



FRANCHISE DISCLOSURE DOCUMENT

<p>PAYROLL VAULT FRANCHISING, LLC</p> <p>5231 S. Quebec Street, Suite 260 Greenwood Village, Colorado 80111 303-763-1828 303-763-1842 (fax) www.PayrollVault.com Email: Sean.Manning@PayrollVault.com</p>	<p>PAYROLL RE-DEFINED</p> <p>IT'S TIME TO RETHINK PAYROLL</p> <p>Payroll Vault  Payroll  Vault</p>
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Payroll Vault offers franchisees the opportunity to operate a business that delivers accurate and reliable software-based payroll services, including payroll check writing, payroll tax payment, and reporting, and independent contractor check writing and reporting, and related human capital management and workforce management services for small, medium, and large businesses (Payroll Services). The total investment necessary to begin operation of a franchise is from \$39,313 to \$65,769. This includes \$41,500 that must be paid to our Affiliates or us.

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

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

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

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

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

The issuance date is: March 9, 2020.

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 terms 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 customers, 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. **Mandatory Minimum Payment.** You must make minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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 FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY MICHIGAN
FRANCHISE INVESTMENT LAW)**

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 the right of a Franchisee 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 failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

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 option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 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

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

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PAYROLL VAULT FRANCHISING, LLC

Franchise Disclosure Document

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

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

The Franchisor, Any Parents, and Its Predecessors and Affiliates

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

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

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

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

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

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

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

The Franchised Business

We grant you the right to operate a Payroll Vault franchised business (“Franchised Business” or “Business”) from a “Franchised Location” within a “Protected Territory” that contains approximately 10,000 business of any size.

The Franchised Business permits you to sell the Payroll Services to small, medium, and large businesses (Clients) using our “System” (defined below) and a payroll software program (Payroll Software) that is licensed to you to operate the Franchised Business. You are not required to be a licensed or certified public accountant. You are required to grant us the right to review your credit and criminal history as part of the approval process.

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

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

Prior Business Experience

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

Competition and Laws Affecting the Business

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

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

Before opening, you must be granted the right by your local bank, your ACH provider and, if applicable any federal, state or municipal governmental entity, to electronically deposit funds (“Electronic Funds Transfer” or “EFT”) into an employee’s account through an automated clearing house (ACH) transaction (ACH Rights). Though each bank or ACH provider will have different requirements, such qualifications may include following any bank rules or ACH-provider rules and passing a credit report and criminal background check. Federal, state, and municipal governmental rules or regulations may require your registration, finger printing, and proof of timely tax filings and tax payments before granting approval to collect and remit payroll taxes for business and their employees. The bank rules, ACH provider requirements, and, if applicable, any governmental rules and regulations are referred to as the “ACH Qualifications.” If you fail to obtain ACH Rights before opening, we have the right to terminate your Franchise Agreement, in which case we will refund up to \$3,000 of your initial franchise fee (Item 5). You are solely responsible for determining the ACH Qualifications for your Protected Territory and are solely responsible for obtaining approval for the ACH Rights. If you lose your ACH Rights during the term of the Franchise Agreement, or if you violate the rules or regulations that govern your ACH Rights, we have the right to terminate your Franchise Agreement immediately. Your failure to abide by all regulations governing your ACH Rights may result in you or your principals (if you are a business-entity franchisee) suffering personal liability. You are solely responsible for maintaining your ACH Rights and for abiding by all rules and regulations that govern your ACH Rights.

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 and not, we are responsible for meeting these requirements.

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

ITEM 2

BUSINESS EXPERIENCE

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

Mr. Manning is one of the founders and is our President, Managing Member, and CEO, a position he has held since our inception. From 2007 to the present, he was and continues to be the CEO and Managing Member of our Services Affiliate. From 1998 to July of 2018, he was the President of our Manning Affiliate.

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

Mrs. Petteys holds the position of Chief Operating Officer, which is a position that she has held since our inception. 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

Mrs. 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 lend support to this department.

Jessica Martin - Marketing Director, Communications and Public Relations

Ms. Martin joined our team in May of 2016. Before joining, Ms. Martin worked for Source Office & Technology in Denver, Colorado, from June of 2014 to May of 2016. From August 2013 to May 2014, Ms. Martin worked as the business development manager of AP Restoration of Denver, Colorado. From August of 2008 to August of 2012, Ms. Martin was the project manager of American Lighting in Denver, Colorado, and from August 2012 to August 2013, Ms. Martin was the marketing and communications director of Mile High Adjusters of Denver, Colorado.

ITEM 3

LITIGATION

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

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

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

Your initial franchise fee (IFF) for a single Franchised Business is \$40,000. If you are an honorably discharged veteran, your IFF will be reduced by 25%. The IFF represents payment, in part, for expenses incurred by us in furnishing assistance and services to you and for other costs incurred by us.

Before you open, you will pay us our technology startup fee, which is \$1,500.00 (Franchisee Technology Startup Fee), which will be used to set up your franchise on our internet web system.

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

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

ITEM 6

OTHER FEES

Type of Fee (1)	Amount	Due Date	Remarks
Royalty	For the first 12 months of business, you will pay a Royalty that is the greatest 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, and if you reach certain levels of sales, your Royalty may be reduced. 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.	This will be payable to us by an ACH (Automated Clearing House) transaction.
Additional Protected Territory Fee	See Note 2	Collected at the time, you are granted the right to one or two Additional Protected Territories.	Payable to us.
Local Marketing and Advertising Fee	You will spend a minimum of 1% of Gross Revenue.	Paid monthly beginning the 4th month of operation.	We may increase the Local Advertising Fee up to 2% after providing you with 60 days

Type of Fee (1)	Amount	Due Date	Remarks
			written notice. Paid to your advertising vendors.
Payroll Software License Fee and Check Fee	Our then-current fee that is now \$395 per month plus \$0.28 for each check written through the software.	Payable with Royalties.	See Note 4.
Franchisee National Advertising Fee	None now. If collected, it will be 1% of Gross Revenue.	Payable monthly with Royalties.	We do not now but may at any time begin collecting this fee. We may increase the Franchisee National Advertising Fee to no more than 2% upon 60 days written notice. Payable to us. (Item 11).
Franchisee Digital Marketing Fee (Franchisee DM Fee)	Our then-current fee that is now \$75 per month.	Payable with Royalties.	Paid to us. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase before it will be due.
Franchisee CRM Software and Franchisee CRM Fee	Our then-current fee that is now \$125 per month.	Payable monthly with Royalties.	Note 4.
Unique Domain Fee	Our then-current fee that is now \$50 per year if we agree to purchase and maintain a website for you.	Due in March of each year and payable with Royalties.	Note 4.
Franchisee Technology Maintenance Fee	Our then-current fee that is now \$150 per month.	Payable monthly 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 no less than 60 days written notice of any increase before it will be due. Payable to us.
Additional Technology Fees	None now.	As incurred.	Note 4.
Franchisee Email Fee	Our then-current fee that is now \$10 per month for each email address over five.	Payable monthly with Royalties.	We will give you five free email addresses. Each address after that will cost this amount. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase. Payable to us.
Additional Training Fee	Our then-current fee that is now \$300 per day plus your travel, room, and board if you travel to us; or our room, board, and		Note 5.

Type of Fee (1)	Amount	Due Date	Remarks
	travel expenses if we travel to you.		
Additional Software Training Fee	Our then-current hourly fee that now is \$45 per hour.	As incurred	Note 5.
Operational Standards Support and Training Fee	Our then-current hourly fee that now is \$45 per hour.	As incurred	Note 5.
Franchisee Missed Quota Additional Training Fee	Our then-current fee that now is \$300 per day, plus your travel, room, and board if you travel to us or plus our commercially reasonable room, board, and travel expenses if we travel to you.	As incurred.	Paid to us if you fail to meet your Franchisee Quota (Item 12) and if we decide to offer you this training (Item 11). There is no limit to the amount of an increase or the number of times it may be increased. We will notify you in writing of the then-current fee at the time this fee is due.
Owners Exchange Tuition	Our then-current fee that now is \$200.00 plus your cost to attend	As incurred.	Note 6.
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. Currently, there is no tuition, and as a result, we cannot calculate what this cost may be. We may, in the future, charge tuition, and you will be given no less than 60 days written notice before a fee is charged. You will pay the costs to travel, and if applicable, your room and board. Payable to vendors.
Transfer Fee	The greater of \$5,000 or 10% of the then-current IFF for the Protected Territory and 10% of the then-current Additional Protected Territory Fee for your Additional Protected 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 Protected Territory that you purchased plus 35% of the then-current Additional Protected Territory Fee for your	At the time of signing.	You may be required to sign a franchise agreement with terms that are different from those in your current Franchise Agreement. Payable to us. Also, see Note 7.

Type of Fee (1)	Amount	Due Date	Remarks
	Additional Protected Territories.		
Franchisee Annual Conference Attendance Fee	The then-current fee that now is \$500 for the first attendee and \$350 for additional attendees.	Due 60 days before the conference.	The fee will be delivered by ACH. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase. Payable to us.
Annual Conference Travel Costs and Expenses	All costs for your travel, room, and board, which may cost \$500 to \$1,500.	Expenses are paid as incurred.	Expenses vary based on travel costs and type of accommodations you choose. Annual conferences may be mandatory. Payable to vendors.
Franchisee Mandatory Fee	The then-current fee that now is \$500.	Due at the time that franchisee receives materials and attends the mandatory conference call.	Charged only if you fail to attend the annual conference. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase. Payable to us.
Late Fee	\$100 late fee plus 1.5% per month for any payment not made timely.	Immediately assessed. when	Payable to us only if you do not make your payments on time.
Default Notice Fee	\$50.00	Immediately assessed. when	Payable to us only if a notice of default has to be sent to you.
Costs and Attorney's Fees	Will vary.	As incurred.	Payable to service providers.
Indemnification	Will vary.	As incurred.	You have to reimburse us if we incur costs for any claims arising from your business.
Approval of New Supplier	Our then-current fee, which is now \$125 per hour	As incurred.	Paid to us to review and approve new suppliers. All fees are paid to vendors or us. We may change this fee at any time after giving you no less than 60 days written notice.
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 our accountant or us.
Special Projects Fees	Our then-current fee that now is \$250 per hour	As incurred.	See Note 8.
New Line of Goods, Services or Technology	Will vary.	As incurred.	See Note 9.
Taxes	Our cost.	As incurred.	See Note 10.

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

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

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

b. for the second Additional Territory, you will pay the then-current Additional Protected Territory Fee that now is \$10,000 and will pay monthly the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$800.

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

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

“Gross Revenue” means the total of all revenues and income from the sale of all products, merchandise, services, and other related items to your 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.

3. During your Initial Term (See Item 17(a)) and if you are awarded Successor Franchise Rights” (Item 17 (b) and (c)) you may qualify for a reduced Percentage Royalty (Graduated Reduced Royalty) as follows, (i) for Gross Revenue of between \$500,001 and \$1,000,000 you will pay a Graduated Reduced Royalty of 4%; then (ii) for Gross Revenue in excess of \$1,000,000 you will pay a Graduated Reduced Royalty of 2%. For instance, if your Gross Revenue is \$650,000, you pay 6% on the first \$500,000, and then you pay 4% on the remainder of the revenue (\$500,001 to \$650,000). If you earn \$500,000 or less in Gross Revenue, you are not eligible for this program.

Your right to the Graduated Reduced Royalty is based on a calendar year and begins on January 1 of each year. If you sign the Franchise Agreement on a day other than January 1, you will not be eligible for Graduated Reduced Royalties until the following calendar year, even if you otherwise qualify in your first calendar year. We reserve the right at the end of each calendar year to terminate the right to Graduated Reduced Royalties. If this decision is made, however, it will apply to all franchisees that are subject to 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.

If you are not awarded any Additional Territories or the right to Graduated Reduced Royalties, you will pay the greater of 6% of the Gross Revenue or \$400 as the Minimum Royalty.

4. You are required to use our Payroll Software program to operate the Business and will 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.

You must use our "Franchisee CRM Software." This online-based service gives you the tools necessary to help manage your Client relationships and your interactions with them. Beginning with the fourth month of operation, you will pay us the then-current Franchisee CRM Fee.

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

We may, in our sole discretion, grant you the right to host a Unique Domain that we purchase and maintain. If we grant you this right, you will pay us the then-current Unique Domain Fee. The Unique Domain will have a name and website address that we approve, and that uses our Marks only as permitted by us. Upon the expiration, earlier termination, or transfer of your Business, we reserve the right to keep and maintain the Unique Domain without cost to you. You agree to cooperate with us in this endeavor.

There is no limit to the number of times or the amount that any of the fees may be changed. We will give you 60 days prior written notice before a fee is changed.

5. Additional Training is not mandatory, and you will pay the then-current hourly fee only if you request additional training. 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 customer relationships management performance and advertising.

There is no limit to the amount of or frequency of a change to these fees, except that you will be given no less than 60 days written notice before any increase.

6. We hold an Owners Exchange Meeting each spring, and attendance is currently voluntary. The purpose of the meeting is to allow all franchisees to exchange ideas with each other. We may, in the future, make attendance mandatory. We also have the right to change the Owner's Exchange Tuition in any amount and at any time. If we make attendance mandatory or if we change this fee, we will give you no less than 60 days prior written notice.

7. Your Successor Franchise Fee that is paid if you are awarded renewal rights (Item 17 (a)), may be reduced as follows, (a) if your Gross Revenue has reached \$150,000 per year during the final year of your Initial Term or you have 100 Clients, then your fee will be zero; or (b) if you have less than 100 Clients and have earned less than \$150,000 in Gross Revenue during the final year of your Initial Term

then your Successor Franchise Fee will be a percentage of the Successor Franchise Fee determined by multiplying the then-current Successor Franchise Fee by a fraction the numerator of which is the remainder found by subtracting your annualized Gross Revenue (determined on the date that your Successor Franchise Rights Term is to begin) from \$150,000 and the denominator of which is \$150,000. For instance, if your Gross Revenue is \$100,000 and if the full Successor Franchise Fee is \$10,000, your Successor Franchise Fee will be \$3,334 ($\$10,000 \times (\$150,000 - 100,000) / \$150,000$).

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

9. We may, in the future, require all franchisees and you to add new goods or services to those already sold through the Business or to add new technology. If we do this, you may incur additional expenses, some of which may be due to an affiliate, a third party for whom we collect the funds, or us. We have no formula for determining what such costs, fees, or expenses might be, so we cannot give you an estimate of such 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.

10. 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 ESTIMATE INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
IFF(1)	\$30,000 to \$40,000	Lump sum	At signing of Franchise Agreement (1)	Us
Rent (2)	\$0 to \$800	As arranged	As per lease terms	to Landlord
Rental Improvements (2)	\$0 to \$400	As arranged	If incurred	Vendors
Deposits (2)	\$0 to \$1,000	As arranged	As incurred	Utilities and Landlord
American Payroll Association Training Fee (3)	\$0 to \$1,419	As arranged	As incurred	American Payroll or Our Then-current Supplier Who May Be An Affiliate or Us.
Training Expenses (3)	\$500 to \$1,500	As arranged	Before training	Airlines, Hotels, Restaurants

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Computer System and Dedicated Scanner(4)	\$163 to \$2,500	As arranged	Before opening	Vendors
Furniture, Fixtures, Equipment and Phone Equipment (4)	\$150 to \$650	As arranged	Before opening	Vendors
Franchisee Technology Startup Fee	\$1,500	As arranged	Before opening	Paid to us.
Insurance and Professional Services (5)	\$4,00 to \$6,000	As arranged	When incurred	Professionals
Additional Funds – 3 months (6)	\$3,000 to \$10,000			
TOTAL (6)	\$39,313 to \$65,769			

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

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

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

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

3. Before attending our training, you must complete the American Payroll Association (APA) training that will provide you the basic skills necessary to process payroll, and that is more fully described in Item 11. (APA Training). If you are already an APA member, you may have taken this training. If not, we can offer this training to you at no cost. If however, you are not a member, then you must join, pay the first year's membership fee (that now is \$244), and pay for and take the APA Training, the current cost of which is \$1,175 (together, the "APA Training Fee"). We have no control over the fees charged by the APA, and they may change the fees at any time. Though we require you to take seven modules, the training fee pays for all 12 modules offered by the APA and cannot be prorated.

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

4. You must have a computer and off-the-shelf software, including QuickBooks Online that costs approximately \$21 per month and Office 365 that costs approximately \$100 per month (Computer System) and a dedicated scanner that meets our requirements. You may already have this equipment. If not, the Computer System and Scanner could cost this much. The low number represents the fee for the first three months of QuickBooks Online and assumes that you already have the balance of the Computer System.

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

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

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

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

6. 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 by your management skill, experience, and 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. You may incur other or higher costs or fees. You may also need operating capital when running the Franchised Business that is in addition to what is estimated here. In compiling these estimates, we have relied upon the experience of our principals (Item 2) from operating businesses that are similar to the one being offered to you.

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

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases and System Changes

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

We may communicate our standards, specifications, and purchase requirements directly to suppliers who wish to supply 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 Franchisee Manual as it may be printed, or as delivered in an electronic or another format, and that may include one or more manuals and periodic bulletins. We may issue new standards and specifications through written notices. Once you are notified, you must make the change that is specified. We may also add and remove vendors at any time.

We have the right, in our sole discretion and as we may deem in the best interests of the System or a specific franchisee to vary required purchases, standards or specifications based upon that franchisee's qualifications, special circumstances, the demographics of a particular "Protected Territory" (Item 12) or development region, business potential, or any other condition which we deem to be of importance to the successful operation of any particular Business. We are not required to disclose or grant you a similar variance.

Required and Approved Suppliers

You must pay us the Franchisee Technology Startup Fee, and beginning with the fourth month, the Franchisee Technology Maintenance Fee, Franchisee DM Fee, Payroll Software License Fee, and Check Fee, the Franchisee CRM Fee and if you have a Unique Domain, the Unique Domain Fee. We are the only supplier of these services. If we add additional technology services and fees in the future, our approved vendor, an Affiliate, or we will be the only supplier of such services.

