

FRANCHISE DISCLOSURE DOCUMENT

<p>PAYROLL VAULT FRANCHISING, LLC 1860 W. Littleton Blvd Littleton, CO 80120 303-763-1828 303-763-1842 (fax) www.PayrollVault.com Email: Sean.Manning@PayrollVault.com</p>	
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Payroll Vault Franchising, LLC offers franchisees the opportunity to operate a business that delivers accurate and reliable software-based payroll and employee management services, including payroll check writing, payroll tax payment, and reporting, independent contractor check writing and reporting, and related human capital management and workforce management services to businesses of all sizes.

The total investment necessary to begin operation of a PAYROLL VAULT franchised business ranges from ~~\$77,375,460~~ to ~~\$141,885,99,970~~. This includes ~~\$70,000,58,085~~ to ~~\$90,000,79,895~~ 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 document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 1860 W. Littleton Blvd., Littleton, Colorado 80120, (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 all of your 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.

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

— Issuance Date: ~~April 19, 2024~~

| June 28, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit H includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Payroll Vault business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a Payroll Vault franchisee?	Item 20 or Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

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

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to Clients, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends, even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Colorado. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Colorado than in your own state.
2. **Sales Performance Requirement.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

NOTICE REQUIRED BY 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:

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

A prohibition of a franchisee's right to join an association of Franchisees.

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 will not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.

A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the franchisee's failure 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.

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: (a) the term of the franchise is less than five years, and (b) 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 six months advance notice of franchisor's intent not to renew the franchise.

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.

A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration or litigation, to conduct arbitration or litigation at a location outside this state.

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, but is not limited to:

The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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.

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).

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, the franchisee may request the franchisor to arrange for the escrow of the 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 filled. At the franchisor's option, 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, Department of the Attorney General, G. Mennen Williams Building, 7th Floor, 525 W. Ottawa Street, P.O. Box 30212, Lansing, MI 48909, and telephone (517) 335-7622.

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

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EXHIBITS

Exhibit A	List of State Agencies/Agents for Service of Process
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	Exhibit II – Addendum
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	Exhibit IV – Collateral Assignment
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Exhibit D	Current Franchisees
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Exhibit J	<u>Nondisclosure and Noncompetition Agreement</u>
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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The franchisor is Payroll Vault Franchising, LLC, a Colorado limited liability company that was formed on June 22, 2012. To simplify the language in this Disclosure Document, “we,” “us,” “our” or “PVF” refers to Payroll Vault Franchising, LLC. We will refer to the person buying the franchise as “you” or “your” throughout this Disclosure Document. If you are a corporation, partnership or limited liability company (“**Business Entity**”), certain provisions of the Franchise Agreement will also apply to your owners as noted in the Franchise Agreement.

We conduct business under our company name and our service mark and brand “PAYROLL VAULT.” We do not do business under any other name. Our principal office address is 1860 W. Littleton Blvd., Littleton, Colorado 80120. Our telephone number is (303) 763-1828. We have not operated any other type of business. We have never offered franchises in any other line of business. Our agents for service of process are disclosed in Exhibit A.

Parents, Predecessors and Affiliates

Our parent is Prosperity Holdings, LLC, a Colorado limited liability company that was organized on December 14, 2019. It operates as a holding company and its address is the same as ours. It has never offered franchises in this or any other line of business. We do not have any predecessors.

We have one affiliate named Payroll Service 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 under the PAYROLL VAULT brand that are substantially similar to those offered in this Disclosure Document. The Services Affiliate is affiliated with PVF by common ownership, and it is not subject to a franchise agreement. Our Services Affiliate owns the trademarks described in this Disclosure Document and licenses us the right to use the trademarks and sublicense them to franchisees.

Effective April 18, 2023, we, our parent, the Services Affiliate, Mr. Manning and Ms. Petteys entered into a Membership Interest Purchase Agreement with Metric Payroll Vault LLC (“**Buyer**”) and sold 10% of the ownership interest in our parent to the Buyer. The Buyer was also granted options to purchase up to an additional 41% of the ownership interest in our parent, which options must be exercised not later than December 31, 2026.

The Franchised Business

We offer franchises for the establishment and operation of a PAYROLL VAULT franchised business (“**Franchised Business**” or “**Business**”) offering software-based payroll and employee management services, including payroll check writing, payroll tax payment and reporting, software-based payroll and employee management services, including payroll check writing, payroll tax payment and reporting, independent contractor check writing and reporting, and related human capital management and workforce management services (“**Payroll and Workforce Management Services**”) to businesses of all sizes (“**Clients**”). The Franchised Businesses use our service mark “PAYROLL VAULT” and related service marks and trademarks (“**Marks**”) as well as our proprietary business methods (“**Methods**”) and a payroll software program (“**Payroll Software**”) at a specific location (“**Franchised Location**”) within a defined

territory (“**Territory**”) that contains a ~~population of approximately 1505,000 individuals~~ businesses of any size. We reserve the right to modify the Payroll and Workforce Management Services at any time. You must use our Marks, Methods and the Payroll Software (together, the “**System**”) to operate the Franchised Business.

This Disclosure Document and the Franchise Agreement (“**Franchise Agreement**”), attached as Exhibit B, describe the terms and conditions under which we offer opportunities to new franchisees. As the needs of the market change, we may offer franchises under different terms and conditions. The date the Franchise Agreement is signed by you and by us is referred to as the “**Effective Date**.”

Prior Business Experience

We started franchising in July of 2012. We have not engaged in any business other than as the franchisor under the System.

National Accounts

We reserve the right under the Franchise Agreement to enter into contracts or strategic alliances with National Accounts, to provide for or encourage the provision of services to Clients they refer or assign to the PAYROLL VAULT network. A “National Account” is a business or organization that: (1) conducts operations, directly or through agents, affiliates, independent contractors, franchisees or licensees, in two or more PAYROLL VAULT Territories in the United States in which we or our franchisees are operating Businesses; and (2) has a written contract or strategic alliance with us for the purpose of providing referrals or assignments of Clients in need of Payroll and Workforce Management Services within such Territories. We will contact you and provide you with a right of first refusal to provide Payroll and Workforce Management Services to the Clients referred or assigned to us by the National Account who resides within or outside of your Territory, unless you are not eligible to provide the Payroll and Workforce Management Services. To be eligible, you must be approved by us as meeting our standards for participation, and you must be able to provide services to the Clients based on rules (e.g., qualifications, conditions for availability, resources, price and billing terms, or similar), guidelines or other terms and conditions agreed to between us and the National Account or as otherwise directed by the National Account. If you are contacted by a potential National Account, you must notify us before agreeing to provide Payroll and Workforce Management Services to Clients referred by the National Account.

In the event that you cannot or do not elect to provide Payroll and Workforce Management Services to Clients in your Territory based on our National Account agreement or program, or if you violate the agreement with or standards or rules of the National Account, then you will not provide services to those Clients during the term of the National Account agreement or program and you will not be entitled to receive any portion of the resulting compensation. We cannot guarantee that we will develop or maintain contracts or strategic alliances with a particular number of National Accounts, if any, or that if we do, that you will receive any National Account referrals or assignments.

Competition and Laws Affecting the Business

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

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 live.

As part of your opening process, you must be granted the right by your local bank, your “automated clearing house” (“ACH”) provider, and, if applicable, any federal, state, or municipal governmental entity (Governmental Authority), to electronically deposit funds (“Electronic Funds Transfer” or “EFT”) into an employee’s account through an ACH transaction (“ACH Rights”). Though each bank or ACH provider will have different requirements, such qualifications may include following bank rules or ACH-provider rules and passing a credit report and criminal background check. Federal, state, county, 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 businesses and their employees. The bank rules, ACH provider requirements, and, if applicable, any governmental rules and regulations are referred to as the “ACH Qualifications.” You must have secured your ACH Rights within 90 days of the Opening Date.

You are solely responsible for determining the ACH Qualifications for your Territory and obtaining approval for the ACH Rights. If you lose your ACH Rights during the Franchise Agreement term, or if you violate the rules or regulations that govern your ACH Rights, we have the right to terminate your Franchise Agreement immediately without the right to cure and without any refund. 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 abiding by all rules and regulations governing your ACH Rights.

To the extent that you accept credit cards or similar electronic payments from Clients, you must comply with all security requirements of the Payment Card Industry Data Security Standards (“PCI-DSS” and currently found at <https://www.pcisecuritystandards.org/>). You are solely responsible for meeting these requirements.

You must obtain the business licenses 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, 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 in 2012. From 2007 to the present, he was and continues to be the CEO and Managing Member of our Services Affiliate.

Tricia Petteys – Co-Founder, Member of Board of Directors, Member and COO

Ms. Petteys is one of the founders and holds the position of Chief Operating Officer, which is a position that she has held since our inception in 2012. She also has been Operations Manager and New Client Installation Specialist with our Services Affiliate since November 3, 2008.

Marilyn Manning - Executive Director of Franchise Development

Ms. Manning holds the position of Executive Director of Franchise Development, a position she has held since September 2016. Previously, she held the position of Executive Director of Marketing,

Communications, and Public Relations since the inception of Payroll Vault in 2008 and continues to support this department.

Jessica Martin - Marketing Director, Communications and Public Relations

Ms. Martin began serving as our Marketing Director in May of 2016.

Tim Loehfelm – Director of Sales and Client Business Development

Mr. Loehfelm has served as our Director of Sales and Client Business Development since July of 2014. In addition to hands-on sales management, Mr. Loehfelm directs the management of all the Payroll Vault sales systems and procedures.

Heather Boemker – Director of Operations Training & Support

Ms. Boemker has served as our Director of Operations Training and Support since February of 2020. From January 1, 2019, to February 1, 2020, she was the payroll manager at Alvarado Restaurant Group, located in Denver, Colorado. From 2018 to 2019, she was the payroll implementation manager at Mosaic HCM in Denver, Colorado, and from 2014 to 2018, she was the payroll manager at Payroll Specialists in Littleton, Colorado.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Your initial franchise fee (“**IFF**”) for a single Franchised Business with a Territory of a ~~population of 150,000 individual businesses~~ population of 150,000 individual businesses is ~~\$68,500~~ \$56,000. The IFF is non-refundable. If you are an honorably discharged veteran or honorably discharged first responder, the IFF for your first Franchised Business will be reduced by 10%.

If you choose to purchase a larger Territory at the outset, we offer two options. To purchase a Territory with an additional ~~75,000 individuals~~ 2,500 businesses, for a total of ~~225,000 individuals~~ 7,500 businesses, you will pay an additional \$10,000, or a total IFF of ~~\$78,500~~ \$66,000. For an even larger Territory that includes an additional ~~150,000 individual businesses~~, for a total of ~~300~~ 10,000 individual businesses, you will pay an additional \$20,000, or a total IFF of ~~\$88,500~~ \$76,000. The IFF is non-refundable. The options to purchase a larger Territory at these prices are only available when you first purchase the franchise. Once the franchise agreement is signed, this pricing is no longer available, though

you may have an option to purchase additional Territory after you have operated the Franchised Business for one year, as described in Note 2 of Item 6, and in Item 12.

Before you open, you will pay us our technology startup ~~and accounting~~ fee, which is \$1,500 (“~~Technology Startup Fee and Accounting Fee~~”), which will be used to set up your franchise on our internet web system.

If you fail to obtain ACH Rights within 90 days of the “Opening Date” (Item 11), we have the right to terminate your Franchise Agreement (though all covenants that survive termination, including the restrictive covenants of Articles 6 and 15, will survive and remain enforceable) and we will refund \$8,000 of your IFF. We will retain the balance to cover our costs in providing additional training and services to you during this period and for a profit.

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. During our most recent fiscal year, all franchisees paid our then-current IFF.

ITEM 6

OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty	Beginning with the third full month after your Opening Date, you will pay a monthly Royalty that is the greater of 6% of your “Gross Revenue” (Percentage Royalty) or \$400 (Minimum Royalty). You may be awarded the right to Additional Territories, in which case your Royalty may increase, <u>and if you reach certain levels of sales, your Royalty may be reduced.</u> See Notes 2 and 3.	Royalties are payable by the 20th day of the month that follows the month for which the Royalty was calculated.	Payable to us by an ACH transaction. See Note 3 for the definition of “Gross Revenue.”
Additional Territory Fee	See Note 2	Paid when you are granted the right to one or two Additional Territories.	Payable to us.
Local Advertising Fee	Beginning with the third full month after your Opening Date, you will spend a minimum of 1% of Gross Revenue on advertising in your Territory.	Payable with Royalties.	We may increase the Local Advertising Fee up to 2% after providing you with 60 days’ written notice. Paid to your advertising vendors.
Payroll Software License Fees	Beginning with the third full month after your Opening Date, you will pay our then-current fee, that is now	Payable with Royalties.	Note 4.

Type of Fee (Note 1)	Amount	Due Date	Remarks
	\$325225 per month. This fee is subject to increase if our costs increase.		
PEPM and PCPM Fees	\$1.70 per employee per month (PEPM Fee) and \$86.00 per Client per month. (PCPM Fee) as of the date of this Disclosure Document	Payable with Royalties.	We reserve the right to increase this fee at any time after giving you 60 days' prior written notice. Note 4.
<u>Local or State Tax Reporting Fee</u>	<u>\$2.00 per Client per month as of the date of this Disclosure Document</u>	<u>Payable with Royalties.</u>	<u>We reserve the right to increase this fee at any time after giving you 60 days' prior written notice. Note 4.</u>
Exception Fees	Will vary.	Payable upon billing.	Note 5.
National Advertising Fee	Beginning with the third full month after your Opening Date, you will pay our then-current fee, which is now \$300 per month.	Payable with Royalties.	We reserve the right to increase this fee at any time after giving you 60 days' prior written notice. Affiliate-owned businesses pay National Advertising Fees on an equal basis with franchised businesses.
Digital Marketing (DM) Fee	Beginning with the third full month after your Opening Date, you will pay our then-current fee, which is now \$105 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 60 days' prior written notice of any increase. Affiliate-owned businesses pay DM Fees on an equal basis with franchised businesses.
CRM Software and CRM Fee	Beginning with the third full month after your Opening Date, you will pay our then-current fee, which is now \$160 per month.	Payable with Royalties.	Note 6.
Unique Domain Fee	\$9550 per year if we allow you to advertise on the internet or through social media.	Due in March of each year and payable with Royalties.	We reserve the right to increase this fee at any time after giving you 60 days' prior written notice. Note 6.
Additional Technology Fees	None.	As incurred.	Note 6.
Managed Social Media (MSMP) Fee	Currently, \$300 per month to Manage your Social Media for the first 9 months after the Opening Date.	Payable with Royalties.	Note 6.
Technology Maintenance Fee	Beginning with the third full month after your Opening Date, you will pay our then-current fee, which is now \$175 per month.	Payable with Royalties.	Used for hosting the 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 60 days' written notice of

Type of Fee (Note 1)	Amount	Due Date	Remarks
			any increase.
Email Fee	Currently, \$15 <u>10</u> per month for each email address over five. We may increase the amount of this fee with 60 days' notice to you.	Payable with Royalties.	This fee includes five email addresses. Each address after that will cost \$15 per month <u>this amount</u> .
Financial & KPI Management Fee	\$35 per month to manage your monthly iSolve billing, monthly Financial & KPI reporting, Annual Financial & KPI reporting and financial dashboard system.	Payable with Royalties.	You will be given 60 days' written notice of any increase.
Hosted QuickBooks and Accounting Fee	\$195 per month to host/manage your QuickBooks Online account and provide the accounting services for the first 9 <u>12</u> months after the Opening Date.	Payable with Royalties.	You can pay us \$45 <u>245</u> per month beginning in month 4 <u>13</u> to continue hosting/managing your QuickBooksQB Online account. You can pay us \$200 per month beginning in month 10 to manage your Accounting services., if you choose.
Additional Training Fee	Currently, \$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.	As incurred.	Note 7.
Phone Lines	You have the option to buy phone lines from our designated supplier of phone services for \$25 <u>21</u> per line per month.	Paid to us with Royalties	This cost is subject to increase if the supplier increases the price it charges us.
Additional Software Training Fee	Currently, \$45 per hour.	As incurred.	Note 7.
Operational Standards Support and Training Fee	Currently, \$45 per hour.	As incurred.	Note 7.
Missed Quota Additional Training Fee	Currently, \$300 per day, plus your travel, room, and board if you travel to us or plus our commercially reasonable room, board, and travel expenses if we travel to you.	As incurred.	Paid to us if you fail to meet your 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.
Owners Exchange Tuition and Peer Performance Group	Currently, the Owner Exchange Tuition is \$395 <u>\$325</u> plus your costs to attend. The Peer Performance Group program is a voluntary program, any associated costs are passed on and paid by the Peer Performance Group	As incurred.	Note 8.

Type of Fee (Note 1)	Amount	Due Date	Remarks
	participants.		
Regional Meeting	Your costs to attend and our then-current tuition that is now \$0.	As incurred.	If we have a regional meeting, you may be required to attend. There is currently no tuition, so we cannot calculate this cost. In the future, we may charge tuition, and you will be given no less than 60 days' written notice before a fee is charged. You will pay your travel expenses. Payable to third parties.
Transfer Fee	Is The greater of \$5,000 or 10% of the then-current IFF for the Territory plus 10% of the then-current Additional Territory Fee for your Additional Territories.	At time transfer is completed.	Payable to us.
Successor Franchise Fee	The greater of \$10,000 or 35% of the then-current IFF for the Territory that you purchased plus 35% of the then-current Additional Territory Fee for your Additional Territories.	At the time of signing.	You may be required to sign a franchise agreement with different terms from those in your current Franchise Agreement. Payable to us. Also, see Note 9.
Annual Conference Attendance Fee	Currently, \$750 650 for the first attendee and \$450 for additional attendees. We may increase this fee upon 60 days' notice.	Due 60 days before the conference.	The fee will be paid by ACH.
Annual Conference Travel Costs and Expenses	All costs for your travel, room, and board, which may cost \$750 500 to \$1,500.	Paid to third parties as incurred.	Expenses vary based on travel costs and the hotel you choose. Annual conferences may be mandatory. Payable to vendors.
Mandatory Conference Fee	Currently, \$950 650. We may increase this fee upon 60 days' notice.	Paid to us within 60 days of the end of the annual conference. Payable by ACH.	Charged only if you fail to attend the annual conference.
Late Fee and Interest	\$100 late fee plus 10% interest per annum for any payment not made timely.	As incurred.	Payable to us only if you do not make your payments on time.
Default Notice Fee	\$50	As incurred.	Payable to us only if a notice of default is 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. We may change this fee at any time after giving you 60 days' written notice.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Audit Costs	The cost of the audit plus a 5% administrative fee.	As incurred.	Payable only if we audit your books and find underreporting. Paid to us.
Special Projects Fees	Currently, \$250 per hour	As incurred.	See Note 10.
New Line of Goods, Services, or Technology	Will vary.	As incurred.	See Note 11.
<u>Taxes</u>	<u>Our cost.</u>	<u>As incurred.</u>	<u>See Note 12.</u>

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

2. In some cases, 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 Territory by purchasing an additional contiguous geographic area with either ~~752,500 or 5,000 individuals or 150,000 individuals~~ businesses. Each such territory is called an “**Additional Territory**.” If we grant you this right:

a. for an Additional Territory of ~~75,000 individuals~~ 2,500 businesses, you will pay us the Additional Territory Fee for ~~75,000 individuals~~ 2,500 businesses which is currently \$18,000, and you will pay monthly the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$600;

b. for an Additional Territory of ~~1505,000 individuals~~ businesses, you will pay us the then-current Additional Territory Fee for ~~1505,000 individual~~ businesses which is currently \$36,000, and you will pay monthly the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$800.

References to the “**Royalty**” in this Disclosure Document includes both the Percentage Royalty and the Minimum Royalty.

We may increase the amount of the Additional Territory Fee for ~~752,500 or 5,000 or 150,000 individuals~~ businesses at any time and in any amount. We will give you 60 days prior written notice before increasing this fee.

3. “**Gross Revenue**” means the total of all revenues and income from the sale of all products, merchandise, services, and other related items to your Clients (including your “Pre-Existing 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 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. “**Pre-Existing Clients**” are those to whom you were delivering Payroll and Workforce Management Services on or before the Effective Date of the Franchise Agreement.

If you earn \$500,000 or more in annual Gross Revenue, you will pay a reduced Percentage Royalty (“**Graduated Reduced Royalty**”) as follows (i) for Gross Revenue of between \$500,001 and \$1,000,000 annually, you will pay a Graduated Reduced Royalty of 4%; then (ii) for Gross Revenue in excess of

\$1,000,000 annually, you will pay a Graduated Reduced Royalty of 2%. For instance, if your annual Gross Revenue is \$650,000, you pay 6% on the first \$500,000, and 4% on the remainder of the revenue (\$500,001 to \$650,000). If you earn \$500,000 or less in Gross Revenue in a year, you are not eligible for this program.

The Graduated Reduced Royalty is based on a calendar year and begins on January 1 of each year. If the Effective Date is 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 to terminate the right to Graduated Reduced Royalties. If this decision is made, however, it will apply to all franchisees that are subject to 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 will receive no Graduated Reduced Royalty.

4. You must use our Payroll Software program to operate the Business and pay us our then-current Payroll Software License Fee. The Payroll Software electronically organizes the payroll needs of your Clients' employees, including the calculation of the pay for each employee and the deductions required to be taken.

The PEPM and PCPM Fees charged per employee and per Client are used to maintain each on the Payroll Software program. This is in addition to the Payroll Software License Fee.

You will also pay us our then-current Local and State Tax Reporting Fee, which are used to cover reporting fees charged by governmental authorities that have control over the same.

We may increase these fees by any amount at any time after giving you no less than 60 days' prior written notice.

5. When you sign the Franchise Agreement, you will also sign the End User License Agreement ("**EULA**") attached as Exhibit 5 to the Franchise Agreement, supplied by our Payroll Software supplier. Under the EULA, we may be charged (and will then charge you) for any changes to current fees or for new fees that may be assessed by the Payroll Software supplier or that we may have to pay because you failed to administer your accounts properly ("**Exception Fees**"). Exception Fees may be generated because of non-sufficient funds (NSF) in an account, a Notification of Change charge, for wiring fees, for stop payment/void check fees, Franchisee Account changes assessed by the Payroll Software supplier, signature or logo change fees, late payroll submission fees, zero quarterly report fees charged by a governmental authority, incorrect tax rates and missing or applied for tax identification numbers, as upcharges to those already paid by us, or for similar reasons. We will charge the amount of the Exception Fee plus the greater of \$50 or 10% of the fees that we are assessed due to such errors. We have no formula for determining these costs or fees, so we cannot quote them here. We may increase the Exception Fees at any time and in any amount after giving you 60 days' prior written notice.

6. You must use our "**CRM Software.**" This online-based service gives you the tools necessary to help manage your Client relationships and your interactions with Clients. Beginning with the third month after your Opening Date, you will pay us the then-current CRM Fee. We may increase this fee at any time after giving you 60 days' prior written notice.

In our sole discretion, we may allow you to obtain and host your own website (Unique Domain) or advertise on social media, through blogs, vlogs, and similar opportunities. If we grant you this right, (i) you must use the hosting services we designate; (ii) we must approve the content of each page of the website and the content of all social media, blogs, vlogs, and similar opportunities; (iii) we will give you direction on how

and where to place our Marks; and, (iv) you will pay the then-current Unique Domain Fee. Upon the expiration, earlier termination of, or a Transfer, all of the above will remain our sole property.

The “**Managed Social Media Program**” or “**MSMP**” is ~~required for the first 9 months subsequent to opening and then at the~~ voluntary program we offer to manage your monthly social media posts. The MSMP Fee is the then-current fee we charge for this service. We may change the MSMP Fee at any time after giving you no less than 60 days’ prior written notice. We may expand the program, terminate (and then reinstate) the program, or make it mandatory at any time after giving you no less than 60 days’ prior written notice.

We may increase any or all these fees at any time and in any amount after giving you 60 days’ prior written notice before a fee is changed.

7. During the first 12 months after opening, we will supply reasonable support at no additional fee. After the 12 months, the following fees services may be supplied by us, an Affiliate, or an approved vendor:

You may request, or we may require you to take training in addition to the Franchisee Initial Training to help with the operation of the Business. You will pay the then-current hourly fee for such services. All fees are paid to us.

You may also wish, or we may require you to get additional training on the software programs we offer (“**Additional Software Training**”), in which case you will pay the then-current Additional Software Training Fee.

You may request additional support or training (or we may require you to get additional training or support) if you are having difficulties implementing or maintaining our operating standards (“**Operational Standards Support and Training**”), and you will pay the then-current Operational Standards Support and Training Fee. Our Operational Standards include the methods you must use to deliver consistent and professional services to your Client, including Client relationships management performance and advertising.

We may increase these fees by any amount at any time after giving you no less than 60 days’ prior written notice.

8. We hold an Owners Exchange Meeting each year, and attendance is 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. 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 change this fee, we will give you 60 days’ prior written notice. ~~We offer a Peer Performance Group program. Any fees associated with the Peer Performance Group program for participation or meetings will be passed on to the Peer Performance Group participants.~~

9. The Successor Franchise Fee 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 by a fraction the numerator of which is the remainder found by subtracting your annualized Gross Revenue (determined on the date that your Successor 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 ($\$10,000 \times (\$150,000 - \$100,000) / \$150,000$).

10. From time to time, you may ask for assistance for a “Special Project.” A Special Project 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 agree to work on a Special Project with us.

11. We may, in the future, require all franchisees to add new goods or services to those already sold through the Business or add new technology. If we do this, you may incur additional expenses, some of which may be due to an affiliate, a designated or approved supplier, 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 expenses. If we introduce new lines of goods or services, we will notify you in writing and give you a reasonable time to comply with the changes.

12. If assessed by your state, and except for our income taxes, you will reimburse us for all taxes we pay for products or services we furnish you, on our collection of the IFF, on the collection of royalties and advertising contributions, and the collection of similar fees or costs.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
IFF(1)	\$68,500 56,000 to \$88,500 76,000	Lump sum	At the signing of Franchise Agreement (1)	Us
Rent (2)	\$0 to \$800	As arranged	As per lease terms	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)	\$0 to \$1,810	As arranged	As incurred	American Payroll or Our Then-current Supplier Who May Be an Affiliate or Us.
Training Expenses (3)	\$0	As arranged	Before opening	None.
Computer System (4)	\$225 to \$1,225	As arranged	Before opening	Vendors
Furniture, Fixtures,	\$150 to \$650	As arranged	Before opening	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Equipment, and Phone Lines (4)				
Technology Startup Fee <u>and Accounting Fee</u> (5)	\$1,500 <u>2,085</u>	As arranged	Before opening	Us
Insurance and Professional Services (6)	\$4,000 to \$6,000	As arranged	As incurred	Vendors
Additional Funds – 3 months (7)	\$3,000 to \$10,000			Vendors
TOTAL (8)	\$77,375<u>65,460 to \$111,885</u><u>99,970</u>			

1. All fees paid to our Affiliates or us are uniform and non-refundable unless otherwise stated in Item 5. All other fees are set by the vendor and are generally non-refundable. Our Affiliates and we offer no financing for any part of the initial investment. The high number represents the IFF that you will pay for the largest Territory available.

2. We expect that you will work from your home or from an office that you already lease or own. We do not predict that the size of the Territory will affect your ability to work from home or 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. Leased space may be any size that you determine. The rent figure is an estimate and will vary depending upon the market in your location, availability of space, and other factors. If you work from your home or use the space you currently lease, there should be no tenant improvement. If you lease additional space, you could spend this amount on rental improvements, such as installing new carpet or painting walls. If you lease space, you may be required to pay deposits for the space and for utilities. We will not review any lease agreement.

3. You must complete the American Payroll Association (APA) training program (“**APA Training**”) by the Opening Date. APA Training provides you with the basic skills necessary to process payroll, as more fully described in Item 11. If you are already an APA member, you may have taken this training, in which case you do not have to take it again. If you become an APA member, you will pay the membership fee (currently \$310) and the APA training fee, currently \$1,500 (the “**APA Training Fee**”). We have no control over the fees charged by the APA, and they may change at any time. If, however, you are not a member, you can take the APA training under our APA membership at no charge. Though we require you to take only seven modules, the APA Training Fee pays for all 12 modules offered by the APA and cannot be prorated. We reserve the right to change this vendor at any time after giving you 60 days’ prior written notice. Franchisee Training is online only. There are no costs associated with travel.

4. You must use a computer that meets our standards, and you must buy off-the-shelf software, including QuickBooks Online, which costs approximately \$4525 per month, and Microsoft 365 Business Standard, which costs approximately \$150 per year (Computer System). You may already own this equipment and software. If not, the Computer System could cost this much. The low number represents the fee for the first three months of QuickBooks Online and the first year of Microsoft 365 Business Standard

and assumes that you already own the rest of the Computer System. The high number represents the purchase of a new computer at a cost of \$1,000 plus the cost of the software.

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 own some of these items.

You must use at least one voice-over-internet-protocol (VoIP) phone that meets our standards and you may, at your option, use our designated VoIP service provider and pay us a fee of ~~\$25~~21 per line each month for each phone line you purchase.

5. The Technology Start Up Fee is \$1,500 and covers our costs of adding your Business license to ~~each of the software systems~~the payroll software. This fee also includes the first three months for us to manage your Business on the QuickBooks Online accounting system at \$195 per month.

6. This amount includes the initial cost for property insurance (if you lease space) and liability insurance to protect you against claims from Clients. This includes fees that you may incur from professional advisors, such as attorneys or accountants.

7. The estimate of additional funds is for the first three months of operating capital. The estimate of additional funds does not include an owner's salary or draw. The additional funds required will vary according to your management skill, experience, business acumen, your relative effectiveness as a salesperson, local economic conditions, the local market for your services, competition, and the sales level that you reach during this period.

8. In compiling these estimates, we have relied on the experience of our principals (Item 2) from operating businesses that are similar to the one being offered to you. We do not offer direct or indirect financing to you for any amounts described above. You should carefully review these figures with a business advisor before making a decision to buy this franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and System Changes

You must open and operate your Business under the System and Franchise Agreement. The specifications necessary to operate under the System include our standards for delivering the services to the Client, professional standards for operation, criteria for performance, and purchases of required goods and services. We may modify any specification as to any goods, service, supplies, fixtures, equipment, inventory, Computer System, software supplier, or the like, at any time and on a local, regional, or national basis. We may also add and remove approved and designated suppliers at any time.

We may communicate our standards, specifications, and purchase requirements directly to suppliers who wish to supply goods or services. We will deliver our standards and specifications to you during training, before you open, during periodic visits to your Business, and through the Manual which will be delivered in an electronic document or other written format, including one or more manuals and periodic notices. We may issue new standards and specifications from time to time and they will all be considered

part of the Manual. Once you are notified of a change to a standard, you must make the change within a reasonable period of 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 Territory or development region, or any other condition which we deem important to the successful operation of any particular Business. We are not required to disclose or grant you a similar variance.

Required and Approved Suppliers

We will supply you with reasonable support on all aspects of your operations without charge for the first 12 months after you open. After the first 12 months, we may charge our then-current fees for such support. An approved vendor, or Affiliate, or we are the only suppliers of these services.

You must pay us the Technology Startup Fee and, beginning with the third month after the Opening Date, the Technology Maintenance Fee, DM Fee, Payroll Software License Fee, the CRM Fee, the PEPM and PCPM Fees, ~~QuickBooks Fee, Accounting Fee, Managed Marketing Fee,~~ and the Unique Domain Fee, if applicable. We are the only supplier of these services and products. 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 may but are not required to purchase our MSMP services. If you do, you will pay us the then current fee. We reserve the right, however, to make participation mandatory. We will give you 60 days' prior written notice of any such change.

We are the only Payroll Software supplier. We may change vendors for this service at any time after giving you no less than 60 days prior written notice. As part of the Payroll Software, you will process written or electronic checks for employees of Clients. We are the only supplier of these services.

You must use our email server for all business-related emails. We will give you five email addresses before you open for business. After that, you will pay the Email Fee for each additional email address. We are the only supplier of this service.

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 specifications. You must use QuickBooks Online, for which you will pay its then-current monthly fee. We have no control over the fees charged for this service and, as a result, cannot determine when or how the fee may change.

We require you to have at least one voice-over-internet-protocol (VoIP) phone line, and you have the option to use our designated phone service provider. You will pay us monthly for each phone line you purchase from our designated phone service provider.

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

The bank or ACH provider you choose to work with must perform EFT transactions through an ACH and otherwise meet our standards.

To the extent that you accept credit cards or similar electronic payments from Clients, you must comply with all PCI-DSS security requirements.

We are the only supplier of the goods and services delivered for any Special Projects, and we are the only supplier of services provided to the Owner's Exchange Meeting for which the Owners Exchange Tuition is paid.

In the future, we may require you to add new goods, services, or technologies to those already sold through or used in the Business. If we do this, you may incur additional expenses, costs, and fees, some of which may be payable to an affiliate, an approved supplier, or us. If we introduce new lines of goods, services, or technologies, or change approved vendors, 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 an approved source. Except for purchases from us, our officers own no interest in any supplier. No purchases are currently required to be made from Affiliates.

Insurance. ~~Within 90 days of~~ Before opening the Franchised Business, you must purchase from our approved vendor (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, including coverage for operations and completed operations, contractual liability, personal and advertising injury, fire damage, and medical expenses of no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate;

b. Employer's liability and workers' compensation insurance as required by applicable state law;

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

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;

e. Computer fraud coverage (including coverage for cyber-attacks or losses, hacking losses and loss because of malware, pretexting, phishing attacks, and the like) 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;

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; and

g. Crime coverage (to the extent that the insurance purchased above does not fully protect you 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.

You must have this insurance in place ~~within 90 days of~~by the Opening Date of the Business.

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 protect you fully. 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

You may wish to purchase a required good or service from a supplier that we have not previously approved. 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 evaluate the proposed supplier. We will evaluate the submitted information and provide written notice of our decision within 15 days. We may grant or deny approval for any reason or no reason at all. We may bill you for our time at our then-current fee. Other than as stated here, we have no other process for approving suppliers. We may revoke the approval of any supplier if we determine in good faith that their goods or services no longer meet the quality standards that are in effect at that time. We will notify you if we revoke our approval of any supplier.

Revenue from Franchisee Purchases

In ~~2023~~2022, we received \$~~1,021,846,577,431~~ from required payroll software purchases or leases. This represents approximately ~~35~~25% of our total revenue of \$~~2,926,227,342,845~~.

We estimate that the cost of equipment and supplies purchased under our specifications will represent 54% to 70% 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. If we receive rebates from vendors in the future, we may share the rebates or material benefits we receive or choose to retain them, in our discretion.

Cooperatives

Though there are no cooperatives at this time, we may, in the future, develop a regional purchasing cooperative. The purchasing cooperative's purpose will be to obtain goods and services at a more competitive price. If we create a cooperative, you must participate in it.

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 new 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 Clients with unapproved services is 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.

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 Client service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	Not Applicable	Item 12
(l) Ongoing 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

Obligation	Section or Article in Franchise Agreement	Item in Disclosure Document
(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
(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

ITEM 10

FINANCING

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

ITEM 11

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

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

A. Pre-Opening Assistance

Before you open your business, we will:

- a. define your Territory (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 access to the Payroll Software (Franchise Agreement, Articles 2, 3, and 5);
- 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 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 five email addresses to you (Franchise Agreement, Articles 3 and 5); and,
- h. provide the services for the 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 determine, on various topics relevant to you. Some of these seminars or programs may be mandatory. There may be a tuition fee for these conferences, seminars, or programs (Franchise Agreement, Section 5.3);
- b. if they occur, provide updates to the Manuals, the System, the Marks (Franchise Agreement, Section 5.3);
- c. review all promotional materials and advertising you wish to use and monitor any Unique Domain we may allow you to use (Franchise Agreement, Section 5.3);
- d. after the first 12 months after your Opening Date, if requested by you (and if approved by us) or if we require it, we will provide Additional Training, Additional Software Training, or Operational Standards Support and Training for which you will pay the then-current fees (Franchise Agreement, Section 5.3 and Article 7);
- e. visit your Franchised Business in our discretion and will use other methods to ensure that you are delivering quality services and products that conform to the System (Franchise Agreement, Section 5.3);
- f. provide updates and patches to the Payroll Software at such times as the licensor of the Payroll Software delivers the same to us (Franchise Agreement, Section 5.3);
- g. provide promotional materials and advertising programs from time to time as we deem appropriate (Franchise Agreement, Section 5.3);
- h. provide the services offered under the Technology Maintenance Fee (Franchise Agreement, Section 5.3);
- i. provide access to the CRM Software for which you pay the then-current fee (Franchise Agreement, Article 3);
- j. provide the franchise system with digital marketing services through the payment of the DM Fee (Franchise Agreement, Article 3);
- k. work with you on Special Projects (Franchise Agreement, Articles 3 and 5); and
- l. offer the MSMP services if you elect to use them (Franchise Agreement, Articles 3 and 5).

We offer no help or advice concerning your employees, and we do not set prices though we may suggest pricing schedules from time to time, and except as stated above, we are not required to offer you any other services.

C. Schedule for Opening

Franchisees typically open for business within 90 days of the Effective Date. You must open for business on the first business day after completing Franchisee Training (“**Opening Date**”). Franchisee Training must be completed by the 89th day after the Effective Date. ~~You~~ Other than your ACH Rights (for which you have 90 days after the Opening Date to obtain), you must have in place all insurance-in place within 90 days of opening, and any permits, and licenses by the Opening Date. We may extend the Opening Date for a reasonable time (not to exceed 30 days) if 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 Opening Date. The factors that affect the ability to open by the Opening Date may include obtaining financing or insurance.

D. Special Projects

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 choose to go forward, we will outline the scope of the work to be done. You are not required to bring Special Projects to us.

E. Advertising

Local Advertising

Beginning with the third month after your Opening Date, you will be required to spend a minimum of 1% per month of Gross Revenue (Local Marketing and Advertising Fee) on local marketing and advertising (Local Marketing and Advertising). We must approve all advertising before it is published in any medium. You will deliver the proposed advertisement to us no less than 15 calendar days before its publication. If you do not receive written notice from us within 15 calendar days, it is deemed to be approved.

In our discretion, we may allow you to obtain and host your own website (Unique Domain) or advertise on social media. If we grant you this right, (i) you must use the hosting services we designate; (ii) we must approve the content of each page of the website and the content of all social media; (iii) we will give you direction on how and where to place our Marks; and (iv) you will pay the then-current Unique Domain Fee. Upon the expiration or termination or transfer of the Franchise Agreement, you must assign the Unique Domain and all content to us at your cost. In conjunction with the assignment, you will sign our Collateral Assignment of Contact and Electronic Information, attached to the Franchise Agreement as Exhibit 4.

We have the right to increase the Local Marketing and Advertising Fee to 2%. We will give you written notice of an increase 60 days in advance.

National Advertising Account and Regional Advertising

Beginning with the third full month after your Opening Date, we will begin collecting the National Advertising Fee (now \$300 per month) for national advertising (National Advertising.) The National Advertising Fee is due at the same time as your Royalties. We may change the amount of the National Advertising Fee at any time after giving you 60 days’ prior written notice.

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

We will administer the National Advertising Account in our sole discretion. The proceeds may be used for the creation, production, and placement of advertising reasonably intended to benefit some or all franchisees in any local, regional, or national medium, and will pay in-house or outside agency costs and commissions, costs associated with the preparation of and presentation of the annual convention, creation and production of the Internet, video, audio, and written advertisements, and for the payments to us of costs related to administering the National Advertising Account such as reasonable salaries, administrative costs, repayment of loans made for the benefit of National Advertising (made by us, an affiliate or a third party), and costs allocated to travel expenses, and overhead. National Advertising Fees will not be used to sell franchises.

We make no guarantee that advertising expenditures from the National Advertising Account will benefit you or any other franchisee directly or on a pro-rata basis. Except as stated above, we will assume no fiduciary or other direct or indirect liability or obligation to you concerning collecting amounts due to the National Advertising Account or for maintaining, directing, or administering the National Advertising Account. Upon your prior written request, we will make available to you an annual unaudited financial statement for the National Advertising Account no earlier than 90 days after the end of each calendar year. We intend for the National Advertising Account to be continuous, but we have the right to change, dissolve, merge, suspend, and reinstate it. We will not close the National Advertising Account, however, until all contributions have been used for the purpose for which they were collected.

Company-owned Businesses and Affiliate-owned Businesses will participate in any national or regional advertising programs on the same basis as franchisee-owned Businesses.

In ~~2023~~2022, we used the National Advertising Fees as follows: ~~58~~74% allocated to a national public relations firm; ~~41~~21% for administrative costs; and ~~1~~5% for lead-generation management on behalf of the franchisees.

We reserve the right, upon 30 days prior written notice, to allocate all or a portion of the National Advertising Fee to a regional advertising program to benefit franchised businesses located within a particular region (Regional Advertising Program). We have the right to determine the composition of the market areas included in a Regional Advertising Program and to require you to participate if the same is established. If a Regional Advertising Program is implemented, we will only use contributions from franchisees within that region to fund the program. We have the right to change, dissolve, or merge any Regional Advertising Program. If requested, we will prepare unaudited financial statements and will deliver them to you no earlier than 90 days after the calendar year-end.

As of June 28, 2023, the ~~Issuance Date~~date of this Disclosure Document, we have not formed any advertising cooperatives though we reserve the right to create one at any time after giving you 60 days' prior written notice.

Advertising Council

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance and profitability. We have the right to change or dissolve the council at any time.

Digital Marketing Fee and MSMP

Beginning with the third full month after your Opening Date, you will begin paying us the Digital Marketing Fee (“**DM Fee**”), which will be collected with the Royalties.

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

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

We make no guarantee that expenditures from the DM Account will benefit you or any franchisee directly or on a pro-rata basis. Unless stated above, we assume no fiduciary duty or other direct or indirect liability or obligation to you for collecting the DM Fees or maintaining, directing, or administering the DM Account. All company-owned and Affiliate-owned businesses will contribute equally to the 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 DM Account. This account is unaudited.

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

Any leads from the portals will be distributed to the franchisee geographically closest to the Client or best qualified to service the Client. As a result, some franchisees may receive more leads than others.

