
COST OF SALES			
Labor - Operations, Marketing and Sales	250,490	306,750	221,604
Sales Support	72,933	82,842	105,304
Technology & Software	60,481	54,071	47,758
Franchise Advertising & Promotion	37,710	39,780	28,410
Franchise Training	24,851	14,627	30
Website Hosting	12,590	16,056	23,358
Franchise Web Store	9,865	13,226	9,876
State Registrations	3,210	1,200	1,235
Bank Fees	712	222	-
Franchise Sales Support	-	-	7,500
Franchise Consultant	-	-	1,085
Franchise Marketing	-	-	49
TOTAL COST OF SALES	472,842	528,774	446,209
GROSS INCOME	208,041	143,248	90,047
OPERATING EXPENSES			
Guaranteed Payments	107,750	140,925	141,450
Rent	28,760	28,949	18,000
Advertising & Promo	24,614	23,685	8,422
Legal & Accounting	22,339	14,200	20,010
Travel	15,362	19,607	15,587
Payroll Taxes	12,244	-	-
Amortization Expense	8,267	16,150	16,150
Dues & Subscriptions	6,815	4,198	2,010
Meals and Entertainment 50%	5,876	4,615	2,111
Telephone	4,388	7,379	3,000
Depreciation Expense	3,277	7,283	27,313
Insurance	2,843	5,267	3,321
Conference & Training	2,204	9,278	4,884
Outside Services	2,040	18,250	17,538
Bank Fees	1,602	-	-
Interest Expense	1,425	1,946	1,718
Operating Supplies	1,159	2,787	686
Office Expense	812	1,684	1,613
Pension & Profit Sharing Expense	-	-	4,655
TOTAL OPERATING EXPENSES	251,777	306,203	288,468
OTHER INCOME			
Gain on Sale of Assets	6,626	-	-
NET PROFIT (LOSS)	\$ (37,110)	\$ (162,955)	\$ (198,421)

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OWNER'S EQUITY
FOR THE PERIODS ENDING DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning Owner's Equity	\$ 113,780	\$ 71,731	\$ 138,929
Partner Contributions	45,000	205,004	133,334
Current Year Net Income	(37,110)	(162,955)	(198,421)
M-1 Meals & Entertainment	-	-	(2,111)
Ending Owner's Equity	<u>\$ 121,670</u>	<u>\$ 113,780</u>	<u>\$ 71,731</u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31,

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ (37,110)	\$ (162,955)	\$ (198,421)
Adjs to reconcile net income to cash used in operating activities:			
Depreciation & Amortization	11,542	23,433	45,461
General operating and administrative expenses	42,296	(46,474)	(8,593)
Net cash flows from operating activities	16,728	(185,996)	(161,553)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	-	(45,521)
Organizational Costs	-	-	-
Net cash flows from investing activities	-	-	(45,521)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans - Bank & Business	(19,985)	(8,800)	39,762
Partner Contribution - Sean Manning	50,000	233,334	133,334
Partner Contribution - Tricia Petteys	-	-	-
Partner Contribution - Malvina Messler	-	-	-
Net cash flows from financing activities	30,015	224,534	173,096
NET CHANGE IN CASH	46,743	38,538	(33,978)
CASH & CASH EQUIVALENTS, Beginning of the year	63,523	24,985	58,963
CASH & CASH EQUIVALENTS, End of the year	<u>\$ 110,266</u>	<u>\$ 63,523</u>	<u>\$ 24,985</u>

See accompanying notes to the financial statements and accountant's audit report

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Summary of Significant Accounting Policies

Nature of operations - The Company was organized under the laws of the State of Colorado as a Limited Liability Company on June 22, 2012. The Company was organized to sell and administer franchises that will provide payroll services to accounting and Certified Public Accounting firms.

Revenue recognition – The Company’s revenues consist of revenues from the sale of individual franchise licenses, royalties, marketing and support services fees, net of an allowance for bad debts. Revenue from initial franchise sales is recognized when substantially all significant services to be provided by the Company have been performed. Royalty, marketing and support services income is accrued as earned.

Nature of significant initial services – When an individual franchise is sold, the Company agrees to provide an operations manual and training to the franchisees.

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

Start-up costs – The cost of creating the corporation and developing the franchise plan and materials are expensed as incurred.