We are the only supplier of the Payroll Software that you will license through us. 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. You will pay us the then-current Check Charge. We are the only supplier of these services.

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

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 and in what amount the fee may change.

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

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

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

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.

You must purchase the insurance described below only from our approved vendor. We reserve the right to change vendors at any time after giving you no less than 60 days prior written notice.

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

We may, in the future, require all franchisees and you to add new goods, 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 due to an affiliate, a third party for whom we collect the funds, or us. If we introduce new lines of goods, services, or technologies, 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 made only from us, our officers own no interest in any supplier. No purchases are currently required to be made from Affiliates. Except for purchases made from us, we are not an approved supplier.

Before opening the Franchised Business, you will purchase from our approved vendor and will maintain in full force and effect the following insurance coverage, all of which must include an "additional insured" endorsement covering us:

- a. Commercial general liability insurance for not less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,
- b. Employer's liability and Workers' Compensation Insurance as required by state law in the state in which the Business is found; plus,
- c. Professional liability insurance of no less than \$1,000,000 per occurrence and \$1,000,000 in the aggregate; plus,

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

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

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

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

Although we require certain insurance coverage and may recommend other coverages, we do not guarantee that the required or recommended insurance will be adequate to 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

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

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

Revenue from Franchisee Purchases

In 2019, we received approximately \$27,500 through required purchases or leases. This represents approximately 2.8% of our total revenue of \$964,337.

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

Cooperatives

Though there are no cooperatives at this time, we may, in the future, develop regional a purchasing cooperative. The purpose of the purchasing cooperative will be to obtain some or all goods and services of

the same quality at a more competitive price. Upon the creation of the same, you must participate in the program.

Negotiated Prices

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

Material Benefits

We do not provide or withhold material benefits to you (including renewal rights or the right to open 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 to Clients unapproved services will be a violation of the Franchise Agreement, and you may be terminated as a result.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section or Article in Franchise Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	Section 2.2	Items 7 and 11
(b) Pre-opening purchase/leases	Section 2.4	Item 8
(c) Site development and other pre-opening requirements	Articles 2 and 5	Items 6,7,11
(d) Initial and ongoing training	Article 7	Item 11
(e) Opening	Section 2.1	Item 11
(f) Fees	Article 3	Items 5,6,7
(g) Compliance with standards and policies/operating manuals	Article 8	Item 11
(h) Trademarks and proprietary information	Article 6	Items 13 and 14
(i) Restrictions on products/services offered	Section 8.4	Items 11 and 16
(j) Warranty and customer service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	Not Applicable	Item 12
(l) 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
(p) Indemnification	Article 14	Item 6

Obligation	Section or Article in Franchise Agreement	Item in Disclosure Document
(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
(y) Other:	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, Payroll Vault Franchising, LLC is not required to provide you with any assistance.

A. Pre-Opening Assistance

Before you open your business, we will,

- a. define your Protected Territory (Item 12 and Franchise Agreement, Articles 2 and 5);
- b. provide you with the training that is described in this Item 11 (Franchise Agreement, Articles 5 and 7);
- c. provide you access to the Payroll Software after you have paid the Payroll Software License Fee. (Items 6 and 7; 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 Franchisee Manuals that you will need to operate the Franchised Business (Franchise Agreement, Articles 5 and 7);
- f. supply reasonable telephone, fax, and email support (Franchise Agreement, Articles 5 and 7);
- g. deliver five free email addresses to you (Franchise Agreement, Articles 3 and 5); and,

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

B. Post-Opening Assistance

After you open your Franchised Business, we will,

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

b. provide updates to the Franchisee Manuals, the System, the Marks, if they occur; (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. (this Item 11 and Franchise Agreement, Section 5.3);

d. 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. (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 under the Franchisee Technology Maintenance Fee (Franchise Agreement, Section 5.3);

i. provide access to the Franchisee 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 Franchisee DM Fee (Franchise Agreement, Article 3); and,

k. work with you on Special Projects (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

You must open for business within 90 days after signing the Franchise Agreement. (Opening Date). You must obtain ACH Rights, must complete the APA Training and Franchisee Training, and must have in place all insurance, permits, and licenses before you open. We may extend the Opening Date for a

reasonable time (not to exceed 30 days) in the event factors beyond your reasonable control prevent you from meeting the deadline, and you request an extension of time from us at least 15 days before the set Opening Date. The factors that affect the period required to open the Franchised Business may include the ability to obtain ACH Rights and the ability to obtain financing or insurance.

D. Optional Assistance and Special Projects

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

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

E. Advertising

Local Advertising

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

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.

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

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

We may, in our sole discretion, allow you to obtain and then host your website (Unique Domain). If we grant you this right, we must approve the content of each page of the website and will give you direction on how and where to place our Marks. Upon expiration, earlier termination of, or the transfer of the Franchise Agreement, we reserve the right to have the Unique Domain assigned to us at no cost. You and we will cooperate to ensure this transfer is made.

National Advertising Fund and Regional Advertising

We do not now, but may at any time in the future, collect from all franchisees 1% of your Gross Revenue per month for national advertising (Franchisee National Advertising Fee). The Franchisee

National Advertising Fee will be due at the same time as your Royalties. We will give you no less than 60 days prior written notice before we begin collecting this amount.

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

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

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

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

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

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

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

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

We collected no Franchisee National Advertising Fees in 2019.

We reserve the right, upon 30 days prior written notice to you, to allocate all or a portion of the Franchisee National Advertising Fee to a regional advertising program for the benefit of franchised businesses located within a particular region (Regional Advertising Program). We have the right to determine the composition of 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 the extent reasonably calculable by us. We have the right to change, dissolve, or merge any Regional Advertising Program. We will prepare unaudited financial statements and will deliver the same to you no earlier than 90 days of its year-end.

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

There is no advertising council or advertising cooperative.

Franchisee Digital Marketing Fee (Franchisee DM Fee)

Beginning with the fourth month, you will pay us the then-current Franchise DM Fee (that now is \$75 per month,) which will be collected with the Royalties. This fee was formerly known as the “Franchisee SEO Fee.”

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

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

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

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

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

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

In 2019, approximately 26% of the Franchisee DM Fees was used for media placement; 30% was used for web services; 26% was used for administrative costs, and 18% was used to provide further training on the use of DM Marketing.

F. Computer Requirements

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

a. A PC notebook or desktop computer of any model or age (Computer Hardware) so long as it uses the Microsoft Windows operating system 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 Office (which is available only online and that costs approximately \$100 per year); (ii) the latest version of QuickBooks, which is available only online and that currently costs approximately \$21 per month; and (iii) the latest version of Internet Explorer or compatible browser. You must also secure from us the license for the Payroll Software and must use the Franchisee CRM Software. Beginning with the fourth month after you open, you will pay the then-current Payroll License Fee and then-current Franchisee CRM Fee. All of the software on the Computer Hardware may be referred to as the “Computer Software.” Together, the Computer Hardware and Computer Software will be referred to as the “Computer System.” You may have all of the components of the Computer System. If not, it could cost \$2,500 to purchase the same.

You must sign the then-current end-user license agreement (EULA) in consideration of using the proprietary Payroll Software. The most recent version of the EULA is found as Exhibit 6 of the Franchise Agreement. 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 ten business days prior written notice. If you breach the EULA, with the result being the suspension or termination of your right to use the Payroll Software, the same will be a material violation of this Franchise Agreement for which no cure is provided.

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

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

We may, in the future, offer other proprietary software or web-based programs that may include accounting, word processing, and other features. We reserve the right to change at any time the supplier source of the 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.

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

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

You are required to maintain the Computer System and Scanner to keep each operational. The cost of and the frequency of such maintenance cannot be estimated as various factors, such as the age of the equipment, and its treatment while in operation cannot be determined. We may require you to update the Computer System and Scanner no more often than once every five years. This could cost \$2,500 or more.

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

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

For auditing, marketing, and other commercially reasonable purposes, 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. 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 Franchisee Manual though it will always remain our property. It is part of the System, and it contains our confidential, proprietary, and trade secret information. The Tables of Contents of the Franchisee Manual is found in Exhibit C to this Disclosure Document. The Franchisee Manual contains approximately 58 pages. The Franchisee Manuals may be delivered to you electronically through our website for which you will have a passcode.

H. Location Selection

It is anticipated and expected that you will operate the Franchised Business from your home or your current office space located within the Protected Territory (your “Franchised Location”). We do not select your site and have no criteria for approving your Franchised Location. We will not own or lease your Franchised Location. You must locate your Franchised Location before you open for business. We have no requirement for the Franchised Location design or decor. As with any business, you must 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 that you open for business.

I. Training

APA Training

For the first franchise that you are awarded and before attending our live “Franchisee Training,” you must complete to our reasonable satisfaction seven modules of APA Training that are described below. This training could take up to approximately 43 hours to complete depending upon such things as your learning style and experience. There is no limit to the number of people who may take this training, though your “Principal Operator,” “Designated Manager,” or you must complete the APA Training. You will pay the APA Training Fee at the time you take the training, which fee includes the first year’s dues for the APA. If you are already an APA member, you may have already received this training and are not required to repeat it. If not, we will make the training available to you at no additional cost.

If you are a business-entity franchisee, the “Principal Operator” is the person designated by the franchisee to operate the Franchised Business from day-to-day. The “Designated Manager” is the person, besides you or your Principal Operator, who acts as the general manager of the Franchised Business, has been trained by us, and who delivers our services directly to the Clients. We reserve the right to reduce or eliminate this requirement depending on the experience of the attendee and his or her position with the Business.

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 such information. As this is online training, it can be taken at any convenient time, and there are no travel or similar expense to be paid.

APA Training consists of the following:

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

Franchisee Training

Also, for the first franchise you purchase, your Principal Operator, Designated Manager, or you must complete our training to our satisfaction (Franchisee Training). These are the only attendees allowed at this training. Franchisee Training cannot be taken until the APA Training has been completed. Franchisee Training consists of approximately three days of instruction, of which approximately 24 hours is classroom instruction, or online training and testing. There is no on-the-job training. Franchisee Training is held as needed, but no more often than once each month. Franchisee Training will occur at our then-current headquarters, at another facility that we designate and online. Franchisee Training may be increased or decreased in our sole discretion depending upon your experience and knowledge. You are responsible for all costs associated with attending training, including travel, room, and board. Franchisee Training materials consist of the Manuals and handouts. Except for the training of replacement personnel, tuition is not charged. You are responsible for training your employees and other management personnel.

Franchisee Training consists of the following:

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	8 hours	none	Our Colorado headquarters or other location we designate.

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Days 2: Classroom training in Sales and Marketing; Dinner	8 hours	none	Our Colorado headquarters or other location we designate.
Day 3: Operations and Software; Hiring and Management	8 hours	none	Our Colorado headquarters or other location we designate.
Totals	24	0	

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

Sean Manning, Marilyn Manning, Tricia Petteys, Jessica Martin, and Tim Loehfelm are the training instructors. The background and experience of the Mannings, Mrs. Petteys, and Ms. Martin are described in Item 2. Mr. and Mrs. Manning and Mrs. Petteys have worked with our Services Affiliate since its inception and have experience in the operation of a payroll service similar to one being offered here. Mr. Manning has been a certified public accountant since 1995, and he will use that experience to train you. Ms. 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 has recently been added as a trainer who offers insight into the use of our customer relationship management and other software programs. From time-to-time persons who are active in the operations and administrative side of our business, as well as support staff, may assist in the training.

Franchisee Missed Quota Additional Training

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 sole discretion to, (a) allow a current franchisee, a newly-signed franchisee, or a company-owned or Affiliate-owned Business to begin to sell Payroll Services in your Protected Territory; (b) terminate your franchise rights without affording you a right to cure; or (c) require you to attend the Franchisee Missed Quota Additional Training instead of termination or the placement of another franchisee, company-owned or Affiliate-owned Business in your Protected Territory. If we offer you this training, you will have 18 months after training to increase the number of Clients to the Franchisee Quota level required in the final twelve months of that 18-month period. If, after such training and the 18-month period, you fail to meet the then-current Franchisee Quota, we have the right to terminate your franchise without affording you a right to cure or allow another franchisee, company-owned or Affiliate-owned Business to operate in your Protected Territory.

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

Online training may be accessed at any time through our website. You must, however, complete such training by the deadlines stated above. The training materials will be handouts and documents downloadable through our website.

Annual Conference, Owners Exchange, and Other Training Opportunities

We do hold an annual conference, and your attendance is mandatory. You will be responsible for the payment of all expenses for travel, accommodations, food, and wages of any attendees. When it is known, you will be provided with the duration of such a meeting, as well as its location, the identities of those who will present information at the meeting, and the content of any seminars or information that will be delivered at that time. The annual conference will be held in a location to be determined by us. We do charge the Franchisee Annual Conference Attendance Fee (Item 6), which will be collected 60 days in advance of the meeting by ACH.

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

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

You may also wish, or we may require you to get additional training on the software programs we offer (Additional Software Training). If that is the case, you will pay the then-current Additional Software Training Fee. If we require it, we will give you no less than 30 days' written notice before starting the training. All training will be online. The training materials will be handouts delivered by email and the Manuals.

You may ask for, or we may, in our sole discretion, determine that you need additional training or support in implementing or maintaining our operating standards (Operational Standards Support and Training). In either case, you will pay the then-current Operational Support and Training Fee. All training will be online, available at any time, and will use the above trainers or others we designate. The training materials will be handouts delivered by email and the Manuals.

We reserve the right to change any of the fees identified above at any time after giving you no less than 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 your Principal Operator, Designated Manager and you to attend a local or regional meeting up to 2 times per year (Regional Meeting). Any additional local or regional meetings will last between one and two days and will be held at a location to be approved by us that will be within easy car or bus commuting distance. Any instructors at such meetings will be Mr. or Ms. Manning, or another person not yet identified by us, but whose identity and background will be disclosed to you before the meeting. There will be no tuition, but you will be responsible for all travel and living expenses that are associated with attendance at the same. The instruction materials may include revisions to the Manuals and will include handouts.

ITEM 12

TERRITORY

Before signing the Franchise Agreement, you and we will agree upon the perimeter of your “Protected Territory” that contains no less than 10,000 businesses of any size.

In some cases, and after you have been in operation for a minimum of 12 full months (as measured from the date that you open for business,) we may grant you the right to increase the size of your Protected Territory by purchasing up to two contiguous Additional Protected Territories, each of which will contain an additional 5,000 businesses of any size. You will be granted this right if,

- a. you are current in of all of your obligations under the Franchise Agreement on that date that you request an Additional Protected Territory and on the date that we grant you the Additional Protected Territory;
- b. you have not breached the Franchise Agreement at any time before your request;
- c. you have met the Franchisee Quota at all times prior to your request, and,
- d. using our Reasonable Business Judgment, we agree to grant you such right. As part of our decision in this regard, we will determine whether you have sufficient employees or contractors, sufficient financial resources, and business acumen to operate a larger Protected Territory. There is no guaranty that you will be granted the right to an Additional Protected Territory. Except as stated here, you receive no other option, right of first refusal or similar right to acquire additional franchises.

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

Your Protected Territory and any Additional Protected Territory may be defined by zip codes, street names, or by other natural or artificial boundaries. Your Protected Territory and any Additional Protected Territory will be of no particular geometric shape. If you receive Additional Protected Territory, we will amend your then-current Franchise Agreement by describing the new boundaries that enclose such Additional Protected Territory. We will both agree upon the identity of your Protected Territory before you sign the Franchise Agreement. We will not increase or decrease your Protected Territory should the number of businesses increase or decrease.

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

You will not receive an exclusive territory. You may face competition from other franchisees, 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 by us to the franchisee in whose Protected Territory or Additional Protected Territory the Inbound Lead originated. If there is no franchisee in that area, the Inbound Lead will be routed to the franchisee whose Protected Territory is closest to the Inbound Lead. We will determine the origin of the Inbound Lead by the zip code of the contact, or by any other electronic mean that allows us to pinpoint such location.

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

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

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

- a. within 18 months of the Effective Date, you must have a minimum of 25 monthly payroll Clients or have a monthly minimum payroll 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 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 services billing average of \$12,500.

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

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

Reservation of Rights

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

- i. own, franchise, or operate businesses which are similar to your Franchised Business and which use the Marks and the System at any location within or outside of the Protected Territory;
- ii. use the Marks and the System to sell any products or services (which may be similar to those that you will sell) through any alternate channels of distribution such as television or over the internet within or outside of the Protected Territory. You cannot use alternate channels of distribution without our express permission, which may be granted or denied for any reason or no reason at all. If we use alternate channels of distribution including the internet within your Protected Territory, we are not required to compensate you;
- iii. use and license others to use, either within the Protected Territory, or in alternate channels of distribution, other trademarks, trade names, service marks, logos, copyrighted materials, and methods of operation that are not the same as or confusingly similar to the Marks, in the operation of a business that

offers goods, services, and related products that may be similar to, or different from, the business operated by you;

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

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

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


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

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

ITEM 13

TRADEMARKS

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

Registration Number	Description of Mark	Principal or Supplemental Register of the USPTO	Registration Date
4,189,071	Payroll Vault	Principal	August 14, 2012
4,149,049		Principal	May 29, 2012
4,600,737	Payroll Re-Defined (Standard Character Mark)	Principal	September 9, 2014
4,596,685	It Time to Rethink Payroll (Standard Character Mark)	Principal	September 2, 2014

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



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

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

Our Services Affiliate and we have entered into a license agreement (Master License Agreement) that grants us use of, and the right to sublicense to you the Marks. The Master License Agreement has a term of 30 years and is 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 meet this requirement, we have the right to terminate your franchise (Franchise Agreement, Article 6). The Agreement can only be cancelled if we breach this requirement. In such an event, our Services Affiliate has agreed that it will grant you the right to continue to use the Marks under the terms of the Franchise Agreement. Except as stated herein, there are no other agreements in place that limit our use of the Marks.