In ~~2023~~2022, approximately 98% of DM Fees collected were used for media placement; 2838% were used for web services; 5352% were used for administrative costs, and 402% were used to provide further training on the use of DM Marketing.

We currently offer the MSMP on a voluntary basis ~~after the first 9 months of opening, during which it is required.~~ If you wish to ~~discontinue to participate,~~ you will give us written notice, and we will ~~terminate~~implement the service within 30 days after notice. ~~If you continue to participate you~~ You will pay the then-current MSMP Fee. We may increase this fee at any time and in any amount after giving you 60 days’ prior written notice. We also reserve the right to expand the program, terminate the program, or make participation mandatory. We will give you 60 days’ prior written notice of any such changes.

F. Computer Requirements

You are required to own or purchase the following electronic equipment and software:

a. A PC notebook or desktop computer that is not more than five years old (Computer Hardware) and uses a version of Microsoft Windows operating system that is not more than one year old, and has sufficient hard drive space and 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 365 Business Standard (which is available only online and that costs approximately ~~\$250~~150 per year); (ii) the latest version of QuickBooks Online, which currently costs approximately ~~\$600~~300 per year; and (iii) the latest version of Internet Explorer or compatible browser. You must also secure from us the license for the Payroll Software and the CRM Software. Beginning with the third full month after your Opening Date, you will pay the then-current Payroll License Fee, the PCPM and PEPM fees, and the CRM Fee. All of the software listed above is referred to as the “**Computer Software.**” Together, the computer hardware and Computer Software will be referred to as the “**Computer System.**” You may already own some of the components of the Computer System. If not, it could cost \$2,500 or more to purchase them.

b. You must sign our End-User License Agreement (“**EULA**”) in consideration of using the proprietary Payroll Software. The most recent version of the EULA is attached to the Franchise Agreement as Exhibit 5. You must adhere to all requirements of the EULA as it may be changed from time to time after we give you no less than 10 business days prior written notice. If you breach the EULA, resulting in the suspension or termination of your right to use the Payroll Software, this will be a material violation of the Franchise Agreement for which no cure is available.

c. We recommend you purchase a scanner to digitize documents, but it is not required. We have no standards or specifications for a scanner.

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

In the future, we may 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 the Payroll Software. We will give you 60 days’ written notice of any change.

You are required to have a maintenance and support contract and to update all components of the Computer System as needed. You are also required to maintain the copier/printer/scanner to keep it operational. We cannot estimate the cost of such maintenance as various factors, such as the age of the equipment and its condition, will vary. This could cost \$2,500 or more.

c. You must use VoIP-compatible phone service for your business. The phone service will cost you ~~\$25~~150 or more per phone line ~~per month~~. You have the option to use our designated supplier and pay us monthly fees for each phone line. There is no frequency requirement for maintenance or updates. As a result, we cannot calculate the cost to maintain or update phone lines.

d. You must purchase or lease a plain paper printer, copier, and ~~scanner~~fax machine, which may be an “all-in-one” machine of any make or model.

We will have independent access to all of the databases on your Computer System at any time, except we will never disclose any personally identifiable information of a Client or employee. If your databases are passcode protected, you will provide the code to us upon request. 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 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 Table of Contents of the Manual is found in Exhibit C to this Disclosure Document. The Manual contains approximately 44 pages. We give you electronic access to the Manual through our website, using a passcode.

H. Location Selection

We expect you to operate the Franchised Business from your home or your current office space located within the Territory (“**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 ensure that your Franchised Location complies with 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 you open for business.

I. Training

APA Training

For the first franchise you purchase, you or your Principal Operator must complete (or must have previously completed) the APA Training no later than the Opening Date. If you are already an APA member, you may have taken this training. If you become an APA member, you will pay the \$310 membership fee and pay the APA Training Fee that is \$1,500. Though we require you to take seven training modules, the APA Training Fee pays for all 12 modules offered by the APA and cannot be prorated. We have no control over the fees charged by the APA, and they may change the fees at any time. If, however, you are not a member, you can take the APA training under our membership at no charge.

APA training will take up to 43 hours to complete. There is no limit to the number of people who may take this training, though you or the person who is responsible for operating your business, your “**Principal Operator**,” must complete and pass the APA Training. If you or your Principal Operator fail to pass the APA Training by the Opening Date, we have the right to terminate your franchise agreement without refunding the IFF.

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. We reserve the right to reduce or eliminate this requirement depending on the attendee’s experience and position with the Business.

The trainers and the training materials are determined by the APA, over which we have no control, and as a result, we cannot provide you with such information. This is online training. It can be taken at any convenient time, and there are no travel or similar expenses.

APA Training consists of the following:

APA TRAINING PROGRAM

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 APA’s numbering schedule, and as a result, the Module numbers in the table are not consecutive. The APA may change the titles or numbering of the Modules at any time without notice.

Franchisee Training

For the first franchise you purchase, you or your Principal Operator must complete our training to our satisfaction (“**Franchisee Training**”), ~~after which,~~ no later than the next business day will be considered your Opening Date. Up to two people, including you or your Principal Operator, may attend this training. Franchisee Training consists of approximately 24 hours of live online classroom instruction, training, and testing over three days. There is no on-the-job training. Franchisee Training is held once every month or once every two months, depending on demand. You and we will agree on a date for your Franchisee Training on or after the Effective Date. Franchisee Training may be increased or decreased in our sole discretion depending upon your experience and knowledge. As training is online, there are no travel costs associated with your attendance. Franchisee Training materials consist of the Manual and handouts. Except for the training of replacement management personnel, tuition is not charged. You are responsible for paying your employees who attend Franchisee Training and for training your employees and other personnel who do not attend Franchisee Training.

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Franchisee Training consists of the following:

FRANCHISEE TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 1: Mission Stmt.; Competition; Industry Overview; In-house Administrative Services	68 hours	0	Online
Day 2: Sales and Marketing	428 hours	0	Online
Day 3: Operations and Software; Hiring and Management	68 hours	0	Online
Total	24	0	

The training instructors are Sean Manning, Marilyn Manning, Tricia Petteys, Jessica Martin, Tim Loehfelm, and Heather Boemker. The background and experience of each are described in Item 2. Since its inception, Mr. and Ms. Manning and Ms. Petteys have worked with our Services Affiliate and have experience operating payroll services similar to those you offer. Mr. Manning has been a certified public accountant since 1995 and will use that experience to train you. Ms. Martin has worked with franchisees on our behalf since 2016, including training them on various aspects of the System. Mr. Loehfelm has been with us since July of 2014 and offers insight into the use of our Client relationship management and other software programs. Ms. Boemker has trained personnel in all aspects of payroll services for over 20 years. Other employees who work in the operations, support, and administrative side of our business may assist in the training occasionally.

If you fail to complete Franchisee Training to our satisfaction, we may terminate the Franchise Agreement without refunding the IFF.

Payroll Software Training

For the first franchise you purchase, you or your Principal Operator must complete the Software training program (“**Payroll Software Training**”) provided by iSolved, our designated payroll software provider, to our satisfaction, no later than the Opening Date. In addition to you or the Principal Operator, you may access this training for all of your employees who need it to do their jobs. Payroll Software Training consists of approximately 32 hours of recorded online classroom instruction and testing, usually taken over a period of between one and four weeks. You or your Principal Operator must pass the tests given as part of the training. Payroll Software Training can be accessed at your convenience. You and we will agree on a date for you to take Payroll Software Training after the Effective Date and before the Opening Date. Payroll Software Training may be changed from time to time by the payroll software provider, outside of our control. As training is online, there are no travel costs associated with your attendance. There are no Payroll Software Training materials and no tuition is charged for the training. You are responsible for paying your employees who attend Payroll Software Training and for training your employees and other personnel who do not attend Payroll Software Training.

Payroll Software Training consists of the following:

PAYROLL SOFTWARE TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Course 1: Freshman Payroll	6 hours	0	Online
Day 2: Sophomore Payroll	8 hours	0	Online
Day 3: Junior Payroll	18 hours	0	Online
Total	32 hours	0	

Additional Training for Failure to Maintain the Franchisee Quota

Meeting your Franchisee Quota is a material obligation under the Franchise Agreement. If you fail to maintain the Franchisee Quota for any 12-month period, we have the right in our discretion to: (a) allow another franchisee, or an Affiliate-owned Business to sell Payroll and Workforce Management Services in your Territory; (b) terminate your franchise rights without affording you a right to cure; or (c) require you to attend Additional Training. If you attend Additional Training, you will have 9 months after completing Additional Training to meet the Franchisee Quota. If you fail to meet the Franchisee Quota in the 9 months after you complete Additional Training, we have the right to declare that your Territory is “Open” meaning that another franchisee, or an Affiliate-owned Business, may operate in your Territory.

Additional Training will be held on an as-needed basis and may be conducted online, through webinars, in person at your location, at our headquarters, or any other location that we determine. You will pay for your travel, room, and board if you travel to us, or pay our travel, room, and board if we travel to you, and you will pay the Additional Training Fee. We will use the Manuals and handouts for such training. The personnel used to deliver Franchisee Training will also be used for the Additional Training. The Franchisee Quota may change when a Successor Term is awarded.

Additional Training, Additional Software Training, or Operational Standards Support and Training

After the first 12 months from your Opening Date, you may ask for, or we may, in our sole discretion, determine that you need Additional Training, Additional Software Training, or Operational Standards Support and Training, in which case you will pay the then-current fee for such services. All training will be online. The training materials will be handouts delivered by email and the Manuals. We have the right to increase the fees charged for such services at any time and in any amount after giving you 60 days’ written notice.

Annual Conference, Owners Exchange, and Other Training Opportunities

We hold an annual conference, and your attendance is mandatory. You will be responsible for paying all travel and living expenses and wages of your employees. When it is known, you will be provided with the location and duration of the conference and the identities of those who will present information at

the meeting, and the content to be presented. The annual conference will be held in a location to be determined by us. You must pay us the Annual Conference Attendance Fee, which will be collected by ACH 60 days in advance of the meeting.

We also hold an Owners Exchange Meeting annually. You are not required to attend though we may in the future require attendance. If you attend, you will pay the Owners Exchange Tuition. If we require attendance, or if we decide to change the amount of the Owners' Exchange Tuition, we will let you know 60 days before the event. The current instructors at the meetings are Mr. Manning 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 associated with attendance. The instruction materials include the Manuals and handouts. We reserve the right to change any of the fees identified above after giving you 60 days' written notice.

In addition to the annual conference, and though we do not now, we have the right, in the future, to require you and your Principal Operator to attend a local or regional meeting up to two times per year (Regional Meeting). Any local or regional meetings will last between one and two days and will be held at a location approved by us and within easy car or bus commuting distance. Any instructors at such meetings will be Mr. Manning, Ms. Petteys, 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 associated with attendance. The instruction materials may include revisions to the Manuals and will include handouts.

ITEM 12

TERRITORY

Before signing the Franchise Agreement, you and we will agree on the perimeter of your Territory that contains ~~a population of no less than 150,000 individuals~~ businesses of any size.

If you wish to expand the size of your Territory, assuming that you purchased a standard Territory of ~~150,5,000 individuals~~ businesses, after you have been in operation for a minimum of 12 full months (as measured from the Opening Date), we may grant you the option to increase the size of your Territory by purchasing a contiguous Additional Territory, which will contain either an additional ~~75,000 individuals~~ 2,500 businesses or another ~~150,5,000 individuals~~ businesses. You may be granted this right if you meet the following conditions:

- a. you are current in of all of your obligations under the Franchise Agreement on the date that you request an Additional Territory and on the date that we grant you the Additional Territory;
- b. you have not breached the Franchise Agreement at any time before your request; and
- c. you have met the Franchisee Quota.

If you meet these conditions, we may grant you the option to purchase Additional Territory in our reasonable business judgment. As part of our decision, we will determine whether you have sufficient employees or contractors, sufficient financial resources, and business acumen to operate an Additional Territory. There is no guarantee that you will be granted the option to purchase Additional Territory. Except as stated here, you receive no other option, right of first refusal, or similar right to acquire additional franchises.

For each Additional Territory option, you will pay the applicable Additional Territory Fee, and your Royalty will increase as stated in Item 6. We may increase the Additional Territory Fee at any time and in any amount. We will give you 60 days prior written notice before increasing this fee.

Your Territory and any Additional Territory may be defined by ZIP codes, street names, or other natural or artificial boundaries. You may advertise anywhere, and you may service any Client regardless of the Client's address. This means that you may have Clients that are within the 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 Territory.

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

Our web page, digital marketing, national branding, public relations, and our online 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 to the franchisee in whose Territory the Inbound Lead originated. If there is no franchisee in that area, the Inbound Lead will be routed to the franchisee whose Territory is the closest or to the best qualified franchisee, in our discretion. As a result, some franchisees may receive more leads than others.

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

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 minimum monthly Payroll and Workforce Management Services 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 and Workforce Management Services billing average of \$9,375; and
- c. within 48 months of the Effective Date and then for every 12 months after that, you must maintain a minimum of 100 monthly payroll Clients or have a minimum monthly Payroll and Workforce Management Services billing average of \$12,500.

If you fail to meet and maintain the Franchisee Quota for any 12-month period, we have the right in our sole discretion to: (i) designate your Territory as an "**Open Territory**" and permit other franchisees or company-owned or Affiliate-owned Businesses to sell Payroll and Workforce Management Services in your Territory; (ii) terminate your franchise rights without any right to cure; and/or (iii) require you to attend the Missed Quota Additional Training program. If you attend Additional Training, you will have 9 months after completing Additional Training to meet the Franchisee Quota. If you fail to meet the Franchisee Quota in the 9 months after you complete Additional Training, we have the right to declare that your Territory is "Open" meaning that another franchisee, or an Affiliate-owned Business, may operate in your Territory.

National Accounts. We reserve the right under the Franchise Agreement to enter into contracts or strategic alliances with "National Accounts," to provide for or encourage the provision of services to Clients

they refer or assign to the System. A “**National Account**” is a business or organization that: (1) conducts operations, directly or through agents, affiliates, independent contractors, franchisees or licensees, in two or more PAYROLL VAULT Territories in the United States in which we or our franchisees are operating Businesses; and (2) has a written contract or strategic alliance with us for the purpose of providing referrals or assignments of Clients in need of Payroll and Workforce Management Services within such Territories. We will contact you and provide you with a right of first refusal to provide Payroll and Workforce Management Services to the Clients referred or assigned to us by the National Account who resides in your Territory unless you are not eligible to provide the Services. To be eligible, you must be able to provide services to the Clients based on rules (e.g., qualifications, conditions for availability, resources, price and billing terms, or similar), guidelines or other terms and conditions agreed to between us and the National Account or as otherwise directed by the National Account. If you are contacted by a potential National Account, you must notify us before agreeing to provide Payroll and Workforce Management Services to them.

In the event that you cannot or do not elect to provide Payroll and Workforce Management Services to Clients in your Territory based on our National Account agreement or program, or if you violate the agreement with or standards or rules of the National Account, then you will not provide services to those Clients during the term of the National Account agreement or program and you will not be entitled to receive any portion of the resulting compensation. We cannot guarantee that we will develop or maintain contracts or strategic alliances with a particular number of National Accounts, if any, or that if we do, that you will receive any National Account referrals or assignments in your Territory.

Reservation of Rights

We reserve the following rights:

- i. To 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 Territory;
- ii. To use the Marks and the System to sell any products or services (which may be similar to those you sell) through alternative channels of distribution such as over the internet, within or outside the Territory. You cannot use alternative channels of distribution without our express permission, which may be granted or denied, in our discretion. If we use the Marks in alternative channels of distribution to sell similar services or products in the Territory, we are not required to compensate you;
- iii. To use and license others to use, within or outside the Territory, 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. To 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, businesses offering services and products similar to those offered by you, including 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 Territory; and
- vi. To retain all other rights not specifically granted to you.

Though we can use alternative channels of distribution within the Territory to make sales of goods, items, and services associated with the System and the Marks, or associated with any other system or trademarks, we have not done so as of the date of this Disclosure Document.

Our Services Affiliate operates ~~one~~three company-owned businesses which are not subject to any territorial limitations, except that we will not locate an Affiliate-owned business in your Territory.

Item 13

TRADEMARKS

Our Services Affiliate has registered or applied to register the trademarks below on the Principal Register of the United States Patent and Trademark Office (USPTO) as follows:

Registration Number or Application Number	Description of Mark	Principal or Supplemental Register	Registration Date or Application Date
Reg. no. 4,189,071	Payroll Vault	Principal	August 14, 2012
Reg. no. 4,149,049		Principal	May 29, 2012
Reg. no. 4,600,737	Payroll Re-Defined (Standard Character Mark)	Principal	September 9, 2014
Reg. no. 4,596,685	It Time to Rethink Payroll (Standard Character Mark)	Principal	September 2, 2014
RegApp. no. <u>720726797,610,292</u> ¹		Principal	September 28, 2022

All required affidavits for the above have been filed and the Marks have been renewed.

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

We refer to all current and future trademarks, service marks, trade names, trade dress, designs, logos, and other designations, as the “**Marks.**”

Our Services Affiliate and we have entered into a license agreement (Master License Agreement) that grants us the right to use and the right to sublicense the Marks to our franchisees. The Master License Agreement has a term of 30 years and is renewable for two additional 30-year periods. We are required to ensure 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 use the Marks according to our standards, we have the right to terminate your franchise (Franchise Agreement, Article 6). The Master License Agreement can be terminated only if we breach this requirement. In such an event, our Services Affiliate has agreed that it will grant you the right to continue using the Marks under the Franchise Agreement terms. 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, and there is no pending material litigation involving the USPTO, any trademark administrator of any state or federal court or trial and appeal board, concerning a claim of interference, opposition, or cancellation involving any of the Marks. There is no pending federal or state court litigation regarding our use or ownership rights in any Marks that are material to the franchise.

Our Services Affiliate and we 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 any of 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. We, in our sole discretion, may modify or discontinue one or more 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.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

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

We claim common law copyrights in all of the components of the System and our Proprietary Information (Franchise Agreement, Article 6), including the 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, and the Proprietary Information, is proprietary, a trade secret, and confidential. You may only use each such component as allowed under 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 System or Proprietary Information component, 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 a 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.

If we, in our sole discretion, determine it necessary to modify, add to, substitute, or discontinue the use of any portion of the System or Proprietary Information, you will be given adequate time after receipt of written notice, 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 its expiration, termination, or transfer, 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 Nondisclosure and Noncompetition Agreement (Exhibit 8J to this Franchise Agreement Disclosure Document).

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 and Workforce Management Services under the Franchise Agreement. In consideration of the time and effort that we have put into the System, you agree that we retain ownership and control of your Client List. ~~With approval we may authorize the transfer or sale of the Client List to an approved current franchisee or newly approved franchise owner.~~ Upon termination of your Franchise Agreement, for any reason, ~~without the transfer or sale of the Client List~~ we will retain your Client List and may use it to continue to provide Payroll and Workforce Management 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 or you, each of whom must have completed our training. Your Principal Operator is not required to own any minimum amount of equity. Your Principal Operator, if you have one, must abide by all confidentiality requirements of the Franchise Agreement and is required to sign a confidentiality and non-competition agreement in the form attached to this Disclosure Document. We recommend that you participate in the day-to-day operations of the Business.

If you purchase the Business through a business entity, or if you convert to a business entity during the Term, 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 your obligations 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 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 may operate any other business, including an accounting, tax, bookkeeping, 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	Five years (Initial Term)
b. Renewal or extension of the term	Article 4	Two additional 10-year terms (each a “Successor Franchise Rights Term”) if all obligations for “Successor Franchise Rights” are met. <u>If Successor Rights are granted, you may be eligible for a reduced Royalty (Item 6, footnote 3).</u> Additional renewals will be by mutual agreement.
c. Requirements for franchisee to renew or extend	Article 4	You must give no less than 90 days prior notice, you must have no outstanding material defaults or money owed, you must not have had more than four default notices, we must not have determined in our reasonable business judgment not to renew, you must sign then-current Franchise Agreement which may have terms that are significantly and materially different than those of your current Franchise Agreement. 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 Term. You will pay the then-current Successor Franchise Fee, which may be reduced, <u>and you may have the right to Graduated Reduced Royalties (Item 6).</u>
d. Termination by franchisee	Not Applicable	The franchise agreement’s provisions regarding termination by the franchisee are subject to state law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by	Article 10	We can terminate only if you default. See (g)

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
franchisor with cause		and (h) below.
g. "Cause" defined - curable defaults	Article 10	Failure to pay fees after five days' notice; 30 days to cure any defaults under the Franchise Agreement except those described in (h) below.
h. "Cause" defined - non-curable defaults	Article 10	Non-curable defaults include 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 four even if cured; unapproved Transfers; violation of law and failure to cure; material misrepresentation; cross-default; underreporting-; <u>inability to obtain ACH Rights within 90 days of the Opening Date; 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, cessation of use of trademarks and proprietary information, the return of all proprietary information, assignment of the Software License, and assignment of contact information (see (r) below).
j. Assignment of contract by franchisor	Article 9	No restriction on the franchisor's right to assign.
k. "Transfer" by franchisee - defined	Article 9	Sale, assignment, gift, pledge, 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	The transferee has the background, financial resources, etc. We have 30 days right of first refusal; the transferee pays for training.
m. Conditions for franchisor approval of transfer	Article 9	You must pay a transfer fee; new franchisee qualifies; you must have no outstanding defaults; you must provide terms to us; the new franchisee must sign the current Franchise Agreement and attend training; and you must sign a release.
n. Franchisor's right of first refusal to acquire franchisee's business	Article 9	30 days on the same terms stated in the bona fide offer.
o. Franchisor's option to purchase franchisee's business	Article 9	Upon termination or expiration of the Franchise Agreement, our option is to purchase a part or all of the assets for fair market value.
p. Death or disability of franchisee	Article 9	The estate must assign the franchise to an approved transferee within 180 days
q. Non-competition	Article 15	<u>Subject to state law, no involvement in a</u>

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
covenants during the term of the franchise		competing business.
r. Non-competition covenants after the franchise is terminated or expires	Article 15	<u>Subject to state law</u> , no competing business for two years within the Territory, within any other Territory that is serviced by a franchisee, or within 25 miles of any of our Businesses; except that if you have Pre-existing Clients on the Effective Date, these Clients will be exempt from the non-competition covenants. You will supply us with a list of your Pre-Existing Clients when you sign the Franchise Agreement. If no Pre-existing Client list is delivered, it will be assumed that none existed.
s. Modification of the Agreement	Article 15	The System and 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 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 mandatory mediation does not resolve the issue). Meetings, mediation, and arbitration will be conducted within 15 miles of our then-current headquarters. The provisions of this subsection (u) are subject to state law.
v. Choice of forum	Article 16	Subject to state law, mediation/arbitration or litigation in State/Federal courts in Colorado, where our headquarters is located.
w. Choice of law	Article 16	Subject to state law, the state law of our headquarters, which is Colorado.

ITEM 18

PUBLIC FIGURES

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

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ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its 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.

The chart below entitled “All Franchised Businesses Reporting in ~~2023~~2022” shows the results of operations for all ~~444~~2 Businesses owned and operated by franchisees that were in business as of December 31, ~~2023~~2022, and reported income and expenses for every month in 2022. ~~Three~~Six franchisees that operated for the entire year did not submit reports for every month of ~~2023~~2022 and their results are not included in the chart below. Data from four other franchisees that began operations during ~~2023~~2022 is not included in the chart below because they did not report for the entire year. We obtained the data in this chart from monthly revenue reports and from responses to a questionnaire sent to all franchisees that reported income and expenses for every month in ~~2023~~2022.

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All Franchised Businesses Reporting in 2023/2022

ID ¹	Client Data 2023 ² /2022 ²			ERTC Revenue ³	Gross Revenue ⁴	Franchisee Expenses ⁵	Advertising Expenses ⁶	Labor ⁷	Cost of Services ⁸	Total Operating Expenses ⁹	Sales Expenses ¹⁰	Net Profit ¹¹	
	Clients Added	Clients Dropped	Clients EOY										
1	35 27	32 12	218 215	\$ 1,320,200 \$1,132,267	\$ 2,051,129 \$1,788,510	\$ 85,451 \$66,394	\$ 11,184 \$4,209	\$ 430,231 \$313,891	\$ 102,273 \$82,504	\$ 629,139 \$466,998	\$ 239,952 \$332,664	\$ 1,182,038 \$988,848	
2	56	15	374	\$44,965	\$835,297	\$80,862	\$0	\$324,534	\$52,508	\$457,904	\$0	\$377,393	
2 3	60 50	89	115 214	\$ 1,857,994 \$395,236	\$ 2,041,227 \$712,778	\$ 96,076 \$39,517	\$ 1,255 \$14,994	\$ 16,360 \$183,562	\$ 38,781 \$43,510	\$ 152,472 \$281,583	\$ — \$60,691	\$ 1,888,755 \$370,504	
4	29	37	224	\$0	\$489,311	\$33,673	\$11,087	\$212,275	\$52,769	\$309,804	\$0	\$179,507	
3 5	58	38 32	394 149	\$ 371 \$0	\$ 902,822 \$437,110	\$ 153,752 \$58,495	\$ — \$3,845	\$ 419,010 \$143,624	\$ 37,696 \$36,731	\$ 610,459 \$242,694	\$ — \$0	\$ 292,363 \$194,415	
	4*	142	47	244	\$ 6,550	\$ 578,829	\$ 95,322	\$ 5,788	\$ 235,890	\$ 42,253	\$ 379,252	\$ -	\$ 199,577
56	23 13	16 28	152	\$ 123,815 \$59,666	\$ 405,071 \$307,600	\$ 32,600 \$29,183	\$ 2,112 \$750	\$ 311,796 \$133	\$ 33,494 \$66,185	\$ 380,002 \$96,250	\$ 44,006 \$5,917	\$ (18,936) \$205,433	
6*	44	13	187	\$ 22,961	\$ 386,026	\$ 25,871	\$ 2,493	\$ 92,687	\$ 78,610	\$ 199,662	\$ -	\$ 186,364	
7	33 75	420	124 214	\$ 113,644 \$0	\$ 369,884 \$301,299	\$ 29,807 \$25,112	\$ 6,631 \$1,763	\$ 44,164 \$18,174	\$ 34,338 \$44,819	\$ 114,940 \$89,868	\$ — \$29,808	\$ 254,944 \$181,624	

8*	3834	268	22663	\$ - <u>\$178,811</u>	\$ 366,401 <u>\$290,895</u>	\$ 27,455 <u>\$17,727</u>	\$ 1,476-\$504	\$ 44,145 <u>\$105,429</u>	\$ 64,907 <u>\$24,084</u>	\$ 137,983 <u>\$147,744</u>	\$ 14,942-\$0	\$ 213,477 <u>\$143,151</u>
9	4529	224	15176	\$ - <u>\$158,117</u>	\$ 339,083 <u>\$284,467</u>	\$ 26,629 <u>\$24,061</u>	\$ 10,154-\$93	\$ 142,556 <u>\$0</u>	\$ 49,176-\$0	\$ 228,515 <u>\$24,154</u>	\$ -\$3,898	\$ 110,567 <u>\$256,414</u>
10	3116	250	148122	\$ -\$19,749	\$ 310,441 <u>\$229,909</u>	\$ 25,024 <u>\$22,923</u>	\$ 7,814 <u>\$1,000</u>	\$ 40,066 <u>\$102,713</u>	\$ 27,758 <u>\$28,570</u>	\$ 100,661 <u>\$155,206</u>	\$ -\$0	\$ 209,780 <u>\$74,703</u>
11	1338	311	14142	\$ 290,427 <u>\$0</u>	\$ 308,714 <u>\$210,440</u>	\$ 26,178 <u>\$19,403</u>	\$ 4,192 <u>\$6,178</u>	\$ 45,399 <u>\$47,767</u>	\$ 12,682 <u>\$18,416</u>	\$ 88,452 <u>\$91,764</u>	\$ -\$0	\$ 220,262 <u>\$118,676</u>
12	831	611	78127	\$ 120,893 <u>\$0</u>	\$ 278,291 <u>\$210,008</u>	\$ 31,365 <u>\$29,215</u>	\$ -\$3,018	\$ 89,935 <u>\$0</u>	\$ 11,684 <u>\$17,713</u>	\$ 132,983 <u>\$49,946</u>	\$ -\$0	\$ 145,308 <u>\$160,062</u>
13	38	11	112	\$ 52,101	\$ 273,774	\$ 33,125	\$ -	\$ 228,261	\$ 51,080	\$ 312,465	\$ 99,629	\$ (138,320)
14 ¹ ₃	3428	162	74100	\$ 127,343 <u>\$0</u>	\$ 273,769 <u>\$208,696</u>	\$ 24,561 <u>\$16,127</u>	\$ 3,917-\$0	\$ 3,654 <u>\$14,680</u>	\$ 34,867 <u>\$22,596</u>	\$ 66,999 <u>\$53,403</u>	\$ 15,126-\$0	\$ 191,643 <u>\$155,293</u>
15 ₁₄	2057	121	14367	\$ 64,106-\$0	\$ 267,266 <u>\$195,394</u>	\$ 28,067 <u>\$15,687</u>	\$ 10,099-\$0	\$ 52,056 <u>\$0</u>	\$ 25,214 <u>\$10,818</u>	\$ 115,436 <u>\$26,505</u>	\$ 22,979 <u>\$30,849</u>	\$ 128,851 <u>\$138,039</u>
15	18	10	56	\$47,658	\$164,682	\$16,725	\$5,612	\$3,515	\$23,406	\$49,257	\$1,524	\$113,901
16	2972	1211	139141	\$ -\$8,887	\$ 266,036 <u>\$150,566</u>	\$ 26,541 <u>\$12,764</u>	\$ 9,886 <u>\$3,160</u>	\$ 75,963 <u>\$0</u>	\$ 40,704 <u>\$16,209</u>	\$ 153,093 <u>\$32,133</u>	\$ 259-\$0	\$ 112,684 <u>\$118,433</u>
17	2318	102	9530	\$ 79,743-\$0	\$ 265,681 <u>\$133,327</u>	\$ 27,311 <u>\$25,012</u>	\$ 1,030 <u>\$5,367</u>	\$ 106,140 <u>\$55,500</u>	\$ 26,315-\$0	\$ 160,796 <u>\$85,878</u>	\$ -\$0	\$ 104,885 <u>\$47,449</u>

18*	77 <u>13</u>	289	190 <u>72</u>	\$ 58,889 -\$0	\$ 262,303 \$128,023	\$ 46,068 \$20,869	\$ 2,415 -\$0	\$ 26,699 \$60,898	\$ 9,367 \$18,027	\$ 84,549 \$99,793	\$ — -\$0	\$ 177,754 \$28,230
19*	33 <u>7</u>	100	150 <u>36</u>	\$ — -\$0	\$ 249,498 \$122,367	\$ 52,072 \$24,602	\$ 4,294 \$1,109	\$ — -\$2,316	\$ 13,464 \$16,372	\$ 69,830 \$44,400	\$ — -\$0	\$ 179,668 \$77,967
20*	84 <u>2</u>	222	138 <u>52</u>	\$ 17,615 -\$0	\$ 243,479 \$115,283	\$ 27,121 \$25,139	\$ — -\$1,557	\$ 50 \$43,440	\$ 56,026 \$5,089	\$ 83,197 \$75,224	\$ 950 -\$0	\$ 159,332 \$40,058
21*	31 <u>4</u>	810	95 <u>36</u>	\$ — -\$0	\$ 234,022 \$112,174	\$ 17,953 \$14,817	\$ — -\$61	\$ 14,586 \$54,497	\$ 26,992 \$19,793	\$ 59,531 \$89,169	\$ — -\$760	\$ 174,491 \$22,245
22	14 <u>41</u>	198	87 <u>68</u>	\$ 9,800 -\$0	\$ 205,813 \$111,465	\$ 23,848 \$13,152	\$ 2,597 \$1,865	\$ 84,645 \$3,987	\$ 27,716 \$20,186	\$ 138,806 \$39,189	\$ 21,201 \$794	\$ 45,806 \$71,482
23	8 <u>7</u>	80	67	\$ 75,722 -\$0	\$ 169,440 \$100,253	\$ 24,433 \$28,637	\$ 185 -\$1,812	\$ — -\$0	\$ 9,517 \$8,787	\$ 34,135 \$39,236	\$ 28,258 \$719	\$ 107,047 \$60,297
24	21	0 <u>8</u>	57 <u>80</u>	\$ — -\$0	\$ 164,411 \$82,137	\$ 18,501 \$5,523	\$ — -\$0	\$ 59,989 \$28,941	\$ 28,441 \$8,558	\$ 106,931 \$43,023	\$ 1,058 -\$0	\$ 56,422 \$39,114
25	34 <u>2</u>	111	91 <u>31</u>	\$ — -\$0	\$ 159,806 \$73,296	\$ 15,488 \$13,936	\$ 2,277 -\$600	\$ 6,085 \$14,119	\$ 58,328 \$13,053	\$ 82,178 \$41,708	\$ — -\$4,869	\$ 77,629 \$26,720
26	28 <u>18</u>	6	102 <u>44</u>	\$ — -\$0	\$ 157,797 \$50,437	\$ 16,114 \$17,047	\$ — -\$0	\$ 46,251 \$1,907	\$ 15,008 \$7,978	\$ 77,373 \$26,933	\$ — -\$77	\$ 80,424 \$23,428
27	9 <u>28</u>	40	80 <u>28</u>	\$ — -\$0	\$ 157,308 \$16,560	\$ 22,441 \$11,550	\$ — -\$306	\$ 68,052 \$0	\$ 16,723 \$5,752	\$ 107,216 \$17,609	\$ — -\$0	\$ 50,092 \$(1,048)

28	<u>113</u>	<u>91</u>	<u>5512</u>	\$ <u>1,100</u> -\$0	\$ <u>155,934</u> \$10,200	\$ <u>17,479</u> \$21,299	\$ <u>9,884</u> \$5,754	\$ <u>21,553</u> \$0	\$ <u>21,473</u> -\$0	\$ <u>70,389</u> \$27,054	\$ <u>1,195</u> -\$0	\$ <u>84,349</u> \$(16,854)
29*	<u>2527</u>	<u>631</u>	<u>4985</u>	\$ <u>83,258</u> \$203,015	\$ <u>151,350</u> \$364,535	\$ <u>22,996</u> \$45,295	\$ <u>6,200</u> \$4,419	\$ <u>4,295</u> \$170,874	\$ <u>11,332</u> \$14,329	\$ <u>44,823</u> \$234,917	\$ <u>2,329</u> \$2,871	\$ <u>104,197</u> \$126,748
30*	<u>35</u>	<u>9</u>	<u>177</u>	\$ <u>69,448</u>	\$ <u>349,209</u>	\$ <u>31,991</u>	\$ <u>3,923</u>	\$ <u>202,591</u>	\$ <u>38,762</u>	\$ <u>277,267</u>	\$ <u>42,000</u>	\$ <u>29,942</u>
30 31 *	<u>1057</u>	<u>916</u>	<u>124128</u>	\$ <u>47,626</u> \$13,562	\$ <u>139,384</u> \$326,454	\$ <u>15,975</u> \$36,777	\$ <u>—</u> \$337	\$ <u>21,959</u> \$139,541	\$ <u>15,728</u> \$33,286	\$ <u>53,662</u> \$209,941	\$ <u>—</u> \$21,975	\$ <u>85,723</u> \$94,538
31	<u>8</u>	<u>3</u>	<u>57</u>	\$ <u>11,341</u>	\$ <u>131,285</u>	\$ <u>20,665</u>	\$ <u>624</u>	\$ <u>78,373</u>	\$ <u>12,229</u>	\$ <u>111,891</u>	\$ <u>158</u>	\$ <u>19,237</u>
32*	<u>517</u>	<u>52</u>	<u>3695</u>	\$ <u>—</u> \$79,186	\$ <u>128,027</u> \$290,454	\$ <u>40,781</u> \$21,118	\$ <u>—</u> \$4,975	\$ <u>17,013</u> \$41,964	\$ <u>2,558</u> \$24,157	\$ <u>60,352</u> \$92,213	\$ <u>—</u> \$0	\$ <u>67,676</u> \$198,241
33*	<u>6</u>	<u>5</u>	<u>63</u>	\$ <u>55,570</u>	\$ <u>203,142</u>	\$ <u>16,003</u>	\$ <u>5,973</u>	\$ <u>59,972</u>	\$ <u>15,203</u>	\$ <u>97,151</u>	\$ <u>279</u>	\$ <u>105,712</u>
33 34 *	<u>618</u>	<u>211</u>	<u>4792</u>	\$ <u>—</u> \$0	\$ <u>108,206</u> \$183,698	\$ <u>24,698</u> \$18,613	\$ <u>1,915</u> \$3,588	\$ <u>40,788</u> \$64,191	\$ <u>10,507</u> \$22,218	\$ <u>77,908</u> \$108,611	\$ <u>—</u> \$35,534	\$ <u>30,298</u> \$39,553
34 35 *	<u>2535</u>	<u>84</u>	<u>60135</u>	\$ <u>—</u> \$8,088	\$ <u>84,821</u> \$175,139	\$ <u>13,545</u> \$23,164	\$ <u>320</u> \$5,698	\$ <u>1,897</u> \$45,651	\$ <u>13,547</u> \$18,209	\$ <u>29,310</u> \$92,722	\$ <u>—</u> \$29,639	\$ <u>55,512</u> \$52,778
35	<u>0</u>	<u>3</u>	<u>48</u>	\$ <u>-</u>	\$ <u>83,940</u>	\$ <u>31,841</u>	\$ <u>555</u>	\$ <u>-</u>	\$ <u>9,507</u>	\$ <u>41,903</u>	\$ <u>-</u>	\$ <u>42,036</u>
36*	<u>2143</u>	<u>53</u>	<u>6082</u>	\$ <u>—</u> \$46,672	\$ <u>65,810</u> \$174,885	\$ <u>27,097</u> \$23,354	\$ <u>—</u> \$24,445	\$ <u>1,144</u> \$45,876	\$ <u>2,488</u> \$13,274	\$ <u>30,729</u> \$106,948	\$ <u>22</u> \$7	\$ <u>35,059</u> \$67,930
37*	<u>82</u>	<u>40</u>	<u>3183</u>	\$ <u>—</u> \$43,796	\$ <u>64,943</u> \$133,731	\$ <u>17,103</u> \$19,046	\$ <u>—</u> \$0	\$ <u>-</u> \$44,680	\$ <u>12,644</u> \$10,240	\$ <u>29,746</u> \$73,966	\$ <u>—</u> \$24,309	\$ <u>35,196</u> 456

38*	23	01	822	\$ 10,761 \$74,593	\$ 59,525 \$133,592	\$ 12,950 \$15,982	\$ 449 \$3,443	\$ - \$51,996	\$ 9,583 \$15,546	\$ 22,982 \$86,967	\$ — \$0	\$ 36,543 \$46,625
39*	18	0	27	\$ — \$0	\$ 46,159 \$60,760	\$ 45,805 \$16,589	\$ 134 \$504	\$ — \$0	\$ 4,607 \$11,248	\$ 50,546 \$28,341	\$ — \$0	\$ (4,387) \$32,419
40*	85	30	164	\$ 15,387 \$33,586	\$ 41,555 \$46,353	\$ 11,578 \$450	\$ 1,007 \$4,216	\$ — \$0	\$ 6,742 \$19,032	\$ 19,327 \$23,698	\$ 9 \$3,132	\$ 22,219 \$19,523
41	0	3	7	\$ 3,804	\$ 39,376	\$ 22,053	\$ -	\$ -	\$ 3,122	\$ 25,175	\$ -	\$ 14,201
42 * 1	73	2	1526	\$ — \$0	\$ 26,169 \$43,365	\$ 15,744 \$37,480	\$ 300 \$223	\$ — \$0	\$ 7,586 \$7,154	\$ 23,630 \$44,858	\$ — \$0	\$ 2,539 \$(1,493)
43	12	1	22	\$ -	\$ 21,745	\$ 22,157	\$ -	\$ -	\$ 39	\$ 22,196	\$ -	\$ (451)
44 * 1	317	21	230	\$ — \$0	\$ 20,940 \$23,635	\$ 19,484 \$16,284	\$ 509 \$0	\$ 1,390 \$793	\$ 23,549 \$1,035	\$ 44,931 \$18,113	\$ — \$0	\$ (23,991) \$5,523

¹ “ID” is a number assigned to each franchisee whose results are included in the chart to preserve their anonymity. The asterisks next to some ID numbers indicate that this is a ~~full~~ part-time Business, meaning that the operator(s) worked an average of ~~40 or more~~ less than 30 hours per week during ~~2023~~ 2022.

² “Client Data ~~2023~~ 2022” is divided into 3 parts: “Clients Added” is the number of new Clients served by a Business during ~~2023~~ 2022; “Clients Dropped” is the number of Clients that left the Business in ~~2023~~ 2022; and “Clients EOY” is the total number of Clients served by the Business as of December 31, ~~2023~~ 2022.

³ “ERTC Revenue” is the Gross Revenue received by a Business from assisting clients in obtaining an employee retention tax credit (“ERTC”) from the IRS under the CARES Act or an employee leave tax credit refund from the IRS under the FFCRA. Some Businesses chose not to offer these services to clients in ~~2023~~ 2022 and those Businesses show no ERTC Revenue.

⁴ “Gross Revenue” means the total revenue derived from the sale of payroll and workforce management services including ERTC Revenue, taxes, discounts, refunds, allowances, and returns.

⁵ “Franchisee Expenses” means expenses incurred by franchised Businesses including Royalty fees, National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, Managed Social Media Fees, Technology Maintenance Fees, Payroll Software License Fees, PEPM and PCPM Fees, CRM Software and CRM Fees, Email Fees, Accounting Fees, and other fees described in the franchise agreement.

⁶ “Advertising Expenses” means marketing expenses incurred by franchised Businesses in addition to the fees required to be paid in the Franchise Agreement, *i.e.*, National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, and Managed Social Media Fees. This category excludes expenses related to hiring outside salespersons and referral sources which are accounted for in “Sales Expenses.” Some Businesses show \$0 because they did not spend more on advertising than is required in the Franchise Agreement.

⁷ “Labor” means expenses incurred by franchised Businesses for wages, salaries, benefits, ~~contract staffing~~, employment taxes and other employee related expenses-. Note that Businesses with “\$0” in this column indicates that the owners performed all of the labor as owner-operators and did not have employees or pay themselves a set salary or hourly rate.