Cash and Cash Equivalents - The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments – For certain of the Company’s financial instruments, including cash and cash equivalents and accounts receivable and payable, the carrying value of amounts approximate fair value due to their short maturities.

Accounts and Notes Receivable

Accounts and Notes Receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollected are charged against the allowance for doubtful accounts in the period that determination is made. As of December 31, 2017 the accounts receivable balance was \$18,617. No allowance was made for bad debts as the Company expects the balance to be collectible.

Income Taxes

The Company is organized as a partnership for income tax purposes, therefore all income or losses of the Company are passed through to the members and no provision for income taxes is provided for at the company level.

PAYROLL VAULT FRANCHISING LLC

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Other Comprehensive Income

Accounting principles generally requires that recognized expenses, gains and losses be included in net income. Certain changes in assets and liabilities, however, such as foreign currency translation adjustments, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Members Equity

Members' Equity consists of the cumulative investment plus net income or loss of the company less any distributions to members. The Company is organized as a limited liability company and all interest are held by member as limited liability members.

Risk Management and Fair Values

Financial risk is the risk to the company's earnings that arise from fluctuations in interest and foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk. The fair value of the company's financial assets and liabilities approximate amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information.

Franchise Sales/Revenues

Franchise sales and revenues, net of Discounts, consist of the following:

Franchise Fees	\$ 540,850
Technology Fee	59,115
Speaking	48,080
Marketing Support	31,500
Payroll Service Group	<u>1,338</u>
Total Revenue	<u>\$ 680,883</u>

Payroll Service Group is an affiliate and time is billed back to Payroll Vault Franchising, LLC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Accounting Pronouncements *issued but Not Yet Adopted or Currently in Effect Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Company until annual periods beginning after December 15, 2018 which is December 31, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Company is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

The financial records were examined for subsequent events through the report date of February 26, 2018. No adjustments or significant events were noted during this time period.

PAYROLL VAULT FRANCHISING LLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2015 and 2014

PAYROLL VAULT FRANCHISING LLC

AUDITED FINANCIAL STATEMENTS

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April 19, 2016

SUBJECT: AUTHORIZATION TO USE ACCOUNTANT'S AUDIT REPORT AND FINANCIAL STATEMENTS

To whom it may concern:

By signature of this letter, I, Richard X. Robinett, C.P.A., hereby authorize Payroll Vault Franchising, LLC to use the prepared audited financial statements as of December 31, 2015, the accompanying footnotes, and the Independent Auditor's Report as an exhibit within the required franchise disclosure document for Payroll Vault Franchising, LLC.

Richard X. Robinett, C.P.A., takes no responsibility for and will not express an opinion or any other form of assurance on any other information presented in the disclosure document.

Sincerely,

Richard Robinett

Richard X. Robinett, C.P.A.

Richard X. Robinett, C.P.A. LLC

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Payroll Vault Franchising, LLC
Littleton, CO

I have audited the accompanying balance sheet of Payroll Vault Franchising, LLC as of December 31, 2015 and 2014, and the related statements of income (comparative totals only for 2013), owner's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Payroll Vault Franchising, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then needed in conformity with U.S. generally accepted accounting principles.

Richard Robinett

Richard X. Robinett, C.P.A.

April 19, 2016

PAYROLL VAULT FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31,

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and Cash Equivalents	\$ 24,985	\$ 58,963
Accounts Receivable	27,215	22,733
Due from Owner - Malvina Messler	-	-
Inventory - Marketing	9,000	9,000
Total Current Assets	<u>61,200</u>	<u>90,696</u>
Fixed Assets		
Transportation Equipment	\$ 45,521	\$ -
Software Systems	-	-
Fixtures & Equipment	9,671	9,671
Less: Accumulated Depreciation	<u>(36,983)</u>	<u>(9,671)</u>
Total Fixed Assets	18,209	-
Non-Current Assets		
Software Systems	\$ 24,500	\$ 24,500
Organizational Costs	57,000	57,000
Goodwill	10,000	10,000
Accumulated Amortization	<u>(59,417)</u>	<u>(43,267)</u>
Total Non-Current Assets	<u>32,083</u>	<u>48,233</u>
 TOTAL ASSETS	 <u><u>\$ 111,492</u></u>	 <u><u>\$ 138,929</u></u>