Except as stated above, 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. All required affidavits have been filed.

Our Services Affiliate and we alone have the right to control any administrative or litigation proceedings involving the Marks. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims about the Marks, you must notify us immediately. We, in our sole discretion, will take the necessary steps to defend the Marks. We will indemnify you if the action solely arises from the Marks. We do not have an obligation to indemnify or defend you if the action arises from your use of the Marks in violation of the Franchise Agreement. We know of no infringing or superior rights to any Marks.

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

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

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

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

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

We do have common law copyrights and copyright protection in all of the components of the System, our “Proprietary Information” (Franchise Agreement, Article 6) including the Franchisee Manual and related materials, training modules, and all marketing and advertising materials. There are no known instances of copyright infringement of our System or Proprietary Information.

Each component of the System, the Proprietary Information is proprietary, a trade secret and confidential. You may only use each such component as allowed 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 component of the System or Proprietary Information, you must notify us immediately. We, in our sole discretion, will determine what, if any, action will be taken. You may not take any action against the said third party. Any costs incurred by you for actions against a third party are solely your own; we will not reimburse you for any costs associated with protecting the System or Proprietary Information.

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

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

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

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

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

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

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

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

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	Article 4	Five years (Initial Term)
b. Renewal or extension of the term	Article 4	Four additional 5-year terms (each a “Successor Franchise Rights Term”) if all obligations for “Successor Franchise Rights” are met. If Successor Franchise Rights are granted, you may be eligible for a reduced Royalty (Item 6, footnote 3). Additional renewals will be by mutual agreement.
c. Requirements for franchisee to renew or extend	Article 4	You must give no less 90 days prior notice, and we will deliver the then-current FDD, 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

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
		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 Franchise Rights Term. You will pay the then-current Successor Franchise Fee, which may be reduced, and you may have the right to Graduated Reduced Royalties (Item 6).
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 franchisor with cause	Article 10	We can terminate only if you default. See (g) and (h) below.
g. "Cause" defined - curable defaults	Article 10	Failure to pay fees after 5 days notice; 30 days to cure any defaults under the Franchise Agreement except for those described in (h) below.
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; inability to obtain ACH Rights before you open; or if you lose ACH Rights during the term of your Franchise Agreement.
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, or mortgage or other disposition of any part of the Franchise Agreement, ownership of you or the Business.
l. Franchisor approval of transfer by franchisee	Article 9	The transferee has the background, financial resources, etc. We have 30 days right of first refusal; transferee pays for training.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
m. Conditions for franchisor approval of transfer	Article 9	Must be in Compliance; must pay a fee; must not be in breach; new franchisee qualifies, you must have no outstanding defaults or money owed, you must provide terms to us, the new franchise must have signed the current Franchise Agreement and have attended training, transfer fee paid, you must have signed 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	Our option upon termination or expiration of the Franchise Agreement to purchase a part or all of assets for fair market value.
p. Death or disability of franchisee	Article 9	The estate must assign the franchise to an approved transferee within 180 days
q. Non-competition covenants after the term of the franchise	Article 15	<u>Subject to state law</u> , no involvement in a 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 Protected Territory or within any other Protected Territory that is serviced by a franchisee; except that if you already have payroll Clients at the time you sign the Franchise Agreement (Pre-Existing Clients), these Clients will be exempt from any non-competition covenant. You will supply us with a list of your Pre-Existing Clients at the time you sign the Franchise Agreement. If no Pre-existing Client list is delivered, it will be assumed that none existed.
s. Modification of the Agreement	Article 15	The System and Franchisee Manuals are subject to change.
t. Integration/merger clause	Article 18	Only the terms of the Franchise Agreement and its attachments are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 16	Except for certain claims, all disputes will be subject to arbitration (if the mandatory face-to-face meeting and mediation do not resolve the issue). Meetings, mediation, and arbitration to 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, meeting/mediation/arbitration, or State/Federal Courts in the state in which our then-current headquarters.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
w. Choice of Law	Article 16	Subject to state law, the state law of our then-current headquarters.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

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

Table No. 1
Systemwide Outlet Summary
for the years 2017 to 2019

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the end of the Year	Column 5 Net Changes
Franchisee/ Owned	2017	31	36	+5

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the end of the Year	Column 5 Net Changes
	2018	36	41	+4
	2019	41	49	+8
Company Owned*	2017	1	2	+1
	2018	2	2	0
	2019	2	3	+1
Total Outlets	2017	32	38	+6
	2018	38	43	+3
	2019	43	52	+9

* This includes Affiliate-owned businesses.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (Other than the Franchisor) For the Years 2017 to 2019

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Colorado	2017	2
	2018	0
	2019	0
Ohio	2017	0
	2018	0
	2019	0
Total	2017	2
	2018	0
	2019	0

Table No. 3
Status of Franchised Outlets For the Years 2017 to 2019

Column 1 State	Column 2 Year	Column 3 Franchises at the Start of the Year	Column 4 Franchises Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operation - Other Reasons	Column 9 End of the Year
Alabama	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Arizona	2017	1	0	0	0	0	1	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Arkansas	2017	1	0	0	1	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
California	2017	2	0	0	0	0	0	2
	2018	2	2	0	0	0	0	4
	2019	4	0	0	0	0	0	4
Colorado	2017	10		0	1	0	0	9

Column 1 State	Column 2 Year	Column 3 Franchises at the Start of the Year	Column 4 Franchises Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operation - Other Reasons	Column 9 End of the Year
	2018	9	1	0		0	0	10
	2019	10	0	0	0	0	0	10
	2017	1	0	0	0	0	0	1
Florida	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2017	0	1	0	0	0	0	1
Georgia	2018	1	0	0	0	0	1	0
	2019	0	2	0	0	0	0	2
	2017	1	0	0	0	0	0	1
Illinois	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2017	2	0	0	0	0	0	2
Indiana	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2017	0	0	0	0	0	0	0
Kentucky	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2017	1	1	0	0	0	0	2
Louisiana	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Michigan	2018	2	0	0	0	0	0	2
	2019	2	1	0	0	0	0	3
	2017	0	1	0	0	0	0	1
New York	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
	2017	0	1	0	0	0	0	1
Minnesota	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2017	2	0	0	1	0	0	1
Missouri	2018	1	0	0	1	0	0	0
	2019	0	0	0	0	0	0	0
	2017	2	1	0	0	0	0	3
Ohio	2018	3	1	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2017	2	0	0	0	0	0	2
Oklahoma	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
South Dakota	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2017	0	0	0	0	0	0	0
Oregon	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2017	4	0		0	0	0	4
Texas	2018	4	0	0	0	0	1	3
	2019	3	2	0	0	0	0	5
U.S. Virgin Islands	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Franchises at the Start of the Year	Column 4 Franchises Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operation - Other Reasons	Column 9 End of the Year
Virginia	2019	0	1	0	0	0	0	1
	2017	2	0	0	1	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Total	2018	32	8	0	3	0	0	37
	2019	37	8	0	2	0	2	41
	2020	41	8	0	0	0	0	49

Table No. 4
Status of Company/Affiliate-Owned Outlets For the Years 2017 through 2019

Column 1 State	Column 2 Year	Column 3 Outlets As The Start Of The Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold To Franchisees	Column 9 Outlets at the End of the Year
California	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
	2019	0	1	0	0	0	1
Colorado	2017	1	0	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
Hawaii	2017	0	1	0	0	0	1
	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	
Totals	2017	1	1	0	0	0	2
	2018	2	0	0	0	0	2
	2019	2	1	0	0	0	3

Table No. 5
Projected Openings As Of December 31, 2019

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

Exhibit D lists the names of all franchisees, including their addresses and telephone numbers of their outlets as of December 31 of 2019.

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.

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

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

ITEM 21

FINANCIAL STATEMENTS

Our fiscal year is a calendar year. Attached to this Disclosure Document as Exhibit H are our audited financial statements for the periods ending December 31, 2017, December 31, 2018, and December 31, 2019.

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following contracts:

Franchise Agreement - Exhibit B

- | | |
|-----------|---|
| Exhibit 1 | Statement of Ownership |
| Exhibit 2 | Initial Franchise Fee, Additional Protected Territory Fee and Protected Territory |

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

ITEM 23

RECEIPT

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

EXHIBIT A
STATE AGENCIES

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

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

California

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

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

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

Connecticut

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

Florida

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

Hawaii

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

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

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

Kentucky

Office of the Attorney General
Consumer Protection Division

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

Maine

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

Maryland

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

Michigan

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

Minnesota

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

Nebraska

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

New York

Bureau of Investor Protection and Securities
New York State Department of Law
28 Liberty Street
New York, New York 10005

North Carolina

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

North Dakota

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

Rhode Island and Providence Plantations
Department of Business Regulation
John O. Pastore Complex
1511 Pontiac Avenue
Bldg. 68-2
Cranston, RI 02920

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

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

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

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

Virginia
State Corporation Commission
Division of Securities and Retail Financing
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

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

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

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

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

California

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

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

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

Connecticut

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

Hawaii

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

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana

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

Maryland

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

Michigan

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

Minnesota

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

New York

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

North Dakota

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

Rhode Island and Providence Plantations
Department of Business Regulation

1511 Pontiac Avenue
Bldg. 68-2
Cranston, RI 02920

South Dakota

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

Virginia

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

Washington

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

Wisconsin

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

AGENT FOR SERVICE OF PROCESS IN COLORADO

Michael J. Katz
Corporon & Katz, LLC
5231 S. Quebec Street, Suite 210
Greenwood Village, CO 80111

EXHIBIT B
FRANCHISE AGREEMENT

PAYROLL VAULT FRANCHISING, LLC

FRANCHISE AGREEMENT

PAYROLL RE-DEFINED

IT'S TIME TO RETHINK PAYROLL

Payroll Vault



Payroll  Vault

THIS CONTRACT IS SUBJECT TO ARBITRATION

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**PAYROLL VAULT FRANCHISING, LLC
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 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111, (“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:

COVENANTS

ARTICLE 1

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

1.1 Definitions

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

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

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

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

“Additional Software Training” means the additional training that you may ask for or that 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 but which is otherwise not required by us.

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

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

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

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

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

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

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

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

“Check Charge” means the then-current fee per written or electronic check that is processed through the Payroll Software.

“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 Services under this Agreement.

“Competitive Business” means a business that delivers the services offered by the System 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 you: (1) have received written notices from us of breach of this Agreement (each of which was timely cured) no more than four times during the Initial Term and four times during any Successor Franchise Rights Term; and, (2) are not in breach at the time that you make an application for a right for which Compliance is required.

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

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

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

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

“Effective Date” is the date that we fully execute this Franchise 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 6 that you will sign to gain access to the Payroll Software.

“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, 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.

“Franchise Agreement” means this agreement.

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

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

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

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

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

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

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

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

“Franchisee 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 free of charge.

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

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

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

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

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

“Franchisee Parties” means you, your Principal Operator, any Designated Manager, 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 Technology Startup Fee” means the then-current initial fee that is paid with the IFF, and that will be used to create your presence on our website, and **“Franchisee Technology Maintenance Fee”** means the then-current Franchisee Technology Maintenance Fee charged monthly to maintain your web presence.

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

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

“Franchisor” means the business entity identified as the Franchisor, and also includes Franchisor’s parent, predecessors, Affiliate, 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.

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

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

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

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

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

“Initial 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 timely make payments hereunder. Our current fee now is \$100 plus 1.5% per month for any payment not made timely.

“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 federal law or by your state, city, or municipality.

“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.

“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 offer 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 take) if our Operational Standards are not be met.

“Operational Standards Support and Training Fee” means the then-current fee we charge for the delivery to you of 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 Services” means the delivery to a Client of software-based payroll services, including payroll check writing, payroll tax payment, and reporting, and independent contractor check writing and reporting, and related human capital management and workforce management services.

“Payroll Software” means the business payroll software that 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.

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

“Permanent Disability” means a mental or physical disability, impairment or condition that is reasonably expected to prevent or 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 Equipment” means the voice over internet protocol (VoIP) equipment that you must have or that you must purchase.

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

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

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

“Protected Territory” means the territory in which your Franchised Business is located. The Protected Territory includes at least 10,000 businesses. The size of your Protected Territory may increase if you are awarded the right to one or more Additional Protected Territories. You do 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.

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

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

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

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

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

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

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

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

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

“System” means without limitation, the Marks; the training we deliver to you; the Franchisee Manuals, handouts, or similar written or electronic information; standards and procedures that you will use in the day-to-day operation of the Business including 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.

“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) the equity ownership of a Party, including Franchisee’s equity ownership as stated in 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 but is not be limited to: (iv) a Transfer as a gift to any Person; (v) a Transfer resulting from a divorce, insolvency or business-entity dissolution proceeding; (vi) by operation of law; (vii) in the event of the death, the Transfer or disposition by will or under the laws of intestate succession; (viii) by the declaration of or Transfer into trust; and, (ix) by any other direct or indirect assignment, sale, gift, pledge, mortgage or the granting of any security interest encumbering the assets of the Party.

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

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

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

“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.

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 Franchise Agreement. You and all Franchisee Parties represent, warrant, and agree that Exhibit 1 is current, complete, and accurate. You agree that an updated Exhibit 1 will be furnished within 30 days of any change. Each Person who is or becomes a Principal Operator and each natural Person that joins the business-entity Franchisee as an equity owner must sign a guaranty in the then-current form that is now found at Exhibit 8.

1.3. Scope of Franchise Operations

You will comply at all times with your obligations under this Franchise Agreement and will continuously use your best efforts to promote and operate the Business. You will utilize the Marks, System, and Franchisee 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 in the exercise of our rights, obligations, and discretion, except where otherwise indicated. Use of our Reasonable Business Judgment will mean that our determination on a given matter will prevail even in cases where other alternatives are also reasonable so long as we are intending to benefit, or are acting in a way that could reasonably benefit any component of the System or the Marks, any one or more of the franchisees, or any other aspect of the franchise system. Such decisions may include, but will not be limited to, 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 be benefited while others will not. If applicable law implies a covenant of good faith and fair dealing in this Franchise Agreement, you and we agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Franchise Agreement.

b. As part of our Reasonable Business Judgment, and 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 Protected Territory;
 - ii. use the Marks and the System to sell any products or services (which may be similar to those that you will sell) through any alternate channels of distribution such as television or over the internet within or outside of the Protected Territory. You cannot use alternate channels of distribution without our express permission, which may be granted or denied for any reason or no reason at all. If we use alternate channels of distribution including the internet within your Protected Territory, we are not required to compensate you;
 - iii. use and license others to use, either within the Protected Territory or in alternate channels of distribution, other trademarks, trade names, service marks, logos, copyrighted materials, and methods of operation that are not the same as or confusingly similar to the Marks, in the operation of a business that offers goods, services, and related products that may be similar to, or different from, the business operated by you;

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

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

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

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

1.6 Other Covenants Relating to the Grant of this License

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

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

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

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

i. You acknowledge that you have received and have read this Franchise Agreement and all exhibits attached hereto. Specifically, you have been advised by us to seek out and use professional counsel of your choosing to interpret any terms, covenants, or conditions of this Franchise 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 Franchise 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 any business. Franchisee knows of no circumstances that would lead to litigation against him 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 Franchise Agreement.

iv. You are not a party to any litigation or legal proceedings other than those that have been 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 Franchisee and its owners are not otherwise in violation of any of the Anti-Terrorism Laws; (B) none of them is listed in the Annex to Executive Order 13224 (which can be accessed at www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html); (C) they will refrain from hiring (or, if already employed, retain the employment of) any individual who is listed in the Annex; (D) they have no knowledge or information that, if generally known, would result in Franchisee, its owners, their employees, or anyone associated with Franchisee to be listed in the Annex to Executive Order 13224; (E) they are solely responsible for ascertaining what actions it must take to comply with the Anti-Terrorism Laws, and Franchisee acknowledges and agrees that its indemnification responsibilities set forth in this Agreement pertain to its obligations under this subparagraph; and (F) any misrepresentation under this subparagraph or any violation of the Anti-Terrorism Laws by you will constitute grounds for immediate termination of this Franchise Agreement and the immediate termination of any other agreements between us.

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

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

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

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

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

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

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

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

f. Also, federal, state, and municipal governmental agencies 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. 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 and not, we are responsible for meeting these requirements.

ARTICLE II

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

2.1 Opening Date

You must open for business within 90 days of the Effective Date. (Opening Date). You must obtain ACH Rights, must complete the APA Training and Franchisee Training, and must have in place all insurance, permits, and Licenses before you open. We may extend the Opening Date for a reasonable time (not to exceed 30 days) in the event factors beyond your reasonable control prevent you from meeting the deadline, and you request an extension of time from us at least 15 days before the set Opening Date.

2.2 Protected Territory, Additional Protected Territory, Franchised Location and Inbound Leads

a. Before signing this Franchise Agreement, you and we will agree upon the perimeter of your Protected Territory that will encompass no less than 10,000 business of any size. The Protected Territory will be described in 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 Protected Territory or Additional Protected Territory (Franchised Location). You must locate your Franchised Location before you open for business. You may relocate the Franchised Business to another location, which must be within your Protected Territory or Additional Protected Territory. As with any business, you must ensure that your Franchised Location meets local ordinances and building codes and must obtain any permits necessary. We have no criteria for remodeling or decorating the Franchised Location. You must notify us of the address of your Franchised Location no later than the date that you open for business or the day that you relocate. We do not review or approve your Franchised Location and do not review or approve any lease.

c. Additional Protected Territory.

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

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

B. you have not breached the Franchise Agreement 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 agree to grant you such right. As part of our decision in this regard, we will determine whether you have sufficient employees or contractors, and sufficient financial resources and business acumen to operate a larger Protected Territory.

ii. There is no guaranty that you will be granted the right to an Additional Protected Territory.

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

d. Inbound Leads

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 franchise, it will be routed to the franchisee in whose Protected Territory or Additional Protected Territory the Inbound Lead originated. If there is no franchisee in that area, the Inbound Lead will be routed to the franchisee, whose Protected Territory is the closest. We will determine the origin of the Inbound Lead by the zip code of the contact or by any other electronic means that allow us to pinpoint such location.