⁸ “Cost of Services” means the ordinary and recurring expenses incurred by franchised Businesses, including computer hardware and software maintenance, supplies, electronic banking expenses, payroll service delivery expenses, and excluding the other expenses listed in this chart, namely, franchisee expenses, advertising expenses, and labor. Some Businesses show \$0 spent because they did not report expenses to us with sufficient detail to account for this data.

⁹ “Total Operating Expenses” is the sum of the amounts in the four columns named Franchisee Expenses, Advertising Expenses, Labor, and Cost of Services.

¹⁰ “Sales Expenses” means the amount spent by franchised Businesses on outside referral sources and outside salespersons. Some Businesses show \$0 spent because they did not spend anything on the activities included in this category.

¹¹ “Net Profit” is the difference when subtracting Total Operating Expenses and Sales Expenses from Gross Revenue.

Summary of All Franchised Businesses Reporting in ~~2023~~2022

	Client Data 2023 2022 ¹			ERTC Revenue ²	Gross Revenue ³	Franchisee Expenses ⁴	Advertising Expenses ⁵	Labor ⁶	Cost of Services ⁷	Total Operating Expenses ⁸	Sales Expenses ⁹	Net Profit ¹⁰
	Clients Added	Clients Dropped	Clients EOY									
Highest	<u>14275</u>	<u>4737</u>	<u>394374</u>	<u>\$1,857,994</u> <u>132,267</u>	<u>\$2,051,129</u> <u>1,788,510</u>	<u>\$102,273</u> <u>80,862</u>	<u>\$11,184</u> <u>4,445</u>	<u>\$153,752</u> <u>324,534</u>	<u>\$430,231</u> <u>82,504</u>	<u>\$629,139</u> <u>466,998</u>	<u>\$239,952</u> <u>332,664</u>	<u>\$1,888,755</u> <u>988,848</u>
Lowest	<u>0</u>	<u>0</u>	<u>70</u>	<u>\$0</u>	<u>\$20,940</u> <u>0,200</u>	<u>\$39450</u>	<u>\$0</u>	<u>\$11,578</u> <u>0</u>	<u>\$0</u>	<u>\$19,327</u> <u>7,609</u>	<u>\$0</u>	<u>-</u> <u>\$138,320</u> <u>\$(16,854)</u> <u>1</u>
Average	<u>26</u>	<u>118</u>	<u>9996</u>	<u>\$102,624</u> <u>63,640</u>	<u>\$296,761</u> <u>247,177</u>	<u>\$25,924</u> <u>038</u>	<u>\$2,539</u> <u>3,247</u>	<u>\$32,753</u> <u>62,001</u>	<u>\$65,297</u> <u>21,622</u>	<u>\$126,513</u> <u>111,908</u>	<u>\$11,183</u> <u>15,055</u>	<u>\$159,065</u> <u>120,214</u>
Number exceeding the average	<u>1720</u> of <u>4442</u> (<u>3948%</u>)	<u>1617</u> of <u>4442</u> (<u>3640%</u>)	<u>1815</u> of <u>4442</u> (<u>4136%</u>)	<u>78</u> of <u>4442</u> (<u>1619%</u>)	<u>1113</u> of <u>4442</u> (<u>2531%</u>)	<u>1914</u> of <u>4442</u> (<u>4333%</u>)	<u>1317</u> of <u>4442</u> (<u>3040%</u>)	<u>911</u> of <u>4442</u> (<u>2026%</u>)	<u>130</u> of <u>4415</u> of <u>42</u> (<u>3036%</u>)	<u>1310</u> of <u>4442</u> (<u>3024%</u>)	<u>89</u> of <u>4442</u> (<u>1821%</u>)	<u>14</u> of <u>4442</u> (<u>3233%</u>)
Median	<u>2120</u>	<u>86</u>	<u>8478</u>	<u>\$2,452</u>	<u>\$187,626</u> <u>175,012</u>	<u>\$19,098</u> <u>21,209</u>	<u>\$816</u> <u>1,788</u>	<u>\$25,448</u> <u>42,702</u>	<u>\$24,329</u> <u>17,870</u>	<u>\$82,687</u> <u>8,423</u>	<u>\$04</u>	<u>\$85,036</u> <u>73,093</u>
Top 2221 of 4442 (50%)¹¹												
Highest	<u>14275</u>	<u>4737</u>	<u>394374</u>	<u>\$</u> <u>1,857,994</u> <u>4</u> <u>\$1,132,267</u>	<u>\$</u> <u>2,051,129</u> <u>9</u> <u>\$1,788,510</u>	<u>\$</u> <u>102,273</u> <u>\$80,862</u>	<u>\$</u> <u>11,184</u> <u>\$14,994</u>	<u>\$</u> <u>153,752</u> <u>2</u> <u>\$324,534</u>	<u>\$</u> <u>430,231</u> <u>\$82,504</u>	<u>\$</u> <u>629,139</u> <u>\$466,998</u>	<u>\$</u> <u>239,952</u> <u>\$332,664</u>	<u>\$</u> <u>1,888,755</u> <u>5</u> <u>\$988,848</u>
Lowest	<u>37</u>	<u>30</u>	<u>1430</u>	<u>\$</u> <u>—\$0</u>	<u>\$</u> <u>205,813</u> <u>\$112,174</u>	<u>\$</u> <u>9,367</u> <u>\$12,764</u>	<u>\$</u> <u>—\$0</u>	<u>\$</u> <u>17,953</u> <u>\$0</u>	<u>\$</u> <u>—\$0</u>	<u>\$</u> <u>59,531</u> <u>\$24,154</u>	<u>\$</u> <u>—\$0</u>	<u>\$</u> <u>(138,320)</u> <u>\$22,245</u>
Average	<u>3735</u>	<u>1811</u>	<u>149127</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

				193,930 \$97,398	494,525 \$353,721	38,427 \$29,443	3,970 \$3,062	43,736 \$80,331	113,832 \$28,577	199,965 \$141,413	20,866 \$22,196	273,695 \$190,112
Number exceeding the average	8 of 2221 (3638%)	96 of 2221 (4129%)	910 of 2221 (4148%)	34 of 2221 (1419%)	45 of 2221 (1824%)	95 of 2221 (4124%)	98 of 2221 (4138%)	67 of 2221 (2733%)	67 of 2221 (2733%)	67 of 2221 (2733%)	54 of 2221 (2319%)	36 of 2221 (1429%)
Median	3329	1510	141122	\$ 37,531 -\$0	\$ 293,502 \$210,440	\$ 34,603 \$24,602	\$ 2,545 \$1,557	\$ 27,761 \$47,767	\$ 64,009 \$22,596	\$ 138,395 \$89,868	\$ -\$0	\$ 178,711 \$143,151
Bottom 2221 of 4442 (50%)¹²												
Highest	10543	1131	124177	\$ 83,258 \$203,015	\$ 169,440 \$364,535	\$ 58,328 \$45,295	\$ 9,884 \$24,445	\$ 45,805 \$202,591	\$ 78,373 \$38,762	\$ 111,891 \$277,267	\$ 28,258 \$42,000	\$ 107,047 \$198,241
Lowest	02	0	70	\$ -\$0	\$ 20,940 \$10,200	\$ 39,450	\$ -\$0	\$ 11,578 \$0	\$ -\$0	\$ 19,327 \$17,609	\$ -\$0	\$ (23,991) \$16,854
Average	1517	45	4964	\$ 11,318.1 8-\$29,882	\$ 98,996.8 7-\$140,633	\$ 13,420.8 0-\$20,633	\$ 1,107.26 \$3,432	\$ 21,769.38 \$43,671	\$ 16,763.51 4,667	\$ 53,060.5 7-\$82,403	\$ 1,501.30 \$7,915	\$ 44,435.0 0-\$50,316
Number exceeding the average	711 of 2221 (3252%)	97 of 2221 (4133%)	1011 of 2221 (4552%)	58 of 2221 (2338%)	118 of 2221 (5038%)	89 of 2221 (3643%)	410 of 2221 (1848%)	109 of 2221 (4543%)	89 of 2221 (3643%)	9 of 2221 (4143%)	25 of 2221 (924%)	108 of 2221 (4538%)
Median	817	352	48567	\$ -\$0	\$ 96,513 \$111,465	\$ 10,920 \$18,613	\$ 243 \$1,865	\$ 20,074 \$28,941	\$ 1,643 \$13,274	\$ \$44,877 858	\$ -\$279	\$ \$39,290 114

¹ “Client Data ~~20232022~~” is divided into 3 parts: “Clients Added” is the number of new Clients served by a Business during ~~20232022~~; “Clients Dropped” is the number of Clients that left the Business in ~~20232022~~; and “Clients EOY” is the total number of Clients served by the Business as of December 31, ~~20232022~~.

² “ERTC Revenue” is the Gross Revenue received by a Business from assisting clients in obtaining an employee retention tax credit (“ERTC”) from the IRS under the CARES Act or an employee leave tax credit refund from the IRS under the FFCRA. Some Businesses chose not to offer these services to clients in ~~20232022~~ and those Businesses show no ERTC Revenue.

³ “Gross Revenue” means the total revenue derived from the sale of payroll and workforce management services including ERTC Revenue, taxes, discounts, refunds, allowances, and returns.

⁴ “Franchisee Expenses” means expenses incurred by franchised Businesses including Royalty fees, National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, Managed Social Media Fees, Technology Maintenance Fees, Payroll Software License Fees, PEPM and PCPM Fees, CRM Software and CRM Fees, Email Fees, Accounting Fees, and other fees described in the franchise agreement.

⁵ “Advertising Expenses” means marketing expenses incurred by franchised Businesses in addition to the fees required to be paid in the Franchise Agreement, i.e., National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, and Managed Social Media Fees. This category excludes expenses related to hiring outside salespersons and referral sources which are accounted for in “Sales Expenses.” Some Businesses show \$0 because they did not spend more on advertising than is required in the Franchise Agreement.

⁶ “Labor” means expenses incurred by franchised Businesses for wages, salaries, benefits,

~~³ “Gross Revenue” means the total revenue derived from the sale of payroll and workforce management services including ERTC Revenue, taxes, discounts, refunds, allowances, and returns.~~

~~⁴ “Franchisee Expenses” means expenses incurred by franchised Businesses including Royalty fees, National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, Managed Social Media Fees, Technology Maintenance Fees, Payroll Software License Fees, PEPM and PCPM Fees, CRM Software and CRM Fees, Email Fees, Accounting Fees, and other fees described in the franchise agreement.~~

~~⁵ “Advertising Expenses” means marketing expenses incurred by franchised Businesses in addition to the fees required to be paid in the Franchise Agreement, i.e., National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, and Managed Social Media Fees. This category excludes expenses related to hiring outside salespersons and referral sources which are accounted for in “Sales Expenses.” Some Businesses show \$0 because they did not spend more on advertising than is required in the Franchise Agreement.~~

~~⁶ “Labor” means expenses incurred by franchised Businesses for wages, salaries, benefits, contract staffing, employment taxes and other employee related expenses. Note that Businesses with “\$0” in this column indicates that the owners performed all of the labor as owner-operators and did not have employees or pay themselves a set salary or hourly rate.~~

⁷ “Cost of Services” means the ordinary and recurring expenses incurred by franchised Businesses, including computer hardware and software maintenance, supplies, electronic banking expenses, payroll service delivery expenses, and excluding the other expenses listed in this chart, namely, franchisee expenses, advertising expenses, and labor. Some Businesses show \$0 spent because they did not report expenses to us with sufficient detail to account for this data.

⁸ “Total Operating Expenses” is the sum of the amounts in the four columns named Franchisee Expenses, Advertising Expenses, Labor, and Cost of Services.

⁹ “Sales Expenses” means the amount spent by franchised Businesses on outside referral sources and outside salespersons. Some Businesses show \$0 spent because they did not spend anything on the activities included in this category.

¹⁰ “Net Profit” is the difference when subtracting Total Operating Expenses and Sales Expenses from Gross Revenue.

¹¹ These calculations are for half of the Businesses in this group that reported the highest Gross Revenue.

¹² These calculations are for half of the Businesses in this group that reported the lowest Gross Revenue.

Summary of Full Time Franchised Businesses Reporting in 2023 2022												
	Client Data ¹			ERTC Revenue ²	Gross Revenue ³	Franchisee Expenses ⁴	Advertising Expenses ⁵	Labor ⁶	Cost of Services ⁷	Operating Expenses ⁸	Sales Expenses ⁹	Net Profit ¹⁰
	Clients Added	Clients Dropped	Clients EOY									
Highest	<u>14275</u>	<u>4737</u>	<u>244374</u>	\$ 1,857,994 <u>\$1,132,267</u>	\$ 2,041,227 <u>\$1,788,510</u>	\$ 78,610 <u>\$80,862</u>	\$ 5,788 <u>\$14,994</u>	\$ 96,076 <u>\$324,534</u>	\$ 235,890 <u>\$82,504</u>	\$ 379,252 <u>\$466,998</u>	\$ 15,126 <u>\$332,664</u>	\$ 1,888,755 <u>\$988,848</u>
Lowest	<u>32</u>	<u>80</u>	<u>7412</u>	\$ — <u>\$0</u>	\$ 139,384 <u>\$10,200</u>	\$ 9,367 <u>\$5,523</u>	\$ — <u>\$0</u>	\$ 15,975 <u>\$0</u>	\$ — <u>\$0</u>	\$ 53,662 <u>\$17,609</u>	\$ — <u>\$0</u>	\$ 85,723 <u>\$(16,854)</u>
Average	<u>5431</u>	<u>199</u>	<u>154107</u>	\$ 213,898 <u>\$73,048</u>	\$ 477,494 <u>\$281,160</u>	\$ 38,099 <u>\$26,052</u>	\$ 2,164 <u>\$2,666</u>	\$ 42,847 <u>\$61,996</u>	\$ 45,603 <u>\$23,730</u>	\$ 128,714 <u>\$114,444</u>	\$ 3,102 <u>\$16,878</u>	\$ 345,678 <u>\$149,839</u>
Number exceeding the average	<u>411</u> of 10 (4028) <u>(39%)</u>	<u>411</u> of 1028 (4039%)	<u>411</u> of 1028 (4039%)	14 of 1028 (1014%)	<u>29</u> of 1028 (2032%)	58 of 10 (5028) <u>(29%)</u>	510 of 10 (5028) <u>(36%)</u>	47 of 10 (4028) <u>(25%)</u>	29 of 1028 (2032%)	47 of 10 (4028) <u>(25%)</u>	24 of 10 (2028) <u>(14%)</u>	110 of 10 (1028) <u>(36%)</u>
Median	<u>4128</u>	<u>158</u>	<u>14474</u>	\$ 20,288- <u>\$0</u>	\$ 268,036 <u>\$180,038</u>	\$ 36,824 <u>\$22,111</u>	\$ 1,946 <u>\$1,333</u>	\$ 27,288 <u>\$16,427</u>	\$ 19,159 <u>\$18,222</u>	\$ 83,873 <u>\$64,314</u>	\$ — <u>\$0</u>	\$ 183,016- <u>\$</u> <u>116,167</u>
Top <u>514</u> of 1028 (50%)¹¹												
Highest	<u>14275</u>	<u>4737</u>	<u>244374</u>	\$ 1,857,994 <u>\$1,132,267</u>	\$ 2,041,227 <u>\$1,788,510</u>	\$ 78,610 <u>\$80,862</u>	\$ 5,788 <u>\$14,994</u>	\$ 96,076 <u>\$324,534</u>	\$ 235,890 <u>\$82,504</u>	\$ 379,252 <u>\$466,998</u>	\$ 15,126 <u>\$332,664</u>	\$ 1,888,755 <u>\$988,848</u>

Lowest	<u>34</u> <u>13</u>	<u>8</u> <u>0</u>	<u>74</u> <u>63</u>	\$ — <u>\$0</u>	\$ 273,769 \$195,394	\$ 34,867 \$15,687	\$ 1,255 \$0	\$ 24,561 \$0	\$ 3,654 \$0	\$ 66,999 \$24,154	\$ — <u>\$0</u>	\$ 186,364 \$74,703
Average	<u>64</u> <u>39</u>	<u>22</u> <u>14</u>	<u>169</u> <u>160</u>	\$ 402,970 \$142,058	\$ 729,250 \$464,408	\$ 51,884 \$34,170	\$ 2,986 \$3,389	\$ 53,857 \$104,770	\$ 78,547 \$35,802	\$ 187,274 \$178,130	\$ 6,014 \$33,130	\$ 535,963 \$253,147
Number exceeding the average	15 of 5 (20 <u>14</u>) (<u>36</u> %)	25 of 5 (40 <u>14</u>) (<u>36</u> %)	35 of 5 (60 <u>14</u>) (<u>36</u> %)	14 of 5 <u>14</u> (20 <u>29</u> %)	14 of 5 <u>14</u> (20 <u>29</u> %)	24 of 5 <u>14</u> (40 <u>29</u> %)	25 of 5 (40 <u>14</u>) (<u>36</u> %)	26 of <u>5</u> <u>14</u> (40 <u>43</u> %)	27 of 5 <u>14</u> (40 <u>50</u> %)	25 of 5 <u>14</u> (40 <u>36</u> %)	2 of 5 <u>14</u> (40 <u>14</u> %)	14 of 5 <u>14</u> (20 <u>29</u> %)
Median	<u>44</u> <u>33</u>	<u>16</u> <u>11</u>	<u>187</u> <u>146</u>	\$ 22,961 \$9,875	\$ 386,026 \$296,097	\$ 42,253 \$27,147	\$ 2,493 \$1,381	\$ 27,455 \$75,240	\$ 44,145 \$32,650	\$ 152,472 \$121,997	\$ — <u>\$0</u>	\$ 199,577 \$180,566
Bottom 5<u>14</u> of 10<u>28</u> (50%)¹²												
Highest	<u>105</u> <u>72</u>	<u>28</u> <u>11</u>	<u>190</u> <u>141</u>	\$ 58,889 \$47,658	\$ 262,303 \$164,682	\$ 56,026 \$28,637	\$ 4,294 \$5,754	\$ 52,072 \$60,898	\$ 26,699 \$23,406	\$ 84,549 \$99,793	\$ 950 \$4,869	\$ 179,668 \$118,433
Lowest	<u>3</u> <u>2</u>	<u>8</u> <u>0</u>	<u>95</u> <u>12</u>	\$ — <u>\$0</u>	\$ 139,384 \$10,200	\$ 9,367 \$5,523	\$ — <u>\$0</u>	\$ 15,975 \$0	\$ — <u>\$0</u>	\$ 53,662 \$17,609	\$ — <u>\$0</u>	\$ 85,723 \$(16,854)
Average	<u>45</u> <u>22</u>	<u>15</u> <u>5</u>	<u>139</u> <u>54</u>	\$ 24,826 \$4,039	\$ 225,737 \$97,912	\$ 24,315 \$17,934	\$ 1,342 \$1,943	\$ 31,838 \$19,223	\$ 12,659 \$11,658	\$ 70,154 \$50,758	\$ 190 \$625	\$ 155,393 \$46,530
Number exceeding the average	24 of 5 <u>14</u> (40 <u>29</u> %)	27 of 5 <u>14</u> (40 <u>50</u> %)	26 of 5 <u>14</u> (40 <u>43</u> %)	2 of 5 <u>14</u> (40 <u>14</u> %)	49 of 5 <u>14</u> (80 <u>64</u> %)	26 of 5 <u>14</u> (40 <u>43</u> %)	24 of 5 <u>14</u> (40 %) <u>29</u> %	25 of 5 <u>14</u> (40 <u>36</u> %)	37 of 5 <u>14</u> (60 <u>50</u> %)	24 of 5 <u>14</u> (40 <u>29</u> %)	15 of 5 <u>14</u> (20 <u>36</u> %)	46 of 5 <u>14</u> (80 <u>43</u> %)
Median	<u>33</u> <u>18</u>	<u>10</u> <u>4</u>	<u>138</u> <u>48</u>	\$ 17,615 \$0	\$ 243,479 \$111,820	\$ 15,728 \$16,886	\$ — <u>\$1,333</u>	\$ 27,121 \$3,751	\$ 14,586 \$10,920	\$ 69,830 \$42,365	\$ — <u>\$0</u>	\$ 174,491 \$39,586

¹ “Client Data ~~2023~~2022” is divided into 3 parts: “Clients Added” is the number of new Clients served by a Business during ~~2023~~2022; “Clients Dropped” is the number of Clients that left the Business in ~~2023~~2022; and “Clients EOY” is the total number of Clients served by the Business as of December 31, ~~2023~~2022.

² “ERTC Revenue” is the Gross Revenue received by a Business from assisting clients in obtaining an employee retention tax credit (“ERTC”) from the IRS under the CARES Act or an employee leave tax credit refund from the IRS under the FFCRA. Some Businesses chose not to offer these services to clients in 2023~~2022~~ and those Businesses show no ERTC Revenue.

³ “Gross Revenue” means the total revenue derived from the sale of payroll and workforce management services including ERTC Revenue, taxes, discounts, refunds, allowances, and returns.

⁴ “Franchisee Expenses” means expenses incurred by franchised Businesses including Royalty fees, National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, Managed Social Media Fees, Technology Maintenance Fees, Payroll Software License Fees, PEPM and PCPM Fees, CRM Software and CRM Fees, Email Fees, Accounting Fees, and other fees described in the franchise agreement.

⁵ “Advertising Expenses” means marketing expenses incurred by franchised Businesses in addition to the fees required to be paid in the Franchise Agreement, i.e., National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, and Managed Social Media Fees. This category excludes expenses related to hiring outside salespersons and referral sources which are accounted for in “Sales Expenses.” Some Businesses show \$0 because they did not spend more on advertising than is required in the Franchise Agreement.

⁶ “Labor” means expenses incurred by franchised Businesses for wages, salaries, benefits,

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~~⁶ “Labor” means expenses incurred by franchised Businesses for wages, salaries, benefits, contract staffing, employment taxes and other employee related expenses. Note that Businesses with “\$0” in this column indicates that the owners performed all of the labor as owner-operators and did not have employees or pay themselves a set salary or hourly rate.~~

⁷ “Cost of Services” means the ordinary and recurring expenses incurred by franchised Businesses, including computer hardware and software maintenance, supplies, electronic banking expenses, payroll service delivery expenses, and excluding the other expenses listed in this chart, namely, franchisee expenses, advertising expenses, and labor. Some Businesses show \$0 spent because they did not report expenses to us with sufficient detail to account for this data.

⁸ “Total Operating Expenses” is the sum of the amounts in the four columns named Franchisee Expenses, Advertising Expenses, Labor, and Cost of Services.

⁹ “Sales Expenses” means the amount spent by franchised Businesses on outside referral sources and outside salespersons. Some Businesses show \$0 spent because they did not spend anything on the activities included in this category.

¹⁰ “Net Profit” is the difference when subtracting Total Operating Expenses and Sales Expenses from Gross Revenue.

¹¹ These calculations are for half of the Businesses in this group that reported the highest Gross Revenue.

¹² These calculations are for half of the Businesses in this group that reported the lowest Gross Revenue.

Summary of Part Time Franchised Businesses Reporting in 2023

Client Data ¹			ERTC Revenue ²	Gross Revenue ³	Franchisee Expenses ⁴	Advertising Expenses ⁵	Labor ⁶	Cost of Services ⁷	Total Operating Expenses ⁸	Sales Expenses ⁹	M
Clients Added	Clients Dropped	Clients EOY									
5843	3831	394177	\$ 1,320,200	\$ 2,051,129	\$ 102,273	\$ 11,184	\$ 153,752	\$ 430,231	\$ 629,139	\$ 239,952	\$ 42,000
02	0	70	\$ 203,015	\$ 364,535	\$ 45,295	\$ 24,445	\$ 202,591	\$ 38,762	\$ 277,267	\$ 42,000	1,18
1816	96	8373	\$ 69,896	\$ 243,604	\$ 22,343	\$ 2,649	\$ 29,784	\$ 71,090	\$ 125,865	\$ 13,560	(138
67 of 34 (4714 (50%))	124 of 3414 (3529%)	139 of 3414 (3864%)	\$ 44,823	\$ 179,211	\$ 23,010	\$ 4,410	\$ 62,009	\$ 17,407	\$ 106,837	\$ 11,410	104
412.5	62.5	6082.5	\$ 185	\$ 157,553	\$ 14,278	\$ 532	\$ 24,566	\$ 40,427	\$ 80,043	\$	55,
14 (50%)¹¹			\$ 38,691	\$ 175,012	\$ 20,082	\$ 3,756	\$ 45,763	\$ 15,375	\$ 92,468	\$ 1,575	
5835	3831	394177	\$ 1,320,200	\$ 2,051,129	\$ 102,273	\$ 11,184	\$ 153,752	\$ 430,231	\$ 629,139	\$ 239,952	\$
86	02	1463	\$ 203,015	\$ 364,535	\$ 45,295	\$ 5,973	\$ 202,591	\$ 38,762	\$ 277,267	\$ 42,000	(138
2721	1411	128111	\$ 69,896	\$ 243,604	\$ 22,343	\$ 2,649	\$ 29,784	\$ 71,090	\$ 125,865	\$ 13,560	104
93 of 177 (343%)	62 of 177 (3529%)	73 of 177 (4143%)	\$ 44,823	\$ 179,211	\$ 23,010	\$ 4,410	\$ 62,009	\$ 17,407	\$ 106,837	\$ 11,410	174
2818	119	11295	\$ 52,101	\$ 273,774	\$ 28,441	\$ 2,277	\$ 26,629	\$ 75,963	\$ 132,983	\$	110
f 3414 (50%)¹²			\$ 55,570	\$ 290,454	\$ 23,164	\$ 4,419	\$ 64,191	\$ 22,218	\$ 108,611	\$ 21,975	
2543	93	8083	\$ 83,258	\$ 157,308	\$ 23,549	\$ 9,884	\$ 45,805	\$ 78,373	\$ 111,891	\$ 2,329	104
			\$ 74,593	\$ 174,885	\$ 37,480	\$ 24,445	\$ 51,996	\$ 19,032	\$ 106,948	\$ 24,309	

02	0	70	\$ — \$0	\$ 20,940 \$23,635	\$ 39 \$450	\$ — \$0	\$ 11,578 \$0	\$ — \$1,035	\$ 19,327 \$18,113	\$ — \$0	(23)
812	41	3835	\$ 7,391 \$28,378	\$ 81,594 \$88,046	\$ 9,896 \$18,455	\$ 1,288 \$4,690	\$ 22,848 \$20,478	\$ 13,794 \$11,076	\$ 47,827 \$54,699	\$ 218 \$3,921	33
52 of 177 (29%)	72 of 177 (41%)	82 of 177 (47%)	4 of 177 (2%)	83 of 177 (47%)	83 of 177 (47%)	31 of 177 (18%)	63 of 177 (35%)	54 of 177 (29%)	63 of 177 (35%)	21 of 177 (12%)	
5	31	3626	\$ — \$33,586	\$ 65,810 \$60,760	\$ 9,583 \$16,589	\$ 320 \$504	\$ 22,053 \$793	\$ 1,144 \$11,248	\$ 41,903 \$44,858	\$ — \$0	35,0

¹ “Client Data 2023/2022” is divided into 3 parts: “Clients Added” is the number of new Clients served by a Business during 2023/2022; “Clients Dropped” is the number of Clients that left the Business in 2023/2022; and “Clients EOY” is the total number of Clients served by the Business as of December 31, 2023/2022.

² “ERTC Revenue” is the Gross Revenue received by a Business from assisting clients in obtaining an employee retention tax credit (“ERTC”) from the IRS under the CARES Act or an employee leave tax credit refund from the IRS under the FFCRA. Some Businesses chose not to offer these services to clients in 2023/2022 and those Businesses show no ERTC Revenue.

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⁴ “Franchisee Expenses” means expenses incurred by franchised Businesses including Royalty fees, National Advertising Fees, Local Advertising Fees, Digital Marketing Fees, Managed Social Media Fees, Technology Maintenance Fees, Payroll Software License Fees, PEPM and PCPM Fees, CRM Software and CRM Fees, Email Fees, Accounting Fees, and other fees described in the franchise agreement.

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~~¹¹ These calculations are for half of the Businesses in this group that reported the highest Gross Revenue.~~

~~¹² These calculations are for half of the Businesses in this group that reported the lowest Gross Revenue.~~

Written substantiation for the financial performance representations will be made available to the prospective franchisee upon reasonable request.

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

Other than the preceding information provided above, we do not make any representations about a franchisee's future financial performance representation, Payroll Vault Franchising, LLC does not make any or the past financial performance representations 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 1860 W. Littleton Blvd, Littleton, Colorado 80120, 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 2020~~2021~~ to 2023~~2022~~

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the end of the Year	Net Changes
Franchised	2021 2020	49	55 54	6 +5
	2022 2021	55 54	51 59	-4 +5
	2023 2022	51 59	54 53	3 -6
Company Owned*	2021 2020	3	3 4	0 +1
	2022 2021	3 4	1 4	-2 +0
	2023 2022	1 4	1 3	0 -1
Total Outlets	2021 2020	52	58	6 +5
	2022 2021	58	52 63	-6 +5
	2023 2022	52 63	55 56	3 -7

* This includes Affiliate-owned businesses.

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Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor)
For the Years ~~2020~~2021 to ~~2023~~2022

State	Year	Number of Transfers
Michigan	2021 2020	4 0
	2021	<u>1</u>
	2022	0
Oklahoma	2020	<u>1</u>
	2023 2021	0
	2022	<u>0</u>
Total	2021 2020	1
	2021	<u>1</u>
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For the Years ~~2020~~2021 to ~~2023~~2022

State	Year	Franchises at the Start of the Year	Franchises Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of the Year
Alabama	2021 2020	2	0	0	0	0	0	2
	2022 2021	2	0	0	0	0	0	2
	2023 2022	2	0	0	0	0	0	2
ArizonaCalifornia	2021 2020	5 1	0	0 1	0	0	0	5 0
	2022 2021	5 0	0	0	0	0	0	6 0
	2023 2022	6 0	0	0	1 0	0	0	6 0
CaliforniaColorado	2021 2020	9 4	1	0	1 0	0	2 0	7 5
	2022 2021	7 5	0	1 0	0	0	1 0	5
	2023 2022	5	0 1	0	0	0	0	5 6
ColoradoFlorida	2021 2020	2 10	1	0 1	0	0	0	3 10
	2022 2021	3 10	0	0 3	0	0	0	3 7
	2023 2022	3 7	1 0	0 1	0	0	0	4 6

State	Year	Franchises at the Start of the Year	Franchises Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of the Year
Florida	<u>2021</u> <u>2020</u>	2	0	<u>4</u> <u>0</u>	0	0	0	<u>4</u> <u>2</u>
	<u>2022</u> <u>2021</u>	<u>4</u> <u>2</u>	0	0	0	0	0	<u>4</u> <u>2</u>
	<u>2023</u> <u>2022</u>	<u>4</u> <u>2</u>	1	0	0	0	0	<u>2</u> <u>3</u>
Georgia	<u>2021</u> <u>2020</u>	1	<u>0</u> <u>1</u>	<u>0</u> <u>1</u>	0	0	0	1
	<u>2022</u> <u>2021</u>	1	0	0	0	0	0	1
	<u>2023</u> <u>2022</u>	1	0	0	0	0	0	1
Illinois	<u>2021</u> <u>2020</u>	<u>2</u> <u>1</u>	<u>4</u> <u>0</u>	0	0	0	<u>4</u> <u>0</u>	<u>2</u> <u>1</u>
	<u>2022</u> <u>2021</u>	<u>2</u> <u>1</u>	<u>4</u> <u>0</u>	0	0	0	0	<u>3</u> <u>1</u>
	<u>2023</u> <u>2022</u>	<u>3</u> <u>1</u>	0	0	0	0	0	<u>3</u> <u>1</u>
Indiana	<u>2021</u> <u>2020</u>	<u>4</u> <u>2</u>	<u>0</u> <u>1</u>	<u>0</u> <u>1</u>	0	0	0	<u>4</u> <u>2</u>
	<u>2022</u> <u>2021</u>	<u>4</u> <u>2</u>	0	0	0	0	0	<u>4</u> <u>2</u>
	<u>2023</u> <u>2022</u>	<u>4</u> <u>2</u>	1	0	0	0	0	<u>2</u> <u>3</u>
Kentucky	<u>2021</u> <u>2020</u>	<u>2</u> <u>1</u>	0	0	0	0	0	<u>2</u> <u>1</u>
	<u>2022</u> <u>2021</u>	<u>2</u> <u>1</u>	0	0	0	0	0	<u>2</u> <u>1</u>
	<u>2023</u> <u>2022</u>	<u>2</u> <u>1</u>	0	0	0	0	<u>4</u> <u>0</u>	1
Louisiana	<u>2021</u> <u>2020</u>	<u>4</u> <u>2</u>	0	0	0	0	0	<u>4</u> <u>2</u>
	<u>2022</u> <u>2021</u>	<u>4</u> <u>2</u>	0	0	0	0	<u>4</u> <u>0</u>	<u>0</u> <u>2</u>
	<u>2023</u> <u>2022</u>	<u>0</u> <u>2</u>	0	0	0	0	0	<u>0</u> <u>2</u>
Maryland	<u>2021</u> <u>2020</u>	<u>4</u> <u>1</u>	<u>4</u> <u>0</u>	0	0	0	0	<u>5</u> <u>1</u>
	<u>2022</u> <u>2021</u>	<u>5</u> <u>1</u>	<u>4</u> <u>0</u>	<u>0</u> <u>1</u>	0	0	<u>4</u> <u>0</u>	<u>5</u> <u>0</u>
	<u>2023</u> <u>2022</u>	<u>5</u> <u>0</u>	0	0	0	0	0	<u>5</u> <u>0</u>
Michigan	<u>2021</u> <u>2020</u>	<u>2</u> <u>4</u>	1	0	0	0	0	<u>3</u> <u>5</u>
	<u>2022</u> <u>2021</u>	<u>3</u> <u>5</u>	<u>0</u> <u>1</u>	0	0	0	<u>4</u> <u>0</u>	<u>2</u> <u>6</u>
	<u>2023</u> <u>2022</u>	<u>2</u> <u>6</u>	0	<u>0</u> <u>1</u>	0	0	0	<u>2</u> <u>5</u>
Minnesota	<u>2021</u> <u>2020</u>	<u>0</u> <u>1</u>	<u>4</u> <u>2</u>	0	0	0	0	<u>4</u> <u>3</u>

State	Year	Franchises at the Start of the Year	Franchises Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of the Year
	2022 <u>2021</u>	43	0	0	0	0	0	43
	2023 <u>2022</u>	43	0	0 <u>1</u>	0	0	0	42
Nebraska New Jersey	2021 <u>2020</u>	0	20	0	0	0	0	20
	2022 <u>2021</u>	20	0 <u>1</u>	0	0	0	0	21
	2023 <u>2022</u>	21	0	0	0	0	0	21
New York Jersey	2021 <u>2020</u>	20	0 <u>1</u>	0	0	0	0	21
	2022 <u>2021</u>	21	0 <u>2</u>	0	0	0	0	23
	2023 <u>2022</u>	23	0	0 <u>1</u>	0	0	0	2
New York Ohio	2021 <u>2020</u>	2	0	0	0	0	0	2
	2022 <u>2021</u>	2	0	0	0	0	10	42
	2023 <u>2022</u>	42	0	0	0	0	0	42
Ohio Oklahoma	2021 <u>2020</u>	24	0	0 <u>1</u>	0	0	0	23
	2022 <u>2021</u>	23	0 <u>1</u>	0 <u>1</u>	0	0	0	23
	2023 <u>2022</u>	23	0 <u>1</u>	0 <u>3</u>	0	0	0	21
Oklahoma Pennsylvania	2021 <u>2020</u>	42	0 <u>1</u>	0	0	0	0	43
	2022 <u>2021</u>	43	0	0	0	0	0	43
	2023 <u>2022</u>	43	0	0 <u>1</u>	0	0	0	42
Pennsylvania South Dakota	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0	1
	2023 <u>2022</u>	1	0	0	0	0	0	1
South Dakota Oregon	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0	1
	2023 <u>2022</u>	1	0	0	0	0	0	1
Oregon Tennessee	2021 <u>2020</u>	0 <u>1</u>	40	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0	1

State	Year	Franchises at the Start of the Year	Franchises Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operation - Other Reasons	Outlets at End of the Year
	2023 <u>2022</u>	1	0	0	0	0	0	1
Tennessee <u>Texas</u>	2021 <u>2020</u>	40	31	0	0	0	0	71
	2022 <u>2021</u>	71	0	0	0	0	20	51
	2023 <u>2022</u>	51	40	0	0	0	40	51
Texas <u>Utah</u>	2021 <u>2020</u>	45	01	01	0	0	1	05
	2022 <u>2021</u>	05	03	01	0	0	0	07
	2023 <u>2022</u>	07	0	01	0	0	0	06
Utah <u>U.S. Virgin Islands</u>	2021 <u>2020</u>	40	01	0	0	0	0	1
	2022 <u>2021</u>	1	0	0	0	0	0	1
	2023 <u>2022</u>	1	0	01	0	0	0	40
U.S. Virgin Islands <u>Virginia</u>	2021 <u>2020</u>	1	0	0	0	0	0	1
	2022 <u>2021</u>	1	40	0	0	0	0	21
	2023 <u>2022</u>	21	0	0	0	0	0	21
Virginia <u>Washington</u>	2021 <u>2020</u>	01	0	0	0	0	0	01
	2022 <u>2021</u>	01	1	40	0	0	0	02
	2023 <u>2022</u>	02	0	0	0	0	0	02
Total	2021 <u>2020</u>	49	1211	15	10	01	40	554
	2022 <u>2021</u>	554	411	26	10	0	70	519
	2023 <u>2022</u>	519	54	010	0	0	20	543

Table No. 4
Status of Company/Affiliate-Owned Outlets
For the Years ~~2020~~2021 through ~~2023~~2022

State	Year	Outlets As of the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisees	Outlets at the End of the Year
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State	Year	Outlets As of the Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisees	Outlets at the End of the Year
Colorado Arizona	2021 2020	<u>20</u>	0	<u>0</u> 1	<u>0</u> 1	0	<u>20</u>
	2022 2021	<u>20</u>	0	0	<u>1</u> 0	0	<u>40</u>
	2023 2022	<u>40</u>	0	0	0	0	<u>40</u>
Hawaii Arkansas	2021 2020	<u>40</u>	0	0	0	0	<u>40</u>
	2021	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2022	<u>1</u>	0	0	0	<u>1</u> 0	<u>0</u> 1
California	2023 2020	<u>0</u> 1	0	0	0	0	<u>0</u> 1
Totals	2021	<u>31</u>	0	0	<u>0</u> 1	0	<u>30</u>
	2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2020	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Colorado	2020	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2021	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2022	<u>31</u>	0	0	<u>1</u> 0	<u>1</u> 0	<u>1</u>
Connecticut	2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2023 2021	<u>40</u>	<u>0</u> 1	0	0	0	<u>1</u>
	2022	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Hawaii	2020	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2021	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
	2022	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
Totals	2020	<u>3</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>3</u>
	2021	<u>3</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>4</u>
	2022	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>3</u>

Table No. 5
Projected Openings as of December 31, ~~2023~~2022

State	Franchise Agreements Signed but not Opened	Projected new Franchise Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Next Fiscal Year
Arizona	0	1	0
California	0	<u>2</u>	0
Colorado	<u>20</u>	1	0
Connecticut	<u>1</u>	0	0
Delaware	<u>1</u>	0	0
Florida	0	<u>1</u> 2	0
Georgia Illinois	<u>40</u>	<u>0</u> 2	0
New York	0	1	0
New Jersey	0	<u>1</u>	0
Texas	0	3	0
Virginia	0	1	0
TOTALS	<u>50</u>	11	0

Exhibit D lists the names of all franchisees, including their addresses and telephone numbers of their outlets as of December 31, ~~2023~~2022.

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, cancelled, 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.

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

No trademark-specific independent franchisee organizations have asked to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit H are our audited financial statements for the periods ending December 31, ~~2020~~2021, December 31, ~~2022~~2021, and December 31, ~~2023~~2022. Also attached is our unaudited financial statements for the period ended April 30, 2023.

Our fiscal year ends on December 31.

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ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following contracts:

Exhibit B	Franchise Agreement
Exhibit F	Renewal Amendment
Exhibit I	General Release

<u>Exhibit J</u>	<u>Nondisclosure and Noncompetition Agreement and Notice of Restrictive Covenants</u>
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<u>Exhibit K</u>	<u>Notice of Restrictive Covenants</u>
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ITEM 23

RECEIPT

The last page of the Disclosure Document (following the exhibits and attachments) is a document acknowledging receipt of the Disclosure Document by you (one copy for you and one copy to be signed and returned to us).