LIABILITIES AND OWNER'S EQUITY

Non Current Liabilities		
Note Payable - US Bank 2000	\$ 19,895	\$ -
Note Payable - US Bank 3000	19,866	-
Total Current Liabilities	<u>39,761</u>	<u>-</u>
Owner's Equity		
Partners' Capital - Sean Manning	\$ 513,334	380,000
Partners' Capital - Tricia Petteys	12,500	12,500
Partners' Capital - Malvina Messler	12,500	12,500
Retained Earnings	<u>(466,603)</u>	<u>(266,071)</u>
Total Owner's Equity	71,731	138,929
 Total Liabilities and Owner's Equity	 <u><u>\$ 111,492</u></u>	 <u><u>\$ 138,929</u></u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDING DECEMBER 31,

REVENUE	2015	2014	2013
Franchise Fees	\$ 376,737	\$ 279,133	\$ 189,228
Payroll Service Group	63,500	77,477	87,058
Technology Fee	43,119	37,962	19,800
Speaking	38,900	51,093	35,704
Marketing Support	14,000	5,000	-
TOTAL REVENUE	536,256	450,664	331,789
COST OF SALES			
Labor - Marketing and Sales	221,604	231,218	132,253
Sales Support	105,304	20,818	8,954
Technology & Software	47,758	29,276	2,228
Franchise Advertising & Promotion	28,410	32,732	22,418
Website Hosting	23,358	8,400	6,325
Franchise Web Store	9,876	4,692	3,998
Franchise Sales Support	7,500	-	9,930
State Registrations	1,235	1,500	2,650
Franchise Consultant	1,085	8,000	5,500
Franchise Marketing	49	-	6,250
Franchise Training	30	1,420	-
Bank Fees	-	37	40
TOTAL COST OF SALES	446,209	338,094	200,546
GROSS INCOME	90,047	112,571	131,243
OPERATING EXPENSES			
Guaranteed Payments	141,450	140,309	133,250
Depreciation Expense	27,313	-	-
Legal & Accounting	20,010	13,756	19,476
Rent	18,000	15,000	18,000
Outside Services	17,538	-	-
Amortization Expense	16,150	28,067	11,400
Travel	15,587	17,744	15,611
Advertising & Promo	8,422	5,078	12,731
Conference & Training	4,884	7,358	1,160
Pension & Profit Sharing Expense	4,655	4,688	3,601
Insurance	3,321	-	-
Telephone	3,000	2,750	2,600
Meals and Entertainment 50%	2,111	860	4,664
Dues & Subscriptions	2,010	975	3,000
Interest Expense	1,718	655	-
Office Expense	1,613	4,202	3,017
Operating Supplies	686	250	-
Payroll Taxes	-	11,992	19,438
Employee Benefits	-	4,426	-
TOTAL OPERATING EXPENSES	288,468	258,110	247,947
NET PROFIT (LOSS)	\$ (198,421)	\$ (145,539)	\$ (116,704)

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OWNER'S EQUITY
FOR THE PERIODS ENDING DECEMBER 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Beginning Owner's Equity	\$ 138,929	\$ 35,328	\$ 122,032
Partner Contributions	133,334	250,000	30,000
Current Year Net Income	(198,421)	(145,539)	(116,704)
M-1 Meals & Entertainment	(2,111)	(861)	-
Ending Owner's Equity	<u>\$ 71,731</u>	<u>\$ 138,929</u>	<u>\$ 35,328</u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31,

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ (198,421)	\$ (145,539)	\$ (116,704)
Adjs to reconcile net income to cash used in operating activities:			
Depreciation & Amortization	45,461	28,067	11,400
General operating and administrative expenses	(8,593)	31,573	(12,011)
Net cash flows from operating activities	(161,553)	(85,899)	(117,315)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of principal on loans	-	-	21,675
Purchase of property and equipment	(45,521)	19,500	24,671
Organizational Costs	-	-	-
Accumulated Amortization	-	-	-
Net cash flows from investing activities	(45,521)	19,500	46,346
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan - MCPC	39,762	(50,000)	50,000
Partner Contribution - Sean Manning	133,334	150,000	-
Partner Contribution - Tricia Petteys	-	-	-
Partner Contribution - Malvina Messler	-	-	-
Net cash flows from financing activities	173,096	100,000	50,000
NET CHANGE IN CASH	(33,978)	33,601	(20,970)
CASH & CASH EQUIVALENTS, Beginning of the year	58,963	25,362	46,332
CASH & CASH EQUIVALENTS, End of the year	<u>\$ 24,985</u>	<u>\$ 58,963</u>	<u>\$ 25,362</u>

See accompanying notes to the financial statements and accountant's audit report

NOTES TO THE FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Nature of operations - The Company was organized under the laws of the State of Colorado as a Limited Liability Company on June 22, 2012. The Company was organized to sell and administer franchises that will provide payroll services to accounting and Certified Public Accounting firms.