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

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

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

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

2.3 Franchisee Quota

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

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

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

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

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

b. Failure to meet your Franchisee Quota is a material violation of this Franchise Agreement. If you fail to maintain the Franchisee Quota for any 12 months, we have the right in our sole discretion to, (i) allow a current franchisee, a newly-signed franchisee or a company-owned or Affiliate-owned Business

to begin selling Payroll Services in your Protected Territory; (ii) terminate your franchise rights without any right to cure; or (iii) require you to attend the Franchisee Missed Quota Additional Training instead of termination or the placement of another franchisee, company-owned or Affiliate-owned Business in your Protected Territory. If we offer you this training, you will have 18 months after training to increase the number of Clients to the Franchisee Quota level required in the final twelve months of those 18 months. If, after such training and the 18 months, you have failed to meet the then-current Franchisee Quota, we have the right to terminate your franchise or allow another franchisee, company-owned or Affiliate-owned Business to operate in your Protected Territory. You may be required to pay the then-current Franchisee Missed Quota Fee 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.

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

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. This will be disclosed in our Franchisee Manuals.

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

c. You must own, or must purchase or lease the Computer System and Scanner that are configured as more fully described in the Franchisee Manual, a handout, or in other communications. You must have a license Microsoft Office 365 (or the most current version if Microsoft changes the name of its office suite of products such as Word, Excel, and the like) and QuickBooks Online for which you pay the then-current fees.

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

e. You must own Phone Equipment we require and must use a VoIP service provider of your choice. If you do not have compatible Phone Equipment, you must purchase it from a reputable VoIP vendor. You will pay the approved vendor its monthly fee.

f. We will license the Payroll Software to you. We reserve the right to change vendors of the Payroll Software at any time after first giving you no less than 60 days prior written notice. This may result in additional fees to you. You are required to sign the EULA found at Exhibit 6.

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 such other equipment, as is more fully stated in the Franchisee Manuals.

j. For audit, marketing, and other commercially reasonable purposes, 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. 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 III

FEES, ADVERTISING, and REPORTING

3.1 Initial Fees and Fees Payable Before Opening

a. The IFF is disclosed at Exhibit 2. If you are an honorably discharged veteran, your IFF will be reduced by 25%.

b. The IFF represents payment, in part, for expenses incurred by us in furnishing assistance and services to you, for costs incurred by us, and for a profit. All fees, including the IFF, are earned upon payment and are non-refundable under any circumstances unless otherwise stated here.

c. If you fail to obtain ACH Rights before the Opening Date, we may terminate the Franchise Agreement (except that all covenants of this Franchise Agreement that must survive such termination to remain enforceable will survive and will continue to be enforceable) in which case we will refund up to \$3,000 of your IFF. All other fees and the balance of the IFF will be retained and will compensate us for our sales cost, any brokerage fees paid by us, our training costs, and a profit.

3.2 Royalties, and Graduated Reduced Royalty

a. You will pay the following monthly Royalty:

i. For the first 12 months of your operation, you will pay monthly, the greater of 6% of your Gross Revenue (Percentage Royalty) or \$400 (Minimum Royalty).

ii. Additional Protected Territory Royalties:

A. for the first Additional Territory awarded you will pay monthly, the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$600; and,

B. for the second Additional Territory, you will pay monthly the greater of the Percentage Royalty or the Minimum Royalty that will increase to \$800.

b. During your Initial Term and if you are awarded Successor Franchise Rights, you may qualify for a reduced Percentage Royalty (Graduated Reduced Royalty) as follows, (i) for Gross Revenue of between \$500,001 and \$1,000,000 you will pay a Graduated Reduced Royalty of 4%; then, (ii) for Gross

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

c. Your right to the Graduated Reduced Royalty is based on a calendar year and begins on January 1 of each year. If you sign this Franchise Agreement on a day other than January 1, you will not be eligible for Graduated Reduced Royalties until the following calendar year, even if you otherwise qualify in your first calendar year. We reserve the right at the end of each calendar year to terminate the right to Graduated Reduced Royalties. If this decision is made, 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 this Franchise Agreement during the year in which the program was terminated, you might receive no Graduated Reduced Royalty.

d. If you are not awarded any Additional Territories or the right to Graduated Reduced Royalties, you will pay the greater of 6% of the Gross Revenue or \$400 as the Minimum Royalty.

3.3 Franchisee Technology Maintenance Fee

a. Beginning with the fourth month after you open, you will pay the then-current Franchisee Technology Maintenance fee.

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

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

a. Local Advertising:

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

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

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

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

v. We may, in our sole discretion, grant you the right to host a Unique Domain that we purchase and maintain. If we grant you this right, you will pay us the then-current Unique Domain Fee. The Unique Domain will have a name and website address that we approve, and that uses our Marks only as permitted by us. Upon the expiration, earlier termination, or transfer of your Business, we reserve the right to keep and maintain the Unique Domain without cost to you. You agree to cooperate with us in this endeavor.

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

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

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

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

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

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

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

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

viii. We reserve the right, upon 30 days prior written notice to you, to allocate all or a portion of the Franchisee National Advertising Fee to a regional advertising program for the benefit of franchised businesses located within a particular region (Regional Advertising Program). We have the right to determine the composition of 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 the extent reasonably calculable by us. We have the right to change, dissolve, or merge any Regional Advertising Program. We will prepare unaudited financial statements and will deliver the same to you no earlier than 90 days of its year-end.

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

i. Beginning with the fourth month after you open, you will pay us our then-current Franchisee DM Fee, which will be collected with the Royalties.

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

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

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

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

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

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

ii. Beginning with the fourth month after you open, you will also pay us our then-current Franchisee CRM Fee for the use of the Franchisee CRM Software. There is no limit to the amount of an increase or the number of times this fee may be increased. You will be given 60 days prior written notice before this fee is changed.

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.

d. Payroll Software Fees and Costs

i. Beginning with the fourth month after you open, 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 no less than 60 days prior written notice.

ii. You will also pay us the then-current Check Charge. This fee may change at any time and in any amount after we first give you no less than 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 Franchisee Email Fee if you request email addresses over the five that we will provide free of charge. There is no limit to the amount of an increase in this fee or the number of times it may be increased. You will be given no less than 60 days written notice of any increase before it will be due.

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

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

e. We may, in the future, require all franchisees and you to add new goods or services to those already sold through the Business. If we do this, you may incur additional expenses, costs and 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 lines of goods and services, we will notify you in writing and give you a reasonable time to comply with the changes.

f. 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.

g. We each acknowledge that changes to technology are dynamic and not predictable within the term of this Franchise Agreement. 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 due, 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, Franchisee DM Fee, Franchisee CRM Fee, if required, advertising fees, and any other fees are paid monthly and will be delivered to us by ACH. You are required to sign the ACH agreement that is found in Exhibit 3. All such fees must be deposited into your operating account no later than 3:00 p.m. Mountain Time no later than the 19th day of the month following the end of the prior accounting period. The Due Date for such fees is the 20th day of the month following the month in which they are due. If you fail to have sufficient funds in the account or otherwise fail to pay Royalties or other fees the Due Date, you will (and in addition to the payment of such Royalties and other fees that are due), pay a \$100.00 late fee which is due and payable for each month that the payment is late. This will be automatically assessed and debited or paid along with the late Royalty payment. Additionally, we will charge interest on any payments made after the Due Date at 1½% per month.

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

d. You agree to record all sales at the time of the sale in your computer or other sales recording system approved by us. You agree to retain all computer records, charge account records, sales slips, orders, return vouchers, sales tax reports, and all of your other business records and related background material for at least 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 90 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 such payments after they are due or a commitment to extend credit to or otherwise finance the operation of the Business. In no event will you be required to pay interest at a rate greater than the maximum interest rate permitted by applicable law. The collection of any late fee and the acceptance of any late payment will not diminish our right to any other remedies available under this Franchise Agreement.

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

(iii) terminate this Franchise Agreement. If underreporting has been intentional, then regardless of the percentage of your Gross Sales that such underreporting represents, we have the right to terminate this Franchise Agreement without any right to cure

3.7 Application of Payments

a. Notwithstanding any designation by you as to the application of your payment, we will allocate any payments first to any late fees and 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 serve to postpone any payments that are due on any current or future Due Date.

b. We will also have the sole discretion to allocate in the same manner as stated above any payments or any credits from third-party vendors that are delivered to us on your behalf. To the extent necessary to carry out the intent of this subsection, you appoint us as your attorney-in-fact and grants 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 IV

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

4.2 Successor Franchise Rights

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

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

ii. you are 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 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. at the time you sign the then-current Franchise Agreement, you also sign the then-current form of general release, a copy of the current form of which is found at Exhibit 4. Notwithstanding the 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 be 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 the Franchisee to sign such general release, or if by agreeing to the terms of Article 16, the choice-of-law provisions of this Franchise Agreement prevail over the law of the state in which the Business is located, then 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: (1) if your Gross Revenue has reached \$150,000 per year during the final year of your Initial Term or you have 100 clients, then your fee will be zero; or (2) if you have less than 100 clients and have earned less than \$150,000 in Gross Revenue during the final year of your Initial Term then your Successor Franchise Fee will be a percentage of the Successor Franchise Fee determined by multiplying the then-current Successor Franchise Fee by a fraction the numerator of which is the remainder found by subtracting your annualized Gross Revenue (determined on the date that your Successor Franchise Rights Term is to begin) from \$150,000, and the denominator of which is \$150,000. For instance, if your Gross Revenue is \$100,000 and if the full Successor Franchise Fee is \$10,000, your Successor Franchise Fee will be \$3,334 ($\$10,000 \times (\$150,000 - 100,000) / \$150,000$); and,

vi. you exercise the option for Successor Franchise Rights by giving written notice of such exercise to us no later than 90 days before the scheduled expiration of this Franchise Agreement.

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

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

4.3. Conditions of Refusal

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

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

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

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

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

b. In such an event, we will give notice of expiration at least 60 days before the expiration of the term, and such notice will set forth the reasons for such refusal to offer Successor Franchise Rights.

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

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

b. If at the expiration of this Franchise Agreement you continue to accept the benefits of this Franchise Agreement, then in our sole option, we may treat this Franchise Agreement either as: (i) being expired as of the date of natural expiration of the then-current term, in which case you will be operating the business without the right or permission and in violation of our rights; or (ii) continued on a month-to-month basis (Interim Period) until one Party provides the other with written notice of such Party's intent to terminate the Interim Period, in which case the Interim Period will end 30 days after delivery of such notice to terminate. During the Interim Period (if allowed), all obligations under this Franchise Agreement will remain in full force and effect as if this Franchise Agreement had not expired, and all obligations and restrictions imposed on you upon expiration of this Franchise Agreement will take effect at the end of the Interim Period. The rights under this Section do not apply in the event of a termination of this Franchise Agreement earlier than the natural end of the then-current term.

ARTICLE V

MANUALS and SERVICES PROVIDED TO YOU BY US

5.1 Franchisee Manuals

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

b. The Franchisee Manuals are our sole property and will be used by you only during the term of this Franchise Agreement and in strict accordance with the terms and conditions hereof.

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

5.2 Services Provided by Us Before Commencement of Operations

Before the commencement of business, we will:

- a. define a Protected 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 five free email addresses to you; and,
- g. provide the services for the Franchisee Technology Startup Fee

5.3 Services Offered by Us During Operations

During the operation of your Business, we will,

- a. offer additional conferences, seminars, or programs, at a frequency that we determine, on various topics relevant to you. Some of these conferences, seminars, or programs may be mandatory. Tuition may be charged for these seminars;
- b. provides updates to the Franchisee Manuals, the System, and the Marks if they occur;
- c. review all promotional and advertising you wish to use and monitor any Unique Domain we may allow you to use;
- d. 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;
- e. visit your Franchised Business at our discretion, and will 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 licensor of the Payroll Software delivers the same to us.
- g. provide promotional materials and advertising programs from time to time, as we deem appropriate
- h. provide the services under the Franchisee Technology Maintenance Fee;
- i. provide access to the Franchisee CRM Software for which you pay the then-current fee;
- j. provide the franchise system with digital marketing services through the payment of the Franchisee DM Fee; and,
- k. work with you on Special Projects.

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

ARTICLE VI

MARKS, COPYRIGHTS, THE SYSTEM, and PROPRIETARY INFORMATION

6.1. Proprietary Information, System, and Client List

a. Before and during the term of this Franchise 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 Franchise 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 but is not limited to, financial data, statements, reports and information; marketing concepts, plans, and information; contracts; Client List; vendor lists, employee lists; price lists; product designs; training methods and training content; the Manuals; specifications; software; workflow; formulae; drawings; compilations; methods; inventions; devices; programs; the Marks; source code; object code; techniques; and other technical information and know-how whether oral or in writing or 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.

c. You acknowledge that we own each component of the Proprietary Information, and we have taken measures to protect it. This Franchise Agreement will not, and the disclosure of any element of the Proprietary Information or System, 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 and the System within your Protected Territory and Additional Protected 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 Franchise 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 Franchisee or its representatives; (ii) was or becomes available to Franchisee on a non-confidential basis from a source other than the other party or its representatives, provided that such source is not bound by a confidentiality agreement with Franchisor; (iii) was within Franchisee's possession before its being furnished, provided that the source of such information was not bound by a confidentiality agreement in respect thereof; or, (iv) was or is independently developed by Franchisee or its representatives.

e. Upon Transfer, expiration or termination of this Agreement, you must (unless otherwise allowed by this Franchise 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 Services. Upon Transfer, expiration, or termination of the Franchise Agreement, for any reason, we will retain and own your Client List and may use your Client List to continue to offer and provide Payroll Services. You may use the Client List to offer non-Payroll 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, in our sole discretion, will take the necessary steps to defend the same. 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 Franchise 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, in our sole discretion, will determine what, if any, action will be taken. You may not take any action against an alleged infringer. Any costs incurred by you for actions against an alleged infringer are solely your own; we will not reimburse you for any costs associated with such defense.

i. Nothing in this Franchise 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 Franchise 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 agency 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 precluding the requesting legal body from obtaining the disclosure, you will furnish only that portion of the Proprietary Information, System, or Client List that is 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 that are delivered to the employee.

6.3. Marks

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

Registration Number	Description of Mark	Principal or Supplemental Register of the USPTO	Registration date
4,189,071	Payroll Vault	Principal	August 14, 2012
4,149,049		Principal	May 29, 2012
4600737	Payroll Re-Defined (Standard Character Mark)	Principal	September 9, 2014
4596685	It's Time to Rethink Payroll (Standard Character Mark)	Principal	September 2, 2014

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



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

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

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

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

g. 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.

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

i. 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.

j. 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 federal or state agency or legal authority.

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 prescribed by us. Upon termination of this Agreement, all contact information other than your address, if you operate your Business out of your home, is our property. In furtherance

thereof, you agree to sign the Collateral Assignment of Contact and Electronic Information found in Exhibit 5.

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 be deemed to 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 a federal or state agency or legal authority. If you take any action that in any manner disparages, brings disrepute to, or other harm to the goodwill associated with the Proprietary Information, the System, or the Client List, we will have the right to terminate this Franchise 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 the Initial Term or any Successor Franchise Rights Term, you may create, design, or otherwise improve upon any portion of the Proprietary Information or the System including, improving upon any manner of doing business (Innovation). Upon the creation of 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 stores to use any portion of the Innovation.

b. You agree that as between us, we will own the right, title, and interest to the Innovation. You agree to take any action necessary to ensure that we obtain such right, title, and interest, so long as such action costs you nothing. To the extent such ideas, concepts, techniques, or materials comprise copyrights or patents, then 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, 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 Franchise Agreement without granting any right to cure. These remedies are in addition to any other legal or equitable remedies that we may have.

ARTICLE VII

TRAINING

7.1 APA Training and Franchisee Training

a. For the first franchise that you are awarded and before attending Franchisee Training, you must complete to our reasonable satisfaction the online APA Training. If you are already an APA member, you may have taken this training. If not, we can offer this training to you at no cost. If you are not a member, then you must join, pay the then-current first year's membership fee and must pay for and take the APA Training, the current cost of which is More information on this training may be provided in the Franchisee Manuals, through handouts or orally. There is no limit to the number of people that can take this training. You may already be a member of the APA or may have received this training. In such a case, you will not be required to rejoin or to take the training that you have already received.

b. Also, for the first franchise that you purchase, your Principal Operator, Designated Manager, or you must complete the Franchisee Training to our reasonable satisfaction. Franchisee Training cannot be taken until APA Training has been completed. Franchisee Training will occur at our then-current headquarters or at another facility that we designate. You are responsible for all travel expenses, living expenses, and wages incurred by you in connection with attendance at the training program. Training participants will not receive any compensation from 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 experience of the attendee and his or her position with the Business once you are open.

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

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

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

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

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

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

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

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

i. You are responsible for the payment of all expenses for travel, accommodations, food, and wages of any attendees. We require payment of the then-current Franchisee Annual Conference Attendance Fee, which will be collected by ACH 60 days before the meeting.

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

d. You may also wish, or we may require you to get additional training on the software programs we offer (Additional Software Training). If that is the case, you will pay the then-current Additional Software Training Fee. If we require it, we will give you no less than 30 days' written notice before starting the training. All training will be online. The training materials will be handouts delivered by email and the Manuals. We have the right to increase the Additional Software Training Fee at any time and in any amount after giving you no less than 60 days written notice.

e. You may ask for, or we may, in our sole discretion, determine that you need additional training or support in implementing or maintaining our operating standards (Operational Standards Support and Training). In either case, you will pay the then-current Operational Support and Training Fee. All training will be online.

f. In addition to the annual conference, and though we do not now, we have the right in the future to require your Principal Operator, Designated Manager and you to attend a local or regional meeting up to 2 times per year (Regional Meeting). Any additional local or regional meetings will last between 1 and 2 days and will be held at a location to be approved by us. You will be responsible for all travel and living expenses that are associated with attendance at the same. Currently, there is no tuition, though we may change this at any time after giving you no less than 60 days written notice before a fee is charged.