Exhibit A
List of State Agencies/Agents for Service of Process

California

Department of Financial Protection and
Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677

2101 Arena Blvd.
Sacramento, CA 95834
(916) 445-7205
(866) 275-2677

Maryland

Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

State of Michigan
Consumer Protection Division
Attention: Franchise
P.O. Box 30213

Rhode Island

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

South Dakota Department of
Labor and Regulation
Division of Insurance - Securities Regulation

1455 Frazee Road, Suite 315
San Diego, CA 92108
(619) 610-2093
(866) 275-2677

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 972-8559
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
Terry Lee Rhodes Building
2005 Apalachee Parkway
Tallahassee, FL 32399-6500
(850) 488-2221

Hawaii

Department of Commerce and
Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

California

Commissioner of Financial Protection and
Innovation
California Department of Financial
Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500
(866) 275-2677

Hawaii

Commissioner of Securities
Department of Commerce and Consumer

Lansing, MI 48909
(517) 373-7117

Minnesota

Minnesota Department of Commerce
Securities Unit
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

Nebraska

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509
(402) 471-3445

New York

New York State
Department of Law
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005
(212) 416-8222

North Dakota

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

Oregon

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Michigan

Michigan Department of Commerce
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, MI 48910
(517) 334-6212

Minnesota

Minnesota Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1600

124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission
Division of Securities and
Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Securities Administrator
Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Department of Financial Institutions
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

Rhode Island

Director of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota

Director of South Dakota Division of
Insurance
124 S. Euclid, Suite 104
Pierre, SD 57501

Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, IN 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

New York

New York Secretary of State
99 Washington Avenue
Albany, NY 12231
(518) 473-2492

North Dakota

North Dakota Securities Commissioner
600 E. Boulevard Avenue
State Capitol, 5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

Oregon

Director of Oregon Department of
Insurance and Finance
700 Summer Street, N.E.
Suite 120
Salem, OR 97310
(503) 378-4387

(605) 773-3563

Virginia

Clerk of the State Corporation
Commission
1300 East Main Street, 1st Floor
Richmond, VA 23219
(804) 371-9733

Washington

Securities Administrator
Washington State Department of
Financial Institutions
150 Israel Road S.W.
Tumwater, WA 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Box 1768
Madison, WI 53703
(608) 261-9555

Exhibit B
Franchise Agreement

**EXHIBIT B
FRANCHISE AGREEMENT**

**PAYROLL VAULT FRANCHISING, LLC
FRANCHISE AGREEMENT**



THIS CONTRACT IS SUBJECT TO ARBITRATION

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EXHIBIT 4 COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION		1
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**PAYROLL VAULT FRANCHISING, LLC
FRANCHISE AGREEMENT**

FRANCHISE AGREEMENT

This Franchise Agreement (“**Franchise Agreement**” or “**Agreement**”) is entered into and made effective as of _____ the “Effective Date” between Payroll Vault Franchising, LLC, a Colorado limited liability company having a principal place of business at 1860 W. Littleton Blvd, Littleton, Colorado 80120, (“**we**,” “**us**,” “**our**,” or “**Franchisor**”), and _____ and _____ having a principal place of business located at _____ (“**you**,” “**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 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, as to the terms of this Franchise Agreement, and you agree that your consistent and uniform operation of the Business using the System is essential.

In consideration of the mutual covenants of this Franchise Agreement, you and we agree as follows:

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 Agreement, the following capitalized terms 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 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, fingerprinting, proof of timely tax filings, and tax payments) before granting approval to collect and remit payroll taxes for your Clients and their employees.

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

“**Additional Software Training**” means the additional training you may ask for or we may require of you to ensure your understanding of the various software programs used in the Business.

“**Additional Software Training Fee**” means the then-current hourly fee that we will charge for the Additional Software Training.

“**Additional Training Fee**” means the fee that we are then charging for the delivery to you of training requested by you or required by us.

“Affiliate” or “Affiliates” means Payroll Services Group, LLC, a Colorado limited liability company (**Services Affiliate**) and any other entities affiliated with us from time to time. We may add affiliates at any time, and you may be obligated to work with one or more of our Affiliates.

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

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

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

“APA Training” means the basic payroll training you must take before attending other training, as more specifically identified in Article 7.

“APA Training Fee” means the fees the APA charges to take their training. It does not include the membership fee.

“Applicable Law” means any municipal, county, state, federal, or international law that has jurisdiction over the operation of your Business or that you must follow to legally operate your Business.

“Change of Control” refers to one of the following circumstances: (i) a 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; (iv) through the Transfer of so much of the equity interests equal 49% or more to a Person other than you; (v) by a Transfer of any equity interest to a voting agreement, voting trust, or the like); or (vi) 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 who has not first been approved by us.

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

“Client” means the Person 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 and Workforce Management Services under this Agreement.

“Competitive Business” means a business that delivers the services offered by the System during any Term or as of the date of the expiration, termination, or Transfer of your franchise rights, where such payroll or other services make up more than 5% of the Gross Revenue of the business deemed to be competing.

“Compliance” means that when Compliance is required under this Agreement, you, (i) are current in all respects in reference to this Agreement and will be in Compliance at the time you and we execute any document or take any action that requires Compliance; and (ii) have received no more than four written notices of breach of this Agreement (each of which was cured) during the Initial Term and four times during any Successor Term.

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

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

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

“Default Interest” means the then-current interest we charge on late payments. Default Interest will never be greater than the greatest amount allowed by your state’s laws. Default Interest is compounded monthly.

“Default Notice Fee” means our then-current fee charged to you if you default under this Agreement. We may increase this fee at any time after giving you no less than 60 days prior written notice.

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

“Effective Date” is the date we fully execute this Agreement. There is not a contract between us until that date, regardless of the order in which signatures are obtained.

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

“End User License Agreement” or “EULA” means the agreement attached as Exhibit 5 that you will sign to access the Payroll Software.

“Exception Fees” mean the fees we may be charged (and will then charge you) for any changes to current fees or for new fees that may be assessed by the Payroll Software supplier or that we may have to pay because you failed to administer your accounts properly. We will charge the amount of the Exception Fee plus the greater of \$50 or 10% of the fees that we are assessed due to such administrative errors. We may increase the fees at any time and in any amount after giving you no less than 60 days’ prior written notice.

“Force Majeure” means that except for monetary obligations, which are due regardless of the existence of an event of Force Majeure (or as otherwise excluded from an Event of Force Majeure under this Franchise Agreement,) if either of us is delayed or hindered in or prevented from the performance of any act required under this Agreement because of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, epidemic, pandemic, or other county, statewide, national or international health emergency, riots, insurrection, war, or other causes beyond your or our reasonable control (an **“Event of Force Majeure,”**) then the performance of such work or act will be excused for the period of the delay, but in no event to exceed 45 days from the stated periods in this Agreement.

“Franchised Business” means the business 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 a term, covenant, or condition.

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

“Digital Marketing Account” or “DM Fund” means the account into which the DM Fee is deposited under Article 3.

“Digital Marketing Fee” or “DM Fee” means our then-current fee paid to us to optimize all websites that advertise for clients, for the online purchase of keywords and other digital marketing concepts.

“Email Fee” means our then-current fee per month charged by us for each email address over the first five addresses that are given to you.

“Franchisee Parties” means you, your Principal Operator, any of your officers, directors, Managers, Members, the holder of any equitable interest in you, your family members that actively participate in the Franchised Business, any Guarantor, and all others who may take an active role in the operation of the Franchised Business. The reference in this Franchise Agreement to the Franchisee includes the reference to the Franchisee Parties even though the Franchisee Parties may not be specifically identified.

“Franchisee Quota” has the meaning given to it in [Article 2](#).

“Franchisee Training” means the training program provided by us which is an online, live program, as further described in [Article 7](#).

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

“Franchisor” means the business entity identified as the Franchisor and also includes Franchisor’s parent, predecessors, Affiliates, Franchisor’s officers, directors, shareholders, members, member managers, managers, partners, agents, attorneys, and all others that direct and control the Franchisor, plus the respective shareholders, directors, officers, managers, members, employees, and agents, and all successors, and assignees of the parent or of any 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](#).

“Governmental Authority” means any municipal, county, state, federal, or international governing body that has jurisdiction over the operation of your Business.

“Gross Revenue” means the total of all revenues and income from the sale of all products, merchandise, services, and other related items to your Clients (including your **“Pre-Existing 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 Revenue all sales tax or similar taxes, which by law are chargeable to Clients by any taxing authority collected by you. You may also deduct from Gross 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” or “IFF” means the initial fee that you will pay us at the time you are awarded a franchise ([Article 3](#)).

“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 to avoid such Involuntary Transfer.

“Late Fee” means our then-current late fee for failure to make timely payments.

“Licenses” refers to all licenses that you may be required to have to operate the Franchised Business and may include any business or professional licenses and any other license required by Applicable Law.

“Local and State Tax Reporting Fee” means the then-current fee we charge to cover reporting fees charged by Governmental Authorities that have control over the same.

“Local Marketing and Advertising” means the marketing and advertising we require you to place in your Territory.

“Local Marketing and Advertising Fee” means the then-current amount we require you to spend on Local Marketing and Advertising.

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

“Managed Social Media Program” or “MSMP” is the voluntary program we offer for the management by us of your monthly social media posts. The **“MSMP Fee”** is the then-current fee we charge for your participation in the MSMP.

“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 disclose the operating methods you must use in the Franchised Business.

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

“Minimum Royalty” has the meaning given to it in [Article 3](#).

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

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

“National Advertising Fee” has the meaning given to it in [Article 3](#).

“Open Territory” has the meaning given to it in [Section 2.3](#).

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

“Operational Standards” means those standards that we require you to follow to ensure the delivery of consistent and professional services to your Clients. The Operational Standards are part of the System.

“Operational Standards Support and Training” means the additional training you may request from us (or that we may require you to take) if our Operational Standards are not being met.

“Operational Standards Support and Training Fee” means the then-current fee we charge for delivering to you Operational Standards Support and Training.

“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.

“Payment Card Industry Data Security Standards” or “PCI-DSS” (currently found at <https://www.pcisecuritystandards.org/>) are security rules that you must follow if you accept payment cards from Clients.

“Payroll and Workforce Management Services” means delivery to a Client of software-based payroll services, including payroll check writing, payroll tax payment, reporting, independent contractor check writing and reporting, and related “Human Capital Management” (HCM) and workforce management services.

“Payroll Software” means the business payroll software we license to you, as more fully identified in [Article 2](#) below.

“Payroll Software License Fee” means the then-current monthly fee we charge for licensing the Payroll Software to you.

“Payroll Software Training” means the training program provided by our designated software provider, as further described in [Article 7](#).

“Percentage Royalty” has the meaning given to it in [Article 3](#).

“Per Client Per Month” or “PCPM” fee means the then-current fee we charge per Client as part of our Payroll Software License Fees.

“Per Employee Per Month” or “PEPM” fee means the then-current fee we charge per Employee of each Client as part of our Payroll Software License Fees.

“Permanent Disability” means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or 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 120 days from the onset of such disability, impairment, or condition.

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

“Phone Services” means VoIP or similar phone services that you must use. We may suggest a provider, but you are not required to use it.

“Pre-existing Clients” are those Clients to whom you are delivering Payroll and Workforce

Management Services on or before the Effective Date of this Agreement.

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

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

“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 Term if you qualify under Article 4.

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

“Royalty” means the monthly amount you pay us of the greater of the Percentage Royalty or Minimum Royalty as more fully stated in Article 3.

“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 the then-current fee that we may charge in exchange for participating in a Special Project.

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

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

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

“System” means and includes the Marks; the training we deliver to you; the Manuals, handouts, or similar written or electronic information; standards and procedures that you will use in the day-to-day operation of the Business; our Operational Standards; 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 by following our System. This definition may be supplemented by another covenant of this Franchise Agreement and by us from time to time.

“Technology Startup Fee” means the then-current initial fee paid ~~with the IFF upon opening,~~ which will be used to create your presence on our website, and **“Technology Maintenance Fee”** means the then-current Technology Maintenance Fee charged monthly to maintain your web presence.

“Term” means the Initial Term, an individual Successor Term, or any combination of the Initial Term and Successor Franchise Right Terms as the sentence or paragraph may determine. If in doubt, a “Term” reference will include the Initial Term and all Successor Terms.

“Territory” means the territory in which your Franchised Business is located. The Territory includes a population of at least 5150,000 businesses/individuals. The size of your Territory may increase if you are awarded the right to one or more Additional Territories. Your Territory and any Additional

Territory may be defined by ZIP codes, street names, or other natural or man-made boundaries and will be of no particular geometric shape.

“Transfer” means and includes the voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition of any interest in (i) this Franchise Agreement; (ii) Franchisee’s equity ownership as stated in the Statement of Ownership attached hereto as Exhibit 1; or (iii) any assets, including clients, of the Party’s business (other than in the normal course of business). A **Transfer** also includes any assignment, sale, gift, or other disposition and includes (i) a Transfer as a gift to any Person; (ii) a Transfer resulting from a divorce, insolvency, or business-entity dissolution proceeding; (iii) by operation of law; (iv) in the event of the death, the Transfer or disposition by will or under the laws of intestate succession; (v) by the declaration of or Transfer into trust; (vi) by any other direct or indirect assignment, sale, gift, pledge, mortgage or the granting of any security interest encumbering the assets of the Party; (vii) as the result of any merger, stock redemption, consolidation, reorganization, recapitalization or other transfer of control of you; and, (viii) by any other direct or indirect means.

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

“Unique Domain” means the website we may allow you to operate under Section 3.

“Unique Domain Fee” means the then-current fee that we charge for monitoring your Unique Domain.

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

1.2. Grant of Franchise

We grant you, and you accept from us, the non-exclusive right to use the System in connection with the establishment and operation of one Business at the Franchised Location. You agree to use the Marks and the System as they may be changed, improved, and further developed by us from time to time, only under the terms and conditions of this Agreement. You and all Franchisee Parties represent, warrant, and agree that Exhibit 1 is current, complete, and accurate. You agree that you will update Exhibit 1 within 30 days of any change.

1.3. Scope of Franchise Operations

You will comply at all times with your obligations under this Agreement and will continuously use your best efforts to promote and operate the Business. You will utilize the Marks, System, and Manuals to operate all aspects of the Business. The Business will offer all products and services that we designate and will not offer or sell products and services not previously approved in writing by us.

1.4. Reasonable Business Judgment

a. We will use our Reasonable Business Judgment to exercise 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 choices 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. We are not required to consider your or any 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 benefit 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 inconsistent with a fair construction of the terms of this Franchise Agreement.

b. As part of our Reasonable Business Judgment, and 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 you the same or a similar variance.

1.5 Reservation of Rights

- a. Our Affiliates and we reserve the right, among others to,
 - i. own, franchise, license, 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 Territory;
 - ii. use the Marks and the System to sell any products or services (which may be similar to those you will sell) through any alternate channels of distribution such as television or over the internet within or outside the Territory. You cannot use alternate channels of distribution without our express permission, which may be granted or denied for any reason or no reason at all. If we use alternate channels of distribution, including the internet within your Territory, we are not required to compensate you;
 - iii. use and license others to use, either within the 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 Territory; and
 - vi. retain all other rights not explicitly granted to you.
- b. Though we can use alternative channels of distribution within your 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 the disclosure document. We reserve the right to do so at any time.

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1.6 Other Covenants Relating to the Grant of this License

a. **THIS AGREEMENT DESCRIBES THE TERMS AND CONDITIONS ON WHICH WE CURRENTLY OFFER FRANCHISES TO NEW FRANCHISEES. FROM TIME TO TIME, WE MAY OFFER FRANCHISES OR LICENSES UNDER DIFFERENT TERMS AND CONDITIONS TO ENHANCE, BUILD, AND PRESERVE THE SYSTEM.**

b. You covenant, represent, warrant, and acknowledge that we are relying upon such covenants, representations, and warranties in making our decision to enter into this Agreement:

i. You acknowledge that you have received and have read this Agreement and all exhibits attached hereto. Specifically, we have advised you to seek out and use professional counsel of your choosing to interpret any terms, covenants, or conditions of this Agreement and advise on the relationship overall. It is your sole and exclusive obligation to obtain such counsel, and we will not provide any legal, financial, or other counsel about this Agreement.

ii. You have adequate funding to purchase and operate the Franchised Business and, as a result, are financially capable of undertaking the risks involved in the opening and operation of a business. You know of no circumstances that would lead to litigation against you in the future.

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

iv. You are not a party to any litigation or legal proceedings other than those disclosed to us in writing.

v. You and your owners agree to comply with and to assist us to the fullest extent possible in our efforts to comply with “**Anti-Terrorism Laws**,” as defined below, and you and 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 you and your 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 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 your, your owners, their employees, or anyone associated with you 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 you acknowledge and agree that your 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 you will constitute grounds for immediate termination of this Franchise Agreement and the immediate termination of any other agreements between us.

c. “**Anti-Terrorism Laws**” mean 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.

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

e. We may, in the future, receive rebates and material benefits from vendors with whom you are required to do business. We may or may not contribute any rebates or material benefits to the National Advertising Fund, in our sole discretion.

1.7 ACH Qualifications, ACH Rights and Other Governmental and Payment Prerequisites

~~a. As part of your opening process, you must obtain ACH Rights from a local bank or an ACH provider of your choosing. Each bank or ACH provider may have ACH Qualifications different from other banks or ACH providers. You must have secured ACH Rights within 90 days of the Opening Date.~~

~~b.a. You are solely responsible for determining what ACH Qualifications your bank or ACH provider requires of you to obtain the ACH Rights.~~

~~e. If you fail to obtain ACH Rights within 90 days of the Opening Date, we have the right to terminate this Agreement (though all covenants that must survive termination, including the restrictive covenants of Articles 6 and 15, will survive and remain enforceable) and we will refund \$8,000 of your IFF. The balance will be retained by us to cover our costs in providing additional training and services to you during this period and for a profit.~~

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

e.b. 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 ABIDING BY ALL RULES AND REGULATIONS THAT GOVERN YOUR ACH RIGHTS.

~~f.c. Also, a Governmental Authority or Applicable Law may require registration, fingerprinting, 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.~~

~~g.d. To the extent that you accept credit cards or similar electronic payments from Clients, you must comply with the Payment Card Industry Data Security Standards (PCI-DSS) standards (<https://www.pcisecuritystandards.org/>). You are solely responsible for meeting these requirements.~~

ARTICLE 2

OPENING DATE, TERRITORY, ADDITIONAL TERRITORY, EQUIPMENT, QUOTA, AND ADDITIONAL RIGHTS

2.1 Opening Date

You must complete Franchisee Training, APA Training and Payroll Software Training, within 89 days of the Effective Date. You will open for business on the first business day after completing ~~this training~~ the Franchise Training (you will be considered open even if APA Training and Payroll Software Training has not been completed as these are self-paced and online) (“**Opening Date**”). Other than your ~~ACH Rights~~ insurance (which you have 90 days after the Opening Date to obtain), you must have in place all ~~insurance~~, permits, and Licenses by the Opening Date. We may extend the Opening Date for a reasonable time (not to exceed 30 days) if 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 Opening Date.

2.2 Territory, Additional Territory, Franchised Location and Inbound Leads

a. Before signing this Agreement, you and we will agree on the perimeter of your Territory that will encompass a population of no fewer than 5150,000 businesses of any size individuals. The

Territory will be described in an Addendum attached to this Agreement as Exhibit 2.

b. It is anticipated and expected that you will operate the Franchised Business from your home or your current office space located within the Territory or Additional Territory (“**Franchised Location**”). You must notify us of the physical address of your Franchised Location before you open for business.

i. You may relocate the Franchised Business at any time within your Territory or Additional Territory. You must immediately provide us with the address of the new Franchised Location once you have identified it. We do not review or approve your Franchised Location and do not review or approve any lease.

ii. As with any business, you must ensure that your Franchised Location meets local ordinances and building codes and obtain any necessary permits. We have no criteria for the design of the Franchised Location.

c. **Additional Territory.**

i. If you did not purchase an Additional Territory when you initially purchased the franchise, you may request an option to purchase an Additional Territory after you have been in business for a minimum of 12 full months (as measured from the Opening Date). If you desire to increase the size of your Territory after you have been operating for at least 12 months, and if you qualify, we may give you the option to purchase an additional contiguous geographic area (“**Additional Territory**”) containing either 2,500 businesses or 5,000 businesses, a population of 75,000 individuals or a population of 150,000 individuals. You will be granted this option if:

A. you are meeting all of your obligations under this Agreement on the date that you request an Additional Territory and on the date that we grant you the option to purchase an Additional Territory;

B. you have not breached this Agreement any time before your request;

C. you have met the Franchisee Quota at all times before your request; and

D. using our Reasonable Business Judgment, we grant you the option. As part of our decision, we will determine whether you have sufficient employees or contractors and sufficient financial resources and business acumen to operate a larger Territory.

ii. There is no guarantee that you will be granted an option to purchase an Additional Territory.

iii. If you are granted the option and purchase an Additional Territory, you will pay the then-current Additional Territory Fee, and your Royalty will increase as stated in Article 3. We may increase the Additional Territory Fee at any time and amount. We will give you 60 days’ prior written notice before increasing this fee.

d. You may advertise anywhere and may service Clients from anywhere. This means that you may have Clients within the Territory of another franchisee or Affiliate-owned business, and another franchisee or Affiliated-owned business may have Clients within your Territory.

e. We will not increase or decrease the size of your Territory even if the number of businesses within your Territory increases or decreases.

f. **Inbound Leads**

Our web page, digital marketing, national branding, public relations, and online 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 franchise, it will be routed to the franchisee in whose Territory the Inbound Lead originated or that we believe using our Reasonable Business Judgment is best qualified to service the Client. If there is no franchisee in that area, the Inbound Lead will be routed to the franchisee whose Territory is the closest or the best qualified and who is participating in our National Account program, discussed below. As a result, some franchisees may receive more leads than others.

g. **National Accounts** We reserve the right to enter into contracts and strategic alliances with “National Accounts” for the provision of services to Clients referred or assigned to the System by a National Account. A “National Account” is a business or organization that: (1) conducts operations, directly or through agents, affiliates, independent contractors, franchisees or licensees, in two or more Territories in the United States in which the Franchisor or Payroll Vault franchisees are operating Franchised Businesses; and (2) has a written contract or strategic alliance with us for the purpose of providing referrals or assignments of Clients in need of Payroll and Workforce Management Services within such Territories. We make no guarantee that we will develop or maintain contracts or strategic alliances with a particular number of National Accounts, if any, or that if we do, that you will receive any National Account referrals or assignments in your Territory. We will provide you with a right of first refusal to provide Payroll and Workforce Management Services to Clients who reside in your Territory and who are referred or assigned by the National Account (“**National Account Clients**”) unless you are not eligible to provide the Payroll and Workforce Management Services. To be eligible, you must be able to provide Payroll and Workforce Management Services to National Account Clients based on rules (e.g., qualifications, conditions for availability, resources, price and billing terms, or other requirements), guidelines or other terms and conditions agreed to between us and the National Account or as otherwise directed by the National Account.

In the event you cannot or do not elect to provide Payroll and Workforce Management Services to National Account Clients in your Territory based on the National Account program or you violate our agreement with the National Account or standards set by the National Account, then you will not provide Payroll and Workforce Management Services to those Clients during the term of the National Account agreement or program. In these circumstances, you will not be entitled to receive any portion of the resulting compensation.

In the event you have the opportunity to provide services to a Client in your Territory that has the potential to become a National Account, you will provide us with the relevant information about the potential National Account before providing any services to such Client. Further, you agree to refrain from engaging the Client at locations outside of your Territory unless you agree with us in writing on the specific terms of such engagement.

2.3 Franchisee Quota

a. You are required to meet the following minimum performance criteria (“**Franchisee Quota**”) which is a material covenant in this 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 and Workforce Management 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 and Workforce Management Services billing average of \$12,500.

b. Failure to meet your Franchisee Quota is a material violation of this Agreement. If you fail to meet or maintain the Franchisee Quota for any 12-month period, we have the right, in our sole discretion, to: (i) designate your Territory as an “**Open Territory**” and permit other franchisees or Affiliate-owned Businesses to sell Payroll and Workforce Management Services in your Territory; (ii) terminate your franchise rights without any right to cure; or (iii) require you to attend the Missed Quota Additional Training. If you attend Additional Training, you will have 9 months after completing Additional Training to increase the number of Clients to meet the Franchisee Quota. If, after completing Additional Training and the 9 months, you have failed to meet the applicable Franchisee Quota, we have the right to terminate your franchise rights or declare that your Territory is “Open” meaning that another franchisee, or an Affiliate-owned Business, may operate in your Territory. You may be required to pay the then-current Missed Quota Additional Training Fee and pay your travel, room, and board if you travel to us or our travel, room, and board if we travel to you.

2.4 Furniture, Fixtures and Equipment, Computer System, 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 as disclosed in our Manual.

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

c. You must own or lease the Computer System configured as more fully described in the Manual. You must have a license to use Microsoft 365 Business Standard and QuickBooks Online, for which you pay the then-current fees.

d. You must maintain the Computer System to keep all of the components operational. You may be required to update the Computer System no more often than once every five years.

e. You must use a VoIP service provider of your choice and pay the approved vendor its monthly fee. You may have an option to purchase phone line services from an approved vendor through us by paying us a monthly fee.

f. We will license the Payroll Software to you. We reserve the right to change Payroll Software vendors at any time after giving you 60 days’ prior written notice. This may result in additional fees to you. You are required to sign the EULA found in Exhibit 5. Under the EULA, we may be charged Exception Fees which we will pay and require you to reimburse us, for any changes to current fees or for new fees that may be assessed because you failed to administer your accounts properly.

g. Upon the sale of the Franchised Business to a third party, or the Transfer, expiration, or earlier termination of this Franchise Agreement, our Payroll Software vendor 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. We also reserve the right to change at any time the supplier of required Payroll Software.

We will give you no less than 60 days' written notice of such change, and you must comply by the end of that period.

- i. You will also need other equipment, as is more fully stated in the Manuals.
- j. We will have independent access to all of the databases on your Computer System at any time, except we will never disclose any personally identifiable information of a Client and employee. If your databases are passcode protected, you will provide the code to us upon request. Except as stated here, there are no other contractual limitations on our access to your information.

ARTICLE 3

FEES, ADVERTISING, and REPORTING

3.1 Initial Fees and Fees Payable Before Opening

- a. The IFF is disclosed in the Addendum attached as Exhibit 2. If you are an honorably discharged veteran or honorably discharged first responder, your IFF will be reduced by 10%.
- b. The IFF represents payment, in part, for expenses incurred by us in furnishing valuable resources, including the Manuals, sales playbooks, workbooks, checklists, and Franchisee Training.
- c. You will also pay us the Technology Startup Fee before opening.
- d. If you fail to complete training (Article 7) to our satisfaction before you open, we may terminate this Agreement or your franchise rights (though all covenants of this Agreement that survive termination, including the restrictive covenants of Articles 6 and 15 will remain enforceable), but we will not refund any portion of the IFF.
- ~~e. If you fail to obtain ACH Rights within the 90 days after your Opening Date, we have the right to terminate your Franchise Agreement or your franchise rights (though all covenants that survive termination, including the restrictive covenants of Articles 6 and 15, will remain enforceable) and we will refund \$8,000 of your IFF. If you lose your ACH Rights during any Term of this Agreement, we have the right to terminate this Agreement or your franchise rights (though all covenants that survive termination, including the restrictive covenants of Articles 6 and 15, will remain enforceable).~~

3.2 Royalties

- a. Beginning with the third full month after your Opening Date, and then for the remainder of the Initial Term, you will pay the monthly Royalty that is the greater of 6% of your Gross Revenue (“**Percentage Royalty**”) or \$400 (“**Minimum Royalty**”).
- b. **Additional Territory Royalties:**

i. If you purchase an Additional Territory of ~~2,500 businesses~~ 75,000 individuals, you will pay monthly, the greater of the Percentage Royalty or the Minimum Royalty which will increase to \$600; and,

ii. If you purchase an Additional Territory of ~~5150,000 businesses~~ individuals, you will pay monthly the greater of the Percentage Royalty or the Minimum Royalty, which will increase to \$800.

3.3 Technology Maintenance Fee

~~Beginning with the third month after you open, you~~ You will pay the then-current Technology Maintenance Fee. 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.

3.4 Advertising, Advertising Fees, DM Fee, CRM Fee, MSMP Fee, and Payroll Software Fee

a. Local Advertising:

i. Beginning with the third month after your Opening Date, you will be required to spend a minimum of 1% per month of Gross Revenue (“**Local Marketing and Advertising Fee**”) on Local Marketing and Advertising. Subject to the next paragraph, you may spend any additional amount on Local Marketing and 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 approved.

iii. In our sole discretion, we may allow you to obtain a domain name and host your own website (“**Unique Domain**”) or advertise on social media, through blogs, vlogs, and similar opportunities. If we grant you this right: (i) you must use the hosting services we designate; (ii) we must approve the content of each page of the website and the content of all social media, blogs, vlogs, and similar opportunities; (iii) we will give you direction on how and where to place our Marks; and, (iv) you will pay the then-current Unique Domain Fee which is due in March of each year and is payable with the Royalties. Upon the expiration, or termination, or a Transfer of this Agreement, all of the above will remain our sole property. You will cooperate with us in completing the assignment of any of the above to us at your cost. At the time you sign this Agreement, you will sign the “**Collateral Assignment of Contact and Electronic Information**” found at Exhibit 4 attached to this Agreement.

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

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

i. Beginning with the third full month after your Opening Date, you will pay the then-current advertising fee (“**National Advertising Fee**”) - currently \$300 per month – to the national advertising fund (“**National Advertising Fund**”). The National Advertising Fee is due at the same time as

your Royalties. We may change the amount collected at any time after giving you no less than 60 days' prior written notice.

ii. The National Advertising Fund shall be accounted for separately from our other funds and shall not be used to defray any of our general operating expenses, except for such reasonable administrative costs, salaries and overhead as we or our affiliates may incur in activities related to the administration of the National Advertising Fund and its marketing programs. Any monies not used in any year will be carried over to the next year. The National Advertising Fund is not a trust, and we assume no fiduciary duty in administering it.

iii. We will administer the National Advertising Fund in our sole discretion. The proceeds may be used for the creation, production, and placement of advertising reasonably intended to benefit some or all franchisees, in any local, regional, or national medium and will pay in-house or outside local, regional, or national agency costs and commissions, costs associated with the preparation of and presentation of the annual convention, creation and production of the Internet, video, audio, and written advertisements, and for the payments to us of costs related to administering the National Advertising Fund such as reasonable salaries, administrative costs, repayment of loans made for the benefit of National Advertising (made by us, an affiliate or a third party), and costs allocated to travel expenses, and overhead. National Advertising Fees will not be used to sell additional franchises.

iv. We make no guarantee to any franchisee or you that advertising expenditures from the National Advertising Fund will benefit you or any other franchisee directly or on a pro-rata basis. We assume no fiduciary or other direct or indirect liability or obligation to you concerning collecting amounts due to the National Advertising Fund or maintaining, directing, or administering the National Advertising Fund.

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

vi. We reserve the right, upon 30 days prior written notice, to allocate all or a portion of the National Advertising Fee to a regional advertising program to benefit franchised businesses located within a particular region ("**Regional Advertising Program**"). We have the right to determine the composition of the market areas included in a Regional Advertising Program and to require you to participate if a program is established. If a Regional Advertising Program is implemented, we will only use contributions from franchisees within that region 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 deliver them to you no earlier than 90 days after its calendar year-end.

vii. We intend for the 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 National Advertising Fund, however, until all contributions and earnings have been used for the purpose for which they were collected. We also have the right to change, dissolve, or merge any Regional Advertising Program.

viii. There is no advertising council or advertising cooperative though we reserve the right to create one after giving you 60 days prior written notice.

c. DM Fees, CRM Fees, Managed Social Media Program, and Special Projects Fees

i. Beginning with the third full month after your Opening Date, you will pay the then-current Digital Marketing Fee to the DM Fund ("**DM Fund**"), which will be collected with the

Royalties.

A. The DM Fund shall be accounted for separately from our other funds and shall not be used to defray any of our general operating expenses, except for such reasonable administrative costs, salaries and overhead as we or our affiliates may incur in activities related to the administration of the DM Fund and its marketing programs. Any monies not used in any year will be carried over to the next year. The DM Fund is not a trust, and we assume no fiduciary duty in administering it.

B. The DM Fund will be administered by us in our sole discretion and may be used by us to optimize websites that advertise for Clients for the benefit of some or all franchisees; and for the payments to us of costs related to administering the DM Fund such as reasonable salaries, administrative costs, travel expenses, and overhead. We may use in-house personnel or the services of third-party independent contractors to perform the search engine optimization services.

C. We make no guarantee that expenditures from the DM Fund will benefit any franchisee or you directly or on a pro-rata basis. We assume no fiduciary duty or other direct or indirect liability or obligation concerning collecting the DM Fee or maintaining, directing or administering the DM Fund.

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 DM Fund. This account is unaudited.

E. We intend for the 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 DM Fund, however, until all contributions and earnings have been used for the purpose for which they were collected.

F. Any leads from the portals will be distributed to the franchisee geographically closest to the Client or best qualified to service the Client. As a result, some franchisees may receive more leads than others.

ii. The third full month after your Opening Date, you will also pay us our then-current CRM Fee to use the 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.

iii. 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.

iv. We currently offer the Managed Social Media Program (“MSMP”) which is required for the first 9 months after opening and then on a voluntary basis. If you wish to participate, you will give us written notice, and we will implement the service within 30 days after notice. You will pay the then-current MSMP Fee. We may increase this fee at any time and in any amount after giving you no less than 60 days’ prior written notice. We also reserve the right to expand the program, terminate (and then reinstate) the program, or make participation mandatory. We will give you 60 days’ prior written notice of any such change.

d. Payroll Software Fees and Other Costs

ix. Beginning with the third full month after your Opening Date, you will pay us the

then-current monthly Payroll Software License Fee that will be collected with the Royalties. This fee may change in any amount at any time after we first give you 60 days prior written notice.

x. You will also pay us the then-current Per Client Per Month and Per Employee Per Month fees.

xi. We may increase these fees by any amount at any time after giving you 60 days' prior written notice.

3.5 Other Fees

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.

b. You will pay the Email Fee of ~~\$40~~15 per month for each email address if you request more than five email addresses for your business. 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' written notice of any increase.

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

d. We may charge the Exception Fees and you agree to pay Exception Fees that are billed to you. We may increase the fees at any time and in any amount after giving you 60 days' prior written notice.

e. You will pay our ~~then-Financial & KPI Management Fee to manage your monthly iSolve billing, monthly Financial & KPI reporting, Annual Financial & KPI reporting and financial dashboard system. The current Local and State Tax Reporting Fees~~ fee is \$35 per month when you pay your Royalties. We may increase the fees at any time and in any amount after giving you 60 days' prior written notice.

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

g. 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 fees, some of which may be due to an affiliate, a third party for whom we collect the funds, or us. If we introduce new goods and services, we will notify you in writing and give you a reasonable time to comply with the changes.

h. If assessed by your state, and except for our income taxes, you will reimburse us for all taxes we pay for products or services we furnish you or on our collection of the Initial Franchise Fee, Royalty advertising contributions, and related fees or costs collected from you.

i. We each acknowledge that changes to technology are dynamic and not predictable. 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 standards and fees for the implementation of new technology in the System, and you agree to comply with the new standards after we provide no less than 60 days prior written notice.

3.6 Method of Payment, Reports and Auditing

a. You will report all sales in the books and records of the Business. No later than the 19th day of the month following the month in which the Royalty is calculated, you will report to us by electronic means or in written form, as we may reasonably direct, the calculation of the Royalty and of any other fees

due as well as such additional information as we may request.

b. The Royalty, Technology Fee, DM Fee, CRM Fee, if required, advertising fees, and any other fees that are paid monthly will be delivered to us by ACH. You are required to sign the ACH Agreement that is attached to this Agreement in Exhibit 3. All such fees must be deposited into your operating account no later than 3:00 p.m. Mountain Time on the 19th day of each month. The Due Date for such fees is the 20th day of the month. If you fail to have sufficient funds in the account or otherwise fail to pay Royalties or other fees on the Due Date, you will (and in addition to the payment of such Royalties and other fees that are due) pay the then-current Late Fee plus Default Interest for each month that the payment is late. This will be automatically assessed and debited or paid along with the late Royalty payment.

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

d. You will record all sales at the time of the sale on 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 seven years following the end of the year in which the items were or should have been generated.

e. We currently require you to deliver your monthly financial statements consisting of your balance sheet for the prior month and the profit and loss statement for the prior month. Each must be delivered to us by the 25th of the month. Also, you will submit to us, within 30 days after the end of each calendar year, a complete financial statement for 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 us.

f. You acknowledge that this subsection does not constitute our agreement to accept any payments after they are due or a commitment to extend credit to or otherwise finance the operation of the Business. The collection of any Late Fee and Default Interest and the acceptance of any late payment will not diminish our right to any other remedies available under this Agreement.

g. Our designated agents or we also have the right, at all reasonable times, to examine and copy your books, records, and tax returns and those of 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, you will immediately pay the amount understated, the Late fee, and Default Interest. If an inspection discloses an understatement in your Gross Revenue by more than 3%, you will also reimburse us for all costs and expenses relating to the inspection (including 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, equity, or by this Agreement; or (iii) terminate this Agreement. If underreporting has been intentional, then regardless of the percentage of your Gross Revenue that such underreporting represents, we have the right to collect the above amounts, terminate your franchise rights without any right to cure, or avail ourselves of any other remedy as all remedies are cumulative.

3.7 Application of Payments

a. Notwithstanding any designation by you regarding the application of your payment, we will allocate any payments first to any Late Fees and Default Interest owed by you, then to any Royalty or other fees that are past due, and then to the current Royalty and other fees you owe. The allocation set forth

above does not postpone any payments 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 delivered to us on your behalf. To the extent necessary to carry out the intent of this subsection, you appoint us as your attorney-in-fact (coupled with an interest) and grant us this power of attorney coupled with an interest for the sole purpose of allocating any such funds received. This power of attorney 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 you still owe us money from your operation of the franchise.

ARTICLE 4

TERM and SUCCESSOR FRANCHISE RIGHTS

4.1 Effective Date and Term

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

b. The Initial Term of this Agreement is 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 Agreement, and if we fail to do so, this 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 your franchise rights for two additional 10-year terms (each a “**Successor Term**”) by acquiring Successor Franchise Rights under the following conditions:

i. If we do not refuse to offer Successor Franchise Rights as permitted under Section 4.3 below.

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

iii. You sign the then-current form of franchise agreement that may contain materially different terms and conditions from your original Franchise Agreement. The new 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, you will be deemed to have withdrawn your decision to purchase Successor Franchise Rights, and such rights will no longer be available to you.

iv. When you sign the then-current Franchise Agreement, you also sign the then-current form of general release. Notwithstanding the preceding, 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 is unenforceable, then this requirement will be deleted, and you will not be required to sign the same; or if signed, then such general release will not be enforceable. If, however, the law of the state in which the Business is located permits you to sign such general release, or if by agreeing to the terms of Article 16, the choice-of-law provisions of this Agreement prevail over the law of the state in which the Business is located, then you will sign the release as part of the renewal process. Excluded from any release are claims arising from representations in the FDD.

v. You pay a Successor Franchise Fee. The Successor Franchise Fee is earned when

you pay it and is not refundable under any circumstances. The Successor Franchise Fee 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 by a fraction the numerator of which is the remainder found by subtracting your annualized Gross Revenue (determined on the date that your Successor 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 ($\$10,000 \times (\$150,000 - 100,000) / \$150,000$).

vi. You must exercise the option for Successor Franchise Rights by giving us written notice of such exercise no later than 180 days before the scheduled expiration of this Agreement.

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

4.3. Conditions of Refusal

a. We are not obligated to offer Successor Franchise Rights upon the expiration of the Initial Term or a Successor Term:

i. If you have received a fifth written notice of breach of any combination of terms, covenants, or conditions of this Agreement during the then-current Term even though the prior four breaches were timely cured;

ii. If you have failed to comply with one or more of the conditions necessary to obtain Successor Franchise Rights as described in Section 4.2 above;

iii. If you are in breach of this 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 award such rights, even if such breach is not the fifth breach and even if such breach is timely cured; or

iv. If your performance during the Initial Term was such that we have determined in good faith, using our Reasonable Business Judgment, not to grant you Successor Franchise Rights.

b. In such an event, we will give notice of expiration at least 60 days before the expiration of the then-current Term, and such notice will set forth the reasons for the 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, this Agreement will expire at midnight Mountain Time on the last day of the Initial Term or the then-current Successor Term.

b. If at the expiration of this Agreement you continue to accept the benefits of a Franchisee, then in our sole option, we may treat this 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 end 30 days after delivery of notice to terminate. During the Interim

Period (if allowed), all obligations under this Agreement will remain in full force and effect as if this Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Agreement 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 Agreement earlier than the end of the then-current Term.

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ARTICLE 5

MANUALS and SERVICES PROVIDED TO YOU BY US

5.1 Manuals

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

b. The Manuals are our sole property and will be used by you only during the Term of this 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 an amendment to the 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 Before Commencement of Operations

Before the commencement of business, we will:

- a. define your Territory;
- b. provide you with the training described in Article 7;
- c. provide you access to the Payroll Software;
- d. provide you with a list of approved suppliers for all equipment, goods, and services;
- e. supply reasonable telephone, fax, and email support;
- f. deliver up to five free email addresses to you; and
- g. provide the services for the 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 determine, on various topics relevant to you. Some of these seminars or programs may be mandatory. There may be a tuition fee for these conferences, seminars, or programs.

b. if they occur, provide updates to the Manuals, the System, and the Marks;

- c. review all promotional and advertising you wish to use and monitor any Unique Domain we may allow you to use;
- d. after the first 12 months after your Opening Date, if requested by you (and if approved by us) or if we require it, we will provide Additional Training, Additional Software Training, or Operational Standards Support and Training for which you will pay the then-current fees;
- e. visit your Franchised Business at our discretion and use other methods to ensure that you and all other franchisees are delivering quality services and products that conform to the System;
- f. provide updates and patches to the Payroll Software at such times as the Payroll Software licensor delivers the same;
- g. provide promotional materials and advertising programs from time to time, as we deem appropriate;
- h. provide the services offered under the Technology Maintenance Fee;
- i. provide access to the CRM Software for which you pay the then-current fee;
- j. provide the franchise system with digital marketing services through the payment of the DM Fee;
- k. work with you on Special Projects; and
- l offer the MSMP services if you elect to use them.

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

ARTICLE 6

MARKS, COPYRIGHTS, THE SYSTEM, AND PROPRIETARY INFORMATION

6.1. Proprietary Information, System, and Client List

a. Before and during the Term of this Agreement, we have provided and will continue to provide access to 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 under 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 the operation of your Business and for no other purpose.

b. **“Proprietary Information”** includes financial data, statements, reports, and information; marketing concepts, plans, and information; contracts; Client Lists; 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; all components of the System, and other technical information and know-how whether

oral or in writing or some other form, relating to the Business and the System, whether delivered to you by us, or by another Person to whom we have given Proprietary Information, or obtained by you through observations while reviewing or working with any Proprietary Information. Our Proprietary Information may be added to and revised from time to time in our sole discretion.

c. You acknowledge that we own each component of the Proprietary Information, and we have taken measures to protect it. This Agreement will not, and the disclosure of any element of the Proprietary Information, or your right to use the Client List while a franchisee 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. You may only use the Proprietary Information within your Territory and Additional Territory. You agree to maintain as confidential each component of the Proprietary Information, the System, and the Client List as now or in the future disclosed to you.