Revenue recognition – The Company’s revenues consist of revenues from the sale of individual franchise licenses, royalties, marketing and support services fees, net of an allowance for bad debts. Revenue from initial franchise sales is recognized when substantially all significant services to be provided by the Company have been performed. Royalty, marketing and support services income is accrued as earned.

Nature of significant initial services – When an individual franchise is sold, the Company agrees to provide an operations manual and training to the franchisees.

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

Start-up costs – The cost of creating the corporation and developing the franchise plan and materials are expensed as incurred.

Cash and Cash Equivalents - The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments – For certain of the Company’s financial instruments, including cash and cash equivalents and accounts receivable and payable, the carrying value of amounts approximate fair value due to their short maturities.

Accounts and Notes Receivable

Accounts and Notes Receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollected are charged against the allowance for doubtful accounts in the period that determination is made. As of December 31, 2015 the accounts receivable balance was 27,215; Manning Financial Group consisted of 3,547 of the total.

Income Taxes

The Company is organized as a partnership for income tax purposes, therefore all income or losses of the Company are passed through to the members and no provision for income taxes is provided for at the company level.

NOTES TO THE FINANCIAL STATEMENTS

Other Comprehensive Income

Accounting principles generally requires that recognized expenses, gains and losses be included in net income. Certain changes in assets and liabilities, however, such as foreign currency translation adjustments, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Members Equity

Members' Equity consists of the cumulative investment plus net income or loss of the company less any distributions to members. The Company is organized as a limited liability company and all interest are held by member as limited liability members.

Risk Management and Fair Values

Financial risk is the risk to the company's earnings that arise from fluctuations in interest and foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk. The fair value of the company's financial assets and liabilities approximate amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information.

Franchise Sales/Revenues

Franchise sales and revenues, net of Discounts, consist of the following:

Franchise fees	\$ 433,856
Payroll Service Group	63,500
Speaking services	<u>38,900</u>
Total Revenue	<u>\$ 536,256</u>

Payroll Service Group is an affiliate and time is billed back to Payroll Vault Franchising, LLC.

Subsequent Events

The financial records were examined for subsequent events through the report date of April 19, 2016. No adjustments or significant events were noted during this time period.

**EXHIBIT I
RECEIPTS**

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Payroll Vault Franchising LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Payroll Vault Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Date of Issuance: March ~~21, 20, 2018~~²⁰¹⁷

The Franchisor is Payroll Vault Franchising, LLC, 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111,. Our telephone number is: 303-763-1828.

The franchise seller for this offering is _____ at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111,. Our telephone number is: 303-763-1828.

Payroll Vault Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state

I received a disclosure document dated March ~~21, 20, 2018~~²⁰¹⁷ that included the following Exhibits:

- Exhibit A. List of State Agencies/Agents for Service of Process
- Exhibit B. Franchise Agreement
- Exhibit C. Table of Contents
- Exhibit D. Current Franchisees
- Exhibit E. Franchisees that have left the System
- Exhibit F. Trademark Specific Franchisee Associations and
 Independent Franchisee Associations
- Exhibit G. State Specific Amendments
- Exhibit H. Financial Statements
- Exhibit J. Receipt

Date

Prospective Franchisee

You should return 1 copy of the signed receipt by signing, dating and mailing to 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111,. Keep a copy for your records.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Payroll Vault Franchising LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Payroll Vault Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Date of Issuance: March ~~21, 2018~~ 20, 2018

The Franchisor is Payroll Vault Franchising, LLC, 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111,. Our telephone number is: 303-763-1828.

The franchise seller for this offering is _____ located at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111,. Our telephone number is: 303-763-1828.

Payroll Vault Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state

I received a disclosure document dated March ~~21, 2017~~ 20, 2018 that included the following Exhibits:

- Exhibit A. List of State Agencies/Agents for Service of Process
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