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

h. We also hold an Owners Exchange meeting every spring. You are not currently required to attend though we may in the future require attendance. If you 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. 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 that are associated with attendance. The instruction materials include the Manuals and handouts.

7.3 Employees and Employee Training

Your employees are not our employees. You will be solely and exclusively responsible for 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 all local, state and federal rules, laws and statutes concerning your employees.

ARTICLE VIII

QUALITY CONTROL

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

8.1 System Compliance

You agree to strictly follow the System, the Franchisee Manuals, and other procedures, forms, and obligations under this Franchise 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

a. You agree to comply with all applicable laws, ordinances, and regulations, or rulings 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.

b. We have not made, and you have not relied upon, any representation that no Licenses, or only certain Licenses, are necessary to operate your Business.

8.3 Inspections

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

b. Should we notify you at any time of defects, deficiencies, a Gross Revenue understatement (See Article 3), or unsatisfactory conditions concerning the Business, you agree to correct any such item or items immediately.

8.4 Approved Products, Product Purchases, and Approval Method

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

b. In some cases, you may wish to purchase a required good or service from a supplier that has not been previously approved by us. We do not maintain written criteria for approving suppliers, and thus, these criteria are not available to you or your proposed supplier. To obtain our approval, you must submit such information that we may reasonably require to help 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. Other than as stated here, we have no other process for approving suppliers. We may bill you at our then-current fee for the time it took to evaluate the good or service.

c. We may revoke the approval of alternative suppliers if we determine in good faith that the goods or services they are supplying no longer meet the quality standards that are in effect at that time.

8.5 Client Service

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

8.7 Compliance with all Terms of this Franchise Agreement

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

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

8.8 Management and Other Business

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

8.9 Modification

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

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

8.10 Disclosure

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

ARTICLE IX

TRANSFERS

9.1 Sale or Assignment by Franchisor

This Franchise Agreement and all rights and obligations hereunder are fully assignable and Transferable by us, and if so assigned or Transferred, will be binding upon 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 other entity any portion of or all of our rights: to license or sublicense the Marks; to any component of the Proprietary Information; or any other assets. 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 Franchise Agreement is personal as to you and has been signed by us in reliance on and in consideration of your qualifications and representations. Therefore, this Franchise 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 Franchise Agreement. You agree to provide us with a copy of each such certificate so that we can ensure compliance with this provision.

9.3 Conditions to Approval of any Transfer

a. In determining the acceptability of the proposed transferee or assignee (jointly or severally the “Proposed Transferee”), we will consider, among other things, our then-current standards for new franchisees, including the Person’s net worth, 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 Franchise Agreement and the Business with the Proposed Transferee. In no case will you or a Proposed Transferee rely on us to review or evaluate any proposed transfer. We will not be liable to you or the Proposed Transferee or any other Person or entity relating to the transfer.

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

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

ii. you must be in Compliance with this Franchise 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 Franchise Agreement;**

vi. the Proposed Transferee must attend training and will 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 to us. A copy of a General Release is attached as Exhibit 4; and,

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

d. Regardless of the Transfer, all restrictive covenants found in this Franchise Agreement including any post-term covenant not-to-compete, any indemnification covenants, confidentiality obligations, and the provisions relating to dispute resolution will survive any Transfer 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 Franchise Agreement as security for a loan, or otherwise encumbering this Franchise 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 Franchise Agreement, and not to otherwise license or permit others to use this Franchise Agreement, the Business, or any of the rights derived by you under this Franchise Agreement in any manner that violates the provisions herein.

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

9.5 Death or Permanent Disability

a. Upon the death or Permanent Disability of the Franchisee, Principal Operator or the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or 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 Franchise Agreement or such interest (including, without limitation, 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 Franchise Agreement for which no additional cure is granted.

9.6 Right of First Refusal

In the event of a proposed Transfer, you agree the same is subject to our 30-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer for the Transfer (Right of First Refusal) provided 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, then we may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash value of the consideration to be paid by the Proposed Transferee, an independent appraiser will be

designated by us, whose determination will be binding upon the parties. 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 X

DEFAULT AND TERMINATION

10.1. Termination by Franchisor - Effective upon Notice

We have the right, at our option, to terminate this Franchise Agreement and all rights granted you hereunder, without 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 including terminating your right to operate your Business without terminating this Franchise Agreement, which notice of termination will be effective five days after mailing by prepaid, certified mail, return receipt, or if by overnight or hand delivery, then effective on the date of such delivery or the date of refusal by you to accept delivery, upon the occurrence of any of the following events,

a. if 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 the Franchisee's control and not related to the availability of funds to you;

b. if 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 the Franchisee. This provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq. If for any reason, this Agreement is not terminated 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 Franchise Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by you out of the consideration to be paid by such assignee for the assignment of this Franchise Agreement;

c. if, any material judgment or award (or several judgments or awards which in the aggregate are material) is (are) obtained against you and remain(s) unsatisfied or of record for 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 the real or

personal property of the Business or the business that operates the Franchisee is levied upon under the law of the state in which the Business is located;

d. if you are arrested for, convicted of, or plead no contest to, a crime (whether a misdemeanor or felony) involving moral turpitude; are arrested for, convicted of, or 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. if 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. if you misuse or fail to follow our direction and guideline concerning use and confidentiality of the Marks or any component of the Proprietary Information or the System and fail to correct the misuse or failure within 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. if you intentionally or negligently disclose to any unauthorized Person any component of the Proprietary Information, the System, or the Marks;

h. if during the Initial Term or any Successor Franchise Rights Term 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. if you attempt a Transfer in violation of Article 9;

j. if you violate any municipal, state, or federal law (including the payment of taxes of any nature or kind) that applies in any way to the Business or your operation under this Franchise Agreement, and you fail to cure the same within any period of cure provided by the governmental entity which cited the Franchisee;

k. if you make any material misrepresentations relating to the acquisition of your rights under this Franchise Agreement;

l. you violate any covenant or condition of subparagraph 1.6(d)(v) above;

m. you violate any other covenant of this Franchise Agreement that contains its own cure provision and then fail to cure within the period stated in that covenant;

n. if you have employees, and you fail to pay any employee his or her wages;

o. if you fail, refuse, or neglect to obtain any prior written approval or consent as required by this Agreement;

p. if you engage in any unauthorized business or practice or sell any unauthorized product or service from the Business;

- q. if you fail to pay any tax (including payroll, sales, income, or any other tax due as a result of the operation of the Business);
- r. you lose the right to use the Payroll Software for a period of longer than 30 days;
- s. you fail to obtain ACH Rights before opening, fail to maintain ACH Rights during the term of this Franchise Agreement, or fail to obtain all approvals required by any governmental agency as required by this Franchise Agreement;
- t. you fail to reconcile your ACH Account in the manner required by your ACH provider, any governmental entity or us;
- u. 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;
- v. an audit of your books and records discloses an understatement of Gross Revenue of 3% or more;
- w. there is an action taken under Section 10.3 below;
- x. you fail to meet the Franchisee Quota;
- y. you breach the EULA, the result of which is the suspension of, or termination of your right to use the Payroll Software; or,
- z. you fail to deliver timely any documents or reports required by this Franchise Agreement and then fail to deliver the same after receiving ten-days written notice.

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

a. We will have the right to terminate this Franchise Agreement (subject to any state laws to the contrary, in which case such state law will prevail) effective upon 30 days written notice to the Franchisee, if the Franchisee breaches any other term, covenant, or condition of this Franchise Agreement and fails to cure the breach during such 30-day period.

b. After the passage of said 30-day period without cure, this Agreement will terminate without further notice to you.

c. We have the right during any period of cure granted by this Franchise Agreement to suspend our performance of any obligations under this Franchise Agreement including, without limitation, the supply of any online services, online advertising, web page hosting or the sale or delivery of any services or products until you correct the breach.

10.3 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 Franchise Agreement without affording you any additional right to cure.

b. If you violate the terms, covenants or conditions of any other contract or agreement with a third party that is unrelated to us but 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 Franchise Agreement, then upon termination of said Third Party Contract, this and all other franchise agreements with us may, in our sole and exclusive discretion, also be terminated at the same time as the Third Party Contract terminates.

10.4 Diligent Pursuit of Cure

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 such cure within this additional time, then we have the right to terminate this Franchise Agreement without further notice to you.

10.5 Our Rights to Damages

Upon any event of default and your failure to timely cure the same (if cure is provided), we may proceed to enforce any or all of the following non-exclusive remedies or any other remedy, claim, cause of action, award, or damages allowed by law or equity, with the understanding that the pursuit of 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 Franchise Agreement, bring one or more actions for, lost profits as measured by the Royalties and other fees that would have been due and payable had breach and default not occurred; penalties and interest as provided for in this Franchise Agreement; and for all other damages sustained by us because you breached this Franchise Agreement.

b. Accelerate the balance of any outstanding installment obligation due hereunder and bring an action for the entire accelerated balance.

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

d. Terminate this Franchise 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, but will not be limited to, recovery of the greater of, (i) all profits earned by you in the operation of the Business; or (ii) all Royalties, advertising contributions and other amounts that would have been due if such Transfer, termination or expiration had not occurred.

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

10.6 Limitation of Right to Bring Action and Waiver of Punitive, Exemplary, or Consequential Damages

a. 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.

b. YOU AND WE AGREE TO WAIVE THE RIGHT TO A JURY TRIAL AND TO BE AWARDED EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

c. 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, we each waive such damages that may be in addition to any actual monetary damages suffered, except if you are required to indemnify us under Article 14 and if as a result of the action underlying the indemnification, such damages are awarded to the injured party, then you agree that indemnification will cover such damages. If in some event such damages are awarded and if such award is not deemed to be outside the scope of what is permitted by this Article or this Franchise Agreement, then any constitutional or statutory limitations on punitive, exemplary, multiple, or similar damages will apply, and any award by an arbitrator or court over such limitations will be in excess of legal authority and void.

Initials as to this Section

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

10.7 State or Federal Law Prevails

If any mandatory provisions of governing state law prohibit termination of this Franchise Agreement as described herein, or if the same otherwise limit our right to terminate by imposing different rights or obligations as are found herein, then such mandatory provisions of state law are incorporated into the 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 the franchisee to agree to abide by the termination provisions as set forth herein instead of that state law, then the franchisee agrees that the terms of this agreement will prevail. If, by electing the alternative dispute resolution provisions of Article 16, it is determined that our choice-of-law and other provisions prevail over any state law to the contrary, then the choices made by the Parties here will prevail to permit the limitations identified in this Article specifically and this Franchise Agreement generally. Some waivers and limitations may not be enforceable under state or federal law.

10.8 Payment of Fees is an Independent Covenant

You agree that you will not withhold payments of Royalties, advertising fees, or any other amounts of money owed to us for any reason, even including a claim by you of the alleged nonperformance by us of any obligation hereunder. All such claims by you will, if not otherwise resolved between us, be subject to Article 16.

10.9 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 cure in a timely fashion, then you have such rights as are permitted under this Franchise Agreement.

ARTICLE XI

OBLIGATIONS OF FRANCHISEE UPON TERMINATION OR EXPIRATION

11.1 Obligations upon Termination or Expiration

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

- a. immediately 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. immediately take all necessary steps to disassociate yourself from the System and the Business;
- d. cease the use of any component of the Proprietary Information, the System and the Marks including, 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. assign to us all telephone listings, telephone numbers, Unique Domains, Internet sites, web pages, URLs (including the transfer to us of your social media accounts, addresses, “handles” or such for Facebook and Twitter), all blog or vlog sites, email addresses, and the like that relate to the Business. To this end, you understand and agree that we will avail ourselves of the Collateral Assignment of Contract and Electronic Information found at Exhibit 5. If you fail to cooperate in this manner, you grant us a power of attorney (coupled with an interest) to take any action necessary to accomplish the terms of this subsection. To the extent that your state requires special language or a specific form to create an enforceable power of attorney, you agree that this subsection will be automatically amended to include such requirements so that an enforceable power of attorney may be used;
- 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, or business name or equivalent registration which contains any trade name or Mark of ours, or in any way identifies you as being affiliated with the System;
- i. immediately notify all suppliers, utilities, creditors, and concerned others that you are no longer affiliated with us, the System, or the Franchise, and provide proof to us of such notification. You covenant not to use any part of the System or any part of our trade secret or confidential or Proprietary Information or materials following the termination of this Franchise Agreement and not to identify any present or future business owned or operated by you as having been in any way associated with us or the System; and,
- 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 Franchisee

Manuals (including originals and any copies), all training, advertising, promotional aids, materials and all other printed materials pertaining to the operation of the Business and the Client List.

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 termination, expiration, or non-renewal of this Agreement;

11.2 Additional Matters

Further, upon termination, expiration, or non-renewal of this Franchise Agreement for any reason,

a. no payment will be due to you from any source on account of any goodwill or other equity claimed by you arising from your operation or ownership of the Business or this Franchise Agreement;

b. unless otherwise described herein, no fees, charges, Royalties, advertising fees, or other payments of any kind from you to us will be refundable in whole or in part; and,

c. you will have no goodwill associated with, equity in, or other continuing interest in this Franchise Agreement.

ARTICLE XII

RIGHT TO PURCHASE

12.1 Right to Purchase

a. Except as otherwise provided in Article 9, which prevails in the instance of a Transfer, upon expiration or termination of this Franchise 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 Franchise Agreement at the then-existing "Fair Market Value" (as below defined) of such item or items as of the date of expiration or termination of this Franchise Agreement.

b. For purposes of this Franchise Agreement, "Fair Market Value" is the value that a reasonable Person who is under no duress or obligation would pay for the item that is being sold by a seller who is under no duress or obligation. If the parties do not agree to the Fair Market Value, it will be established by an independent appraisal. The appraisal will be done at our expense by an appraiser selected by us but who is independent and disinterested in the outcome of any such valuation.

c. No goodwill will be considered associated with the valuation of any item being sold under this Article.

d. We must exercise this option within 30 days of such expiration or termination by giving written notice to you of our intent to exercise our option to purchase. Unless otherwise agreed by you, the purchase price as determined hereunder 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 XIII

RELATIONSHIP BETWEEN THE PARTIES

13.1 Independent Contractor

a. In all matters between us, or between you and the public, you are an independent contractor. Nothing in this Franchise Agreement or the franchise relationship constitutes a partnership, agency, joint venture, or another arrangement between us, and you and we agree not to hold themselves out by action or inaction, contrary to this.

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

c. You are responsible for the day-to-day management and control of the Business and its operation under this Franchise Agreement, including without limitation, its daily operations, management, employee direction, and the payment of all costs and expenses of your Business.

d. None of your employees are our employees, and each employee will be so notified.

e. Neither party will act or have the authority to act as agent for the other, and neither you nor we will guaranty the obligations of the other or, in any way, become obligated for the debts or expenses of the other unless agreed to in writing.

13.2 No Fiduciary Relationship

It is understood and agreed between us that this Franchise Agreement does not establish a fiduciary relationship.

13.3 Posting of Signs

You agree to post promptly and maintain any signs or notices specified by us or by applicable law indicating the status of the parties as described above.

ARTICLE XIV

INDEMNIFICATION

14.1 Indemnification

a. You agree to and will indemnify and defend us (the “Indemnified Parties”), against, and will reimburse us for all “Claims” (as defined below), directly or indirectly arising out of, your operation of the Restaurant; Claims by your employees or Customers; your breach of any agreement with a third party that results in our being named in the 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 but are not limited to 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, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses.

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 Franchise Agreement.**

ARTICLE XV

RESTRICTIVE COVENANTS

15.1 In-Term Covenant Not to Compete

a. You and we share a common interest in avoiding situations where persons or companies who are or have been franchisees within the System, operate or otherwise become involved with a similar competing business either during or after the termination for any reason of this Franchise Agreement.

b. Therefore, during the term of this Agreement, and for any extensions or renewals 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; acting as an employee, consultant, partner, officer, director or shareholder of any other Person, engaged in any wholesale or retail business or other business that is a Competitive Business in any capacity or any location, except with our prior written consent which consent may be granted or withheld for any reason or 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

Upon the expiration or earlier termination of this Franchise Agreement for any reason, or the occurrence of any Transfer, repurchase or termination of your rights hereunder, 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, engaged in any Competitive Business within the Protected Territory, or within the same or a different Protected Territory in which our Affiliate or any other franchisee is operating under the System.

15.3 No Disclosure

The Franchisee Parties and you agree that during the term of this Franchise Agreement, during any Successor Franchise Rights Term or at any other time after the termination of this Franchise Agreement (or any franchise agreement signed under the Successor Franchise Rights Term) for any reason, each will refrain from making any unauthorized disclosure or use the Marks, any component of the System, or any portion of the Proprietary Information.

15.4 Other Protection

During the term of this Franchise Agreement, for two years following the Transfer, expiration or termination of this Franchise Agreement and in the area described in paragraph 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 of the Business 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 Survival

The restrictive covenants of this Article survive the Transfer, termination, or expiration of this Franchise 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 to be 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 Franchise Agreement, does not constitute a defense to our enforcement of the covenants of this Article specifically or of this Franchise Agreement generally. Further, we are entitled to set off any amounts owed by us to you, against any loss or damage we suffer as a result of any breach by you of this Franchise 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 to protect our rights. If permitted by law, you agree to waive any requirement that we post a bond. If the temporary injunction is granted, then we must begin the alternative dispute resolution process under Article 16. We may further avail itself of any legal or equitable rights and remedies which it may have under the Agreement or otherwise.

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

15.8. Pre-existing Clients

Notwithstanding the language of this Article, you will not be in violation of the covenants-not-to-compete if you supply payroll services to Clients that you have on or before the Effective Date (Pre-Existing Clients), but only if you provide us with a list of your Pre-Existing Clients on the Effective Date. Such Pre-Existing Clients will remain your sole property, and you may continue to serve them during the term of this Franchise Agreement and after the expiration or earlier termination thereof. During the term of this Franchise Agreement, you will be required to pay Royalties on all Gross Revenue generated by your Pre-Existing Clients.