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

c. You will not, during the Term of this Agreement or at any time after its expiration, a Transfer, or earlier termination, directly or indirectly make independent use of, publish or otherwise disclose any component of the Proprietary Information, System, or Client List, to any Person, for any reason or purpose, and will not allow any other Person to make use of, publish or disclose any component of the Proprietary Information, System, or Client List. 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.

d. 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 you or your representatives; (ii) was or becomes available to you on a non-confidential basis from a source other than the other Party or its representatives, provided that a confidentiality agreement with us does not bind such source; (iii) was in your possession before it was furnished by us, provided that the source of such information was not bound by a confidentiality agreement with us; or, (iv) was or is independently developed by you or its representatives before the Effective Date.

e. Upon Transfer, expiration, or termination of this Agreement, you must (unless otherwise allowed by this Agreement) immediately cease using, and will return or destroy, as we may direct, all documentation in any medium that contains, refers to, or relates to any component of the Proprietary Information, System, or Client List.

f. You may use the Client List only in conjunction with the operation of the Business. In consideration of the time, effort, and resources that we have invested in the System and the goodwill that has resulted because of such time, effort, and resources, and for other consideration, you agree that we retain ownership and control of your Client List for Payroll and Workforce Management Services. Upon Transfer, expiration, or termination of this 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 and Workforce Management Services. You may use the Client List to offer non-Payroll and non-Workforce Management Services.

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

h. 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 will determine what, if any, action will be taken in our sole discretion. 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.

i. Nothing in this Agreement requires us to divulge any component of the Proprietary Information, System, or Client List except as strictly necessary to help you operate your Business.

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

k. You will not remove any copyright or proprietary rights or notices attached to or included in any component of the Proprietary Information, System, or Client List. All copies made by you are part of our Proprietary Information.

l. You will use reasonable means, not less than that used to protect your proprietary information, to safeguard and store any component of the Proprietary Information in a safe location.

m. In the event you are required to disclose because of a requirement of a Governmental Authority or a court of competent jurisdiction, you will immediately notify us in writing before making any such disclosure to facilitate any action we may take to protect disclosure. You agree to cooperate with us in seeking such order or remedy. You also agree that if we are unsuccessful in preventing the requesting legal body from obtaining the disclosure, you will furnish only that portion of the Proprietary Information, System, or Client List requested.

n. 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 delivered to the employee.

6.3. Marks

a. Our Services Affiliate owns the Marks and licenses us to use and to sublicense the Marks to franchisees.

b. 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. Our Services Affiliate and we will take the necessary steps to defend the Marks in our sole discretion. 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 Agreement.

c. If you learn that any unauthorized third party is using the Marks, you must notify us immediately. Our Services Affiliate and we 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.

d. 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.

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

f. You will not (i) directly or indirectly contest nor aid in contesting the validity of the ownership of the Marks; (ii) in any manner interfere with or attempt to prohibit our use of the Marks; or

(iii) at any time interfere with the use of the Marks by our other franchisees or licensees.

g. You further agree to execute 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 Governmental Authority or to comply with Applicable Law.

6.4 Business Name and Contact Information

a. 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 part 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 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. You will not change the telephone number(s), Uniform Resource Locator (**URL**), email, or similar electronic contact information for the Business without our prior written approval. You will advertise and publicize the telephone number(s), URL email, and similar electronic contact information for the Business in the manner we prescribe. Upon termination of this Agreement, all contact information other than your Business’s address is our property. In furtherance thereof, you agree to sign the Collateral Assignment of Contact and Electronic Information found in Exhibit 4.

6.5 Modification, Discontinuation and Goodwill

a. If we, in our sole discretion, 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 modification or discontinuation, take such action, at your sole expense, as may be necessary to comply with the modification, discontinuation, addition or substitution.

b. All goodwill associated with any component of the Proprietary Information, the System, or the Client List, including any goodwill that might have arisen through your activities, inures directly and exclusively to our benefit. You further agree to execute all additional documents and assurances reasonably requested by us and will cooperate with us or other franchisees or licensees in securing all necessary consents from any Governmental Authority or as may be required by Applicable Law. 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 this Agreement immediately without granting you any right to cure.

6.6 No Use of Other Marks

Only Marks approved by us in writing will be used in the operation of the Business.

6.7 Innovations by You.

a. During a Term, you may create, design, or otherwise improve upon any portion of the Proprietary Information or the System, including improving upon any manner of doing business (“**Innovation**”). Upon creating such Innovation, you will immediately notify us in writing of the nature of the Innovation. 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 businesses to use any portion of the Innovation.

b. You agree that as between us and in reference to any third party, we own the right, title, and interest to the Innovation. You agree to take any action necessary to ensure that we obtain such right, title, and interest, so long as such action costs you nothing. To the extent that such ideas, concepts, techniques, or materials comprise copyrights or patents, the Innovation will be a “work-made-for-hire.” To the extent the Innovation is not deemed to be a work-made-for-hire, you expressly assign to us the exclusive right, title, and interest to of the Innovation without consideration or any restrictions, liens, or encumbrances.

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 Performance

You acknowledge that any failure to perform with the requirements of this Article will cause us irreparable injury for which no adequate remedy at law is available, and as a result, and subject to Article 16, we are permitted to obtain any equitable relief that may be proven. Further, upon breach of any covenant in this Article, we may terminate this Agreement without granting any right to cure. These remedies are in addition to any other legal or equitable remedies that we may have.

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ARTICLE 7

TRAINING

7.1 APA Training, Franchisee Training and Payroll Software Training

a. You must complete the APA Training. If you are already an APA member, you may have taken this training. If you become an APA member, you will pay its then-current membership fee and take the APA Training at its then-current APA Training Fee. We have no control over the fees charged by the APA, and they may change the fees at any time. If, however, you are not a member, you can take the APA training under our membership at no charge. Though we require you to take seven modules, the training fee pays for all 12 modules offered by the APA and cannot be prorated. We reserve the right to change this vendor at any time after giving you 60 days' prior written notice.

b. For the first franchise that you purchase, you or your Principal Operator must complete the APA Training, the Franchisee Training and the Payroll Software Training to our reasonable satisfaction. Franchisee Training, Payroll Software Training and APA Training may be taken at the same time. Payroll Software Training is provided by our designated software company and is essential to the operation of the Business. Franchisee Training is online only and consists of live webinar training. Payroll Software Training is online, recorded and can be accessed at your convenience. Training participants will not receive any compensation from us. You are responsible for training your employees and other management personnel.

c. We reserve the right to reduce or eliminate this requirement depending on the attendee's experience and the Person's position with the Business once you are open. APA Training, Franchisee Training and Payroll Software Training must be completed to our reasonable satisfaction before you open. If you fail to complete training to our satisfaction, we may terminate this Agreement (though all covenants of the Franchise Agreement that survive termination, including the restrictive covenants of Articles 6 and 15, will remain enforceable), and there will be no refund of any amount.

d. We will supply reasonable support for most aspects of your operations without charge for the first 12 months after you open.

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

a. If you fail to meet your Franchisee Quota, we may, in our sole discretion, require you to take additional training ("**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 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 online, through webinars, in person at your location, at our then-current headquarters, or at any other location that we determine. We will use the Manuals and handouts for such training. The personnel used to deliver Franchisee Training will also be used for the Missed Quota Additional Training.

iii. If we offer you this training, you will have 9 months after such training to increase the number of Clients to the Franchisee Quota level. If you fail to meet the minimum Franchisee Quota within 9 months after completing the training, we have the right to designate your Territory as an Open Territory and permit other franchisees or Affiliate-owned Businesses to operate in your Territory. If we do not offer this training to you, we may (i) designate your Territory as an Open Territory and permit other franchisees or Affiliate-owned Businesses to operate in your Territory; or (ii) terminate your franchise rights.

b. If you propose to Transfer the Business, part of our approval process will require that the Proposed Transferee attend training and pay for the training at our then-current fee.

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

i. You are responsible for paying all travel expenses, food, and an attendee's wages. We charge the Annual Conference Attendance Fee, which will be collected by ACH 60 days in advance of the meeting.

ii. If you fail to attend the annual conference, you will be required to pay the then-current Mandatory Conference Fee, which will be collected by ACH no later than 60 days after the end of the annual conference.

d. After the first 12 months from your Opening Date, you may ask for, or we may, in our sole discretion, determine that you need Additional Training, Additional Software Training, or Operational Standards Support and Training, in which case you will pay the then-current fee for such services. All training will be online. The training materials will be handouts delivered by email and the Manuals. We have the right to increase the fees charged for such services at any time and in any amount after giving you no less than 60 days' written notice.

e. In addition to the annual conference, and though we do not currently require it, we reserve the right to require your Principal Operator, 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 one and two days and will be held at a location to be approved by us. You will be responsible for all travel and living expenses associated with attendance at the same. Currently, there is no tuition, though we may change this at any time after giving you no less than 60 days' written notice before a fee is charged.

f. We also hold an Owners Exchange meeting in the late winter or early spring. You are not currently required to attend though we may in the future require attendance. If you participate, 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. You are responsible for all travel and living expenses associated with attendance.

7.3 Employees and Employee Training

Your employees are not our employees. You will be solely and exclusively responsible for 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, but, instead, you are responsible for all matters concerning your employees, including hours worked, scheduling, the payment of taxes, purchasing any workers' compensation insurance, and following Applicable Law concerning your employees.

ARTICLE 8

QUALITY CONTROL

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

8.1 System Compliance

You agree to strictly follow the System, the Manuals, and other procedures, forms, and obligations under this Agreement or as later delivered to you from time to time. You agree to use only those records and record-keeping practices that we determine.

8.2 Compliance with Applicable Laws

You agree to comply with all Applicable Laws of every nature whatsoever that regulate or affect the operation of your Business. You agree not to engage in any activity or practice that could result in or may reasonably be anticipated to result in any public criticism of the System or any part thereof.

8.3 Inspections

- a. You consent to reasonable inspections and audits during normal business hours at the Business, as more fully described in this Agreement.
- b. Should we notify you at any time of defects, deficiencies, a Gross Revenue understatement (Article 3), or unsatisfactory conditions concerning the Business, you agree to correct any such item immediately.

8.4 Approved Products, Product Purchases, and Approval Method

- a. You agree to provide only the services we specify in the Manuals, which will be amended from time to time. You also agree that all goods or services supplied by the Business 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 the information we may reasonably require to evaluate the prospective supplier. We will provide written notice of our decision to you within 15 days. We may grant or deny approval for any reason or no reason at all. We have no other process for approving suppliers other than as stated here. We may bill you at our then-current fee for the time it took to evaluate the good or service.

- c. We may revoke the approval of alternative suppliers if we determine in good faith that the goods or services 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 Manuals (or otherwise communicated to you in writing) to preserve 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 Manuals.

8.7 Compliance with all Terms of this Agreement

a. You agree to comply with all covenants and duties placed upon you by this 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 and you continue to adhere to all of the provisions of this Agreement.

8.8 Management and Other Business

Your Principal Operator, or you are required to devote your full time, attention, and best efforts to the management and operation of the Business and to compliance with this Agreement.

8.9 Modification

a. We may reasonably change or modify the System, the 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 as we believe necessary or desirable under particular circumstances. You have no right to object to such variances or obtain the same variances for yourself.

8.10 Disclosure

We can disclose any information concerning your franchise and the Business (including your name, address, telephone number, financial, and other information) in our disclosure documents.

ARTICLE 9

TRANSFERS

9.1 Sale or Assignment by Franchisor

This Agreement and all of our rights and obligations are fully assignable and Transferable by us and, as assigned or Transferred, will be binding on and inure to the benefit of our successors and assigns. By way of example and not limitation, we may Transfer to any Person, including a competitor, or may Transfer to any Person 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. Additionally, we may go public; 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; be acquired by a competitor or other entity; undertake any refinancing; seek or accept a leveraged buy-out; or may participate in any other transaction. You waive all

claims, demands, and damages concerning 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 Agreement is personal to you and has been signed by us in reliance on and in consideration of your qualifications and representations. Therefore, this Agreement, any of its rights or privileges, or any equitable, capital, voting, non-voting, or other interest in you or the franchise assets may be Transferred by you only with our express written permission.

b. To obtain our approval, you will provide us with all documentation relating to the proposed Transfer. We will notify you of our approval within 30 days after we receive all of the information that we may request from you. If we do not respond within these 30 days, the proposed transfer is disapproved by us.

c. If a proposed Transfer is only among existing shareholders, members of a limited liability business entity, or partners, 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**” that is described below. All other conditions to the approval of a proposed Transfer, however, will apply.

d. Each stock certificate of a corporation and any certificate of limited liability business 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 Agreement. You agree to provide us with a copy of each such certificate to ensure compliance with this provision.

9.3 Conditions to Approval of any Transfer

a. In determining the acceptability of the proposed transferee (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, creditworthiness, background, training, personality, reputation and business experience, the terms and conditions of the proposed Transfer, and any circumstances that would make the 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 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 Agreement, you agree as follows:

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

ii. you must be in Compliance with this Agreement and not be in default at the time you request the Transfer;

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

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

documents;

v. the Proposed Transferee must sign the then-current form of the franchise agreement that may contain terms, covenants, and conditions that are significantly different from those found in this Agreement;

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

vii. the Transfer Fee must be paid;

viii. each of your owners, and you must execute the then-current form of General Release; and,

ix. you must sign the then-current Payroll Software transfer agreement for which an additional fee may be charged to you.

d. Upon Franchisor approval and a successful sale and transfer of all of franchisee's clients to an approved buyer, Franchisee shall also be given the option to terminate franchise and all franchise rights in a Termination Agreement that will provide a waiver of all remaining Royalties and Fees for subsequent months to the Termination Date of the Termination Agreement.

~~d.~~ e. Regardless of the Transfer, all restrictive covenants found in this 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 and continue to be your obligation.

9.4 Invalidity of Transfers

a. Involuntary Transfers are not binding on us and are grounds for termination without the right to cure. You agree that using this Agreement as security for a loan or otherwise encumbering this Agreement is prohibited unless we consent in writing to any such action before the proposed transaction.

b. You agree not to grant a sub-franchise under this Agreement and not to otherwise license or permit others to use this Agreement, the Business, or any of the rights derived by you under this Agreement in any manner that violates this Agreement.

c. Any attempt to complete a Transfer without our express written permission is a breach of this Agreement for which no cure is provided.

9.5 Death or Permanent Disability

a. Upon your death or Permanent Disability, or that of the Principal Operator or the owner of a controlling interest in you, the executor, administrator, conservator, guardian, or another personal representative of such Person 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 Agreement or such interest (including transfer by operation of law, intestacy, bequest, or inheritance) will be completed within a reasonable time, not to exceed 180 days from the date of death or Permanent Disability, and 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 Person's interest under the terms of this Section constitutes a breach of this Agreement for which no other cure is granted.

9.6 Right of First Refusal

You agree that a proposed Transfer 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 the following additional terms and conditions 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 that we have to accept or 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 is a separate offer on which a new 30 day Right of First Refusal 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, we may purchase the interest proposed to be sold for the reasonable cash equivalent. If you and we cannot agree within a reasonable time on the cash value of the consideration to be paid by the Proposed Transferee, we will designate an independent appraiser whose determination will be binding upon you and us. All expenses of the appraiser will be paid for equally between 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 days is deemed a waiver of such Right of First Refusal.

ARTICLE 10

DEFAULT AND TERMINATION

10.1. Termination by Franchisor - Effective upon Notice

We have the right, at our option, to terminate this Agreement and all rights granted you hereunder, without allowing you 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, 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 the occurrence of any of the following events:

a. You cease to operate the Business or otherwise abandon the Business for 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 your control and not related to the availability of funds to you.

b. You, become "insolvent," meaning that 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 by you. 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 under 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 under 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 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 Agreement.

c. 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 30 days or longer (unless a supersedeas or other appeal bond has been filed); execution is levied against the Business or any of the property used in the operation of the Business and is not discharged within five days; or if your real or personal property, or that of the Business is levied upon under the law of the state in which the Business is located.

d. 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 plead no contest to a felony of any kind; 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 our sole opinion, to materially and unfavorably affect the System, Marks or the goodwill or reputation thereof.

e. You fail to pay any Royalty, fees, payments, or any other amount due us, including an amount that may be due as a result of any agreements between you and us, within five days after receiving notice that such amount is overdue.

f. You misuse or fail to follow our direction and guideline concerning the 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 ten 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. You intentionally or negligently disclose to any unauthorized Person any component of the Proprietary Information, the System, or the Marks.

h. During the Initial Term or any Successor Term, you receive a fifth written notice of default as to any term, covenant, or condition (or a combination thereof) even if all prior breaches were timely cured.

i. You attempt a Transfer in violation of Article 9.

j. You violate any Applicable Law or directive from a Governmental Authority (including the payment of taxes of any nature or kind) that applies in any way to the Business or your operation under

this Agreement, and you fail to cure the same within any period of cure provided by the Applicable Law or Governmental Authority that cited you.

- k. You make any material misrepresentations relating to the acquisition of your rights under this Agreement.
- l. You violate any covenant or condition of Section 1.6(d)(v) above.
- m. You violate any other covenant of this Agreement that contains its own cure provision and then fail to cure within the period stated in that covenant.
- n. If you have employees, you fail to pay them their wages.
- o. You fail, refuse, or neglect to obtain any prior written approval or consent as required by this Agreement;
- p. You engage in any unauthorized business or practice or sell any unauthorized product or service from the Business.
- q. You fail to pay any tax, including 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 longer than 30 days.
- s. You fail to obtain ACH Rights within 90 days of the Opening Date or fail to maintain ACH Rights during the Term of this Agreement.
- t. You fail to obtain all approvals required by any Governmental Authority as required by this Agreement.
- u. You fail to reconcile your ACH Account in the manner required by your ACH provider, Applicable Law, any Governmental Authority, or us.
- v. You fail to add new lines of goods and services or technology after you have notified you in writing and have given you reasonable time to comply, which in any case will be no longer than 60 days.
- w. An audit of your books and records discloses an understatement of Gross Revenue of 3% or more.
- x. There is an action taken under Section 10.3 below.
- y. You fail to meet the Franchisee Quota.
- z. You breach the EULA, the result of which is the suspension of or termination of your right to use the Payroll Software.
- aa. You fail to deliver timely any documents or reports required by this Agreement and then fail to deliver the same after receiving a 10-day written notice.

10.2. Termination by Franchisor – Thirty-Days’ Notice Right to Cure

We have the right to terminate this Agreement (subject to any state laws to the contrary, in which

case such state law will prevail) effective upon 30 days' written notice to you if you breach any other term, covenant, or condition of this Agreement that does not have its own cure period and is not identified in Section 10.1 and you fail to cure the breach within the 30 day period.

Cross Default

a. If you are a party to any other franchise agreements with us or are a party to any agreement with an Affiliate, and if such agreement is breached and not timely cured within the period permitted in such document with the result being that such agreement is terminated, then we have the right to terminate this 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 is material to your operation of the Business (“**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 your Business, and if you fail to cure any such breach within the time permitted under the Third Party Contract, and if, as a result, you are unable to (i) operate the Business in the same manner as you did before the breach of the Third Party Contract; or, (ii) operate the Business under the terms of this 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.

Diligent Pursuit of Cure

a. If the breach is non-monetary and is one for which cure is provided above, and if you undertake the cure within three 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 provided, then you will be given up to an additional 30 days after the end of the first cure period within which to complete such cure. If you fail to pursue the cure continually during this additional time or are unable to complete the cure within this additional time, then we have the right to terminate this Agreement without further notice to you.

b. We retain the right, in our sole discretion, to grant extended time to cure. In such an event, however, we will not have waived our rights to later strictly enforce any right to cure, to deny you the right to cure a future breach for which no cure is provided, or to take such action as is allowed to us by this Agreement if you fail to cure during the extended period granted to you.

c. As to any breach of this Agreement for which cure is granted, during the period of cure, we have the right to suspend our performance of any of our obligations under this Agreement, including the supply of any online services, online advertising, web-page hosting or the sale or delivery of any services or products until you correct the breach.

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 a remedy is not an election or waiver by us to pursue additional remedies as all remedies are cumulative and are not exclusive:

a. Without terminating this 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 Agreement; and for all other damages sustained by us because you breached this Agreement.

b. Accelerate the balance of any outstanding installment obligation due to us and bring an action to collect the accelerated balance.

c. Bring an action for equitable relief, including temporary or permanent injunctions and orders for specific performance enforcing this Agreement's provisions.

d. Terminate this Agreement and proceed to enforce our rights under the appropriate provisions. Such termination 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, 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 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, termination or expiration had not occurred.

f. Avail ourselves of any other remedies available at law or in equity.

Waiver of Jury Trial and Waiver of Punitive, Exemplary, or Consequential Damages

a. YOU AND WE AGREE TO WAIVE THE RIGHT TO A JURY TRIAL AND INSTEAD ELECT TO USE THE ALTERNATIVE DISPUTE RESOLUTION PROCEDURE SET FORTH IN ARTICLE 16.

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, including consequential, exemplary, and punitive damages. Being advised of the same, you and we each waive such damages that may be in addition to any actual monetary damages suffered, even if a Party is made aware of the right to 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 Agreement, then any constitutional or statutory limitations on punitive, exemplary, multiple, or similar damages will apply, and any award by an arbitrator over such limitations will be in excess of legal authority and void.

State or Federal Law Prevails

If any mandatory provisions of an Applicable Law prohibit termination of this Agreement as described here, or if the same otherwise limit our right to terminate by imposing different rights or obligations as are found here, such mandatory provisions of state law are incorporated into this Agreement by reference and will prevail over any inconsistent terms in the agreement. If no such law exists, or if such law exists but permits you to agree to abide by the termination provisions set forth here instead of that state law, you agree that the terms of this Agreement will prevail. If by electing the alternative dispute resolution provisions of Article 16, your and our choice-of-law, venue, jurisdiction, and other provisions prevail over Applicable Law, then the choices made by you and us will prevail to permit the limitations identified in this Agreement.

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. If not resolved between us, all such claims will be subject to Article 16.

Action Against the Franchisor

Subject to the limitations of actions in this Article that require you to take any action before the expiration of a stated time limit, before starting any arbitration against us or any of our officers, agents, or employees, you agree first to give our officers, agents, us, or employee 60 days prior written notice and an opportunity to cure any alleged act or omission within that time. If such act or omission cannot be cured within such 60-day period, and we or our officers, agents, or employees are diligently continuing efforts to cure, you will give us or our officers, agents, or employees such additional time as is reasonably necessary to cure which time will not exceed an additional 30 days. If we fail to complete such a cure in a timely fashion, you have such rights as permitted under this Agreement.

ARTICLE 11

OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION

11.1 Obligations upon Termination or Expiration

Upon the expiration, termination, or Transfer of this Agreement, you will cease to be a licensed franchisee and will:

- a. Pay for all product purchases, advertising fees, and other fees owed or accrued to us;
- b. Refrain from holding yourself out as a Franchisee;
- c. 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 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. We will exercise our rights under the Collateral Assignment found at Exhibit 4. If the telephone company, website manager, hosting agent, or other listing agency fails to accept the Collateral Assignment, this covenant serves as your election of us as your attorney-in-fact (coupled with an interest) as evidence of our exclusive rights in and to the same. If your state requires specific information be included in this Agreement or a particular document be executed to perfect our rights as your attorney-in-fact, you and we agree that this Agreement is amended to include such language or the document, and you and we will cooperate to ensure that such document is executed;
- g. Assign your Software License to us using the forms that we supply;
- h. Take such action as is necessary to amend or cancel any assumed name, fictitious name, 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;

i. 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 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

j. Within seven calendar days, return to us by first-class, prepaid, certified, return receipt requested, mail, the Client List (including all contact information for each Person on the list), all Manuals (including originals and any copies), all training, advertising, promotional aids, materials and all other printed materials concerning the operation of the Business and the Client List.

k. 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 20 calendar days after the expiration or earlier termination of this Agreement.

11.2 Additional Matters

Further, upon the expiration, termination, or a Transfer,

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 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 Agreement.

ARTICLE 12

RIGHT TO PURCHASE

12.1 Right to Purchase

a. Except as otherwise provided in Article 9, which prevails in the instance of a Transfer, upon expiration or termination of this Agreement, you 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 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 Agreement.

b. “**Fair Market Value**” is the value that a reasonable Person who is under no duress or obligation would pay for the item being sold by a seller under no duress or obligation. If you and we cannot agree upon the Fair Market Value, it will be established by an independent appraisal. The appraisal will be done at our expense by an appraiser selected by us that is independent and disinterested in the outcome of any such valuation. The decision of the independent appraiser will be final and binding on you and us.

c. No goodwill will be considered associated with the valuation of any item 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 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 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 13

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 Agreement or the franchise relationship constitutes a partnership, agency, joint venture, or another arrangement between you and us, and we agree not to hold themselves out by action or inaction contrary to this.

Neither Party is liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, wages, negligence, errors, or omissions of the other.

b. You are responsible for the day-to-day management and control of the Business and its operation under this Agreement, including its daily operations, management, employee direction, and the payment of all costs and expenses of your Business.

c. None of your employees are our employees, and each employee will be notified of this fact.

d. Neither party will act or have the authority to act as agent for the other, and neither you nor we will guarantee 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 Agreement does not establish a fiduciary relationship.

13.3 Posting of Signs

You agree to promptly post and maintain any signs or notices specified by Applicable Law or us indicating your status as an independent contractor.

ARTICLE 14

INDEMNIFICATION

14.1 Indemnification

a. You agree to and will indemnify, defend and hold us harmless from (the “**Indemnified Parties**”) and against, and will reimburse us, for all “**Claims**” (as defined below), directly or indirectly

arising out of, your operation of the Business; Claims by your employees or Clients; your breach of any agreement with a third party that results in our being named in the Claim; your breach of the payroll software EULA the result of which is that we are named in a Claim; a Claim of premises liability; your use of the Marks, the System, and the Proprietary Information; or as a result of your performance or failure to perform under this Franchise Agreement. “**Claims**” include any legal or equitable claim, obligation, liability, cause of action, damage, award, judgment, cost (including reasonable attorney’s fees, court costs, and expert witness fees), expenditures of funds by us, or loss suffered by us.

b. Included in indemnification will be the reimbursement or direct payment by you of any award, damage, consequential damages, and costs reasonably incurred in defense of any claim against the Indemnified Parties, including reasonable accountants’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

c. We have the absolute right to defend any such claim against us and have the right to have counsel of our choosing, the reasonable cost of which will be borne by you.

d. This indemnity continues in full force and effect after and notwithstanding the Transfer, expiration, or termination of this Agreement and further continues for any applicable limitation of actions statute (and not for the one-year limitation of action covenants of this Franchise Agreement).

e. Further, should any Claim result in the granting of exemplary, punitive, or consequential damages, the same will be covered under this Article and will be reimbursed to us regardless of any language to the contrary in this Agreement.

ARTICLE 15

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 of this Agreement for any reason.

b. Therefore, during each Term of this Agreement, and for any extensions or renewals thereof, you agree that you and all Franchisee Parties will refrain from owning; operating; leasing; franchising; conducting; consulting with; engaging in; having any interest in; assisting any Person engaged in for its own account; or acting as an employee, consultant, partner, officer, director or shareholder of any other Person, engaging in any wholesale or retail business or other business that is a Competitive Business at any location, except with our prior written consent which consent may be granted or withheld for any reason or no reason at all.

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

a. Upon the expiration, termination, or Transfer of this Agreement and for two years after that, 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 engaged in for its own account; acting as an employee, consultant, partner, officer, director or shareholder of any other Person,

engaging in any Competitive Business within the Territory, or within the same or a different territory in which we, our Affiliate or another franchisee is operating under the System.

b. If you have Pre-existing Clients on the Effective Date (and have disclosed the same to us as required by this Agreement), these Clients will be exempt from the non-competition covenants.

15.3 No Disclosure

The Franchisee Parties and you agree that during the Term of this Agreement, during any Successor Term, or at any other time after the termination of this Agreement (or any franchise agreement signed under the Successor 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 two years following the Transfer, expiration, or termination of this Agreement and in the area described in Section 15.2 above, you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any Person,

a. divert or attempt to divert any business or Clients to a Competitive Business; or,

b. do or perform any other act injurious or prejudicial to the goodwill associated with the Proprietary Information, the Marks, or the System.

15.5 Application and Survival

a. This Article applies to all participants in the Franchised Business including the Principal Operator, any equity holder, any Person who serves as a manager or in a higher position, to your spouse or civil partner, to the spouse or civil partner of the Principal Operator or an equity holder, any Guarantor, and all others that take an active role in the operation of the Business.

b. The restrictive covenants of this Article survive the Transfer, termination, or expiration of this Agreement and will continue to apply 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. We both agree that the purpose of these restrictions is to protect the entire franchise system from unfair competition and to protect the goodwill, time, and effort spent by us in creating the Proprietary Information, the Marks, and the System. In fact, we would not have shared such information with you unless you agreed to be bound by the terms of this Article.

b. You further agree that you have skills of a general and specific nature and have other opportunities, or will have other opportunities to use such skills, and that the enforcement of these covenants will not unduly deprive 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, each mile of distance, or any other restriction is considered severable. In the event an arbitrator interprets a spatial, temporal, or other limitation in any of the above restrictive covenants to be overly broad, then the arbitrator will adjust the offending limitation, in the most limited manner possible, to fashion a reasonably enforceable covenant that upholds to the fullest extent of the law the restrictive nature of this Article.

d. You expressly agree that the existence of any claim you may have against us, whether or not arising from this Agreement, does not constitute a defense to our enforcement of the covenants of this Article specifically or of this Agreement generally. Further, we are entitled to set off any amounts owed to you against any loss or damage we suffer because of your breach of this Agreement.

15.7 Tolling of Time and Franchisor Is Entitled to Injunctive Relief

a. You acknowledge that any failure to comply with the requirements of this Article will cause us irreparable injury for which no adequate remedy at law may be available, and you agree that we may apply for an injunction to a court of competent jurisdiction. If permitted by law, you agree to waive any requirement that we post a bond. If the temporary injunction is granted, we must begin the alternative dispute resolution process under Article 16. We may further avail ourselves of any legal or equitable rights and remedies which we may have under this Agreement or otherwise.

b. If at any time you fail to comply with your obligations under this Article, Article 6, or under any other covenant that has survived the expiration, Transfer, or termination of this Agreement, the non-competition period will be tolled until you are again in compliance.

15.8. Pre-existing Clients

Notwithstanding the language of this Article, you will not violate the covenants-not-to-compete if you supply Payroll and Workforce Management Services to Pre-Existing Clients, but only if you provide us with a list of your Pre-Existing Clients on the Effective Date. If no Pre-existing Client list is delivered, it will be assumed that none existed. Such Pre-Existing Clients will remain your sole property, and you may continue to serve them during any Term of this Agreement and after a Transfer or the Agreement's expiration or earlier termination. During any Term of this Agreement, you must pay Royalties on all Gross Revenue generated by your Pre-Existing Clients.

ARTICLE 16

DISPUTE RESOLUTION

16.1 Intent to be Bound, Meeting, and Mediation

You and we believe it is important to resolve disputes amicably, quickly, cost-effectively, and professionally and return to business as soon as possible. We agree that the provisions of this Article 16 support these mutual and practical business objectives, and you and we agree:

a. All provisions of this Agreement (including the language of this Article) will be fully enforced, including 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 are relying 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 matters concerning mediation and arbitration. As a result, this Agreement's alternative dispute mechanism will be enforced according to its terms and the FAA as necessary. 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 FAA and that arbitration will be held as provided in this Article.

c. The Parties acknowledge and agree that all of the terms, covenants, and conditions of this Article are mandatory and are not permissive.

d. Except as expressly provided in this 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 OR ARBITRATION MAY BE SUBSTANTIALLY GREATER THAN IN CIVIL LITIGATION.

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 to any arbitrable matter between or involving the Parties; (ii) involves a possibility of conflicting rulings on issues of law, fact, or otherwise; or (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 Agreement, the Parties still agree any dispute between the Parties to this Agreement will be enforced according to this Article.

f. Before 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 face-to-face meeting cannot resolve the issues between the Parties, then the disagreement must be submitted to non-binding mediation to be held before the Judicial Arbitration and Mediation Service (**JAMS**) or its successor (or an organization designated by JAMS or its successor). If JAMS is unable or unwilling to conduct such proceeding(s), and the Parties to the dispute cannot agree on an appropriate Person to conduct such proceedings(s), then the mediation will be heard by the American Arbitration Association (**AAA**).

A. Mediation must be held within 30 days after the face-to-face meeting. The Parties 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 will choose a neutral and disinterested mediator, and such choice will be final and binding upon the Parties.

B. Mediation will be conducted by a mediator experienced in franchising. A Party may be represented by counsel and may bring persons appropriate to the proceeding with the permission of the mediator.

iii. If the mediation does not resolve the matter, 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 90 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 under the arbitration rules of JAMS or its successor (or an organization designated by JAMS or its successor). If JAMS is unable or unwilling to conduct such proceeding(s), and the Parties cannot agree on a Person to conduct such proceedings(s), then the mediation will be heard by a single mediator from the AAA. Any arbitrator must be experienced in franchising.

c. If the Parties cannot agree upon the arbitrator, then the senior-most officer, director, or manager of the association under which the arbitration occurs will choose a neutral and disinterested arbitrator, and such choice will be final and binding upon the Parties.

d. Any Party may be represented by counsel and may, with permission of the arbitrator, bring persons appropriate to the proceeding.

e. The arbitrator's judgment on any preliminary matter and the final arbitration award will be final and binding on the Parties and may be entered in any court having jurisdiction.

f. The final and binding decision or award of the arbitrator in one matter will not have precedential or "offensive collateral estoppel" effect in an arbitration between the Franchisor and another

franchisee, such that the matters decided in the original arbitration will not be used in future arbitration between a party or parties to the original arbitration and Person other than the party or parties to the original arbitration as proof of the fact or matter contested in the later arbitration.

g. 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 for it.

h. There will be no right to appeal any interim ruling or the final award.

16.3 Confidentiality

The Parties to any meeting, mediation, or arbitration will sign confidentiality agreements, excepting only public disclosures and filings required by law.

16.4 Choice of Law, Venue and Jurisdiction of Arbitration

a. Any face-to-face meeting, mediation, or arbitration will be conducted exclusively at a neutral location within 15 miles of our then-current headquarters without regard to conflict of law provisions or *forum non-conveniens* demand to the contrary and to the exclusion of any other jurisdiction or venue.

b. The arbitrator will apply all applicable laws and equity permitted under the laws of the state in which our headquarters is then located without regard to conflicts of law provisions and to the exclusion of the laws of another jurisdiction.

c. You have been made aware of the terms of this Section 16.4 (including the jurisdiction, venue, forum, and choice of law provisions) and have agreed to the terms of this Article generally and to this Section specifically. These terms are mandatory and not permissive.

16.5 Scope, Discovery, other Procedural Matters, Fees and Costs

a. The arbitrator will decide all factual, procedural, or legal questions relating in any way to the dispute between the Parties, including whether there is a franchise agreement between the Parties; a determination of whether this Article is applicable and enforceable; a determination of arbitrability; issues related to the subject matter, timeliness, scope, remedies, and conscionability; and any alleged fraud including fraud and fraud in the inducement.

b. The Parties to the dispute have the same discovery rights as are available under the rules of

the arbitration association hosting the arbitration. Each participant must submit or file any claim which would constitute a “compulsory counter-claim” (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such compulsory counter-claim that is not submitted or filed in such proceeding will be forever barred.

c. The arbitrator may issue summary orders disposing of all or part of a claim and issue temporary restraining orders, preliminary injunctions or permanent injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable, interim or final relief.

d. Each Party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction.

e. The arbitrator will have subpoena powers limited only by the laws of the state in which our headquarters is then located

f. In addition to any other remedy, as part of any award (including awards based upon a successful claim of misrepresentation and fraud), the arbitrator will award the “**Prevailing Party**” in addition to any other relief that may be granted, whether legal or equitable, its reasonable attorney fees, expert witness fees, and costs, (i) incurred in any settlement negotiations; (ii) incurred in preparing for, prosecuting, or defending any such suit, action, or another proceeding; and, (iii) incurred in preparing for, prosecuting or defending an appeal. The “**Prevailing Party**” will be that Party that has obtained the greatest “**Net Judgment**” in terms of money or money equivalent. The “**Net Judgment**” is determined by subtracting the smallest award of money or money equivalent from the largest award. If money or money equivalent has not been awarded, then the Prevailing Party will be that Party that has prevailed on a majority of the material issues decided. If there is a mixed decision involving an award of money or money equivalent and equitable relief, or the arbitrator deems it necessary in the interest of justice, the arbitrator, using the arbitrator’s judgment, will award the above fees to the Party that it deems has prevailed.

16.6 Disputes Not Subject to the Mediation/Arbitration Process

a. Claims or disputes relating primarily to the Marks, to any intellectual property licensed to you, or any matter governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) are subject to court proceedings in a court of competent jurisdiction.

b. Matters relating solely to the collection of money by one Party against the other are not subject to a face-to-face meeting, mediation, or arbitration. Such matters include collection efforts against you or us solely for the failure to make timely payment of any amount due to the other. In such an event, such matter may be brought in a court of competent jurisdiction and venue. If, however, one Party to such action pleads another claim, cross-claim, counter-claim, or affirmative defense based on anything other than the mere collection of money, or if the other Party alleges facts concerning fraud or any other equitable defense, then the entire matter, including the collection-of-money effort will be subject to the alternative dispute resolution procedures of this Article.

c. To the extent that either of us seeks injunctive relief before the face-to-face meeting, mediation, or arbitration, the same may be applied to a court of competent jurisdiction. The court will hear only the application for injunctive relief, and the mere fact that the court exercised jurisdiction in considering the injunction will not eliminate the alternative dispute resolution requirements of this Article. If the temporary injunction is granted, then the Party that made the application must begin the alternative dispute resolution process under this Article.

16.7 Other Matters

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 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 franchisee's situation that should be respected; and (iii) class-wide or multiple plaintiff disputes do not foster quick, amicable, and economic dispute resolutions.

16.8 One Year Limitation of Action

a. Except for matters identified in Section 16.6 above, **YOU AND WE ARE LIMITED TO BRINGING ANY ARBITRATION 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.** The one-year period begins 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. If the Parties are in mediation on the day that the year expires, then the one-year period will be extended by 90 days from the unsuccessful end of mediation within which a Party must bring arbitration. If arbitration is not brought by 5:00 p.m. Mountain time on the 90th day after mediation ends, then the right to bring arbitration expires, and the Parties will have no other opportunity to try, arbitrate or receive any other relief because of the action, matter, dispute, or disagreement underlying the claim.

b. Notwithstanding the preceding, if any Applicable Law provides for a shorter limitation period than is described in this Section, then the shorter period will govern.

c. This Section will not apply to indemnification required under Article 14, and such actions may be brought within the period provided by any limitation-of-action statute under the laws of the state in which our headquarters is then located.

16.9 Survival of Obligations

Each provision of this Article is self-executing and will continue in full force and effect after and notwithstanding the expiration, termination, rescission, or finding of unenforceability of this Agreement (or any part of it) for any reason.

ARTICLE 17

INSURANCE

17.1 Insurance is Required; Coverage

a. ~~Before~~ Within 90 days of the Opening Date, you must obtain from our approved insurance broker and through our approved insurer, insurance 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. During the Term, you must maintain all required insurance policies in full force and effect. We and our officers, directors, members, partners, and employees will be named additional insureds on all such policies using the latest version of ISO endorsement that grants the additional insureds the most coverage. This coverage must be in effect before the Opening Date. The coverage afforded to the additional

insureds must be written on a primary basis and will not require contribution by any other policies obtained by an additional insured.

b. ~~Before~~Within 90 days of the Opening Date, you 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 will expressly provide that not less than 30 days prior written notice will be given to us in the event of material alteration, termination, non-renewal, or cancellation of the coverage evidenced by such policies.

d. You will obtain the following coverage:

i. Commercial General Liability Insurance, including coverage for operations and completed 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 no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,

ii. Employer's liability and workers' 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,

v. for annual revenues of more than \$250,000, coverage should be for no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate. Computer fraud coverage (including coverage for cyber-attacks or losses, hacking losses and loss because of malware, pretexting, phishing attacks, and the like) for 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.

e. Your policies 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, or otherwise in writing, from time to time. We reserve the right to change the above requirements at any time after giving you 60 days' prior written notice.

17.2 No Limitations on Coverage and Primacy

a. Your obligation to obtain and maintain the preceding policies in the specified amounts will not be limited because of any insurance that we may maintain, and your performance of these obligations does not relieve you of liability under the indemnity provisions set forth herein.

b. All insurance policies must contain a provision that your 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 Manuals or otherwise in writing, we 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, will be immediately payable to us by you.

ARTICLE 18

ADDITIONAL PROVISIONS

18.1 Entire Agreement - Merger

a. This Agreement, including all exhibits and addenda, contains the entire agreement between the Parties and supersedes all prior oral, written, express, or implied agreements, statements, or understandings concerning the subject matter hereof; except that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document.

b. We do not authorize any representation of any nature other than those expressed in this Agreement.

18.2 Modification and Powers of Attorney

a. This Agreement may be modified only by a written agreement signed by all Parties to this Agreement.

b. You acknowledge, however, that we may modify our standards, specifications, and operating and marketing procedures, including those outlined in the 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.

18.3 Delegation

From time to time, we have the right to and will delegate the performance of any portion or all of our obligations and duties hereunder to a third party that 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. You agree in advance to any such delegation by us of any portion or all of our obligations and duties hereunder.

18.4 Review of Agreement

You acknowledge that you had a copy of this Agreement in your possession for no 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 before freely executing this Agreement.

18.5 No Waiver

No waiver by a Party of any term, covenant, or condition contained in this Agreement, and the failure of a Party to exercise a right or remedy granted to it under this Agreement will be considered to imply or constitute a further waiver by a Party of enforcement of the same or any other condition, covenant, right, or remedy.

18.6 No Right to Set Off or Third-Party Beneficiaries

a. You will not set off amounts owed to us against any fees or other amounts due to you, nor will you, in any event, withhold such amounts due to any alleged nonperformance by us, which right of set-off is expressly waived by you.

b. All of our obligations under this Agreement are solely and exclusively for your benefit, and no other Person is entitled to rely on, enforce, benefit from, be deemed to be a third-party beneficiary of, or otherwise obtain relief either directly or by subrogation.

18.7 Invalidity

If any provision of this Agreement is held to be invalid, the arbitrator will modify the same to eliminate and then restate to the least extent possible the invalid element to make it valid, and, as so modified, such provision shall be deemed a part of this Agreement as though it was originally included. If the provision cannot be amended, it will be stricken, and the remainder of this Agreement will remain in full force and effect.

18.8 Notices

a. All notices relating to any breach of this Agreement and all notices concerning the implementation of 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 or refusal of delivery, at the address either of us may designate from time to time and will be effective when received for (or when refused). A copy of all notices shall also be sent to:

Moye White, LLP

1400 16th Street, Suite 600

Denver, CO 80202

Attn: Lynne M. Hanson, Esq.

b. Communication other than relating to any breach of this Agreement or the implementation of alternative dispute resolution may be given by email (which is effective when sent to the recipient) or by the means stated in subparagraph (a) of this Section.

18.9 Time is of the Essence and Construction

- a. In all matters concerning this Agreement, time is of the essence.
- b. The headings are for convenience only and are not intended to be inclusive or exclusive of any term, covenant, or condition.
- c. In reading this Agreement, the singular includes the plural, and the reference to one gender includes the reference to the other gender and the neutral gender.
- d. The word “**including**” means “**including, but not limited to...**”. The words “**and**” and “**or**” have the inclusive meaning represented by the phrase “**and/or.**”
- e. If a term, covenant, or condition is deemed vague, its interpretation will not be construed against the party that drafted it.

18.10 Survival of Provisions and Independent Covenants

- a. Any provision of this Agreement that by its terms must extend beyond the expiration, earlier termination, or Transfer of this Agreement to remain enforceable will continue in full force and effect after and notwithstanding the termination, expiration, or Transfer of this Agreement.
- b. The Parties further agree that each covenant herein is independent of any other covenant or provision of this Agreement.

18.11 Force Majeure

Except for monetary obligations hereunder, which are due regardless of this Section’s language, and unless otherwise specifically provided in this Agreement, Force Majeure will apply.

18.12 Guaranty

If you take ownership of the franchise other than in your personal name during any Term, all Franchisee Parties are required to sign the then-current form of Guaranty, which is attached hereto as Exhibit 7.

18.13 Recitals, State Specific Amendment, and Signatures

- a. The Recitals are made part of this Agreement.
- b. In some cases, the state in which you are located requires this Agreement to be amended. Please see Exhibit 6 attached hereto for all State Amendments.
- c. This Agreement may be signed in any number of counterparts, all of which taken together make one original document. Signatures may be done electronically or manually. Facsimile or electronically signed and delivered documents are as effective as an original.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____

Managing Member

Date: _____

By: _____

Its: _____

Date _____

EXHIBIT 1

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ limited liability
business entity

If you are a partnership, provide the name and address of each partner, showing the percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If you are a limited liability business entity, provide the name and address of each equity-interest holder, Member, and Manager, showing the percentage owned, and indicate the state in which the limited liability business entity was formed.

If you are a corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list every shareholder's names and addresses, showing what percentage of stock is owned by each.

Franchisee acknowledges that this Statement of Ownership applies to the Business authorized under this Franchise Agreement.

Use additional sheets if necessary. All changes to the above information must be reported to the Franchisor in writing.

FRANCHISEE

Signature: _____

Name: _____

EXHIBIT 2

ADDENDUM TO FRANCHISE AGREEMENT

1. The total initial franchise fee due is \$_____ and includes:

Territory Fees

- ~~\$56,000~~\$68,500 Single IFF
- ~~\$50,400~~\$61,650 IFF for Single Territory for an Honorably Discharged Veteran or First Responder
- \$10,000 Additional Territory for ~~2,500~~75,000 additional ~~businesses~~individuals paid with IFF.
- \$20,000 Additional Territory for ~~5~~150,000 additional ~~businesses~~individuals paid with IFF.

Additional Fees

- \$ 1,500 Technology Startup Fee is due after Franchise Training and upon Opening
- \$ _____ Other - _____

~~3.~~ The business address for any notices mailed under this Agreement shall be:

_____ (Franchised Location).

~~4.3.~~ Franchisee's Territory is described as follows: See the attached map and zip code list.

~~5.4.~~ Franchisee's Additional Territory is described as follows: See attached map and zip code list.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

by: _____

by: _____

Managing Member

its: _____

EXHIBIT 3
ACH AGREEMENT

ACH (Automated Clearing House) Agreement

As a convenience to me, I, as your Client (and Depositor), hereby request and authorize you to pay and charge to my account debits originated by and payable to the order of Payroll Vault Franchising, LLC (“Franchisor”), provided there are sufficient collected funds in said account to pay the same. This authorization includes debits (“items”) originated by check or electronic transfer relating to franchise royalties and other fees due to Franchisor. I agree that your rights with 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 cancellation will take place until I have contacted Franchisor in writing that I am canceling 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 item is 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 the Franchisor’s termination of our agreement. Dishonored items may be charged a \$75.00 handling fee by Franchisor 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.

I, your Client, 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 Franchisor and payable to it pursuant to an authorization signed by me, and received by you in the regular course of business for the purpose of payment, including any costs or expenses reasonably 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; and
3. To defend, at my cost and expense, 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.

FRANCHISEE

Signature: _____

Name: _____

EXHIBIT 4

COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION

This Collateral Assignment of Contact and Electronic Information (Agreement) is made on the date that Franchisor and Franchisee sign (Effective Date) between Payroll Vault Franchising, LLC (Franchisor) and _____ (Franchisee). Any capitalized term not defined in this Agreement will have the meaning set forth in the Franchise Agreement.

RECITALS

On _____, 20___, Franchisor, and Franchisee executed a “Franchise Agreement” under the terms of which Franchisee obtained a franchise from Franchisor to operate a Business at the Franchised Location, in which Franchisee agreed that upon the Transfer, expiration, or termination of the Franchise Agreement, Franchisor would own the right, title, and interest in and to all contact and electronic information relating to the Franchisee’s Business. The Parties have entered into this Agreement to ensure that the Franchisor will have such rights.

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, and the Parties and any third party, 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 Facebook) that are associated with any Mark and Franchisee assigns the same to the Franchisor.

2. To the extent necessary to enforce this Agreement, Franchisee authorizes Franchisor, and appoints Franchisor and any of its officers, as Franchisee’s attorney-in-fact coupled with an interest, 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 the transfer to us of your digital, website and social media accounts Twitter and Facebook), URL’s, blogs, vlogs, email addresses and the like that relate to the Franchised Business. 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. If the recipient’s state requires a Person to sign a particular agreement or to agree to specific language as part of a grant of a power of attorney, Franchisee will sign such agreement or agree to such specific language as though it was incorporated into this Agreement at the time of execution.

3. This Agreement is only effective at such time as the Franchise Agreement is Transferred, expires, or is terminated, 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.

Done as of the Effective Date above.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

by: _____

by: _____

Managing Member

its: _____

INDIVIDUAL FRANCHISEES

Individually

Individually

EXHIBIT 5

EULA

The terms of this End User License Agreement (“Agreement”) govern your use of the isolved® products and services (“isolved®”). “We” and “Our” means Payroll Vault Franchising, LLC (“Franchisor”) and isolved® and, where applicable, its Affiliates. “You” and “your” means the (“Franchisee”) or (“Designated User”) identified in this Agreement. Isolved® and Franchisor are jointly referred to as the (“Providers”).

Definitions. Capitalized terms not otherwise defined herein are defined as follows:

“**Applicable Law**” means any rules, regulations, laws, statutes, directives or the like that are applicable to the Franchisee’s operation of its business, including without limitation those relating to Franchisee’s use of any feature of the Services, those relating to the processing of payroll for third parties, the Franchisee’s obligation to protect the privacy of Clients’ information, and the Franchisee’s position as a fiduciary to a Client (if applicable).

“**Documentation**” means the online help documentation for the Service.

“**Client**” means a person or business that the Franchisee represents in the delivery of payroll services, or any other services offered by Franchisee.

“**Employee**” means an employee or contractor paid in the delivery of payroll for the Client.

“**Governmental Authority**” means any municipal, local, county, state, or federal agency that has jurisdiction over the Franchisee’s business operations.

“**Malicious Code**” means viruses, worms, time bombs, Trojan horses and other harmful or malicious code, files, scripts, agents or programs.

“**Marks**” will mean such party’s name, trademarks, service marks, trade dress, tradenames, brand names, designs, logos or corporate names, whether registered or unregistered and all goodwill associated therewith.

“**Service**” means the isolved® products, services and functionalities provided by Franchisor to its Franchisees through the hosted, on-demand, cloud-based isolved® platform, including any and any updates thereto from time to time.

“**Users**” means Franchisee’s employees, agents, contractors, consultants or other individuals who reasonably have a need to access the Service and are authorized by Franchisee (subject to approval by Franchisor) to use the Service on Franchisee’s behalf.

1. Service Access Rights, Provision, and Use:

- 1.1. Access to Service. Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Franchisee a non-exclusive, limited right to access the features and functions of the Service during the Term, solely for use by Users in accordance with the terms and conditions herein. Access and use of the Service by Franchisee and its Users will be limited to use of the Service for processing internal data of the Franchisee. The features and function of the Service may change from time to time in Providers’ sole discretion. You will be notified of such changes by

email or other means.

- 1.2. Passwords. Your access to certain products and services is password protected. You are responsible for assigning the passwords to Users and for ensuring that passwords are kept confidential. Sharing passwords is strictly prohibited. You and We shall maintain industry standard computing environments to ensure that both your and our property is secure and inaccessible to unauthorized persons.
- 1.3. Third Party Providers. Services may include data and software from third parties. Some third party providers require Franchisor to pass additional terms through to you. The third party providers change their terms occasionally and new third party providers are added from time to time. You agree to comply with all applicable third party terms.
- 1.4. Third Party Supplemental Software. You may be required to license third party software to operate some of our products and services. Additional terms may apply to the third party software.
- 1.5. Use of Service. Franchisee will access and use the Service in accordance with the Documentation and such other instructions and reasonable policies established by Providers, in each case as in effect from time to time. Franchisee will not, and will cause the Users not to: (i) resell, sublicense, lease, time-share or otherwise make the Service available to any unauthorized third party; (ii) send or store infringing or unlawful material; (iii) send or store Malicious Code; (iv) attempt to gain unauthorized access to, or disrupt the integrity or performance of, the Service or the data contained therein; (v) modify, copy or create derivative works based on the Service; (vi) reverse engineer the Service; (vii) access the Service for the purpose of building a competitive product or service or copying its features or user interface; (viii) use the Service, or permit it to be used, for purposes of product evaluation, benchmarking or other comparative analysis intended for publication without Providers prior written consent; (ix) permit access to the Service by a third party direct competitor of Providers; (x) copy the Service or any software component provided therein; (xi) decompile, disassemble, reverse engineer or otherwise attempt to obtain or perceive the source code from which any software component of the Service is compiled or interpreted, and Franchisee acknowledges that nothing in this Agreement will be construed to grant Franchisee any right to obtain or use such source code; (xii) modify the Service or the Documentation, or create any derivative work from any of the foregoing; or (xiii) assign, sublicense, sell, resell, lease, rent or otherwise transfer or convey, or pledge as security or otherwise encumber, Franchisee's rights under this Agreement, in each case, other than as otherwise expressly permitted hereby or by Providers in writing prior to the first occurrence of any such event.
- 1.6. No Implied Licenses. Franchisee acknowledges that there are no licenses granted in fact or by implication under this Agreement. Providers reserve all rights that are not expressly granted. Franchisee acknowledges that, as between the parties hereto, isolved® owns all intellectual property rights and proprietary interests that are embedded or embodied by, the Service and the Documentation. This Agreement contemplates access and use rights with respect to the Service and no software is being provided and no licenses with regard to any software are being granted hereunder.
- 1.7. **CONSENT. BY SIGNING THIS END USER LICENSE AGREEMENT, YOU HEREBY AUTHORIZE ISOLVED® TO PROVIDE FRANCHISOR ACCESS TO ANY DATA YOU PROVIDE IN CONNECTION WITH THE USE OF THE ISOLVED® PRODUCTS OR SERVICES, FOR PURPOSES RELATED TO THE PERFORMANCE OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO REGISTERING USERS, KEY PERFORMANCE DATA, SET-UP AND INSTALLATION OF THE PRODUCTS OR SERVICES, PROVIDING MAINTENANCE AND SUPPORT FOR THE PRODUCTS AND SERVICES, AND SUSPENDING OR TERMINATING THE LICENSES OR ACCESS TO THE PRODUCTS OR SERVICES AS PERMITTED HEREUNDER**
- 1.8. Software Hosting Requirements. isolved® has the sole responsibility regarding software hosting requirements and service levels as presented in Exhibit A that have been granted to

Franchisor (the “**Certified Partner**”) and related Services provided to Franchisee.

2. Term & Termination:

- 2.1. Term of Agreement. This Agreement will become effective when signed by Franchisee and accepted by Providers and will remain in effect, unless earlier terminated as provided herein, for (the “**Initial Term**”) of the Franchise Agreement and thereafter shall automatically renew for successive terms (each a “**Renewal Term**”) with the renewal of the Franchise Agreement and together with the Initial Term, the “**Term**”).
- 2.2. Suspension. We may on notice terminate, suspend or limit your use of any portion or all of our products, services or other property if (i) requested to do so by a third party provider, court or regulator; (ii) your rights under the franchise relationship with Franchisor are suspended, limited, terminated or expire; (iii) you become or are reasonably likely to become insolvent; (iv) you become affiliated with one of our competitors; or (v) there has been or it is reasonably likely that there will be: a breach of security; a breach of your obligations under the Agreement, or another agreement between you and us; a breach of our agreement with a third party provider; or a violation of third party rights or Applicable Laws. Our notice will specify the cause of the termination, suspension or limitation and, if the cause of the termination suspension or limitation is reasonably capable of being remedied, we will inform you of the actions you must take to reinstate the product or service. If you do not take the actions or the cause cannot be remedied within 30 days, we may suspend, limit or terminate the Agreement in whole or in part. Charges remain payable in full during periods of suspension or limitation arising from your action or inaction.
- 2.3. Term of Services. Providers will not be obligated to provide access to or be liable for the Service until Franchisor notifies Franchisee of its completed implementation. Certain functions available through the Service, including tax filing (the “**Tax Filing Services**”), **if offered or required** - direct deposit (“**Direct Deposit Services**”), ACH, debit, Checks and administrative service outsourcing (**ASO**), are available only for as long as Franchisee meets Franchisor’s eligibility requirements as set by Franchisor from time to time with respect to such services.
- 2.4. Franchisor Control Rights. Franchisor may, in its sole discretion, upon written notice to Franchisee modify (including but not limited to modifying the funding authorization and timing of funds transfer with respect to Direct Deposit Services) or suspend (and then reinstate) or terminate any such service immediately and without notice to Franchisee if (i) Franchisee defaults in the payment of any amounts required for Franchisor to provide the services (including but not limited to payroll and Tax Filing Services) or Franchisor’s transactions on Franchisee’s behalf are returned for any reason for non-sufficient funds (an “**NSF**”), (ii) in Franchisor’s sole opinion, Franchisee fails to meet Providers’ eligibility requirements for such services, (iii) Franchisee or any agent or Employee of Franchisee is indicted of a criminal violation of Applicable Laws to the Franchisees’ use of the Service (including but not limited to any crime involving fraud, misappropriation or embezzlement), (iv) Franchisee violates any term, covenant or condition of the franchise relationship so that Franchisor is permitted to limit, suspend, or terminate Franchisee’s franchise rights; or (v) Franchisee breaches this Section or the Confidentiality of this Agreement.
- 2.5. Effect of Termination.
 - 2.5.1. Tax Filing Services. If (a) Franchisee has Tax Filing Services as of the expiration or earlier termination date of this Agreement, (b) such expiration or termination date is the last day of an applicable tax period and (c) Franchisee has paid all Fees for Services for such Tax Filing Services through the effective date of expiration or termination of this Agreement. Provided Franchisor has received cash required to pay all liabilities required to make such tax filings, Franchisor shall make tax filings for the period ending on date of expiration or termination. Other than as set forth in the immediately prior sentence, unless otherwise agreed to by Franchisor in writing, upon termination of this Agreement, Franchisor shall not make any further tax or other filings on Franchisee’s behalf.

- 2.5.2. Return of Trust Accounts. Upon expiration or termination of this Agreement for any reason, Franchisor shall, within a reasonable amount of time which shall not exceed 30 days, return to Franchisee all funds held in trust on behalf of Franchisee, less the amount of any written uncashed checks written on Franchisee's behalf to Employees or other third parties. Within 210 days after termination of this Agreement and upon the request of the Franchisee, Franchisor shall return to Franchisee an amount equal to the aggregate amount of any such checks written on Franchisee's behalf prior to the termination date that are unclaimed and uncashed as of the expiration date of each such check.
- 2.5.3. Survival. In the event of expiration or termination of this Agreement for any reason, this Section, and related Sections (Fund Transfers With Respect to Direct Deposit Services); (Representations, Warranties, and Disclaimers); (Providers Marks); (Fees & Additional Products); (Indemnification); (Confidentiality); (Limitation of Liability; Remedies); (Miscellaneous), and any other terms that pursuant to their terms survive the expiration or earlier termination of this Agreement will survive the expiration or earlier termination of this Agreement and remain in full force.

3. Additional Service Terms:

- 3.1. Accuracy of Franchisee Information and Review of Data. All services provided hereunder will be based upon information provided to Franchisor by Franchisee including proof of federal, state and local tax identification numbers and rates. The Service makes available to Franchisee, and Franchisor will deliver to Franchisee, Client payroll reports, Employee earnings statements, deduction disbursement records and other reports (collectively "**Reports**"). Franchisee will promptly review all Reports and immediately notify Franchisor (but in any case no later than 30 days after the delivery of the Report) of any irregularities, errors, or incorrect information. **Franchisee acknowledges that certain Reports are used by Franchisor as the basis for initiating wires (including payroll and tax filing) and prompt notice of any irregularities, errors, or incorrect information may require notice to Franchisor within twenty-four hours of submission (depending on the date of submission and wiring deadlines).**
- 3.2. Franchisee Use of the Service Regarding Compliance with Laws. The Service is designed to assist Franchisee in complying with Applicable Laws and directives from any Governmental Authority. Nevertheless, Franchisee (and not Franchisor or isolved®) will be responsible for compliance by Franchisee with all Applicable Laws and Governmental Authority directives related to the operation of Franchisee's business, including payment of all salary and wages to Employees for Clients and related taxes in accordance with Applicable Law. **Franchisee will not rely solely on its use of the Service in complying with any laws and governmental regulations.**
- 3.3. Impound Service; Benefit Trust Accounts. If Franchisee is using any features in connection with the Service that require Franchisor to impound funds from Franchisee's account to pay Franchisee's third party payment obligations (including, without limitation Tax Filing Services, Worker's Compensation Insurance, Benefit Plan Administration Services, 401k and Pension Services, Screening Services, Direct Deposit and ACH Debit Services and/or Check Services; each, an "**Impound Service**"), Franchisee will have sufficient, available funds in Franchisee's account within the deadline established by Applicable Law or the Franchisor to satisfy such third-party payment obligations in their entirety. Franchisor and isolved® will not be responsible for any penalty or fees associated with 'late payment,' 'incomplete payment,' or 'no payment' to third parties if funds are not available to impound as needed and determined by Franchisor. Franchisor is hereby expressly authorized by Franchisee, and by the fiduciaries of Franchisee's Client and Employee benefit plans, to transfer funds to a Franchisor or Franchisee established Benefits Trust Account ("**BTA**"). Any interest earned on balances in the Franchisor established BTA will be for the sole benefit of Franchisor and is contemplated in the price quotation. Franchisor established BTAs may contain more funds from more than one Franchisee. Upon request by Franchisee, Franchisor may consider maintaining a separate BTA for Franchisee, additional fees may apply.

3.4. Payroll Services. If the services provided hereunder include Direct Deposit Services, Franchisee authorizes Franchisor to debit Franchisee Accounts in the amount of the payments to be made on behalf of Franchisee in accordance with this Agreement, including any Fees. The funds transfer from Franchisee to Franchisor will occur three to five days before, but no later than the first Business Day prior to the date that payroll deposits are to be made to the Payee Accounts (the “**Check Date**”). Franchisee will arrange with Franchisor to transmit its payroll data including payroll amounts, payroll dates, Employee bank account information, and any other information provided to Franchisor in connection with the Services (collectively, the “**Payroll Data**”). Franchisor will timely attempt to process but shall not be liable for stop payments and direct deposit reversals requested by Franchisee. Franchisor will retain the interest earned on Franchisee funds held in a Franchisor account while payment of such funds to others is pending.

3.5. Franchisee, Client and Employee Authorizations. Franchisee shall obtain and maintain, at its sole cost and expense, any and all licenses, permits and other authorizations necessary to perform its business and duties hereunder in a lawful manner including the debiting and crediting to the designated bank accounts of Franchisee’s Clients and their Employees (the “**Payee Accounts**”) and the debiting of payments from the Franchisee’s authorized Client accounts (the “**Franchisee Accounts**”). Prior to the first credit to the account of any Employee or other individual (a “**Payee**”), Franchisee will obtain a Franchisor approved direct deposit agreement (“**DDA**”) from such Payee. The DDA will include (i) authorization from such Payee to the initiation of credits and reversals from any such Payee’s account and (ii) an agreement from such Payee to repay and authorization to withhold from future checks that may be payable to such Payee, any funds deposited in error to such Payee Account that may not be available to reverse due to insufficient funds in such Payee’s Account, closure of such Payee Account or other reason. Franchisee will retain a copy of each DDA during the period such DDA is in effect and then permanently thereafter and will furnish such copy to Franchisor upon request. **Franchisee represents and warrants to Franchisor and for the benefit of the bank originating (the “Originating Bank”) debit/credit instructions on Franchisor’s behalf, if applicable, that, (a) each credit and debit (reversing or correcting a prior payroll credit) to the account of a Payee is timely and has been authorized pursuant to an DDA signed by such Payee and held by Franchisee; (b) at the time any debit/credit is made to the account of any such Payee, Franchisee has no knowledge of the revocation or termination of such DDA; (c) each debit to the account of a Payee is for a sum which is due and owing to Franchisee, and that Franchisee has the Payee’s authorization to make the debit; (d) the amount indicated by Franchisee as being owed to each Payee is in fact due and owing to such Payee; and (e) Franchisee’s electronic credit payments comply with United States laws and all other Applicable Laws.**

3.5.1. In the event of Franchisee has insufficient funds available for any payment obligation under this Agreement and Franchisor receives an NSF, Franchisor is authorized to send a reversal file (“**Reversal**”) to one or more of the Payee Accounts or other payees that were paid by Franchisor in connection with such NSF. Furthermore, Franchisee agrees to fully reimburse Franchisor within 48 hours for any non-recovered funds from such Reversal. After Franchisee pays the unrecovered amounts, Franchisor will endeavor in good faith to recover the funds and, upon recovery of funds, if any, Franchisor will distribute those funds to Franchisee. Franchisee may not make any claim for reimbursement of unrecovered funds related to any Reversal from Franchisor.

4. **Representations, Warranties, and Disclaimers.**

4.1. Franchisee Representations and Warranties. Franchisee represents and warrants (i) that Franchisee has the power and authority to execute and deliver this Agreement and to perform its obligations hereunder, (ii) that Franchisee has duly executed and delivered this Agreement and (iii) assuming due execution by Franchisor, this Agreement constitutes the legal, valid and binding obligation of Franchisee enforceable against it in accordance with its terms. Franchisee covenants

that Franchisee will perform its obligations under this Agreement and the Franchise Agreement in accordance with all Applicable Laws.

- 4.2. Franchisor Representations and Warranties. Franchisor represents and warrants (i) that Franchisor has the power and authority to execute and deliver this Agreement and to perform its obligations hereunder, (ii) that Franchisor has duly executed and delivered this Agreement and (iii) assuming due execution by Franchisee, this Agreement constitutes the legal, valid and binding obligation of Franchisor enforceable against it in accordance with its terms. Franchisor covenants that Franchisor will perform its obligations under this Agreement, including provide the Service and services provided thereunder, in accordance with all Applicable Laws.
- 4.3. Limitation and Disclaimer of Warranties. **EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN THIS AGREEMENT, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE SERVICE, THE DOCUMENTATION, AND ALL SERVICES PERFORMED BY PROVIDERS HEREUNDER ARE PROVIDED “AS IS,” AND PROVIDERS HEREBY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING, ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, QUIET ENJOYMENT, SYSTEM INTEGRATION AND DATA ACCURACY AND PROVIDERS DO NOT WARRANT THAT THE OPERATION OF THE SERVICE WILL BE UNINTERRUPTED OR ERROR-FREE.**
- 4.4. Additional Disclaimers. Franchisee acknowledges and agrees (i) that Providers are not providing legal or financial advice, financial, benefits, or tax advice to Franchisee and Franchisee acknowledges it is solely responsible for the timely and accurate filing of all payroll and other tax returns and the timely payment of all payroll and other taxes for its Clients and Employees other than Franchisor responsibilities regarding submitting such payments and filings under the Tax Filing Services; (ii) certain Services will be provided by third parties, other than Providers and their Affiliates, and Franchisor will not be liable for Services provided by isolved® or other such third parties; and (iii) certain Services require certain power of attorney, ACH or other authorizations of Franchisee in favor of Providers and their Affiliates, and Franchisee will timely execute or cause to be executed such power of attorney, documents, instruments or other authorizations that are reasonably required by Providers to provide the Service, and the execution and delivery of such will be a condition to Providers obligation to provide such Services.

5. Use of Marks:

- 5.1. Franchisor Marks. isolved® acknowledges and agrees that the Franchisor Marks are exclusively owned by Franchisor and Franchisor retains all right, title and interest in and to all of such proprietary information and grants no rights to use the same therein other than as expressly granted hereunder. Franchisor grants to isolved® a revocable, non-exclusive, non-transferable, royalty-free license, with no right to sublicense, to use the Franchisor Marks for the sole purpose of providing, marketing and selling access to the Service, which rights expressly permit isolved® to list Franchisor’s logos and information on its website and the Service. All goodwill from the use of the Franchisor Marks will inure solely to Franchisor.
- 5.2. isolved® Marks. Franchisor and Franchisee acknowledges and agrees that the isolved® Marks, including but not limited to isolved®, all messaging and branding, in existence now or in the future (collectively the “**Branding**”) related to the Service and all other isolved® products and services are exclusively owned by isolved® and isolved® retains all right, title and interest in and to all of such proprietary information and grants no rights therein other than as expressly granted hereunder. isolved® grants to Franchisor, and thus, Franchisee a revocable, non-exclusive, non-transferable, royalty-free license, with no right to sublicense, to use the Branding for use in connection with the Services, which rights expressly permit Franchisor and Franchisee to include Branding on communications to Clients and Employees; provided such Branding is in conformance with isolved®’s trademark and Branding policies in place from time to time (which are available upon

request). All goodwill from the use of the isolved® Marks will inure solely to isolved®.

6. Fees & Additional Products:

- 6.1. Fees. Franchisee will pay Franchisor all fees assessed by Franchisor for access to the isolved® Service as may be set forth in Franchise Agreement, by handout, electronic messaging or by any other means.
- 6.2. Exception Fees. In addition to the Fees set forth on Franchise Agreement, Franchisee will be required to pay any (“**Exception Fees**”) to Franchisor. Exception Fees may include fees for non-sufficient funds (NSF), Notification of Change (NOC) charges, wiring fees, stop payment/void check fees, Franchisee Account changes, signature or logo change fee, late payroll submission fee, zero quarterly report fees, incorrect tax rates and missing or applied for tax identification numbers.
- 6.3. Additional Services and Fees for Providers Products. Providers may from time to time make available to Franchisee certain additional development or other services and products through the Service that are not currently set forth on Franchise Agreement (each an “**isolved® Product**”). Franchisor may make the use of some of the additional development or other services and products mandatory. If Franchisor makes the same mandatory or if not mandatory, if Franchisee elects to purchase any additional isolved® Product from Providers, the fees for such isolved® Product (the “**isolved® Product Fees**”) the Franchisor will provide the cost of the same at least 60 days’ prior to implementation.

7. Indemnification:

- 7.1. Franchisee Indemnity. Franchisee will indemnify, defend and hold harmless Providers, their directors, officers, employees, shareholders, members and affiliated companies (the “**Providers Indemnitees**”) from and against any claim, action, proceeding, loss, expense or damage (including reasonable attorneys’ fees) (“**Claims**”) arising out of or related to: (i) any unauthorized representations or warranties made by Franchisee or its agents regarding the Service or any isolved® Products; (ii) any failure by Franchisee to comply with Applicable Laws; (iii) any allegations that Franchisee’s data infringes or misappropriates a third party’s intellectual property or other rights; (iv) any breach by Franchisee of this Agreement; (v) any action against Providers as a result of Providers’ reliance on any information or authorization provided to Providers by Franchisee; (vi) any claim brought against Providers by any Client or Employee served by Client Franchisee, including resulting from Franchisee’s breach of any obligation to Client or Employee; (vii) any violation of laws, rules or regulations applicable to Franchisee’s operation of their business which results in a Provider being named in any claim, cause of action, demand, directive from a Governmental Authority or a party to an action under Applicable Law; and (viii) any NSF Transfer. Franchisee acknowledges and agrees that each User of Franchisee is bound by the covenants and obligations of the Franchisee under this Agreement and Franchisee will cause all such Users to abide by such covenants and obligations. Notwithstanding anything contained herein or the fact that no Users of Franchisee are a signatory to this Agreement, Franchisee agrees that Franchisee will indemnify, defend and hold harmless, the Providers Indemnitees for any and all actions of its Users that would otherwise constitute a breach of this Agreement or obligation of any User if such User were a signatory to this Agreement.
- 7.2. Providers Indemnity. Providers will defend, indemnify, and hold Franchisee, its directors, officers, employees, shareholders, members, and affiliated companies (the “**Franchisee Indemnitees**”) harmless from and against any Claims made or brought against Franchisee Indemnitees by a third party alleging that the use of the Service as contemplated hereunder and in the applicable Documentation infringes the U.S. intellectual property rights of a third party (“**IP Rights**”). Providers may, at its sole option and expense:
 - 7.2.1. procure for Franchisee the right to continue using the Service under the terms of this Agreement; or
 - 7.2.2. replace or modify the Service to be non-infringing without material decrease in functionality. Notwithstanding the provisions of this Section, Providers assumes no liability for infringement

claims arising from (a) the combination of the Service with products not provided by Providers, (b) any modification to the Service unless such modification was made by Providers or at the written direction of Providers, or (c) use of the Service not in accordance with their applicable Documentation. **THE PROVISIONS OF THIS SECTION, STATE THE ENTIRE LIABILITY AND OBLIGATIONS OF PROVIDERS, AND THE EXCLUSIVE REMEDY OF FRANCHISEE, WITH RESPECT TO ANY ACTUAL OR ALLEGED INFRINGEMENT OF ANY PATENT RIGHT, COPYRIGHT, TRADE SECRET, TRADEMARK OR OTHER IP RIGHT.**

7.3. Claims. The indemnified party will (i) promptly notify the indemnifying party of any Claim for which it believes it is entitled to indemnification, (ii) grant the indemnifying party sole control of the defense of such Claim (provided it agrees to be liable for such indemnity) and (iii) provide the indemnifying party with assistance reasonably necessary to perform the above. The indemnified party may, at its option and expense, be represented by separate counsel in any such action. No party entitled to indemnification hereunder will be subject to the terms of a settlement without such party's prior written consent.

8. Confidentiality:

8.1. Confidentiality. Either party hereto (a "**Disclosing Party**") may, from time to time during the Term, furnish or make available to the other party hereto (the "**Recipient**") certain Confidential Information. The Recipient will not use or disclose Confidential Information except as necessary to perform its obligations hereunder and will take reasonable efforts to protect the Confidential Information of the other party and will not transmit, transfer, distribute or allow access to the Confidential Information to any third party, other than to third parties who have a need to know such Confidential Information in connection with the services that may be provided hereunder. "Confidential Information" does not include deidentified aggregated information.

8.2. Legally Compelled Disclosure. The Recipient will not be in breach of this Agreement by delivering some or all of the Confidential Information to a court, to law enforcement officials, and/or to governmental agencies, but only if it limits the disclosure to the minimum amount that will comply with Applicable Law (such as in response to a subpoena) or that is necessary to enforce its legal rights against the Disclosing Party. Unless prevented by law, the Recipient agrees to notify the Disclosing Party of any such legally required disclosure. If requested by the Disclosing Party, and if permitted by law, the Recipient will cooperate with the Disclosing Party, at the Disclosing Party's expense, in seeking to limit or eliminate legal requirements that compel disclosure, or in seeking confidential treatment thereof.

9. Limitation of Liability; Remedies:

9.1. **PROVIDERS WILL NOT BE LIABLE IN CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR OTHERWISE FOR DAMAGES SUFFERED OR INCURRED BY FRANCHISEE FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL, OR PUNITIVE DAMAGES (INCLUDING LOST DATA, LOST BUSINESS OR PROFITS, AND INTERRUPTION OF BUSINESS), WHETHER OR NOT SUCH DAMAGES WERE FORESEEABLE. WITH THE EXCEPTION OF A PARTY'S OBLIGATIONS UNDER THIS AGREEMENT INCLUDING THE "INDEMNIFICATION" AND "CONFIDENTIALITY" SECTIONS, THE TOTAL CUMULATIVE LIABILITY OF PROVIDERS FOR ANY CLAIMS ARISING OUT OF THIS AGREEMENT (INCLUDING WITH RESPECT TO PRODUCTS AND SERVICES PROVIDED HEREUNDER) IS LIMITED TO THE TOTAL AMOUNT ACTUALLY PAID BY FRANCHISEE TO FRANCHISOR FOR SERVICES RELATED TO THIS END USER LICENSE AGREEMENT DURING THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE THE CLAIM AROSE.**

9.2. Franchisor, its third party ACH processor and or the Originating Bank will utilize security procedures to attempt to prevent problems with transmission of instructions. Such security

procedures will include (a) a unique file identification number and transmission password, (b) encryption, and (c) automated verification of total dollars and number of items in the file. Franchisee agrees that these procedures constitutes a commercially reasonable method of providing security against unauthorized instructions. Franchisee will be bound by any debit/credit instruction issued by or on behalf of Franchisee and received and verified by the Originating Bank in accordance with such security procedures, and the Providers, third party ACH processors and the Originating Bank will not be liable for any loss sustained as a consequence of any instructions that are not authenticated if Franchisor has appropriately adhered to these procedures. The Franchisor, third party ACH processors, and the Originating Bank will not be liable for any damages to Franchisee arising from any decision made by Franchisor, third party ACH processors, or the Originating Bank to refrain from or delay originating debit/credit entries or issuing any check in connection with Franchisee's payroll, (i) after reasonable efforts to verify such debit/credit entries by the required security procedure have failed or (ii) because Franchisor has not received timely funds from Franchisee. Franchisee agrees that Providers will not be liable for any damages (regardless of the nature of the damages and even though Franchisee may have been made aware of such damages) to Franchisee arising from any bank decision to withhold the release of a Franchisee payroll that is processed by check. Regardless of any such delay in the release of any check, Franchisee will still be obligated to pay Franchisor for applicable payroll processing charges.

10. Miscellaneous:

- 10.1. Entire Agreement. The parties agree that all prior and contemporaneous understandings and agreements made or had between the parties are superseded by this Agreement, which constitutes the complete and exclusive statement of the terms and conditions relating to the subject matter of this Agreement. This Agreement cannot be altered, amended, or modified except in writing executed by each party. The waiver of, or failure to exercise, any right under this Agreement will not be deemed a waiver of any right hereunder, except to the extent in a writing executed by such party.
- 10.2. Arbitration. In the event one or both Providers have a claim against the Franchisee or the Franchisee has a claim against one or more of the Providers as a result of the alleged breach of this Agreement by a Provider or the Franchisee and the matter does not involve disputes relating primarily to the Marks, to any intellectual property licensed by a party to the other, or any matter governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) (all of which are subject to court proceedings in a court of competent jurisdiction) the parties will attempt to resolve the claim in good faith between them. If no resolution is reached within five days of the date that parties completed good faith discussions, the parties will enter into non-binding mediation before a single disinterested mediator. If mediation does not resolve the matter, and the parties continue to disagree, then the matter will be resolved by binding mediation. Mediation will be held before a single disinterested arbitrator from the American Arbitration Association (AAA). The parties agree that the choice of law will be that of the state in which the Franchisor's then-current headquarters is located without regard to any choice-of-law statute or common law to the contrary. Venue will be within fifteen miles of the then-current headquarters of the Franchisor without regard to a claim of forum non-conveniens. The decision of the arbitrator will be final, binding, non-appealable and enforceable in any court of competent jurisdiction. The arbitrator will decide all matters concerning the claims including whether the claim is arbitratable, whether some part or all of this Agreement is enforceable, and any other legal or equitable claim (including a claim of fraud in the inducement, the parties recognize that each is entitled to a trial in a court and before a jury. Acknowledging that, each party specifically waives the right to a court or jury trial and instead agrees that resolution under the terms of this Section is a fair and reasonable method of resolution. The parties also agree that each intends that all provisions of this Agreement will be fully enforced, including those relating to arbitration, waiver of jury trial, limitation of damages, venue, and choice of laws. It is further agreed that the parties are relying 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 matters concerning mediation and arbitration. In addition to any monetary or equitable award, the arbitrator will award the prevailing party their costs and fees (including reasonable attorney’s fees, expert witness fees and the arbitrator’s fees) incurred because of arbitration. The parties agree that each will equally share in the cost of mediation and arbitration with the understanding that the arbitrator will award the same in arbitration (but not mediation). The terms of this Section apply only to disagreements arising under this Agreement and not resulting for a disagreement between the Providers or the Franchisor and Franchisee as such matters are subject to separate dispute-resolution agreements.

- 10.3. Franchisor will have the right to assign its rights under this Agreement. Franchisee may not assign any of its rights under this Agreement to any third party without the prior written consent of Franchisor. For purposes hereof, a change in control of more than 50% of Franchisee’s equity ownership (or its parent corporation’s ownership), whether by merger, sale of equity securities or otherwise, will constitute an assignment of this Agreement by Franchisee. Nothing in this Agreement creates, or will be deemed to create, third party beneficiaries of or under this Agreement.
- 10.4. Force Majeure. Any party hereto will be excused from performance under this Agreement for any period of time that the party is prevented from performing its obligation hereunder as a result of an act of God, war, earthquake, civil disobedience, court order, labor dispute, or other cause beyond the party’s reasonable control.
- 10.5. Notices. Any notice required or permitted to be given hereunder will be deemed given the day following the date of the postmark thereof if sent prepaid certified or registered mail, return receipt requested or by confirmed facsimile, or by commercial overnight delivery service. Until either party advises the other party of a change in how notices will be addressed, all notices pursuant to this Agreement will be addressed to the address of the parties shown on the Franchise Agreement.

DESIGNATED USER (Business Name)

Company: _____

Payroll Vault Franchise ID # _____

Signature: _____

Date: _____

PAYROLL VAULT FRANCHISING LLC

Signature: _____

Date: _____

EXHIBIT A
SERVICE LEVELS

Provided the Service User's internet connection is at or below seventy five percent (75%) of utilization and that the Service User's applicable PC is configured in accordance with the Documentation, except for any causes beyond isolved® Network's control, Scheduled Maintenance and Emergency Maintenance, and subject to the exclusions set forth below, isolved® Network guarantees System Availability of ninety nine and one half percent (99.5%). System Availability is measured by the month. isolved® Network shall provide the Hosted Service with a disaster recovery plan which includes a recovery time objective ("RTO") of twelve (12) hours and a recovery point objective ("RPO") of twenty four (24) hours. The RTO is measured from the time the Hosted Service becomes unavailable until it is available again. The RPO is measured from the time that the first transaction is lost until the Hosted Service becomes unavailable. System Availability is calculated in accordance with the following formula: $x = [(n - y) * 100] / n$, where x = System Availability percentage, n = total hours per month, and y = hours the Hosted Service was not available.

With respect to any month during the Term where System Availability is less than ninety nine and one half percent (99.5%) for at least three (3) consecutive months during any year of the Agreement, isolved® Network shall provide Certified Partner with credit(s) reflected on the following year's invoice with such credits based on the formula below:

(Total downtime (in hours and exclusive of Scheduled Maintenance and
Emergency Maintenance) / total hours per month) X (trailing twelve (12)
months' PEPM fees / 12)

There is no limit on the service credits that may be applied to Monthly Minimum Fees. If the service credit for any month exceeds the Monthly Minimum Fee for that month, the remainder will be applied to the next month's Monthly Minimum Fees. Certified Partner must be up to date on all payments due to isolved® Network to qualify for any service credits described in this Exhibit A. Certified Partner expressly acknowledges and agrees that the service credits described in this Exhibit A are the sole and exclusive remedy available to Certified Partner for failure of the Hosted Service to meet the service levels set forth herein.

Exclusions:

The service levels set forth herein do not cover any downtime caused, either directly or indirectly, by:

1. custom application coding errors introduced by any Party;
2. software configuration changes not made by or specifically approved by isolved® Network personnel;
3. hardware configuration changes not made by or specifically approved by isolved® Network personnel;
4. downtime from failure of any components or services not managed by isolved® Network, including, but not limited to, hardware, network access, or third party support.