ARTICLE XVI

DISPUTE RESOLUTION

16.1 Resolution before Arbitration

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

a. All provisions of this Franchise 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 any matters pertaining to mediation and arbitration and, as a result, the provisions of this Franchise Agreement will be enforced only according to its terms and through the alternative dispute mechanism found in this Article. The Parties further agree that each Party intends that any state law attempting to prohibit arbitration or void out-of-state forums for arbitration is preempted by the Federal Arbitration Act and that arbitration 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 Franchise Agreement, **EACH PARTY KNOWINGLY WAIVES ALL RIGHTS TO A COURT OR JURY TRIAL AND, INSTEAD, SELECTS FACE-TO-FACE MEETINGS, MEDIATION AND FINALLY BINDING ARBITRATION AS THE SOLE MEANS TO RESOLVE DISPUTES UNDERSTANDING THAT FACE-TO-FACE MEETINGS, MEDIATION AND ARBITRATION MAY BE LESS FORMAL THAN A COURT OR JURY TRIAL, MAY USE DIFFERENT RULES OF PROCEDURE AND EVIDENCE, THAT AN APPEAL PROCESS IS GENERALLY LESS AVAILABLE, AND THAT THE FEES AND COSTS ASSOCIATED WITH MEDIATION OR ARBITRATION MAY BE SUBSTANTIALLY GREATER THAN IN CIVIL LITIGATION;**

Initials as to the above subsection (a) through (d)

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

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 to this Franchise Agreement; (ii) involves a possibility of conflicting rulings on issues of law, fact, or otherwise; and (iii) such pending court action or special proceeding may involve a third party who cannot be compelled to

arbitrate the terms, covenants, and conditions of this Franchise Agreement, the Parties still agree any dispute between the Parties to this Franchise Agreement will be enforced according to the terms found herein, including the obligation to perform under this Article.

f. 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 issues between the Parties cannot be so resolved by the face-to-face meeting, then the disagreement must be submitted to non-binding mediation will 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.

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

iii. If the mediation does not resolve the matter, then the Parties agree that the disagreement will be submitted to and finally resolved by binding arbitration.

16.2 Resolution under Arbitration

a. Arbitration must begin within the earlier of 120 days after mediation but in no event later than the last day of the one-year limitation period described in Section 16.8.

b. Arbitration will be held before and 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 American Arbitration Association. 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 is to take place 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 judgment of the arbitrator on any preliminary matter and the final arbitration award will be final and binding and may be entered in any court having jurisdiction.

f. 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.

g. There will be no right to appeal the final award.

16.3 Confidentiality

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

16.4 Choice of Law, Venue and Jurisdiction of Arbitration

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.

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.

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

Initials acknowledging this Section.

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

16.5 Discovery, other Procedural Matters, Fees and Costs

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

c. 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.

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

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

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

g. In addition to any other remedy, 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. 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. The “net judgment” is determined by subtracting the smallest award of money or money equivalent from the largest award. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator, 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 initiation of arbitration, the same may be applied to a court of competent jurisdiction. Only the application for injunctive relief will be heard by the court, and the mere fact that the court exercised jurisdiction in considering the injunction will not eliminate the alternative dispute resolution requirements of this Article 16. 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 (including an alleged violation of the Marks or any intellectual property licensed to you (which may be brought at any time), **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.

b. Notwithstanding the preceding, if any federal or state law provides for a shorter limitation period than is described in this Section, then the shorter period will govern.

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

Initials as to this entire Section

Initials of Franchisee

Initials of Franchisee

Initials of Franchisor

16.9 Survival of Obligations

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

ARTICLE XVII

INSURANCE

17.1 Insurance is Required; Coverage

a. Before opening the Business, you will purchase from our approved insurance broker and through our approved insurer, and will then maintain in full force and effect during the term of this Franchise Agreement, an insurance policy or policies protecting you and us, and the officers, directors, partners, and employees of both you and us against any loss, liability, personal injury, death, property damage or expense whatsoever arising or occurring upon or in connection with the operation of the Business. We and our officers, directors, members, partners, and employees will be named as an additional insured on all such policies using the latest version of ISO endorsement CG 2010 or the combination of the latest version of ISO endorsements CG 2033 and CG 2037 (or their combined equivalent). The coverage afforded to the additional insureds must be written on a primary basis, and will not require or contemplate contribution by any other policy or policies obtained by, or available to, an additional insured.

b. Before the Opening Date and at no more than 30 days after renewal, 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, contractual liability, personal and advertising injury, fire damage, and medical expenses having a combined single limit for any form of injury or property damage of One Million Dollars (\$1,000,000) per occurrence and \$1,000,000 in the aggregate; plus,

ii. Employer's liability and 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,

C. 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.

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

vi. Social Engineering Fraud coverage of no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate; plus,

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

e. Such policy or 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 no less than 60 days prior written notice.

17.2 No Limitations on Coverage and Primacy

a. Your obligation to obtain and maintain the preceding policy or policies in the amounts specified will not be limited in any way because of any insurance that may be maintained by us, nor will your performance of these obligations 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 Franchisee 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 XVIII

ADDITIONAL PROVISIONS

18.1 Entire Agreement - Merger

a. This Franchise 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. You understand and agree that we are not liable or obligated for any oral representations or commitments made before the execution hereof or for claims of negligent or fraudulent misrepresentation

based on any such oral representations or commitments and that no modifications of this Agreement will be effective except those in writing and signed by both parties.

c. We do not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. You further acknowledge that no representations have been made to Franchisee by us regarding projected sales volumes, market potential, revenues, profits of the Franchisee's Business, or operational assistance other than as stated in this Agreement or any disclosure document provided to its representatives or us.

d. Nothing in this franchise agreement, or in any related agreement that you sign with us is intended to disclaim any representations in the franchise disclosure document.

18.2 Modification and Powers of Attorney

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

b. You acknowledge, however, that we may modify our standards, specifications, and operating and marketing procedures, including those set forth in the Franchisee Manuals, any component of the System, the Marks, and any copyrighted or Proprietary Information, unilaterally, under any conditions and to the extent to which we, in our sole discretion, deem necessary to protect, promote or improve the Marks and the quality of the System in general.

18.3 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. The Franchisee agrees in advance to any such delegation by us of any portion or all of its obligations and duties hereunder.

18.4 Review of Agreement

You acknowledge that you had a copy of this Agreement in your possession for 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.

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

18.6 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 Franchise Agreement as though it was originally included. If the provision cannot be amended, then it will be stricken, and the remainder of the Agreement will remain in full force and effect.

18.7 Notices

a. All notices relating to any breach of this Franchise Agreement, and all notices concerning the implementation of the alternative dispute resolution procedures must be given in writing and must be delivered by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt or refusal of delivery, at the address either of us may designate from time to time, and will be effective when receipted for (or when refused). A copy of all notices shall also be sent to:

Corporon & Katz, LLC
Attention: Michael J. Katz
5231 S. Quebec Street, Suite 210
Greenwood Village, Colorado 80111

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

18.8 Survival of Provisions, Independent Covenants and Setoff

a. Any provision of this Franchise 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.

c. You are not allowed to set off amounts owed to us against any monies owed to you, and you will not, in any event, be permitted to withhold such amounts because of any alleged nonperformance by us, which right of set off is expressly waived by you.

18.9 Force Majeure

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

18.10 Guaranty

If you take ownership of the franchise in other than your name at any time during the Initial Term or any renewal or extension thereof, then all Franchisee Parties will be required to sign the Guaranty, which is attached as Exhibit 8. The Guarantors are bound by all restrictive covenants found herein, including post-termination covenants not to compete.

18.11 Acknowledgement

BEFORE SIGNING THIS FRANCHISE AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

a. THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE’S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

b. NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

c. NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT AND IN ANY OFFERING CIRCULAR SUPPLIED TO THE FRANCHISEE, IS BINDING ON US IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

d. YOU UNDERSTAND THAT IF YOU ARE NEVER ABLE TO OPERATE THE BUSINESS PROFITABLY, YOU COULD LOSE PART OR ALL OF YOUR INVESTMENT, PLUS ANY ADDITIONAL FUNDS THAT YOU CONTRIBUTE TO THE BUSINESS.

18.12 Recitals, State Specific Amendment, and Closing Acknowledgement

a. The Recitals are made part of this Franchise Agreement.

b. Further, you will review and sign the “Closing Acknowledgment” that is attached at Exhibit 9.

c. In some cases, the state in which you are located requires that this Franchise Agreement be amended. Please see Exhibit 7.

18.13 Time is of the Essence and Construction

- a. In all matters concerning this Franchise Agreement, time is of the essence.
- b. The headings are for the convenience only of the reader and are not intended to be inclusive or exclusive of any term, covenant, or condition.
- c. In reading this Agreement, the singular 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...”
- e. Unless otherwise stated, a reference to “days” means calendar days. The counting of days will include weekends and all state and national holidays. If a notice is to be delivered, and such notice requires the counting of days, such counting will begin on the first calendar day following the day that the notice was received, refused, or deemed to have been delivered under the terms of this Franchise Agreement. Unless otherwise stated, the last day of any counted period or the last day of the termination or the expiration of this Franchise Agreement will end at 5:00 pm local time of our then-current headquarters.
- f. This Franchise Agreement may be signed in any number of counterparts, all of which taken together form one original document. Signatures may be done electronically or manually. Facsimile or electronically signed and delivered documents are as effective as an original.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____
 Managing Member
 Date: _____

By: _____
 Its: _____
 Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____
 Date: _____

Signature: _____
 Date: _____

EXHIBIT 1
STATEMENT OF OWNERSHIP

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ limited liability
business entity

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

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

If a corporation, give the state and date of incorporation, the names, and addresses of each officer and director, and list the names and addresses of every shareholder, 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.

EXHIBIT 2
INITIAL FRANCHISE FEE, ADDITIONAL PROTECTED TERRITORY FEE AND
PROTECTED TERRITORY

**INITIAL FRANCHISE FEE, ADDITIONAL PROTECTED TERRITORY FEE AND
PROTECTED TERRITORY INITIAL FRANCHISE FEE AND PROTECTED TERRITORY**

1. The Total Initial Payment due is \$_____ and includes:

Territory Fees

- ☐ \$40,000.00 Single Territory License Fee
☐ \$30,000.00 Single Territory Honorably Discharged Veteran License Fee
☐ \$10,000.00 Additional Territory
☐ \$10,000.00 Additional Territory

Additional Fees

- ☐ \$ 1,500.00 Technology Startup Fee
☐ \$_____ Other - _____

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

_____ (Franchised Location).

4. The Franchisee's Protected Territory is described as follows:

See attached map and zip code list.

5. The Franchisee's Additional Protected Territory is described as follows:

See attached map and zip code list.

EXHIBIT 3

ACH AGREEMENT

ACH (Automated Clearing House) AGREEMENT

As a convenience to me, I, as your customer (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 provided there are sufficient collected funds in said account to pay the same. This authorization includes debits (here-in "items") originated by check or electronic transfer relating to franchise royalties and other fees due to Payroll Vault. 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 such cancellation will take place until I have contacted Payroll Vault 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 such 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 Payroll Vault's termination of our agreement. Dishonored items may be charged a \$75.00 handling fee by Payroll Vault per occurrence.

I further understand and agree that you may charge me fees for the automatic payment from my account and if sufficient funds are not in my account to cover such transactions. I acknowledge that all transactions under this agreement must comply with the provisions of U.S. law.

In consideration of your participation in the plan I, your customer agrees:

1. To indemnify and hold you harmless from any loss you may suffer resulting from or in connection with the execution and issuance of any item whether or not genuine, purporting to be drawn by or on behalf of Payroll Vault 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;

To defend, at my cost and expenses, any action which may be brought against you by any person or persons whatsoever because of your actions taken pursuant to the foregoing request or in any manner arising by reason of your participation in this agreement.

Date: _____ Authorized Signature: _____

EXHIBIT 4
GENERAL RELEASE

GENERAL RELEASE

This General Release (Release) is made this ____ day of _____, 20__, by and between Payroll Vault Franchising, LLC (hereinafter "Franchisor"), and _____ (hereinafter "Franchisee"), and _____ (hereinafter "Guarantor"). Franchisor, Franchisee and Guarantor may sometimes be referred to as a "Party" or jointly as the "Parties".

RECITALS

WHEREAS, Franchisor and Franchisee entered into that certain franchise agreement dated _____ (Franchise Agreement);

WHEREAS, Guarantor guaranteed the performance of the Franchisee under the Franchise Agreement;

WHEREAS, pursuant to the Agreement, Franchisee was permitted to open and operate a Franchised Location (as that term is defined in the Franchise) at _____ (hereinafter the "Business");

WHEREAS, Franchisee desires, to sign the Franchise Agreement in a business entity name; to Assign or Transfer the Franchise Agreement; or desires for the Franchisor to take any action for which a general release is called for in the Franchise Agreement;

WHEREAS, as a material inducement to the Franchisor approving the same, the Franchisee and Guarantor have agreed to provide this Release;

WHEREAS, all capitalized terms not defined herein have the meaning outlined in the Franchise Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants found herein, for that consideration stated below, and for other good and valuable consideration, the adequacy of which is admitted by all parties hereto, it is agreed as follows:

COVENANTS

1 Franchisee, for and on behalf of itself, its officers, directors, shareholders, and employees, and on behalf of any parent corporation or subsidiary, business entity, successor, assignee, and their officers, directors, shareholders, and employees (Franchisee Parties) and Guarantor for himself or herself and for and on behalf of its family members, and for and in consideration of: the Franchisor granting to the Franchisee the right to do the following; _____; and for other good and valuable consideration, all of which is deemed adequate by all Parties hereto, do each (personally, jointly and severally) from the beginning of time to the Effective Date of this Release, release, indemnify, and forever forgive and discharge Franchisor and Franchisor's officers, directors, shareholders, agents and employees (Franchisor Parties), from all, equitable or legal claims; claims sounding in federal law or state statute; causes of action; complaints; direct, indirect, punitive or consequential damages; judgments; business losses; awards; injury, or any other right or action (separately and together a "Claim" or the "Claims") which relate in any way to: (i) the manner and method by which Franchisor delivered the FDD to Franchisee, and Guarantor (ii) the content, or lack of content of the FDD (as such content may have

been required by any applicable state or federal law); (iii) the performance or failure of performance of Franchisor or Franchisor Parties in reference to any federal-required or state-required disclosure obligations and requirements; (iv) any oral, written, express or implied promises, statements, disclosures and the like relating in any way to the Franchise Agreement or the franchise relationship between the Franchisor and Franchisor Parties, Franchisee, Guarantor and the Franchisee Parties; (v) the performance or the failure to perform of Franchisor or any Franchisor Party under the Franchise Agreement; (vi) the performance or failure to perform of Franchisor or any Franchisor Party under any other oral or written, express or implied agreement, covenant, or document whether or not found in the Franchise Agreement; and, (vii) any other Claim sounding in equity or law. Notwithstanding the preceding, nothing in this Release is intended to disclaim any representations made in the Franchise Disclosure Document.

2. Franchisee for itself and on behalf of the Franchisee Parties and Guarantor each agree and expressly states that this Release was made in contemplation of not only known Claims and the consequences thereof but also in consideration of the possibility that each such Party identified in this paragraph may or will sustain future damages presently unknown to them and which accrued on or before the Effective Date of this Release but which were not asserted until after that date. By executing this Release Franchisee for itself and on behalf of the Franchisee Parties intend to release Franchisor and the Franchisor Parties, jointly and severally from liability for all known, unknown and unforeseen Claims, losses, expenses, damages, costs, liabilities, business losses, and the consequences thereof.

3. Franchisee for itself and on behalf of the Franchisee Parties assume all risk that the facts and law may be, or may become, different from the facts and law as known to them, or believed to be known by them as of the date of this Release, and each agrees that if the execution of this Release was made based on mistake (mutual or unilateral) that each will forever waive any right to claim that entering into this Release resulted from a mistake of any kind, thereby waiving all claims based upon the doctrine of mistake.

4. Franchisee for itself and on behalf of the Franchisee Parties and Guarantor deliver this Release with the intent that Franchisor relies upon the same. Should any condition, covenant, or clause herein be considered to be unenforceable, any tribunal of competent jurisdiction shall be permitted to amend the Release to the least extent possible to form an enforceable covenant, or if such amendment cannot be fashioned then to excise the offending clause, covenant, or condition to form an enforceable Release, which shall be binding upon the Parties to the fullest extent permissible.

5. Notwithstanding the terms of this Release, nothing herein relieves any Party of the obligation to maintain the confidentiality of any confidential, trade secret, proprietary, or similar information of any other Party. The terms of this Release are and will remain confidential and will not be disclosed by any Party, except as required by legal process, and except as required to be disclosed in Franchisor's Franchise Disclosure Document.

6. In the event of a dispute concerning this Release, the Parties agree that the alternative dispute resolution provisions of the Franchise Agreement found at Article 16 are incorporated herein by this reference as if fully set forth here and the same will be the manner by which any such dispute is resolved.

7. If any mandatory provisions of the governing state law limit or prohibit the use of this Release, or which in any manner impose different rights or obligations as are found herein, then such mandatory provisions of state law shall be deemed incorporated in the Franchise Agreement and this Release by reference and shall prevail over any inconsistent terms in this Release. If no such law exists, or

if such law exists but permits the Franchisee to agree to abide by the terms of this Release or if by accepting the alternative dispute resolution covenants of the Franchise Agreement found at Article 16, the state law is preempted by the federal law applicable to such dispute resolution, then the Franchisee for itself and on behalf of the Franchisee Parties and Guarantor each agree to abide by the terms of this Release. Notwithstanding the preceding, excluded from this release are claims arising from representations in the FDD.