CERTIFIED PARTNER RECOGNIZES THAT THE INTERNET CONSISTS OF MULTIPLE PARTICIPATING NETWORKS THAT ARE SEPARATELY OWNED AND THEREFORE ARE NOT SUBJECT TO THE CONTROL OF ISOLVED® NETWORK. MALFUNCTION OR CESSATION OF INTERNET SERVICES BY INTERNET SERVICE PROVIDERS OR OF ANY OF THE NETWORKS THAT FORM THE INTERNET MAY MAKE THE HOSTED SERVICE TEMPORARILY OR PERMANENTLY UNAVAILABLE. OCCASIONAL TEMPORARY INTERRUPTIONS OF THE HOSTED SERVICE MAY OCCUR FROM TIME TO TIME. CERTIFIED PARTNER AGREES THAT

ISOLVED® NETWORK SHALL NOT BE LIABLE FOR DAMAGES INCURRED OR SUMS PAID WHEN THE HOSTED SERVICE IS TEMPORARILY OR PERMANENTLY UNAVAILABLE AS A RESULT OF THE MALFUNCTION OR CESSATION OF SUCH THIRD PARTY NETWORKS, AND THAT THIS UNAVAILABILITY OF THE HOSTED SERVICE WILL NOT BE A SERVICE LEVEL FAILURE UNDER THIS AGREEMENT, INCLUDING DUE TO MALFUNCTION OR CESSATION OF INTERNET SERVICES BY NETWORK(S) OR INTERNET SERVICE PROVIDERS NOT SUBJECT TO THE CONTROL OF ISOLVED® NETWORK, OR DUE TO ANY ACCIDENT OR ABUSE BY CERTIFIED PARTNER. THE INTERNET IS NOT A SECURE NETWORK; UNENCRYPTED CONFIDENTIAL OR SENSITIVE INFORMATION SHOULD NOT BE TRANSMITTED OVER THE INTERNET OR STORED ON COMPUTERS DIRECTLY CONNECTED TO THE INTERNET.

SSAE 16 Audits

isolved® Network will conduct a yearly SSAE 16 Type II audit on the Hosted Service, attesting to process and controls covering (but not limited to):

- 1) Physical Security
State-of-the-art data center and backup facilities.
Highly restricted access with 24x7 monitoring and audit.
Backup and disaster recovery with regular testing of procedures to ensure integrity of customer Data.
- 2) Communications and Network-Level Security
Access permitted only over secure connections including Secure Socket Layer (SSL) version 3 or Transport Layer Security (TLS).
Perimeter-level defense and network intrusion prevention.
Regular third party network vulnerability and penetration testing.
- 3) Application-Level Security
Authentication of all user and web services requests.
Granular customer-defined access control rights and permissions.
- 4) Data Security
No direct database access allowed. All access requests routed through the business logic.
- 5) Comprehensive Auditing
Full audit of user authentication, authorization, and access.
Audit reporting in support of governance and compliance.

An SSAE 16 full report will be provided annually, or “gap letters” attesting to continued adherence to SSAE 16 standards will be provided upon request.

Scheduled Maintenance

The following is defined as “Scheduled Maintenance”:

Planned maintenance of both the infrastructure and the Hosted Service shall be performed to reduce the likelihood of disrupting Certified Partner’s access to the Hosted Service. Scheduled Maintenance is scheduled to fall outside of standard business hours whenever possible. Scheduled Maintenance is scheduled for the second Saturday of each month, between 9:00 AM ET and 9:00 PM ET. Certified Partner will be notified in advance of the Scheduled Maintenance window via email at least seven (7) days in advance; provided, however, Certified Partner may request, and isolved® Network will make its best efforts to provide, a different Scheduled Maintenance window if the above-described Scheduled Maintenance window

conflicts with Certified Partner's critical business processes during specific times of the year.

Business Continuity Management

isolved® Network will host the Hosted Service in its or its permitted subcontractors' data centers in the United States and will provide full data redundancy. Any Certified Partner Data uploaded by Certified Partner to the Hosted Service will be concurrently maintained at a second data center in the United States utilizing a separate power grid. Both of these data centers include battery backup with stand-by generators in case of a failure in the power grids. The data centers employ state of the art data synchronization technology to ensure maximum data security and continuity of business processes. isolved® Network shall ensure that all Certified Partner Data is stored on a dedicated database and not on databases that hold any other isolved® Network Client (or other third party) data.

EXHIBIT 6

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 the 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 prevailing non-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.

2. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in

connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the California Investment Law 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 the Franchise Agreement or any of its exhibits or attachments, 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 HAWAII

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20__, between Payroll Vault Franchising, LLC, and _____, which amends and revises said Franchise Agreement in recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E et seq., as follows:

1. The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination, and transfer of the Franchise Agreement. If the Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

2. The Franchisee is required to sign a general release as a condition of renewal and transfer of the franchise; such release will exclude claims arising under the Hawaii Franchise Investment Law.

3. Any covenant of the Franchise Agreement, which purports to terminate upon the Franchisee upon bankruptcy, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

4. The Franchise Agreement is amended to provide that Franchisor will defer collection of the initial franchise fees and other pre-opening fees due to Franchisor until Franchisor has satisfied all of its preopening opening obligations and the Franchisee is open for business.

5. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of Hawaii law applicable to the provisions are met independent of this Addendum. To the extent this Addendum is inconsistent with any terms or conditions of the Franchise Agreement or any of its exhibits or attachments, the terms of this Addendum will govern. If, however, Franchisee’s choice of Arbitration under the Federal Arbitration Act supersedes the application of state law, then the terms of the Franchise Agreement will prevail.

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: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

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. Illinois law shall apply to and govern the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees' rights upon Termination and Non-Renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or **any other law of Illinois** is void.
5. Payment of the Initial Franchise Fee will be deferred until Franchisor has met its initial obligations to the franchisee and the franchisee has commenced doing business. The financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

~Signatures to Follow~

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: _____

By: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

STATE OF INDIANA

This Addendum to the Franchise Agreement, agreed to this ___ day of _____, 20___, between Payroll Vault Franchising, LLC (Franchisor) and _____ (Franchisee).

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement is amended as follows:

a. Nothing in the Franchise Agreement will be deemed to release the Franchisor from claims based on the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.

b. The Franchise Agreement is amended to prohibit unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement, and termination is not in bad faith.

c. Article 15 of the Franchise Agreement is amended subject to Indiana Code 23-2- 2.7-1(9) to provide that post-term non-competitor covenants will have a geographical limitation of the territory granted to the Franchisee.

d. The Franchise Agreement is amended to provide that the Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

e. The Franchise Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.

f. Further

i. Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement, and termination is not in bad faith.

ii. Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

iii. Arbitration between a franchisee and franchisor will be conducted in Indiana or a mutually agreed upon site.

iv. is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action which arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

v. The Franchise Agreement is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independent of this Addendum. To

the extent this Addendum is inconsistent with any terms or conditions of the Franchise Agreement or any of its exhibits or attachments, the terms of this Addendum will govern. If, however, Franchisee's choice of Arbitration under the Federal Arbitration Act supersedes the application of state law, then the terms of the Franchise Agreement will prevail.

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: _____

By: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

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 three 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 is inconsistent with any terms or conditions of the Franchise Agreement or any of its exhibits or attachments, the terms of this Addendum will govern.

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

~Signatures to Follow~

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: _____

By: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

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 prohibits 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 is deemed to be inconsistent with any terms or conditions of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum will govern.

~Signatures to Follow~

FRANCHISOR

PAYROLL VAULT FRANCHISING, LLC

By: _____

Managing Member

Date: _____

FRANCHISEE

By: _____

Its: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

STATE OF NEW YORK

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 General Business Laws of the State of New York, Article 33, §§ 680 through 695, (the “Act”) the Franchise Agreement is amended as follows:

The 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 General Business Laws.

Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.

Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee’s reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

The Franchise Agreement requires that the franchise be governed by the laws of the state the Franchisor’s principal business is then located. Such a requirement will not be considered a waiver of any right conferred upon the Franchisee by Article 33 of the General Business Laws.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the Act are met independent of this Addendum. To the extent this Addendum is inconsistent with any terms or conditions of the Franchise Agreement or its exhibits or attachments, 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: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

STATE OF NORTH 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:

Based upon the franchisor's financial condition, the North Dakota 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 and the franchisee has commenced doing business.

Sections of the Franchise Agreement requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Franchise Agreement relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the Franchise Agreement requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the Franchise Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the Franchise Agreement requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the Franchise Agreement requiring you to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Section 15 of the Franchise Agreement discloses the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The Franchise Agreement is amended accordingly to the extent required by law.

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: _____

By: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

STATE OF RHODE ISLAND

Intentionally left blank

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.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____

By: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

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 are met independently of this Addendum. To the extent this Addendum is inconsistent with any terms or conditions of the Franchise Agreement or its exhibits or attachments, 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

Date: _____

by: _____
Its: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

**WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT, CLOSING
ACKNOWLEDGEMENT, AND RELATED AGREEMENTS**

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

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

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

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

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

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

The State of Washington has imposed a financial condition under which the initial franchise fees due will be deferred until the franchisor has fulfilled its initial pre-opening obligations under the Franchise Agreement and the franchise is open for business.

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

The undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____

by: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

EXHIBIT 7

GUARANTY OF FRANCHISEE'S OBLIGATIONS

This Guaranty of Franchisee's Obligations (Guaranty) is entered into on the date that it is signed by all Parties (Effective Date) between Payroll Vault Franchising, LLC, (Franchisor), and _____ (Franchisee) and _____ and _____, (jointly and severally known as Guarantor(s)). Franchisor, Franchisee, and Guarantor may be referred to as a "Party" or as the "Parties". Any capitalized term not defined here will have the meaning given it in the Franchise Agreement.

RECITALS

WHEREAS, Franchisee signed a franchise agreement with Franchisor on _____,
(Franchise Agreement)

WHEREAS, an inducement to the Franchisor for granting franchise rights, Guarantor(s) agrees to fully guarantee 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, the undersigned personally and unconditionally agrees to the following:

COVENANTS

1. Guarantor(s) guarantee to Franchisor and its successors and assigns, for the Term of the Franchise Agreement that the Franchisee shall timely pay any amount required by the Franchise Agreement and shall perform every undertaking, agreement, and covenant of the Franchise Agreement and any addenda or Exhibits 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 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 every breach of any term, covenant, or condition of the Franchise Agreement including all restrictive covenants and others that survive the expiration, termination or Transfer of the Franchise Agreement.

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 preceding undertaking;
- b. notice of demand for payment of any indebtedness or notice of any nonperformance of any obligations guaranteed;
- c. protest and notice of default concerning the indebtedness or nonperformance of any obligations 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. the requirement that Franchisor first proceed against Franchisee; 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 is not contingent or conditioned upon the pursuit of any remedies against Franchisee or any other person;
 - d. Guarantor(s) liability shall not be diminished, relieved, or otherwise affected by an extension of time, credit, or another indulgence, including 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 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 attorneys' fees, costs, and disbursements, incurred in an 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 under its terms;
 - c. the execution and delivery of this Guaranty and the consummation of the transaction underlying it will not, with or without notice 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 omit 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 in Article 16, which are incorporated herein by this reference as if fully set forth here.

8. The Recitals are incorporated herein by this reference.

~Remainder of Page Intentionally Blank~

DONE AS OF THE EFFECTIVE DATE.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____

By: _____

Managing Member

Its: _____

Date: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

GUARANTORS

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

Date: _____

Date: _____

| **Exhibit C _____**

| **Table of Contents**

Exhibit D

**List of Current Franchisees
as of December 31, ~~2023~~2022**

Owner	Address	City	State	Zip Code	Phone
Karen Simmons, Cadie Simmons*	712 Oak Circle Dr. W #A	Mobile	AL	36609	251-243-0902
Elsie Nash, Kevin Nash	1580 Tampa Ct	Bonita	CA	91910	619-985-4105
Ade Rogers	1338 Center Court Dr., Ste#203	Covina	CA	91724	626-480-1414
Cindy Thompson	24 Ambleside Court	Danville	CA	94526	925-858-

Owner	Address	City	State	Zip Code	Phone
					0981
Vinny Saini	4049 1st St. #126	Livermore	CA	94551	925-273-7020
Joel Hendricks, John Hopkins, Amy Minjares	31629 Outer Highway 10, Suite #D	Redlands	CA	92373	909-253-0020
Karen Mora, OV Mora	115 S La Cumbre Lane #100	Santa Barbara	CA	93105	805-899-1936
David Gilligan, Mollie Gilligan	5610 Ward Road Suite \$300	Arvada	CO	80004	720-278-4849
Mark Sunderland and Pam Sunderland	3000 Center Green Drive, Ste 220	Boulder	CO	80301	303-440-8750
Zane Glover, Meredith Glover	325 Cherry St., Ste 112	Fort Collins	CO	80521	970-221-5553
Melissa Clary	375 E. Horsetooth Rd., #2-102	Fort Collins	CO	80525	970-682-6600
Jeff Kefalas , Kristina Kefalas	355 S. Teller Street Street , Suite #200	Lakewood	CO	80226	303-763-1857
Matt Sorenson, Stephanie Sorenson	9233 Park Meadows Drive,	Lone Tree	CO	80124	303-763-1844
Lauren Cooper, Todd Cooper	6330 N Andrews Ave., Ste 221	Ft. Lauderdale	FL	33309	614-778-1277
Jake Welsh	6490 Cape Hatteras Way NE #2	St Petersburg	FL	33702	727-424-4044
Lyndi Wickerson, Stacey Licking	130 Shamrock Blvd.	Venice	FL	34293	941-484-4980
Tricia Lee Golomb	2645 Executive Park Dr., Suite 107	Weston	FL	3331	954-889-0075
Michelle Abel	55 Atlanta St Suite 398	Atlanta	GA	30060	772-342-3862
Blair Motl	324 N River Street	East Dundee	IL	60118	309-750-9040
Debra Schill	209 S. Armstrong St.	Crothersville	IN	47229	812-793-2101
Steven Spurlock	10769 Broadway #134	Crown Point	IN	46307	219-247-8769
Aaron Bontrager	2832 Brookside Dr.	Iowa City	IA	52245	847-738-3085
Janice Kelley	701 Dishman Ln Ext Suite 2	Bowling Green	KY	42104	270-303-9262
Phil Domke, Deborah Domke	412 Newman Drive, Lakeway Plaza	Eddyville	KY	42038	270-604-4048
<u>Chris Mobley</u>	<u>935 Gravier St., Ste 1840</u>	<u>New Orleans</u>	<u>LA</u>	<u>70112</u>	<u>504-291-8400</u>
Sean Thomas, Tara Thomas	2825 Carey Street	Slidell	LA	70458	985-781-1818
James Lippens, Jami Lippens	7945 Second Street	Dexter	MI	48130	734-972-9649
Tricia Chau	24907 Arden Park Dr.	Farmington Hills	MI	48336	616-204-8733
Dominic Buschini, Tiffany Buschini	2721 Green Oak LN	Kalamazoo	MI	49004	269-317-0821

Owner	Address	City	State	Zip Code	Phone
Mike Semm	8089 Stadium Dr.	Kalamazoo	MI	49009	269-202-8434
Steven Hamacher	8089 Stadium Dr.	Kalamazoo	MI	49009	269-353-3830
Steve Woodward and Carla Woodward	6424 E Millsborough Cir	Lansing	MI	48917	517-420-0208
Lisa Carsrud	1407 NW 4 th St.	Grand Rapids	MN	55744	(218) 259-1133
Kathy Rollinger	163 Walnut St Ste 1	Winona	MN	55987	(507) 459-3333
Jenny Majerus	403 E 4 th St.	Grand Island	NE	68801	308-337-4252
Jeanine Dargis, Jordan O'Donnell	55 Silver Lake Ave	Edison	NJ	08817	201-739-8706
Omar Buker, Michelle Szczesny	60 Carlisle Court	Old Bridge	NJ	08857	732-673-4695
Kassi Husband, Kyle Husband	95 Perry St Suite 102	Buffalo	NY	14203	716-864-2991
Andrew Dowe	416 Morgan Drive	Lewiston	NY	14092	716-405-7831
Darius Burnette, Kelli Burnette	2952 Helena Drive NW	Carroll	OH	43112	740-756-1040
Marc Boulanger	11517 San Sebastian Dr	Oklahoma City	OK	73173	405-217-4000
Cynthia Cox	1044 SW 16 th Suite 100	Oklahoma City	OK	73108	405-492-6470
Tim Roberts	92 Centennial Loop	Eugene	OR	97401	541-246-7173
Cathy Carroll, Ed Carroll	2407 Poplar Rd	Havertown	PA	19083	484-450-8790
Paula Johnson, Mark Johnson	724 Shamrock Drive	Hartford	SD	57033	605-799-4884
Saralyn Banks	1020 William Blount Dr.	Maryville	TN	37801	865-227-7870
Toby Haynes	2652 FM 407 E, Suite 215-G	Bartonville	TX	76226	940-488-4895
Patrick Welborne	5301 Alpha Rd #80	Dallas	TX	75240	469-878-1715
Sean Pettit, Rebecca Pettit	9002 Wurzbach Rd.	San Antonio	TX	78240	210-996-2753
Mr. Frankie Garrett(MO) Selina Garrett(MO)	2211 Rayford Road Suite 111 #404	Spring	TX	77386	(346) 816-4125
<u>Clint Blundon, Lisa Blundon</u>	<u>196 Saddle Ridge</u>	<u>Spring Branch</u>	<u>TX</u>	<u>78070</u>	<u>210-415-9906</u>
Deanna Trent	301 E 16 th St	Richmond	VA	23224	804-868-0727
Terri Stewart	3351 Stoneshore Rd., Suite #100	Virginia Beach	VA	23462	757-536-1046
Rosa Thomas	#9 Caret Bay Villas	St Thomas	USVI	00802	340-513-0528

* Operates 2 franchised locations

Exhibit E

Franchisees That Have Left the System

**FRANCHISEES WHO HAVE BEEN TERMINATED, CANCELLED, OR NOT RENEWED
During the fiscal year ended December 31, ~~2023~~2022**

Owner	Address	City	State	Zip	Phone
Chris MobleyDarin Frantz	935 Gravier117 Kingdom St STE 1840	New OrleansCape Fair	LA <u>MO</u>	70122 <u>65624</u>	504-294- 8400918-688- 0503

<u>Clint Blundon Rudy Frederico</u>	<u>196 Saddle Ridge Pkwy #160</u>	<u>1012 Eldorado Spring Branch Little Elm</u>	<u>TX</u>	<u>7807075068</u>	<u>210-415-9906972-977-2787</u>
<u>Joe Ji</u>	<u>5256 Bethel Reed Park #C</u>	<u>Columbus</u>	<u>OH</u>	<u>43220</u>	<u>614-432-5805</u>
<u>Ed Lambacker, Kim Lambacker</u>	<u>100 North Ave., Suite 103-125</u>	<u>Tallmadge</u>	<u>OH</u>	<u>44278</u>	<u>330-588-3804</u>
<u>Frank LaRosa</u>	<u>301 N. Church St., Ste 226</u>	<u>Moorestown</u>	<u>NJ</u>	<u>08057</u>	<u>732-997-9767</u>
<u>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>Bob Seibel</u>	<u>3814 West St Unit 311</u>	<u>Cincinnati</u>	<u>OH</u>	<u>45227</u>	<u>513-271-7835</u>
<u>Austin Smith</u>	<u>3345 N 150 W</u>	<u>Lehi</u>	<u>UT</u>	<u>84043</u>	<u>801-885-8945</u>
<u>Robert Smith</u>	<u>300 N Huron St</u>	<u>Ypsilanti</u>	<u>MI</u>	<u>48197</u>	<u>734-218-0950</u>
<u>Priscilla Vang</u>	<u>800 Minnehaha Ave., Suite 365</u>	<u>St. Paul</u>	<u>MN</u>	<u>55106</u>	<u>651-776-2222</u>

TRANSFERS DURING THE FISCAL YEAR ENDED DECEMBER 31, ~~2023~~2022

None.

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

Exhibit F

Renewal ~~Addendum~~ Amendment

**RENEWAL ~~ADDENDUM~~ AMENDMENT TO
PAYROLL VAULT FRANCHISING, LLC FRANCHISE AGREEMENT**

PAYROLL VAULT FRANCHISING, LLC (“~~Franchisor,~~” “~~us,~~” “~~our,~~” or “we”) and _____ (“~~Franchisee,~~” “~~you,~~” or “your”) entered into a Franchise Agreement dated _____, 20__ (“**Prior Agreement**”) and now desire to enter into a successor Franchise Agreement to enable Franchisee to continue to operate the Franchised Business. Franchisor and Franchisee desire to supplement and amend certain terms and conditions of the successor Franchise Agreement dated _____, 202__, (“**Successor Franchise Agreement**”), by this ~~Amendment~~ **amendment** (“**Amendment**”) dated of even date with the Successor Franchise Agreement. All terms not defined herein shall have the definitions set forth in the Successor Franchise Agreement. The parties therefore agree as follows:

Opening Date. Section 2.1 is deleted and replaced with the following: The Opening Date of the Franchised Business under the Prior Agreement was _____, _____, 20__.

Franchisee Quota. Section 2.3.a is deleted in its entirety and replaced with the following:

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

i. You must maintain a minimum of 100 monthly payroll Clients or have a minimum monthly Payroll and Workforce Management Services billing average of \$12,500 during each 12-month period during the Term. If you fail to meet the Franchisee Quota as of the date of the Successor Franchise Agreement, we may reduce the size of your ~~Protected Territory~~ to an “Open Territory”. ~~An Open Territory is no longer a Protected Territory, the Open Territory has no assigned zip codes less than 10,000 businesses and does not receive inbound website leads. Franchisor may then make the previously Protected Territory available to another Franchisee begin allowing them to own the zip codes, market and other franchisees to sell Payroll and Workforce Management Services in the area that is no longer part of your Protected Territory. If applicable, your revised Protected Territory or Open Territory is described in Exhibit A attached hereto.~~

Initial Fees and Fees Payable Before Opening. Section 3.1 is deleted in its entirety.

Successor Franchise Rights. Section 4.2.a is changed as follows: The definition of “**Successor Franchise Rights Term**” is changed to “two additional 10-year terms.” The remainder of this section is unchanged.

Services Provided by Us Before Commencement of Operations. Section 5.2 is deleted in its entirety.

Transfer. Section 9.3 is changed to include an item 9.3.e, Upon Franchisor approval and a successful sale and transfer of all of franchisee’s clients to an approved buyer, Franchisee shall also be given the option to terminate franchise and all franchise rights in a Termination Agreement that will provide a waiver of all remaining Royalties and Fees for subsequent months to the Termination Date of the Termination Agreement.

Notices. Section 18.8.a is changed as follows: The second sentence is deleted and is replaced with the following: A copy of all notices shall also be sent to Moye White LLP, Attention: Lynne M. Hanson, 1400 16th Street, Suite 600, Denver, CO 80202.

Release. Franchisee agrees to sign Franchisor's General Release, attached hereto as Exhibit B, in conjunction with the signing of this Amendment and the Successor Franchise Agreement.

9. Successor Franchise Fee. Franchisor acknowledges receipt of \$_____ from Franchisee in payment of the Successor Franchise Fee.

10. Effectiveness of Agreement. The terms and conditions of this Amendment are in addition to or in explanation of the existing terms and conditions of the Successor Franchise Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this ____ day of _____, 20__.

PAYROLL VAULT FRANCHISING, LLC

By: _____
Title: _____
Date: _____

FRANCHISEE:

By: _____
Title: _____
Date: _____

OR

Individually

Date: _____

Attachment 1 To Exhibit F

Renewal Addendum

EXHIBIT A

TERRITORY

If Franchisee has failed to achieve and maintain the Franchisee Quota at the time of this Successor Franchise Agreement and Amendment, Franchisor may reduce the size of the Territory under the Successor Franchise Agreement, as described below:

EXHIBIT B

GENERAL RELEASE

THIS GENERAL RELEASE (“Release”) is made effective as of the _____ day of _____, 20____ by _____ (“Franchisee”) in favor of Payroll Vault Franchising LLC, a Colorado limited liability company (“Franchisor”) (collectively referred to as “Parties”).

The Parties have entered into that certain Franchise Agreement dated _____ (“Franchise Agreement”) which governs the development and operation of a Franchised Business (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

The Franchisee desires to enter into a Successor Term to the Franchise Agreement;

The Franchisor desires to consent to the Franchisee’s request subject to the Franchisee’s compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

Release. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives (“Franchisee Affiliates”), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as “Franchisor Affiliates”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever (“Released Claims”), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 1.(a) Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates 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 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 the settlement with the debtor.”

The Franchisee and the Franchisee Affiliates waive and relinquish 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 and the Franchisee Affiliates 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 and the Franchisee Affiliates 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 and the Franchisee Affiliates' 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. The Franchisee and the Franchisee Affiliates agree to defend, 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 their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA] 1.(b) _____ Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are 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 this 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.”

The Franchisee and the Franchisee Affiliates 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 Agreement), 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, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates 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. The Franchisee and the Franchisee Affiliates agree to defend, 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.

General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. This Release embodies the entire agreement and understanding between

the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof, and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective delegates, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

PAYROLL VAULT FRANCHISING, LLC:

Date: _____

By: _____

Name: _____

Title: _____

FRANCHISEE:

Date: _____

Individually

Date: _____

Individually

AND:

(if a corporation, limited liability company or partnership)

Company Name

Date: _____

By: _____

Title: _____

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 AT LEAST 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENTS.

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

2. The **Special Risks to Consider About *This Franchise*** page is amended to add the following:

5. 90 Days to Secure ACH Rights. As part of your opening process, you must be granted the right by your local bank, your “automated clearing house” (ACH) provider, and, if applicable, any federal, state, or municipal governmental entity (Governmental Authority), to electronically deposit funds (“Electronic Funds Transfer” or “EFT”) into an employee’s account through an ACH transaction (ACH Rights). If you fail to obtain ACH Rights within 90 days of your Opening Date or if during the term of the Franchise Agreement you lose your ACH Rights, we have the right to terminate the Franchise Agreement.

3. **Personal Guaranty:** Franchisees and all owners must sign a personal guaranty, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guaranty will place your and your spouse’s marital and personal assets at risk, including your house, if your franchise fails.

4. 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.

5. Item 5 of the Disclosure Document is amended to add the following:

~~The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from In California franchisees, we will defer collecting the IFF and any other fees that are described in this Article until we have completed provided you with all of our pre-opening obligations services (Item 11) and you are open for business. At that time, all fees to us will be due.~~

6. Item 6 of the Disclosure Document is amended to provide that California law limits the Default Interest Rate to 10% annually.

7. Item 17 of the Disclosure Document is amended to add the following:

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

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 the 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 § 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 FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

~~i. No statement disclaimer, questionnaire, clause, or acknowledgment statement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have~~

~~the effect of (i) be construed or interpreted as waiving any claims under any applicable state franchise law, including claim of fraud in the inducement, whether common law or (ii) statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, franchise seller, broker or other person acting on behalf of the franchisor; that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.~~

STATE OF HAWAII

1. The following list reflects the status of our franchise registrations in the states that have franchise registration and disclosure laws:

- a. This registration is currently effective in the following states: None.
- b. This proposed registration is on file with or will shortly be on file with the following states: California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.
- c. There are no states which have refused, by order or otherwise, to register these franchises.
- d. There are no states that have revoked or suspended the right to offer these franchises.
- e. There are no states in which the proposed registration has been withdrawn.

2. The Franchise Agreement has been amended as follows:

- a. The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination, and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.
- b. The Franchise Agreement requires the franchisee to sign a general release as a condition of renewal and transfer of the franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.
- c. Any covenant in the Franchise Agreement that purports to terminate 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.).

3. Item 5 is amended to provide that the franchisor will defer collection of the initial franchise fee and other initial payments owed by franchisees until the Franchisor has completed its preopening obligations under the franchise agreement and the franchisee is open for business.

4. The Receipt Pages are amended to add the following:

THIS FRANCHISE WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE, AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER

AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

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

STATE OF ILLINOIS

The Franchise Disclosure Document and Franchise Agreement are amended as follows:

Illinois law shall apply to and govern the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

Payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to the franchisee and the franchisee has commenced doing business. The financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

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

|

STATE OF INDIANA

ITEMS 6 and 9 of the Disclosure Document are amended to add the following:

The franchisee will not be required to indemnify the franchisor for any liability imposed upon the franchisor as a result of the franchisee's reliance upon or use of procedures or products which were required by the franchisor if the franchisee utilized such procedures or products in the manner required by the franchisor.

ITEM 8 of the Disclosure Document is amended to add the following:

Under Indiana Code § 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor unless the benefit is promptly accounted for and transmitted by the franchisee.

ITEM 12 of the Disclosure Document is amended to add the following:

Notwithstanding the terms of Item 12, we will not compete unfairly with you within a reasonable area.

ITEM 13 of the Disclosure Document is amended to add the following:

Under Indiana Code § 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associated in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

ITEM 17 of the Disclosure Document is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement, and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to the franchisee.

ITEM 17(u) is amended to provide that arbitration between a franchisee and franchisor will be conducted in Indiana or a site mutually agreed upon.

ITEM 17(v) is amended to provide that franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.

ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action which arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

STATE OF MARYLAND

The Franchise Disclosure Document is amended to add the following:

The Special Risks to Consider About *This Franchise* page is amended as follows:

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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.

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 Colorado using Colorado 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. § 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.

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

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 the 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 not to 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.

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

Items 5 and 7 of the Franchise Disclosure Document are amended to state, payment of the Initial Franchise/Development Fees will be deferred until Franchisor has met its initial obligations to the franchisee and the franchisee has commenced doing business. The financial assurance requirement was imposed by the Minnesota Department of Commerce due to Franchisor's financial condition.

STATE OF 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 SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR 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.

2. 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.

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

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

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

B. No such party has pending actions, other than routine litigation incidental to the business, which is 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 a 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.

4. 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.

5. 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.

6. 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.

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

STATE OF NORTH DAKOTA

1. Item 5 is amended to state the following:

Based upon the franchisor's financial condition, the North Dakota 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 and the franchisee has commenced doing business.

2. Item 17 of the Disclosure Document is amended to add the following:

- (a) The following statement is added at the end of Items 17(c), 17(i) and 17(m):

(Any release executed in connection herewith shall not apply to any claims that may arise under the North Dakota Franchise Investment Law).

- (b) The following statement is added at the end of Item 17(r):

Covenants not to compete such as those mentioned above are generally considered unenforceable in the state of North Dakota.

- (c) The following statement is added as the end of Item 17(u):

Sections of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

- (d) Item 17(v) is deleted in its entirety.

- (e) Item 17(w) is deleted in its entirety.

STATE OF RHODE ISLAND

1. The following paragraph is added at the end of Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

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:

Additional Disclosure.

Item 3 is amended to state the following:

Item 5 is amended to include the deferral of payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its preopening obligations under the franchise agreement.

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.

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 will prevail.

b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

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

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

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

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

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

h. Item 5 is amended to ~~state, provide that in lieu of an impound of franchise fees, the Franchisor Washington, we will not require or accept defer collecting the payment of IFF and any initial franchise other fees that are described in this Article until the franchisee has (a) received we have provided you with all of our pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, services (Item 11) and (b) is you are open for business. At that time, all fees to us will be due.~~

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

~~—Remainder of Page Intentionally Blank—~~

STATE OF WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement, and the Supplemental Agreements are amended accordingly.

Exhibit H
Financial Statements

PAYROLL VAULT FRANCHISING, LLC
AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022



11852 Shaffer Drive, Building B, Littleton, CO 80127
303.989.7600

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
Payroll Vault Franchising, LLC

Opinion

We have audited the accompanying financial statements of Payroll Vault Franchising, LLC, (the "Company") which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Whipple Wood CPA

April 18, 2024

Payroll Vault Franchising, LLC
Balance Sheets
December 31,

	2023	2022
ASSETS		
Current assets		
Cash and equivalents	\$ 201,227	\$ 136,541
Unbilled revenue	172,144	164,856
Deferred costs, current portion	59,874	63,765
Prepaid expenses	3,420	2,758
Total current assets	436,665	367,920
Long-term assets		
Goodwill, net	-	1,500
Deferred costs, net of current portion	63,943	121,617
Total assets	\$ 500,608	\$ 491,037
LIABILITIES AND MEMBER'S DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	\$ 174,052	\$ 63,060
Deferred revenue, current portion	20,400	74,548
Current portion of long-term debt	2,939	-
Total current liabilities	197,391	137,608
Long-term liabilities		
Deferred revenue, net of current portion	144,019	140,511
Long-term debt, net of current portion	411,462	439,900
Due to affiliate	492,343	400,000
Total liabilities	1,245,215	1,118,019
Member's deficit	(744,607)	(626,982)
Total liabilities and member's deficit	\$ 500,608	\$ 491,037

The accompanying notes are an integral part of these financial statements.
See independent auditors' report.

Payroll Vault Franchising, LLC
Statements of Operations
For the Years Ended December 31,

	2023	2022
Revenue		
Technology fees	\$ 1,130,371	\$ 684,812
Royalties	767,068	602,477
Franchise fees	197,590	378,882
Marketing fees	274,900	271,415
Annual conference	109,746	108,974
Other revenue	453,193	296,285
Total Revenue	2,932,868	2,342,845
Operating expenses		
Personnel costs	\$ 1,420,943	\$ 1,152,745
Technology costs	627,887	507,503
Advertising and marketing	360,740	265,173
Commissions	63,557	63,765
Rent	13,156	17,596
Professional fees	122,428	46,076
Depreciation and amortization	2,167	1,000
Other general and administrative	466,957	319,028
Total expenses	3,077,835	2,372,886
Other income		
Interest income	57,956	-
Interest expense	(30,614)	(20,000)
Total other income	27,342	(20,000)
Net loss	\$ (117,625)	\$ (50,041)

The accompanying notes are an integral part of these financial statements.
See independent auditors' report.

Payroll Vault Franchising, LLC
Statements of Changes in Member's Deficit
For the Year Ended December 31, 2023 and 2022

	<u>Total</u>
Member's deficit - December 31, 2021	\$ (576,941)
Net loss	<u>(50,041)</u>
Member's deficit - December 31, 2022	<u>(626,982)</u>
Net loss	<u>(117,625)</u>
Member's deficit - December 31, 2023	<u><u>\$ (744,607)</u></u>

The accompanying notes are an integral part of these financial statements.
See independent auditors' report.

Payroll Vault Franchising, LLC
 Statements of Cash Flows
 For The Years Ended December 31,

	2023	2022
Cash flows from operating activities		
Net income	\$ (117,625)	\$ (50,041)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Amortization	1,500	1,000
Changes in:		
Unbilled revenue	(7,288)	(3,573)
Deferred costs	(62,419)	(50,566)
Prepaid expenses and other current assets	(662)	(668)
Accounts payable and accrued expenses	110,992	(119,106)
Deferred revenue	(50,640)	98,970
	(126,142)	(123,984)
Cash flows from financing activities		
Borrowings from affiliate	92,343	-
Repayments of long-term debt	(25,499)	-
Cash flows from financing activities	66,844	-
Net change in cash	(59,298)	(123,984)
Cash, at beginning of period	260,525	260,525
Cash, at end of period	\$ 201,227	\$ 136,541
Supplemental Disclosure		
Cash paid for interest	\$ 30,614	\$ 20,000

The accompanying notes are an integral part of these financial statements.
 See independent auditors' report.

Payroll Vault Franchising, LLC
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Payroll Vault Franchising, LLC (the “Company”) is a Colorado limited liability company formed on June 22, 2012 and headquartered in Littleton, Colorado. The Company is engaged in the business of granting franchises for the establishment and operation of Payroll Vault franchised businesses that sell payroll and workforce management services to small, medium, and large businesses utilizing our system of proprietary, confidential and trade secret information, inclusive of trademarks, service marks and logos, the “Franchise System”, and a licensed payroll software program.

In January 2020, the Company’s members entered into an operating agreement whereby the members contributed their membership interests in the Company to Prosperity Holdings, LLC (the “Parent”) in exchange for membership interests in the Parent. The Company is a wholly owned subsidiary of the Parent.

Payroll Service Group, LLC (“Services Affiliate”), an affiliate of the company, and related by common ownership, licensed the trademarks relating to the Franchise System to the Company under a license agreement (the “License”) extending through September 2042 and which may be automatically renewed for two additional 30-year terms. The License grants the Company the right to use these trademarks for licensing them to franchisees of the Company in the United States.

During the year ended December 31, 2023 and 2022 three and four new franchised outlets were opened and two and ten franchised outlets were closed, respectively. As of December 31, 2023 and 2022 there were 54 and 53 franchised outlets in operation, respectively..

Basis of Presentation

The financial statements of the Company have been prepared on the basis of accounting principles generally accepted in the United States of America, (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amount reported in the financial statements. Actual results could differ from those estimates.

Cash and equivalents

For reporting purposes, all highly liquid investments with maturities of three months or less are considered cash equivalents. The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk involving cash or cash equivalents. The Company maintains its deposits in two financial institutions.

Payroll Vault Franchising, LLC
Notes to Financial Statements
December 31, 2023 and 2022

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contract Assets

Contract assets consist of unbilled revenue and deferred costs.

Unbilled revenue consists of royalty, technology fee, marketing fee, annual conference fee, and other fee revenue earned from franchisees for which a billing has not occurred.

Deferred costs consist of commissions incurred when the franchise rights are sold to franchisees, which are recognized on a straight-line basis over the term of the franchise agreements. The Company classifies these contract assets as deferred cost in the balance sheet. The following table reflects the change in contract assets related to deferred cost during the year:

	2023	2022
Balance on January 1,	\$ 185,382	\$ 238,147
Expense recognized during the year	(61,565)	(63,765)
Additions during the year	-	11,000
Balance at December 31,	\$ 123,817	\$ 185,382

The following table illustrates estimated expenses expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023:

2024	\$ 61,074
2025	45,723
2026	17,020
Total	\$ 123,817

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial franchise fees, renewal fees and transfer fees paid by franchisees, which are recognized on a straight-line basis over the term of the franchise agreements. The Company classifies the contract liabilities as deferred revenue in the balance sheet.

Payroll Vault Franchising, LLC
Notes to Financial Statements
December 31, 2023 and 2022

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The following table reflects the change in contract liabilities during the year:

	2023	2022
Balance on January 1,	\$ 215,059	\$ 303,017
Revenue recognized during the year	(73,360)	(102,958)
Additions during the year	22,720	15,000
Balance at December 31,	\$ 164,419	\$ 215,059

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023:

2024	\$ 65,628
2025	56,270
2026	42,521
Total	\$ 164,419

Franchisee National Advertising Fund

Franchise agreements require the franchisee to pay continuing marketing of \$300 per month. Although the marketing fees are not separate performance obligations distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company records marketing fees in revenues and related marketing fund expenditures in expenses in the Statement of Operations.

Goodwill

The Company applies the accounting alternatives provided in ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill* and ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. Under these alternatives, goodwill is amortized on a straight-line basis over 10 years and performs the goodwill impairment triggering event evaluation as of the end of the reporting period. In testing goodwill for impairment, the Company has the option first to perform a qualitative assessment to determine whether it is more-likely-than-not that goodwill is impaired or entity can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the financial statements. There was no impairment of goodwill during the years ended December 31, 2023.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the ranging from five to seven years. Maintenance and repair costs are expensed in the period incurred. Expenditures for purchases and improvements that extend the useful lives of property and equipment are capitalized.

Revenue Recognition

The Company has implemented ASC 606 “*Revenue with Contracts from Customers*” and ASC 952, “*Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient.*” ASC 606 requires the Company to recognize revenue based upon performance obligations within contracts with customers. ASC 952 provides a practical expedient that simplifies the application of ASC 606 when identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct obligations separate from the franchise license. The Company implemented these standards using the cumulative effect transition method.

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), continuing royalty and other fees monthly based upon a percentage of franchisees gross sales. A franchise agreement establishes a Franchised Business developed in one or multiple defined geographic area and provides for a 5-year initial term with the option to renew for four additional consecutive 5-year terms. Subject to the Company’s approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required. If a contract is terminated prior to its term, it is a breach of contract, and a penalty is assessed based on a formula reviewed and approved by management. Revenue generated from a contract breach is termed reconveyance fee and included in other revenues.

The Company typically promises to provide franchise rights, pre-opening services such as site selections, operational materials and functional training courses, and ongoing services, such as management of the advertising fund. The Company considers certain preopening activities and the franchise rights and related ongoing services to represent two separate performance obligations.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services.

Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than the opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight-line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer's access to the franchise right. Renewal fees are recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees are recognized over the contractual term of the franchise agreement.

Royalties from Franchised Businesses are based on a greater of 6% of the franchisees' gross revenue per month per unit of Franchised Business or minimum of \$400 and are recognized as earned. Technology fee revenue, marketing fee revenue, and other fee revenue from Franchised Businesses are paid monthly with flat fee and are recognized as earned. The Company also receives annual conference fee revenue from its Franchised Businesses and recognizes this revenue in the period the conference is held.

Advertising and Marketing

All costs associated with advertising and marketing are expensed in the period incurred. Company advertising costs and costs related to the National Advertising Fund are included in "Advertising and marketing" in the Statement of Operations. The advertising and marketing expenses for the years ended December 31, 2023 and 2022 were \$271,419 and \$274,900, respectively.

Income Taxes

The Company is a single member LLC. As such, the Company is a disregarded entity, treated as a division of Parent for federal income tax purposes. The Company does not file an income tax return separately and apart from Parent. Consequently, federal income taxes are not payable or provided for by the Company.

Payroll Vault Franchising, LLC
Notes to Financial Statements
December 31, 2023 and 2022

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through the date of the auditors' report, which is also the date the financial statements were available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

As of December 31, 2023 and 2022, property and equipment was as follows:

Furniture and Equipment	\$	9,671
Automobile		19,787
Accumulated depreciation		<u>(29,458)</u>
	\$	<u> -</u>

NOTE 3 GOODWILL

As of December 31, 2023 and 2022, goodwill was as follows:

	<u>2023</u>	<u>2022</u>
Franchise contracts	\$ 10,000	\$ 10,000
Accumulated depreciation	<u>(10,000)</u>	<u>(8,500)</u>
	<u>\$ -</u>	<u>\$ 1,500</u>

NOTE 4 LONG-TERM DEBT

As of December 31, 2022, long-term debt consisted of Economic Injury Disaster Loans ("EIDL") payable, created in 2020 and 2021. The EIDLs bear interest at 3.75% per annum, are secured by substantially all assets of the Company and guaranteed by the majority member of Parent. Monthly principal and interest payments of \$2,226 have been deferred for 24 months from the date of the promissory note. The EIDLs mature in July 2050. Future maturities are as follows:

2024	\$	2,939
2025		10,505
2026		10,906
2027		11,333
Thereafter		<u>378,718</u>
Total	\$	<u>414,401</u>

Payroll Vault Franchising, LLC
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 5 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, Payroll Service Group, LLC, an affiliate of the Company, made member distribution payments on behalf of the Company in the amount of \$400,000. During the year ended December 31, 2023, the same affiliate made cash advances to the Company totaling \$92,343. As of December 31, 2023 and 2022, the Company had balances due to this affiliate in the amounts of \$492,343 and \$400,000, respectively. The amounts due to the affiliate are unsecured, bear no interest, have no stated terms of repayment.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Company leases office facilities in Littleton, Colorado under a month-to-month leasing arrangement with an entity related by common ownership. The lease is month-to-month with a 90-day notice of termination. For the years ended December 31, 2023 and 2022 rental expense paid to the related party landlord was \$13,156 and \$17,956, respectively.