8. Notwithstanding anything herein to the contrary:

a. Release of Unknown Claims and Waiver of California Law. The Franchisee, Franchisee Parties, and Guarantors acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release of claims not known or suspected by them at the time of execution of the release, such as Section 1542 of the Civil Code of the State of California which provides that:

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

The Franchisee, the Franchisee Parties, and each Guarantor waives and relinquishes every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California and any similar provisions of any other law (as may apply to this Release), to the fullest extent that the Franchisee, Franchisee Parties, and Guarantors, may lawfully waive such right or benefit about the subject matter of this Release. In connection with such waiver and relinquishment, concerning the Released Claims, the Franchisee, Franchisee Parties, and Guarantors each acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true concerning the subject matter of this Release, but that it is the Franchisee's, Franchisee Party's, and Guarantor's intention to settle and release fully, finally and forever, all claims, disputes, and differences, known or unknown, suspected or unsuspected, which now exist, may exist or have existed in the past, and in furtherance of such intention, the release given herein shall be and remain in effect as a complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and each Franchisee Party and Guarantor agree to defend and indemnify Franchisor and the Franchisor Parties from all claims arising out of, directly or indirectly, the assertion by Franchisee, each Franchisee Party, and each Guarantor, (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 6(a) above.

b. Release of Unknown Claims and Waiver of South Dakota Law. The Franchisee and each Franchisee Party and Guarantor acknowledge that each is aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release concerning claims not known or suspected by them at the time of execution of the release, such as South Dakota Codified Laws§ 20-7-11, which provides as follows:

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

Franchisee and each Franchisee Party and Guarantor, waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and any similar

provisions of any other law (as may apply to this Release), to the fullest extent that they may lawfully waive such right or benefit concerning the subject matter of this Release. In connection with such waiver and relinquishment, concerning the Released Claims, Franchisee and each Franchisee Party and Guarantor acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and each Franchisee Party and Guarantor now know or believe to be true concerning 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 may have existed in the past, and in furtherance of such intention, the release given herein shall be and remain in effect as a complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and each Franchisee Party and Guarantor agree to defend and indemnify Franchisor and the Franchisor Affiliates from 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 l(b) of this Release.

9. Additional Provisions

a. Each such Party represents that the execution and delivery of this Release is the duly authorized and binding act of such a Party.

b. The Recitals are incorporated herein by this reference.

c. This Release shall be interpreted under the laws of the state of Colorado without regard to any conflict of laws provision to the contrary. Enforcement of this Release is to be under the alternative dispute resolution provisions of the Franchise Agreement found at Article 16 as though such Article was incorporated in its entirety herein.

d. Each Party shall fully cooperate with all other Parties concerning the performance of this Release. Each Party will execute, acknowledge and deliver such further documents that may reasonably be required to perform this Release effectively and to evidence the release of all obligations and liabilities of the Parties as more fully stated herein.

e. This Release may be executed in one or more counterparts, each of which will be deemed to be an original, but all of which together will constitute the same instrument, without the necessity of production of the others. An executed signature page delivered via facsimile transmission or electronic signature shall be deemed as effective as an original executed signature page.

DONE AS OF THE DATE FIRST FOUND ABOVE

Franchisor

Franchisee

PAYROLL VAULT FRANCHISING, LLC

By: _____
 Managing Member
 Date: _____

By: _____
 Its: _____
 Date: _____

INDIVIDUAL FRANCHISEES

Signature
Date: _____

Signature
Date: _____

GUARANTORS

Signature: _____
Print Name: _____
Date: _____

Signature: _____
Print Name: _____
Date: _____

EXHIBIT 5
COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION

COLLATERAL ASSIGNMENT OF CONTACT AND ELECTRONIC INFORMATION

This Collateral Assignment of Contact and Electronic Information (Agreement) is made this ____ day of _____, 20____, by and between Payroll Vault Franchising, LLC (Franchisor) and _____ (Franchisee).

RECITALS

WHEREAS, on _____, 20____, Franchisor and Franchisee executed a “Franchise Agreement” pursuant to the terms of which Franchisee obtained a franchise from Franchisor to operate a Business at the Franchised Location.

WHEREAS, as part of the Franchise Agreement, the Franchisee agreed that upon the termination of the Franchise Agreement, that the Franchisor would have the right, title, and interest in and to all contact and electronic information relating to the Franchisee’s Business;

WHEREAS, to ensure that the Franchisor that it will have such rights, the parties have agreed to enter into this Agreement;

WHEREAS, any capitalized term not defined herein will have the meaning set forth in the Franchise Agreement;

NOW, THEREFORE, for and in consideration of the covenants found in the Franchise Agreement and for other good and valuable consideration the adequacy of which is admitted by all parties hereto, it is agreed as follows:

COVENANTS

1. Franchisee acknowledges that, as between Franchisor and Franchisee, the Franchisor has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers, directory listings, URL’s web page identifiers, email addresses, social network addresses (including Twitter and Facebook) that are associated with any Mark.

2. Franchisee authorizes Franchisor, and hereby appoints Franchisor and any of its officers, as Franchisee’s attorney-in-fact 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, email addresses and the like that relate to the Franchised Business, should Franchisee fail or refuse to do so, and any party named herein may accept such direction under this Agreement as conclusive of Franchisor’s exclusive rights in and to such information, site, URL, electronic media, telephone numbers, directory listings and the like and Franchisor’s authority to direct their transfer. If your state requires you to sign a particular agreement or to agree to specific language as part of a grant of a power of attorney, you 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 terminated for any reason, and then only if the Franchisee fails or refuses to make the necessary assignments as contemplated by this Agreement.

4. The Recitals are incorporated into this Agreement by this reference.

In Witness Whereof, the parties hereto have executed and delivered this Agreement as of the day and year first written above.

Done as of the day and year first written above.

FRANCHISOR

PAYROLL VAULT FRANCHISING, LLC

by: _____
Managing Member

FRANCHISEE

by: _____
its: _____

INDIVIDUAL FRANCHISEES

Individually

Individually

EXHIBIT 6
END USER LICENSE AGREEMENT



END USER LICENSE AGREEMENT

The terms of this End User License Agreement (“Agreement”) govern your use of the Thomson Reuters products and services. “We”, “Our” and “Thomson Reuters” means the Thomson Reuters entity identified in the order form and, where applicable, its Affiliates; “you” and “your” means the Designated User identified in the applicable Order Form.

1. OUR PRODUCTS & SERVICES

(a) Limited License. Together with our licensors, we own and retain ownership of all rights of whatever nature in and to our products, services, and data (whether tangible or intangible). You may access, view, install, use, copy, modify and distribute our property only as expressly specified in the Agreement and each of us shall at all times act in accordance with applicable laws, including export controls and economic sanctions that apply to us in connection with the Agreement.

(b) Updates. Our products and services change from time to time but we will not change the fundamental nature of our products and services unless the change is the result of the modification or termination of an agreement with a third party provider or as required to comply with any law.

(c) Passwords. Your access to certain products and services is password protected. You are responsible for assigning the passwords and for ensuring that passwords are kept confidential. Sharing passwords is strictly prohibited. Each of us shall maintain industry standard computing environments to ensure that both your and our property is secure and inaccessible to unauthorized persons.

(d) Unauthorized Technology. Unless previously authorized by Thomson Reuters, you must not (i) run or install any computer software or hardware on our products, services or network; use any technology to automatically download, mine, scrape or index our data; or (iii) automatically connect (whether through APIs or otherwise) our data to other data, software, services or networks. Neither of us will knowingly introduce any malicious software or technologies into any products, services or networks.

(e) Usage Information. We may collect information related to your use of our products, services and data. We may use this information to test, develop and improve our products and services and to protect and enforce our rights under the Agreement, and we may pass this information to our third party providers for the same purposes.

(f) Third Party Providers. Our products and services may include data and software from third parties. Some third party providers require Thomson Reuters 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. To see the current third party additional terms for our products and services click the following URL: <http://tax.thomsonreuters.com/third-party-terms>. You agree to comply with all applicable third party terms.

(g) 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.

(h) Limitations. Unless otherwise expressly permitted in the Agreement, you may not: (i) sell, sublicense, distribute, display, store, copy, modify, decompile or disassemble, reverse engineer, translate or transfer our property in whole or in part, or as a component of any other product, service or material;



(ii) use our property or our third party providers' property to create any derivative works or competitive products; or (iii) allow any third parties to access, use or benefit from our property in any way. Exercising legal rights that cannot be limited by agreement is not precluded. If you are in the business of providing audit, tax, accounting, or legal services to your clients, this Section 1(h) does not preclude you from using our products to benefit your customers in the ordinary course of your business. Except as expressly set forth in this Agreement we retain all rights and you are granted no rights in or to our products, services and data.

(i) Services. We will provide the services using reasonable skill and care. The professional services applicable to your order, if any, are described in the ordering document or a statement of work.

(j) Security. Each of us will use and will require any third party data processors to use industry standard organizational, administrative, physical and technical safeguards to protect the other's information. Each party will inform the other in accordance with applicable law if such party becomes aware of any unauthorized third party access to the other party's content and will use reasonable efforts to remedy identified security vulnerabilities.

2. DATA ACCESS

CONSENT. BY SIGNING THIS END USER LICENSE AGREEMENT, YOU HEREBY AUTHORIZE THOMSON REUTERS TO PROVIDE PAYROLL VAULT FRANCHISING LLC ACCESS TO ANY DATA YOU PROVIDE IN CONNECTION WITH THE USE OF THE THOMSON REUTERS PRODUCTS OR SERVICES, FOR PURPOSES RELATED TO THE PERFORMANCE OF THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO REGISTERING USERS, 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

3. INSTALLED SOFTWARE

(a) License. You may install and use our software and documentation only for your own internal business purposes. Software licenses include updates (bug fixes, patches, maintenance releases), and do not include upgrades (releases or versions that include new features or additional functionality) or APIs unless expressly stated in the order form. Your order form details your permitted installations, users, locations, the specified operating environment and other permissions. You may use our software in object code only. You may make necessary copies of our software only for backup and archival purposes.

(b) Delivery. We deliver our software by making it available for download. When you download our software and documentation, if any, you are accepting it for use in accordance with the Agreement.

4. THOMSON REUTERS HOSTED SOFTWARE

(a) License. You may use our hosted software only for your own internal business purposes.

(b) Delivery. We deliver our hosted software by providing you with online access to it. When you access our hosted software, you are accepting it for use in accordance with the Agreement.

(c) Content. Our hosted software is designed to protect the content you upload. You grant Thomson Reuters permission to use, store and process your content in accordance with applicable law. Access and



use of your content by Thomson Reuters, our employees and contractors will be directed by you and limited to the extent necessary to deliver the hosted software, including training, research assistance, technical support and other services. We may delete or disable your content if required under applicable laws and in such instances we will use our reasonable efforts to provide notice to you. If your content is lost or damaged, we will assist you in restoring the content to the hosted software from your last available back up copy.

6. PRIVACY

Each of us will at all times process and disclose personally identifiable information received as a result of this Agreement (“PII”) in accordance with applicable law. Each of us will use reasonable efforts to assist one another in relation to the investigation and remedy of any claim, allegation, action, suit, proceeding or litigation with respect the unauthorized or unlawful destruction, loss, alteration, disclosure or access to PII. You acknowledge and agree to the transfer and processing of PII in the geographical regions necessary for Thomson Reuters to fulfill our obligations. If you are located in the UK or the EEA you are the data controller and we are the data processor for any PII you transfer to Thomson Reuters, and you must transfer that PII in accordance with applicable laws. PII includes any information relating to an identified living natural person or a living natural person who can be identified directly or indirectly by means reasonably likely to be used by the controller of the information, or any other natural or legal person.

7. CONFIDENTIALITY

Confidential information received from each other will not be disclosed to anyone else except to the extent required by law or as permitted under the Agreement. If a court or government agency orders either of us to disclose the confidential information of the other, the other will be promptly notified so that an appropriate protective order or other remedy can be obtained unless the court or government agency prohibits prior notification. This paragraph shall survive three (3) years after the termination of the Agreement or until the information is no longer deemed confidential under applicable law, whichever occurs first.

8. WARRANTIES AND DISCLAIMERS

THE WARRANTIES IN THIS SECTION ARE THE EXCLUSIVE WARRANTIES FROM US AND EXCLUDE ALL OTHER WARRANTIES, CONDITIONS OR OTHER TERMS (EXPRESS OR IMPLIED), INCLUDING WARRANTIES OF PERFORMANCE, MERCHANTABILITY, NON-INFRINGEMENT, SUITABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS AND CURRENTNESS. IN ENTERING THIS AGREEMENT, NEITHER PARTY HAS RELIED UPON ANY STATEMENT, REPRESENTATION, WARRANTY OR AGREEMENT OF THE OTHER PARTY EXCEPT FOR THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT.

(a) EXCLUSION OF WARRANTIES. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAWS, WE DO NOT WARRANT OR REPRESENT OR INCLUDE ANY OTHER TERM THAT THE PRODUCTS OR SERVICES WILL BE DELIVERED FREE OF ANY INACCURACIES, INTERRUPTIONS, DELAYS, OMISSIONS OR ERRORS, OR THAT ANY OF THESE WILL BE CORRECTED.

(b) INFORMATION. OUR INFORMATION PRODUCTS ARE PROVIDED “AS IS” WITHOUT ANY WARRANTY, CONDITION OR ANY OTHER TERM OF ANY KIND.



(c) SOFTWARE. WE WARRANT OUR SOFTWARE PRODUCTS WILL CONFORM TO OUR DOCUMENTATION FOR 90 DAYS AFTER DELIVERY.

(d) DISCLAIMER. YOU ARE SOLELY RESPONSIBLE FOR THE PREPARATION, CONTENT, ACCURACY AND REVIEW OF ANY DOCUMENTS, DATA, OR OUTPUT PREPARED OR RESULTING FROM THE USE OF ANY PRODUCTS OR SERVICES AND FOR ANY DECISIONS MADE OR ACTIONS TAKEN BASED ON THE DATA CONTAINED IN OR GENERATED BY THE PRODUCTS OR SERVICES. IN NO EVENT SHALL WE OR OUR THIRD PARTY PROVIDERS BE LIABLE FOR ANY AMOUNTS IMPOSED BY ANY GOVERNMENTAL OR REGULATORY AUTHORITY.

(e) NO ADVICE. WE ARE NOT PROVIDING FINANCIAL, TAX AND ACCOUNTING, LEGAL AND ANY OTHER PROFESSIONAL ADVICE BY ALLOWING YOU TO ACCESS AND USE OUR PRODUCTS, SERVICES OR DATA. YOUR DECISIONS MADE IN RELIANCE ON THE PRODUCTS OR SERVICES OR YOUR INTERPRETATIONS OF OUR DATA ARE YOUR OWN FOR WHICH YOU HAVE FULL RESPONSIBILITY.

9. LIABILITY

(a) LIMITATION. EACH PARTY'S ENTIRE LIABILITY IN ANY CALENDAR YEAR FOR DAMAGES ARISING OUT OF OR IN CONNECTION WITH THE AGREEMENT, INCLUDING FOR NEGLIGENCE, WILL NOT EXCEED THE AMOUNT YOU PAID IN THE PRIOR 12 MONTHS FOR THE PRODUCT OR SERVICE THAT IS THE SUBJECT OF THE CLAIM FOR DAMAGES. NEITHER PARTY IS LIABLE TO THE OTHER FOR INDIRECT, INCIDENTAL, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES, OR FOR LOSS OF DATA, OR LOSS OF PROFITS (IN EITHER CASE, WHETHER DIRECT OR INDIRECT) EVEN IF SUCH DAMAGES OR LOSSES COULD HAVE BEEN FORESEEN OR PREVENTED.

(b) Unlimited Liability. Section 9(a) does not limit either party's liability for (i) fraud, fraudulent misrepresentation, willful misconduct, or conduct that demonstrates reckless disregard for the rights of others; (ii) negligence causing death or personal injury; or (iii) infringement of intellectual property rights. Section 9(a) does not limit your liability in relation to Section 9(e) or for claims for reimbursement arising thereunder; or to pay the charges on the order form and all amounts for use of the products and services that exceed the usage permissions and restrictions granted to you.

(c) Claims Period. Claims must be brought within 12 months after the basis for the claim becomes known to the person asserting the claim.

(d) Third Party Intellectual Property. If a third party sues you claiming that our products, services or data, excluding any portions of the same provided by our third party providers infringes their intellectual property rights and your use of such products, services or data has been in accordance with the terms of the Agreement, we will defend you against the claim and pay damages that a court finally awards against you or that are included in a settlement approved by Thomson Reuters, provided the claim does not result from: (i) a combination of all or part of our products, services or data with technology, products, services or data not supplied by Thomson Reuters; (ii) modification of all or part of our products, services or data other than by Thomson Reuters or our subcontractors; (iii) use of a version of our products, services or data after we have notified you of a requirement to use a subsequent version; or (iv) your breach of this Agreement. Our obligation in this Section 9(d) is conditioned on you (A) promptly notifying Thomson Reuters in writing of the claim; (B) supplying information we reasonably request; and (C) allowing Thomson Reuters to control the defense and settlement.



(e) Your Responsibilities. You are responsible for (i) complying with this Agreement; (ii) proper use of our products and services in accordance with all usage instructions; (iii) adhering to the minimum recommended technical requirements; (iv) changes you make to our product, services or data; (v) your combination of our products, services or other property with any other materials; (vi) implementing and maintaining proper and adequate virus or malware protection and proper and adequate backup and recovery systems; (vii) installing updates; (viii) claims brought by third parties using or receiving the benefit of our products, services or data through you, except claims covered by Section 9(d); and (ix) claims resulting from your violation of law, or violation of our or any third party rights. You must reimburse us for any losses we incur with respect to your failure to comply with or otherwise in relation to these responsibilities. We will not be responsible if our product fails to perform because of your third party software, your hardware malfunction, or your actions or inaction. If we learn that our product failed because of one of these, we reserve the right to charge you for our work in investigating the failure. At your request we will assist you in resolving the failure at a fee to be agreed upon.