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management, based on consultation with counsel, that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

The Company maintains a 401(k)-retirement saving plan (the "Plan") for the benefit of eligible employees. Under terms of this plan, eligible employees can make contributions of their wages on a tax-deferred basis. Employee contributions are matched by the Company in accordance with the Plan up to a maximum of 3% of employee earnings. For the years ended December 31, 2023 and 2022, the Company's employer matching contribution were \$30,046 and \$23,107, respectively.

Payroll Vault Franchising, LLC

Financial Statements

*As of December 31, 2021 and 2020 (As Restated)
and for the years ended December 31, 2021 and 2020 (As Restated)*

Payroll Vault Franchising, LLC

Financial Statements

As of December 31, 2021 and 2020 (As Restated)
and for the years then ended December 31, 2021 and 2020 (As Restated)

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Dallas Office
2425 N Central Expy.
Suite 200
Richardson, TX 75080
Phone 972 238 5900
Fax 972 692 5357

www.agllp-cpa.com

Independent Auditor's Report

To the Member
Payroll Vault Franchising, LLC
Littleton, Colorado

Report on the Financial Statement

Opinion

We have audited the financial statements of Payroll Vault Franchising, LLC (the "Company"), which comprises the balance sheet as of December 31, 2021 and the related statements of operations, changes in member's deficit, and cash flows for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as of December 31, 2021 and the results of its operations, changes in member's deficit and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditor's Opinion on December 31, 2020 (As Restated) Financial Statements

The financial statements of the Company as of December 31, 2020 (As Restated) and for the year then ended (As Restated), were audited by other auditors whose report, dated June 14, 2021 and March 28, 2022, expressed an unmodified opinion on those financial statements.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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

A+G LLP

Dallas, Texas
March 30, 2022

AKIVA MANNE
CERTIFIED PUBLIC ACCOUNTANT
905 HARRISON STREET ALLENTOWN, PA 18103

Independent Auditor's Report

To the Member
Payroll Vault Franchising, LLC
Littleton, Colorado

Report on the Financial Statement

Opinion

We have audited the financial statements of Payroll Vault Franchising, LLC (the "Company"), which comprises the balance sheet as of December 31, 2020 and the related statements of operations, changes in member's deficit, and cash flows for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations, changes in member's deficit and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Akiva Manne, CPA

June 14, 2021 and (March 28, 2022 as to the effects of the restatement to the 2020 financial statements)

Balance Sheets	As Restated	
As of December 31,	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 344,122	\$ 260,525
Unbilled revenue	161,283	101,310
Deferred costs	61,564	53,710
Prepaid expense and other current assets	2,090	20,080
Total current assets	569,059	435,625
Goodwill, net	2,500	3,500
Deferred cost, net	176,583	100,192
Total assets	\$ 748,142	\$ 539,317
Liabilities and Member's Deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$ 182,166	\$ 123,534
Deferred revenue	99,958	174,302
Due to affiliate	400,000	-
Current portion of long-term debt	-	833
Total current liabilities	682,124	298,669
Deferred revenue, net	203,059	139,254
Long-term debt, net	439,900	109,067
Total liabilities	1,325,083	546,990
Member's deficit	(576,941)	(7,673)
Total liabilities and member's deficit	\$ 748,142	\$ 539,317

Statements of Operations

As Restated

For the years ended December 31,

2021

2020

Revenues:

Franchise fee revenue	\$ 430,880	\$ 296,992
Royalty revenue	523,342	333,595
Technology fee revenue	631,804	482,504
Marketing fee revenue	243,451	68,706
Annual conference fee revenue	82,893	17,400
Other fee revenue	127,400	112,600
Other revenue	158,849	138,792
Total revenues	2,198,619	1,450,589

General and administrative expenses:

Amortization and depreciation expense	1,000	3,489
Advertising and marketing	246,269	178,212
Commissions	73,755	62,025
Personnel cost	797,417	745,119
Rent	35,133	44,980
Professional fees	35,690	26,098
Technology costs	539,682	475,098
Other general and administrative expenses	144,968	62,002
Total general and administrative expenses	1,873,914	1,597,023

Income (loss) from operations

324,705

(146,434)

Other income (expense):

Interest Income	647	-
Other Income	69,066	-
Grant income - PPP	-	107,300
Interest expense	(25,558)	(3,680)
Total other income (expense)	44,155	103,620

Net income (loss)**\$ 368,860****\$ (42,814)**

Statements of Changes in Member's Deficit

Balance at December 31, 2019 as previously reported	\$ (12,251)
Adoption of accounting standard	(2,608)
Net loss	(42,814)
Contributions from member	50,000
Balance at December 31, 2020 as restated	<u>\$ (7,673)</u>
Net income	368,860
Distributions to member	(938,128)
Balance at December 31, 2021	<u>\$ (576,941)</u>

Statements of Cash Flows

As Restated

For the years ended December 31,

2021

2020

Operating Activities

Net income	\$ 368,860	\$ (42,814)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and depreciation	1,000	3,489
Changes in operating assets and liabilities:		
Accounts receivable	-	816
Unbilled revenue	(59,973)	(101,310)
Deferred costs	(84,245)	(67,350)
Prepaid expense and other current assets	17,990	44,575
Accounts payable and accrued expenses	58,632	55,259
Deferred revenue	(10,539)	136,796
Net cash provided by operating activities	<u>291,725</u>	<u>29,461</u>

Investing Activities

Net cash provided by investing activities

-

-

Financing Activities

Line of credit payments	-	(50,000)
Proceeds from long-term debt	330,000	109,900
Contributions from member	-	50,000
Distributions to member	(538,128)	-
Net cash used by financing activities	<u>(208,128)</u>	<u>109,900</u>

Net increase in cash and cash equivalents

83,597

139,361

Cash and cash equivalents, beginning of year

260,525

121,164

Cash and cash equivalents, end of year

\$ 344,122

\$ 260,525

Supplemental Disclosure of Cash Flow Information

Interest paid

\$ 16,012

\$ -

Non-cash financing activities in connection with member distributions

Payment of member distributions by affiliate

\$ 400,000

\$ -

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. Organization and Operations

Description of Business

Payroll Vault Franchising, LLC, a Colorado limited liability company, was formed on June 22, 2012 and is located in Littleton, Colorado. References in these financial statement footnotes to “Company”, “we”, “us”, and “our” refer to the business of Payroll Vault Franchising, LLC.

In January 2020, the Company’s members entered into an operating agreement whereby the members contributed their membership interest in the Company to Prosperity Holdings, LLC (the “Parent”) in exchange for membership interest in the Parent. The Company is a wholly owned subsidiary of the Parent.

The Company was formed for the purpose of granting franchises for the establishment and operation of Payroll Vault franchised businesses that sell payroll and workforce management services to small, medium and large businesses utilizing our system of proprietary, confidential and trade secret information, inclusive of trademarks, service marks and logos, the “Franchise System”, and a licensed payroll software program.

Payroll Service Group, LLC (“Services Affiliate”), an affiliate of the company, licensed the trademarks relating to the Franchise System to the Company under a license agreement (the “License”) which initial term expires in September 2012 and may be automatically renewed for two additional 30 year terms. The License grants the Company the right to use these trademarks for licensing them to franchisees of the Company in the United States. Payroll Services Group, LLC is a wholly owned subsidiary of the Parent.

During the year ended December 31, 2021 and 2020, 11 and 11 franchised outlets were opened and 6 and 5 franchised outlets were closed, respectively. As of December 31, 2021 and 2020, there were 59 and 54 franchised outlets in operation, respectively.

Going Concern

Management has evaluated our ability to continue as a going concern as of December 31, 2021. Due to the positive income and cash flows from operations for the year ended December 31, 2021, we have concluded that there is not significant doubt about our ability to continue as a going concern.

COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption. The full impact of the pandemic will continue to depend on future developments, including the continued spread and duration of the pandemic, the emergence of future variant strains of COVID-19, the availability and distribution of effective medical treatments or vaccines as well as any related federal, state or local governmental orders or restrictions. Accordingly, the Company cannot reasonably determine the ultimate impact the COVID-19 pandemic will have on its future results of operations due to the continuing uncertainty surrounding the pandemic’s magnitude and duration.

Restatement of Previously Issued Financial Statements

In connection with the preparation of the Company’s 2021 financial statements, errors were identified in the Company’s 2020 financial statements relating to its implementation of the ASC 606 revenue standard and prepaid and accrued expenses.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. Organization and Operations (continued)

Restatement of Previously Issued Financial Statements (continued)

	Impact of correction of errors		
	As previously reported	Adjustments	As restated
Balance Sheet			
December 31, 2020			
Unbilled revenue	\$ -	\$ 101,310	\$ 101,310
Deferred costs	22,500	31,210	53,710
Prepaid expenses and other current assets	17,990	2,090	20,080
Total current assets	301,015	134,610	435,625
Property and equipment, net	5,667	(5,667)	-
Goodwill, net	-	3,500	3,500
Deferred costs, net	-	100,192	100,192
Total assets	306,682	98,025	539,317
Accounts payable accrued expense	95,872	27,662	123,534
Deferred revenue	69,250	105,052	174,302
Total current liabilities	165,955	132,714	298,669
Deferred revenue, net	-	139,254	139,254
Total liabilities	275,022	271,968	546,990
Member's equity (deficit)	31,660	(39,333)	(7,673)
Total liabilities and stockholders' equity	306,682	232,635	539,317

	Impact of correction of errors		
	As previously reported	Adjustments	As restated
Statement of Operations			
For the year ended December 31, 2020			
Franchise fee revenue	\$ 492,938	\$ (195,946)	\$ 296,992
Royalty revenue	304,177	29,418	333,595
Technology fee revenue	438,627	43,877	482,504
Marketing fee revenue	53,606	15,100	68,706
Other fee revenue	103,400	9,200	112,600
Other revenue	135,077	3,715	138,792
Total revenues	1,545,225	(94,636)	1,450,589
Amortization expense	1,322	2,167	3,489
Commissions	147,675	(85,650)	62,025
Personnel cost	718,891	26,228	745,119
Other general and administrative expenses	64,092	(2,090)	62,002
Total general and administrative expenses	1,656,368	(105,097)	1,551,271
Interest expense	(2,246)	(1,434)	(3,680)
Net loss	(6,089)	(36,725)	(42,814)

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. Organization and Operations (continued)

Restatement of Previously Issued Financial Statements (continued)

	Impact of correction of errors		
	As previously reported	Adjustments	As restated
Statement of Cash Flows			
For the year ended December 31, 2020			
Cash flows from operating activities:			
Net income	\$ (6,089)	\$ (36,725)	\$ (42,814)
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	1,322	2,167	3,489
Changes in operating assets and liabilities:			
Unbilled revenue	-	(101,310)	(101,310)
Deferred costs	18,300	(85,650)	(67,350)
Prepaid expense and other current assets	46,665	(2,090)	44,575
Accounts payable and accrued expenses	27,597	27,662	55,259
Deferred revenue	(59,150)	195,946	136,796
Net cash provided by operating activities	29,461	-	29,461

2. Significant Accounting Policies

Basis of Accounting

The Company uses the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States. Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Use of Estimates

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statement. Actual results could differ from those estimates.

Comparative Financial Statements

Certain prior period amounts have been reclassified to conform to current year presentation.

Fair Value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments consist of cash and cash equivalents. The carrying values of current assets and current liabilities are considered to be representative of their respective fair values due to the short-term nature of these instruments.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Significant Accounting Policies (continued)

Fair Value (continued)

Non-recurring fair value measurements include the assessment of property and equipment for impairment. As there is no corroborating market activity to support the assumptions used, the Company has designated these estimates as Level 3.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives of the respective asset:

	Estimated Useful Life
Furniture and equipment	7 Years
Automobile	5 Years

Maintenance and repair costs are expensed in the period incurred. Expenditures for purchases and improvements that extend the useful lives of property and equipment are capitalized.

Goodwill

The Company applies the accounting alternatives provided in ASU 2014-02, Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill and ASU 2021-03, Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events. Under these alternatives, goodwill is amortized on a straight-line basis over 10 years and performs the goodwill impairment triggering event evaluation as of the end of the reporting period.

In testing goodwill for impairment, the Company has the option first to perform a qualitative assessment to determine whether it is more-likely-than-not that goodwill is impaired or entity can bypass the qualitative assessment and proceed directly to the quantitative test by comparing the carrying amount, including goodwill, of the entity with its fair value. The goodwill impairment loss, if any, is the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the financial statements. There was no impairment of goodwill during the years ended December 31, 2021 and 2020.

Impairment of Long-Lived Assets

The Company assesses potential impairment of its long lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that the Company considers important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant industry or economic trends. When the Company determines that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, the Company determines the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. If the carrying value is not recoverable, an impairment is recognized in the amount by which the carrying amount exceeds the fair value of the asset. During the years ended December 31, 2021 and 2020, no impairment charges were recognized related to long-lived assets.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Significant Accounting Policies (continued)

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 “Revenue with Contracts from Customers (Topic 606).” as amended by multiple updates to the standard. The update requires the entity to recognize revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU replaced most of the existing revenue recognition requirements in GAAP.

In January 2021, the FASB issued ASU 2021-02, “Franchisors – Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient.” ASU 2021-02 provides a practical expedient that simplifies the application of ASC 606 about identifying performance obligations and permits franchisors that are not public entities to account for pre-opening services listed within the guidance as distinct from the franchise license.

The Company adopted ASU 2014-09 and ASU 2021-02 using the cumulative effect transition method on January 1, 2020, which was applied to those contracts that were not completed as of January 1, 2020. Results for reporting periods beginning after January 1, 2020 will be presented under ASU 2014-09, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting.

The Company sells individual franchises. The franchise agreements typically require the franchisee to pay an initial, non-refundable fee prior to opening the respective location(s), continuing royalty and other fees on a monthly basis based upon a percentage of franchisees gross sales. A franchise agreement establishes a Franchised Business developed in one or multiple defined geographic area and provides for a 5-year initial term with the option to renew for four additional consecutive 5-year terms. Subject to the Company’s approval, a franchisee may generally renew the franchise agreement upon its expiration. If approved, a franchisee may transfer a franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid by the current owner which then terminates that franchise agreement. A franchise agreement is signed with the new franchisee with no franchise fee required. If a contract is terminated prior to its term, it is a breach of contract and a penalty is assessed based on a formula reviewed and approved by management. Revenue generated from a contract breach is termed reconveyance fee by the Company and included other revenues.

Under the terms of our franchise agreements, the Company typically promises to provide franchise rights, pre-opening services such as site selections, operational materials and functional training courses, and ongoing services, such as management of the advertising fund. The Company considers certain pre-opening activities and the franchise rights and related ongoing services to represent two separate performance obligations. The franchise fee revenue has been allocated to the two separate performance obligations using a residual approach. The Company has estimated the value of performance obligations related to certain pre-opening activities deemed to be distinct based on cost plus an applicable margin, and assigned the remaining amount of the initial franchise fee to the franchise rights and ongoing services. Revenue allocated to preopening activities is recognized when (or as) these services are performed, no later than the opening date. Revenue allocated to franchise rights and ongoing services is recognized on a straight line basis over the contractual term of the franchise agreement as this ensures that revenue recognition aligns with the customer’s access to the franchise right. Renewal fees are recognized over the renewal term of the respective franchise from the start of the renewal period. Transfer fees are recognized over the contractual term of the franchise agreement.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Royalties from Franchised Businesses are based on a greater of 6% of the franchisees' gross revenue per month per unit of Franchised Business or minimum of \$400 and are recognized as earned. Technology fee revenue, marketing fee revenue, and other fee revenue from Franchised Businesses are paid monthly with flat fee and are recognized as earned. The Company also receives annual conference fee revenue from its Franchised Businesses and recognizes this revenue in the period the conference is held.

The following table disaggregates revenue by source for the year ended December 31, 2021:

	Point in Time	Over Time	Net Revenues
Franchise fee revenue	\$ -	\$ 430,880	\$ 430,880
Royalty revenue	-	523,342	523,342
Technology fee revenue	-	631,804	631,804
Marketing fee revenue	-	243,451	243,451
Annual conference fee revenue	82,893	-	82,893
Other fee revenue	-	127,400	127,400
Other revenues	158,849	-	158,849
Total revenues	<u>\$ 241,742</u>	<u>\$ 1,956,877</u>	<u>\$ 2,198,619</u>

The following table disaggregates revenue by source for the year ended December 31, 2020:

	Point in Time	Over Time	Net Revenues
Franchise fee revenue	\$ -	\$ 296,992	\$ 296,992
Royalty revenue	-	333,595	333,595
Technology fee revenue	-	482,504	482,504
Marketing fee revenue	-	68,706	68,706
Annual conference fee revenue	17,400	-	17,400
Other fee revenue	-	112,600	112,600
Other revenues	138,792	-	138,792
Total revenues	<u>\$ 156,192</u>	<u>\$ 1,294,397</u>	<u>\$ 1,450,589</u>

Contract Assets

Contract assets consist of unbilled revenue and deferred costs.

Unbilled revenue consists of royalty, technology fee, marketing fee, annual conference fee, and other fee revenue earned from franchisees for which a billing has not occurred.

Deferred costs consist of commissions incurred when the franchise rights are sold to franchisees, which are recognized on a straight-line basis over the term of the franchise agreements. The Company classifies these contract assets as deferred cost in the balance sheet. The following table reflects the change in contract assets related to deferred cost from January 1, 2020 through December 31, 2021:

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contract Assets (continued)

	<u>Contract Assets</u>
Balance at January 1, 2020	\$ 86,552
Expense recognized during the year	(62,025)
Additions and other during period	129,375
Balance at December 31, 2020	153,902
Expense recognized during the year	(73,755)
Additions and other during period	158,000
Balance at December 31, 2021	<u>\$ 238,147</u>

The following table illustrates estimated expenses expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2021:

2022	\$ 61,565
2023	61,565
2024	59,874
2025	43,523
2026	11,620
Total	<u>\$ 238,147</u>

Contract Liabilities

Contract liabilities consist of deferred revenue resulting from initial franchise fees, renewal fees and transfer fees paid by franchisees, which are recognized on a straight-line basis over the term of the franchise agreements. The Company classifies the contract liabilities as deferred revenue in the balance sheet. The following table reflects the change in contract liabilities from January 1, 2020 through December 31, 2021:

	<u>Contract Liabilities</u>
Balance at January 1, 2020	\$ 176,760
Revenue recognized during the year	(296,992)
Additions and other during period	433,788
Balance at December 31, 2020	313,556
Revenue recognized during the year	(430,880)
Additions and other during period	420,341
Balance at December 31, 2021	<u>\$ 303,017</u>

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2021:

2022	\$ 99,958
2023	71,548
2024	62,628
2025	43,270
2026	25,613
Total	<u>\$ 303,017</u>

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Significant Accounting Policies (continued)

Franchisee National Advertising Fund

Franchise agreements require the franchisee to pay continuing marketing fees on a monthly basis, \$300 per month. Although the marketing fees are not separate performance obligations distinct from the underlying franchise right, the Company acts as the principal as it is primarily responsible for the fulfillment and control of the marketing services. As a result, the Company records marketing fees in revenues and related marketing fund expenditures in expenses in the Statement of Operations.

Advertising and marketing

All costs associated with advertising and marketing are expensed in the period incurred. Company advertising costs and costs related to the National Advertising Fund are included in "Advertising and marketing" in the Statement of Operations. The advertising and marketing expenses for the years ended December 31, 2021 and 2020 was \$246,269 and \$178,212, respectively.

Income Taxes Status

The Company is a single member LLC and, as such, is treated as a division of its parent for federal income tax purposes. Because of its status, the Company is disregarded as a separate entity for income tax purposes, therefore the Company itself does not file an income tax return separate and apart from its parent. The Company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" as amended by multiple updates to the standard. This update requires lessees to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet and requires lessors to classify leases as a sales-type, direct financing or operating lease. The update also expands the required quantitative and qualitative disclosures surrounding leases. In June 2020, the FASB issued ASU 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities." ASU 2020-05 defers the effective date of ASC 842 for private companies and private not-for-profit entities for one year. The updated guidance is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", and subsequent amendments to the initial guidance, ASU 2019-10. This accounting standard changes the methodology for measuring credit losses on financial instruments, including trade accounts receivable, and the timing of when such losses are recorded. ASU No. 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2022. The Company is currently evaluating the impact of adopting ASU No. 2016-13 on its financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

2. Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In March 2021, the FASB issued ASU No. 2021-03, “Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events”. The amendments in ASU 2021-03 provide private companies and not-for-profit (NFP) entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in FASB Accounting Standards Codification (FASB ASC) 350-20, Intangibles—Goodwill and Other—Goodwill, as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. The amendments in ASU 2021-03 are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021. The Company elected to adopt the provisions of ASU No. 2021-03 for the year ended December 31, 2021.

We reviewed all other significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in two financial institutions.

4. Property and Equipment

The major classes of property and equipment consisted of the following at December 31:

	2021	2020
Furniture and equipment	\$ 9,671	\$ 9,671
Automobile	19,787	19,787
Less: accumulated depreciation	(32,415)	(32,415)
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

For the years ended December 31, 2021 and 2020, depreciation expense was \$0 and \$655, respectively.

5. Goodwill

The carrying basis and accumulated amortization of goodwill was composed of the following at December 31, 2021:

	Gross	Accumulated. Amortization	Net
Franchise contracts	\$ 10,000	\$ (7,500)	\$ 2,500

The carrying basis and accumulated amortization of goodwill was composed of the following at December 31, 2020:

	Gross	Accumulated. Amortization	Net
Franchise contracts	\$ 10,000	\$ (6,500)	\$ 3,500

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

5. Goodwill (continued)

For the year ended December 31, 2021 and 2020, amortization expense was \$1,000 and 2,834, respectively.

6. Paycheck Protection Program

During the second quarter of 2020 the Company received an unsecured loan in the amount of \$107,300 under the Paycheck Protection Program (the "PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"). Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments and covered utilities during the measurement period beginning on the date of first disbursement of the PPP Loans. During the year ended December 31, 2021, the PPP loan in the amount of \$107,300 and related accrued interest was forgiven by the Small Business Administration ("SBA")

The PPP loan matures five years from the date of the first disbursement of proceeds to the Company and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first six months and payable in 54 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP loan date.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities to a for-profit entity. The Company determined it most appropriate to account for the PPP loan proceeds as an in-substance government grant because it has met the requirements for forgiveness of the debt and anticipates the debt will be forgiven. The Company has elected to recognize government grant income separately within other income to present a clear distinction in its financial statements between its operating income and the amount of net income resulting from the PPP loan and subsequent forgiveness.

7. Long-Term Debt

For the years ended December 31, 2021 and 2020, the long-term debt consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable #1	\$ 439,900	\$ 109,900
Less: current portion of long-term debt	-	(833)
Long-term debt, net	<u>\$ 439,900</u>	<u>\$ 109,067</u>

Future maturities of long-term debt for the years following December 31, 2021 are as follows:

Year ending December 31, 2022	\$ -
Year ending December 31, 2023	-
Year ending December 31, 2024	2,939
Year ending December 31, 2025	10,505
Year ending December 31, 2026	10,906
Thereafter	415,550
Total	<u>\$ 439,900</u>

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

7. Long-Term Debt (continued)

Note Payable #1

On August 27, 2020, the Company received a loan of \$109,900 from the Small Business Administration (“SBA”), pursuant to the Economic Injury Disaster Loan (the “EIDL”) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020. On August 27, 2021, the Company entered into an amended loan authorization agreement with the SBA, receiving additional loan proceeds in the amount of \$330,000. Monthly principal and interest payments in the amount of \$2,226 are deferred for 24 months from the date of the original promissory note. The EIDL loan is secured by all tangible and intangibles personal property and the personal guarantee of the majority member of the Parent, matures in July 2050 and bears interest at a rate of 3.75% per annum.

8. Income Taxes

The Company is a single member LLC and, as such, is treated as a division of its parent for federal income tax purposes. Because of its status, the Company is disregarded as a separate entity for income tax purposes, therefore the Company itself does not file an income tax return separate and apart from its parent.

The Company’s parent, Prosperity Holdings, LLC files income tax returns in the U.S. federal jurisdiction, and the states in which it operates. The Company is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2018.

In accordance with FASB ASC 740-10, Income Taxes, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company’s financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021 and 2020.

9. Related Party Transactions

During the year ended December 31, 2021, Payroll Service Group, LLC, an affiliate of the Company, made member distribution payments on behalf of the Company in the amount of \$400,000. As of December 31, 2021, the Company had a balance due to this affiliate in the amount \$400,000. The amount due to its affiliate is unsecured, bears no interest, and is due upon demand.

During the years ended December 31, 2021 and 2020, the Company paid rent of \$35,133 and \$44,980, respectively, to an entity in which the majority member of the Parent is also a member.

10. Commitments and Contingencies

Lease

The Company leases its office facilities in Littleton, Colorado under a month-to-month leasing arrangement with a 90 day notice of termination. For the years ended December 31, 2021 and 2020, rent expense was \$35,133 and \$44,980, respectively.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

10. Commitments and Contingencies (continued)

Litigation

Various legal actions and claims which have arisen in the normal course of business may be pending against the Company from time to time. It is the opinion of management, based on consultation with counsel, that the ultimate resolution of these contingencies will not have a material effect on the financial condition, results of operations or liquidity of the Company.

11. 401(k) Savings Plan

The Company maintains a 401(k) retirement saving plan (the "Plan") for the benefit of eligible employees. Under terms of this plan, eligible employees are able to make contributions of their wages on a tax-deferred basis. Employee contributions are matched by the Company in accordance with the Plan up to a maximum of 3% of employee earnings. For the years ended December 31, 2021 and 2020, the Company's employer matching contribution was \$16,592 and \$9,516, respectively.

12. Subsequent Events

On March 15, 2022, the SBA issued SBA Procedural Notice, Control No.: 5000-830558 granting an additional 6-month deferment of principal and interest payments to SBA's existing COVID-19 Economic Injury Disaster Loan (EIDL) borrowers (see Note 7).

The Company has evaluated subsequent events through March 30, 2022, the date the financial statements were available to be issued.



11852 Shaffer Drive, Building B, Littleton, CO 80127
303.989.7600

www.whipplewoodcpas.com

Exhibit I

General Release

THIS GENERAL RELEASE (“Release”) is made effective as of the ____ day of _____, 20____ by _____ (“**Franchisee**”) in favor of Payroll Vault Franchising LLC, a Colorado limited liability company (“**Franchisor**”) (collectively referred to as “**Parties**”).

The Parties have entered into that certain Franchise Agreement dated _____ (“**Franchise Agreement**”) which governs the development and operation of a Franchised Business (“**Franchised Business**” or “**Business**”) (to the extent not otherwise defined herein, all initial-capitalized references shall have the same meaning as set forth in the Franchise Agreement);

The Franchisee desires to transfer the Franchise Agreement, the ownership of the Franchisee, or the Franchised Business or some or all of the assets of the Business;

OR

B. The Franchisee desires to enter into a successor to the Franchise Agreement;

The Franchisor desires to consent to the Franchisee’s request subject to the Franchisee’s compliance with the terms and conditions set forth in the Franchise Agreement including, without limitation, the execution and delivery by the Franchisee to the Franchisor of this Release.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties hereby agree as follows:

Release. The Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives (“**Franchisee Affiliates**”), hereby fully and forever unconditionally releases and discharges the Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as “**Franchisor Affiliates**”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever (“**Released Claims**”), in law or in equity, whether known or unknown, which the Franchisee or the Franchisee Affiliates may now have against the Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with the Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[APPLIES ONLY IN CALIFORNIA] 1.(a) Release of Unknown Claims and Waiver of California Law. The Franchisee and the Franchisee Affiliates 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 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 the settlement with the debtor.”

The Franchisee and the Franchisee Affiliates waive and relinquish 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 and the Franchisee Affiliates 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 and the Franchisee Affiliates 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 and the Franchisee Affiliates’ 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. The Franchisee and the Franchisee Affiliates agree to defend, 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 their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 1(a) of this Release.

[APPLIES ONLY IN SOUTH DAKOTA] 1.(b) Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and the Franchisee Affiliates acknowledge that they are 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 this 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.”

The Franchisee and the Franchisee Affiliates 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 Agreement), 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, the Franchisee and the Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that the Franchisee and the Franchisee Affiliates 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. The Franchisee and the Franchisee Affiliates agree to defend, 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.

General. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Colorado. This Release embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to the subject matter hereof, and this Release may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Release is intended to disclaim any representations made by the Franchisor in the most recent franchise disclosure document provided by the Franchisor or its representatives to the Franchisee in connection with any successor to the Franchise Agreement. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Release shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Release as though originally included. The remaining provisions of this Release shall not be affected by such modification. All provisions of this Release are binding and shall inure to the benefit of the Parties and their respective ~~delegates~~ delegates, successors and assigns.

IN WITNESS WHEREOF, the Parties have caused this Release to be made effective on the day and year first above written.

PAYROLL VAULT FRANCHISING, LLC:

Date: _____

By: _____

Name: _____

Title: _____

FRANCHISEE:

Date: _____

Individually

Date: _____

Individually

AND:

(if a corporation, limited liability company or partnership)

Company Name

Date: _____

By: _____

Title: _____

Exhibit J

Nondisclosure and Noncompetition Agreement

This Nondisclosure and Noncompetition Agreement (the “**Agreement**”) is made and entered into effective the _____ day of _____, 20____ by and between PAYROLL VAULT FRANCHISING LLC, a Colorado limited liability company (“**Company**”), located at 1860 W. Littleton Boulevard, Littleton, Colorado 80120, and _____ (“**Associate**”), who resides at _____.

RECITALS

The Company has developed methods for establishing and operating franchises for the operation of businesses that offer software-based payroll and employee management services, including payroll check writing, payroll tax payment and reporting, independent contractor check writing and reporting, and related human capital management, and workforce management services (“**Franchised Businesses**” or “**Businesses**”) which use the service mark “PAYROLL VAULT” and related service marks, trade names and trademarks (collectively, the “**Marks**”).

The Company has developed methods for establishing, operating and promoting Businesses pursuant to the Company’s distinctive business format, plans, methods, System, (as defined in the Franchise Agreement), data, processes, marketing systems, manuals, formulas, techniques, designs, layouts, operating procedures, Marks, Proprietary Information, (as defined in the Franchise Agreement), and know-how of the Company (“**Confidential Information**”) and such Confidential Information as may be further developed from time to time by the Company;

The Company and its Associates have established substantial goodwill and an excellent reputation with respect to the quality of services and products available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

Associate is or will become involved with the Company in the capacity of an officer, partner, director, agent, Principal Operator, employee, principal, beneficial owner or as an immediate family member of one of the foregoing persons, all of whom are associated with a Franchised Business pursuant to the terms of a Franchise Agreement (“**Franchise Agreement**”) between the Company and the party identified as the “Franchisee” at the end of this Agreement, and in such capacity, Associate will become privileged as to certain Confidential Information; and

Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company. Terms not otherwise defined in this Agreement shall have the meanings as defined in the Franchise Agreement between the Company and the “Franchisee” identified at the end of this Agreement.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

Confidential Information. Associate and the Company acknowledge that the distinctive business format, plans, methods, data, processes, marketing systems, manuals, formulas, techniques, designs, layouts, operating procedures, Marks, proprietary information and know-how of the Company which are developed and utilized in connection with the operation of the Business are the Company's Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret of the Company and has valuable goodwill associated with it. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Company. Associate further acknowledges that the Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Company has taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information.

Manuals as Trade Secrets. It is understood that Confidential Information, constituting "trade secrets" as used in this Agreement, is deemed to include, without limitation, customer lists, written information, vendor lists, training methods, procedures, software licenses, operational standards, formulas, and any and all information contained in the Company's Manual, which may be provided as one or more separate manuals, or written instructional guides, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company and its Associates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such lists, methods, written materials, training methods, software licenses, operational standards, procedures, formulas, or information.

Nondisclosure of Confidential Information. Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Franchisee, any of the Confidential Information of the Company or its affiliates.

Noncompetition Covenant. Associate hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, except while associated with or operating the Franchised Business in a manner authorized by the Company, neither Associate nor any "Franchisee Parties", as defined in the Franchise Agreement, shall:

Own, operate, lease, franchise, conduct, consult with, engage in, have any interest in, assist any Person engaged in, any Competitive Business;

perform services as a partner, director, officer, manager, employee, consultant, representative, agent, or otherwise for a Competitive Business; or

divert or attempt to divert any business related to, or any client or account of the Franchised Business, the Franchisor's business, or any other franchisee's business, by direct inducement or otherwise, to any Competitive Business by any direct inducement or otherwise.

The term "Competitive Business" as used in this Agreement shall mean any business offering, or granting franchises or licenses to others to operate a business offering software-based payroll and employee management services, including payroll check writing, payroll tax payment and reporting, independent contractor check writing and reporting, and related human capital management and

workforce management services, or other business deriving more than 5% of its gross receipts from software-based payroll and employee management services, including payroll check writing, payroll tax payment and reporting, independent contractor check writing and reporting, or related human capital management and workforce management services. Notwithstanding the foregoing, Associate shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

Post-Termination Covenant Not to Compete. Associate covenants and agrees that, for a period of two years after the effective date of termination, transfer or expiration of the Franchise Agreement for the Franchised Business, or for a period of two years after termination or cessation of Associate's relationship with the Franchised Business, whichever is later, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within the Territory of the Franchised Business, within the Territory of any other franchised Business or within 25 miles of any Company or affiliate-owned Business. The restrictions of this paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. Associate expressly acknowledges that he/she/they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of this covenant will not deprive him/her/them of their personal goodwill or ability to earn a living.

Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling more than \$1,000, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

Entire Agreement. This Agreement together with the Notice of Restrictive Covenants attached hereto as Exhibit A, contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought. Associate acknowledges receipt of the Notice of Restrictive Covenants at least 14 days prior to signing this Agreement.

Governing Law. This instrument shall be governed by and construed under the laws of the state of Colorado.

Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal

courts of Colorado in Denver, Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado in Denver, Colorado. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

COMPANY:

PAYROLL VAULT FRANCHISING, LLC

By: _____
Title: _____

ASSOCIATE:

Print Name: _____

NAME OF FRANCHISEE

ASSOCIATE'S CAPACITY WITH FRANCHISED BUSINESS

LOCATION OF FRANCHISED BUSINESS

|

|

EXHIBIT A

TO NONDISCLOSURE AND NONCOMPETITION AGREEMENT

NOTICE OF RESTRICTIVE COVENANTS

This is a Notice of Restrictive Covenants (“Notice”) that Payroll Vault Franchising, LLC, (“Franchisor”) requires _____, (the “Franchisee Associate”) to sign, hereby acknowledging receipt of a Non-Disclosure and Non-Competition Agreement (“Agreement”), the form of which is attached hereto. Initial capitalized terms not defined in this Notice have the respective meanings set forth in the Agreement.

The Agreement contains covenants of confidentiality and not to compete by engaging in a similar business that could restrict Franchisee Associate’s activities during the term and following the termination of the Agreement in Sections 3, 4, and 5. Franchisee Associate shall receive this Notice before Franchisee Associate signs the Agreement. The effective date of the Agreement shall be not less than fourteen (14) days after the date of this Notice.

Franchisee Associate acknowledges receipt of this Notice at least fourteen (14) days prior to signing the Agreement.

Franchisee Associate acknowledges and agrees that (1) complying with the restrictions contained in the Agreement will not prevent Franchisee Associate from earning a living, and (2) such restrictions are necessary and reasonable to protect Franchisor’s valid interests (including, without limitation, relationships with customers, goodwill, the protection of trade secrets and other confidential information, protection from unfair competition, and other protectable interests).

Franchisee Associate understands and acknowledges that: (i) Franchisor's System, Marks, Proprietary Information, and Manual are unique to Franchisor and of great competitive value; (ii) Franchisor has invested and continues to invest substantial resources in developing its System, trade secrets, confidential information, and goodwill; and (iii) any loss of goodwill will cause significant and irreparable harm to Franchisor.

FRANCHISEE ASSOCIATE REPRESENTS AND WARRANTS THAT FRANCHISEE ASSOCIATE HAS HAD THE OPPORTUNITY TO REVIEW THE AGREEMENT WITH PRIOR NOTICE OF ITS RESTRICTIVE COVENANTS AND TO CONSULT AN ADVISOR OR ATTORNEY OF ITS CHOICE BEFORE SIGNING THE AGREEMENT. FRANCHISEE ASSOCIATE FURTHER ACKNOWLEDGES THAT IT UNDERSTANDS THE AGREEMENT AND IF IT SIGNS THE AGREEMENT, IT DOES SO KNOWINGLY AND VOLUNTARILY.

Signature: _____

Name: _____

Date: _____

Exhibit K

Notice of Restrictive Covenants

This is a Notice of Restrictive Covenants (“Notice”) that Payroll Vault Franchising, LLC, (“Franchisor”) requires _____, (the “Prospective Franchisee”) to sign, hereby acknowledging receipt of a Franchise Agreement (“Agreement”), the form of which is attached as Exhibit B to the Franchise Disclosure Document (“FDD”) provided to Prospective Franchisee as a condition of purchasing a franchise, on _____, 202 . This Notice is also attached to the FDD as an exhibit. Initial capitalized terms not defined in this Notice have the respective meanings set forth in the Agreement.

The Agreement contains covenants of confidentiality and not to compete by engaging in a similar business that could restrict Prospective Franchisee’s activities during the term of the Agreement and following the termination of the Agreement in Sections 15.1, 15.2, 15.3, and 15.4. Prospective Franchisee shall receive this Notice before Prospective Franchisee signs the Agreement or pays any nonrefundable consideration to Franchisor. The effective date of the Agreement shall be not less than fourteen (14) days after (i) the date of this Notice; and (ii) the date Prospective Franchisee signs the FDD Receipt.

Prospective Franchisee acknowledges receipt of this Notice at least fourteen (14) days prior to signing the Agreement.

Prospective Franchisee acknowledges and agrees that (1) complying with the restrictions contained in the Agreement will not prevent Prospective Franchisee from earning a living, and (2) such restrictions are necessary and reasonable to protect Franchisor’s valid interests (including, without limitation, relationships with customers, goodwill, the protection of trade secrets and other confidential information, protection from unfair competition, and other protectable interests).

Prospective Franchisee understands and acknowledges that: (i) Franchisor's System, Marks, Proprietary Information, and Manual are unique to Franchisor and of great competitive value; (ii) Franchisor has invested and continues to invest substantial resources in developing its System, Proprietary Information, trade secrets, confidential information, and goodwill; and (iii) any loss of goodwill will cause significant and irreparable harm to Franchisor.

PROSPECTIVE FRANCHISEE REPRESENTS AND WARRANTS THAT PROSPECTIVE FRANCHISEE HAS HAD THE OPPORTUNITY TO REVIEW THE AGREEMENT WITH PRIOR NOTICE OF ITS RESTRICTIVE COVENANTS AND TO CONSULT AN ADVISOR OR ATTORNEY OF ITS CHOICE BEFORE SIGNING THE AGREEMENT. PROSPECTIVE FRANCHISEE FURTHER ACKNOWLEDGES THAT IT UNDERSTANDS THE AGREEMENT AND IF IT SIGNS THE AGREEMENT, IT DOES SO KNOWINGLY AND VOLUNTARILY.

Signature: _____

Name: _____

Date: _____

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	Pending <u>April 22, 2024</u>
Hawaii	Pending
Illinois	August 16, 2023 <u>Pending</u>
Indiana	August 15, 2023 as amended <u>April 25, 2024</u> Pending
Maryland	Pending
Michigan	August 2, 2023 <u>Pending</u>
Minnesota	Pending
New York	May 28, 2024 <u>Pending</u>
North Dakota	June 5, 2024 <u>Pending</u>
Rhode Island	October 5, 2023 as amended <u>May 13, 2024</u> Pending
South Dakota	August 15, 2023 <u>Pending</u>
Virginia	Pending
Washington	November 1, 2023 as amended <u>May 23, 2024</u> Pending
Wisconsin	August 15, 2023 <u>Pending</u>

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT JI
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: ~~April 19, 2024~~ June 28, 2023

The Franchisor is Payroll Vault Franchising, LLC, 1860 W. Littleton Blvd, Littleton, Colorado 80120. Our telephone number is 303-763-1828.

The franchise sellers for this offering are Sean Manning, Marilyn Manning, Tim Loehfelm, Tricia Petteys or Jessica Martin, each of whom is located at 1860 W. Littleton Blvd, Littleton, Colorado 80120. 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 ~~April 19, 2024~~ June 28, 2023, 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 - Renewal Amendment
Exhibit G - State Specific Amendments
Exhibit H - Financial Statements
Exhibit I - General Release

~~Exhibit A - List of State Agencies/Agents
for Service of Process~~
~~Exhibit B - Franchise Agreement~~
~~Exhibit C - Table of Contents~~

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Left the System~~
~~Exhibit F - Renewal Amendment~~

~~Exhibit G - State Specific Amendments~~
~~Exhibit H - Financial Statements~~
~~Exhibit I - General Release~~

Exhibit J - Nondisclosure and Noncompetition Agreement
Exhibit K - Notice of Restrictive Covenants
Exhibit L - Receipts

Date

Prospective Franchisee

RECEIPT

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~~Exhibit I - General Release~~

~~Exhibit J - Nondisclosure and Noncompetition
Agreement~~

~~Exhibit K - Notice of Restrictive Covenants~~

~~Exhibit L - Receipts~~

Date

Prospective ~~Franchise~~Franchisee

You should return one copy of the signed receipt by signing, dating, and returning it through electronic-signature software or by mailing it to 1860 W. Littleton Blvd, Littleton, Colorado 80120. Keep a copy for your records.

|