10. TERM, TERMINATION

(a) Term. The term and any renewal terms for the products and services are described in your order form. If not otherwise stated in the order form, the Agreement will automatically renew annually unless either of us gives the other at least 30 days written notice before the end of the then current term.

(b) 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) you become or are reasonably likely to become insolvent or affiliated with one of our competitors; or (iii) 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 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.

(c) Termination. We may terminate all or part of the Agreement in relation to a product or service which is being discontinued. Either of us may terminate the Agreement immediately upon written notice if the other commits a material breach and fails to cure the material breach within 30 days of being notified to do so. Any failure to fully pay any amount when due under this Agreement is a material breach for this purpose. Unless we terminate for breach or insolvency, pre-paid charges will be refunded on a pro-rated basis. If, as the result of a modification or termination of an agreement with a third party provider, we fundamentally change a product or service to your detriment, you may terminate the Agreement (in whole or with respect to the affected product or service) upon 30 days written notice.

(d) Effect of Termination. Except to the extent we have agreed otherwise, upon termination, all your usage rights end immediately and each of us must uninstall or destroy all property of the other and, if requested, confirm this in writing. Termination of the Agreement will not (i) relieve you of your obligation to pay Thomson Reuters any amounts you owe up to and including the date of termination; (ii) affect other accrued rights and obligations; or (iii) terminate those parts of the Agreement that by their nature should continue.

11. FORCE MAJEURE



We are not liable for any damages or failure to perform our obligations under the Agreement because of circumstances beyond our reasonable control. If those circumstances cause material deficiencies in the products or services and continue for more than 30 days, either of us may terminate any affected product or service on notice to the other.

12. THIRD PARTY RIGHTS

Our affiliates and third party providers benefit from our rights and remedies under the Agreement. No other third parties have any rights or remedies under the Agreement.

13. GENERAL

(a) Assignment. You may not assign, delegate or otherwise transfer the Agreement (including any of your rights or remedies) to anyone else without our prior written consent. We may assign or otherwise transfer the Agreement (including any of our rights or remedies) in whole or in part to an affiliate or any entity that succeeds to all or substantially all of the assets or business associated with one or more products or services, and will notify you of any such assignment or transfer. We may subcontract any of the services in our sole discretion. Any assignment, delegation or other transfer in contravention of this Section 13(a) is void.

(b) Feedback. You grant Thomson Reuters a perpetual, irrevocable, transferable, non-exclusive right to use any comments, suggestions, ideas or recommendations you provide related to any of our products or services in any manner and for any purpose.

(c) Severability. If any part of the Agreement that is not fundamental is illegal or unenforceable, it will be deemed modified to the minimum extent necessary to make it legal and enforceable. If such modification is not possible, the part will be deemed deleted. Any such modification or deletion will not affect the validity and enforceability of the remainder of the Agreement.

(d) Governing Law. If not otherwise stated in the order form, the Agreement will be governed by the laws of the State of New York and each of us hereby irrevocably submits to the exclusive jurisdiction of the federal and state courts of the State of New York located in New York County to settle all disputes or claims arising out of or in connection with the Agreement.

(e) Waiver. Neither of us waives our rights or remedies by delay or inaction.

DESIGNATED USER (Business Name)

_____ Payroll Vault # _____

Name: _____

Title: _____

Signature: _____ Date: _____

EXHIBIT 7
STATE AMENDMENTS

STATE OF CALIFORNIA

This Addendum to the Franchise Agreement, agreed to this ____ day of _____, 20__, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

1. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-3516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement for Payroll Vault Franchising, LLC is amended as follows:

a. The California Franchise Relations Act provides rights to Franchisee concerning termination or nonrenewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement.

b. That part of Article 10 of the Franchise Agreement, which terminates the Franchise Agreement upon the bankruptcy of the Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

c. That part of the Franchise Agreement that contains a covenant not to compete which extends beyond the expiration or termination of the Agreement may not be enforceable under California Law.

d. The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of action arising under California law.

e. The Franchise Agreement requires 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 non- prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

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

3. In California we agree that we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Article 5) and you are open for business. At that time, all fees to us will be due.

2. Each provision of this Addendum will be effective only to the extent that the jurisdictional requirements of the California Investment Law 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 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' right 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/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.

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: _____

STATE OF INDIANA

This Addendum to the Franchise Agreement, agreed to this ____ day of _____, 20____,
between Ringside Development Company (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 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 site mutually agreed upon.

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: _____
Managing Member
Date: _____

By: _____
Its: _____
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.

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: _____

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.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member

Date: _____

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

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member
Date: _____

FRANCHISEE

By: _____
Its: _____
Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____
Date: _____

Signature: _____
Date: _____

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: _____
Managing Member
Date: _____

By: _____
Its: _____
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: _____

STATE OF WASHINGTON

This Addendum to the Franchise Agreement, agreed to this ____ day of _____, 20____, between Payroll Vault Franchising, LLC, and _____, amends and revises said Franchise Agreement as follows:

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 undersigned does hereby acknowledge receipt of this addendum.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____
 Managing Member
Date: _____

by: _____
Its: _____
Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____
Date: _____

Signature: _____
Date: _____

EXHIBIT 8
GUARANTY

GUARANTY OF FRANCHISEE'S OBLIGATIONS

This Guaranty of Franchisee's Obligations (Guaranty) is entered into this _____ day of _____, 20____ by and between Payroll Vault Franchising, LLC, (Franchisor), and _____ (Franchisee) and _____ and _____, (jointly and severally known as Guarantor(s)). Franchisor, Franchisee, and Guarantor may be referred to as a "Party" or as the "Parties".

RECITALS

WHEREAS, Franchisee signed a franchise agreement with Franchisor on the _____ day of _____, 20____ (Franchise Agreement);

WHEREAS, as an inducement to the Franchisor for granting the Franchise Agreement, the Guarantor(s) agreed to fully guaranty the performance of Franchisee under the Franchise Agreement;

NOW, THEREFORE, for and in consideration of the mutual covenants found herein and for other good and valuable consideration, which consideration is deemed to be adequate by all Parties, 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, including any amendments or renewals, 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. Each Guarantor shall also be subject to all restrictive covenants in the Franchise Agreement, including any pre- or post-term covenants not to compete.

3. As part of the inducement given to Franchisor by the Guarantor(s) to permit the Franchisee to enter into the Franchise Agreement, the Guarantor(s) further agree to waive the following:

- a. acceptance and notice of acceptance of the 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. 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, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims which Franchisor may from time to time grant to Franchisee or 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 omits to state a material fact necessary in order to make the statements contained herein or therein true and not misleading.

7. Each Guarantor understands and agrees that each is bound by the Dispute Resolution covenants of the Franchise Agreement found at Article 16, which are incorporated herein by this reference as if fully set forth here.

8. The Recitals are incorporated herein by this reference.

IN WITNESS WHEREOF, each of the undersigned has affixed his, her, or its signature as of the date first found above.

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____
Managing Member
Date: _____

By: _____
Its: _____
Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____
Date: _____

Signature: _____
Date: _____

GUARANTOR(S)

Personally
Date: _____

Personally
Date: _____

EXHIBIT 9
CLOSING ACKNOWLEDGEMENT

CLOSING ACKNOWLEDGEMENT

Franchisee Name: _____
Address: _____
Address: _____
Telephone: _____
Today's Date: _____

A. GENERAL QUESTIONS

1. I had a face-to-face meeting with a franchise marketing representative. Yes _____
No _____. If yes, the date of said meeting was: _____
2. The date which I received the Franchise Disclosure Document (FDD) from
Franchisor. _____
3. The earliest date on which I signed the Franchise Agreement or any other binding
document (not including the Receipt). _____
4. The earliest date on which I delivered cash, check, or consideration to the franchise
marketing representative or any other person. _____
5. Did you initiate negotiations about the Franchise Agreement with the Franchisor?
Yes _____ No _____. If yes, what was that date? _____

B. REPRESENTATIONS

PLEASE RESPOND TO EACH PARAGRAPH. IN RESPONDING, PLEASE STATE WHETHER THE STATEMENT IS TRUE OR FALSE AND PROVIDE ANY OTHER INFORMATION THAT YOU IS IMPORTANT TO YOU

1. I had an opportunity to review the FDD and other agreements attached to the
disclosure document and understand the terms, conditions, and obligations of these agreements.

☐ Yes ☐ No

Initials

2. I had an opportunity to seek professional advice regarding the FDD, the Franchise
Agreement, and all matters concerning the purchase of my franchise.

☐ Yes ☐ No

Initials

3. Except as written explicitly in the Franchise Agreement, no promises, agreements,
contracts, commitments, representations, understandings, "side deals" or otherwise have been made to or

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with me concerning any matter, including, any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or other services.

☐ **Agree**

☐ **Disagree**

Initials

4. Even if promises, agreements, contracts, commitments, representations, understandings, “side deals” or otherwise have been made to or with me concerning any matter, including, any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or other services, I have not relied in any way on any such promises, agreements, contracts, commitments, representations, understanding or “side deals” when making my decision to purchase this franchise.

☐ **Agree**

☐ **Disagree**

Initials

5. No oral, written, or visual claim or representation, promise, agreement, contract, commitment, representation, understanding, or otherwise which contradicted or was inconsistent with the disclosure document or the Franchise Agreement was made to me.

☐ **Agree**

☐ **Disagree**

Initials

6. Even if an oral written or visual claim or representation, promise, agreement, contract, commitment, representation, understanding or otherwise which contradicted or was inconsistent with the disclosure document or the Franchise Agreement was made to me, I have not relied in any way on any such matter the contradicts or is inconsistent with the disclosure document when deciding to purchase this business.

☐ **Agree**

☐ **Disagree**

Initials

7. Unless specifically stated in Item 19 of the disclosure document, no oral, written, visual, or other claim or representations were made which stated or suggested any sales, income, expense, profits, cash flow, tax effects or otherwise was made to me by any person or entity representing the Franchisor; or if made, I did not rely on the same when making my decision to purchase this business.

☐ **Agree**

☐ **Disagree**

Initials

8. I have made my independent determination that I have adequate working capital to develop, open, and operate my Franchised or RD Business.

☐ **Agree**

☐ **Disagree**

Initials

Initials

9. I understand that my investment in this business contains substantial business risks and that there is no guarantee that it will be profitable.

☐ Agree ☐ Disagree

Initials

10. I acknowledge that the success of my business depends in large part upon my ability as an independent business person and my active participation in the day to day operation of the business.

☐ Agree ☐ Disagree

Initials

C. STATEMENTS OF THE FRANCHISOR

THE PARAGRAPHS BELOW ARE POLICIES OF THE FRANCHISOR. IF ANY IS UNTRUE OR IS CONTRADICTED BY YOUR EXPERIENCE, PLEASE PROVIDE AN EXPLANATION.

1. The Franchisor does not permit any employee, salesperson, officer, director or another individual to make or endorse any representations, warranties, projections or disclosures of any type relating to the financial success of the franchise business and, except as specifically stated in Item 19, or by you at the line below, no information as to sales, income, expenses, profits, cash flows, tax consequences or otherwise have been given to the Franchisee. *If any such representations have been made to you by any person in the Franchisor's employ, please state so below and immediately inform the Manager of the Franchisor.*

Initials

2. The Franchisor does not permit any employee, salesperson, officer, director, franchisee, or another individual to project any results that a Franchisee can expect in the operation of the business. *If any such representations have been made to you by any person, please state so below and immediately inform the Manager of the Franchisor.*

Initials

3. The Franchisor does not permit any promises, agreements, contracts, commitments, representations, understandings, "side deals" or variations or changes in or supplements to the Franchise Agreement except by a written addendum signed by you and the Franchisor. *If any such deals or changes have been made or promised, please state so below and immediately inform the Manager of the Franchisor.*

Initials

I have completed this Closing Acknowledgement and have disclosed any information that is contrary to any printed statement or have provided any other information that I deem to be important.

Done this _____ day of _____, 20__

FRANCHISOR

FRANCHISEE

PAYROLL VAULT FRANCHISING, LLC

By: _____

Managing Member

Date: _____

by: _____

Its: _____

Date: _____

INDIVIDUAL FRANCHISEE

Signature: _____

Date: _____

Signature: _____

Date: _____

EXHIBIT C
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EXHIBIT D

CURRENT FRANCHISEES as of December 31, 2019

Owner	Address	City	State	Zip Code	Phone
Karen Simmons, Cadie Simmons	712 Oak Circle Dr. W #A	Mobile	AL	36609	251-243-0902
Karen Simmons, Cadie Simmons	712 Oak Circle Dr. W #A	Mobile	AL	36609	251-243-0902
Ade Rogers	1338 Center Court Dr., Ste#203	Covina	CA	91724	626-480-1414
Elsie Nash, Kevin Nash	1580 Tampa Ct	Bonita	CA	91910	619-985-4105
Joel Hendricks, John Hopkins	31629 Outer Highway 10, Suite#E	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, Pam Sunderalnd	3445 Penrose Place, Suite#220	Boulder	CO	80301	303-440-8750
Matt Sorenson, Stephanie Sorenson	98 Inverness Drive East, Ste#130	Englewood	CO	80112	303-763-1844
Matt Sorenson, Stephanie Sorenson	98 Inverness Drive East, Ste#130	Englewood	CO	80112	303-763-1844
Matt Sorenson, Stephanie Sorenson	98 Inverness Drive East, Ste#130	Englewood	CO	80112	303-763-1844
Melissa Clary	375 E. Horsetooth Rd., #2-101	Fort Collins	CO	80525	970-682-6600
Zane Glover, Meredith Glover	325 Cherry St., Ste 110	Fort Collins	CO	80525	970-221-5553
Dean Rodahl, Allyson Rodahl	1630 25 th Ave., Unit# K	Greeley	CO	80634	970-353-0170
Jeff Kefalas, Kristina Kefalas	9225 W. Jewell Place #105	Lakewood	CO	80227	303-763-1857
Eric Golomb*	2000 NW 150 th Ave. #2106	Pembroke Pines	FL	33028	954-889-0075
Lyndi Wickerson, Stacey Licking	130 Shamrock Blvd.	Venice	FL	34293	941-484-4980
Michelle Abel	55 Atlanta St Suite 398	Atlanta	GA	30060	772-342-3862
Serge Mukendi	1100Peachtree St NE Suite 250	Atlanta	GA	30309	678-431-8762

Owner	Address	City	State	Zip Code	Phone
Blair Motl	106 W Main	East Dundee	IL	60118	309-750-9040
Debra Schill	209 S. Armstrong St.	Crothersville	IN	47229	812-793-2101
Debra Schill	209 S. Armstrong St.	Crothersville	IN	47229	812-793-2101
Phil Domke, Deborah Domke	412 Newman Drive, Lakeway Plaza	Eddyville	KY	42038	270-604-4048
Chris Mobley	1524 Harmony Street	New Orleans	LA	70115	504-291-8400
Sean Thomas, James T South Jr., Tara South Thomas	2825 Carey Street	Slidell	LA	70458	985-781-1818
Sayem Sharif	12718 W Old Baltimore Rd	Boyd	MD	20841	202-633-6446
Pat Bruen	19533 Waterloo Rd	Chelsea	MI	48118	313-806-2143
James Lippens, Jami Lippens	7945 Second Street	Dexter	MI	48130	734-972-9649
Steven Hamacher	8089 Stadium Dr.	Kalamazoo	MI	49009	269-353-3830
Priscilla Vang	800 Minnehaha Ave., Suite 365	St. Paul	MN	55106	651-776-2222
Kassi 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
Robert Seibel	Marlemont Bldg Department, 3814 West Street #311	Cincinnati	OH	45227	513-271-7835
Robert Seibel	Marlemont Bldg Department, 3814 West Street #311	Cincinnati	OH	45227	513-271-7835
Joe Ji	5256 Bethel Reed Park #C	Columbus	OH	43220	614-432-5805
Marc Boulanger	11517 San Sebastian Dr	Oklahoma City	OK	73173	405-217-4000
Cynthia Cox	701 W Sheridan Ave Suite 310	Oklahoma City	OK	73102	405-516-8811
Tim Roberts	701 High Street	Eugene	OR	97401	541-246-7173
Cathy Carroll	2407 Poplar Rd	Havertown	PA	19083	484-450-8790

Owner	Address	City	State	Zip Code	Phone
Paula Johnson	724 Shamrock Drive	Hartford	SD	57033	605-799-4884
Brooke Miller, Debbie Busch, Dee Sandhop, Lindsey Baker, Trish Joseph	7520 FM 3180 Road #400	Baytown	TX	77523	281-402-8427
Dawn Sabo	2323 S. Shepherd, Ste 970	Houston	TX	77019	713-337-7144
Rudy Frederico	1012 Eldorado Pkwy #160	Little Elm	TX	75068	972-977-2787
Sean Pettit, Rebecca Pettit	12710 Viodorra Vista Drive	San Antonio	TX	78216	210-996-2753
Cynthia Rushing	5826 New Territory Blvd Suite 324	Sugar Land	TX	77479	281-408-0344
Rosa Thomas	#9 Caret Bay Villas	St Thomas	Virgin Islands	00802	340-513-0528
Terri Stewart	397 Little Neck Rd., 3300 South Bldg, #208	Virginia Beach	VA	23452	757-536-1046

EXHIBIT E
FRANCHISEES WHO HAVE BEEN TERMINATED, CANCELLED, OR NOT RENEWED
as of December 31, 2019

NONE

TRANSFERS AS OF DECEMBER 31, 2019

NONE

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

EXHIBIT F
TRADEMARK-SPECIFIC FRANCHISEE ASSOCIATIONS AND
INDEPENDENT FRANCHISEE ASSOCIATIONS

NONE

EXHIBIT G
STATE-SPECIFIC AMENDMENTS

STATE OF CALIFORNIA

1. The State Cover Page is amended to add the following statement:

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

2. Item 3 of the Disclosure Document is amended to add the following:

Neither we nor any person listed in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in that association or exchange.

3. Item 5 of the Disclosure Document is amended to add the following:

In California, we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Item 11), and you are open for business. At that time, all fees to us will be due.

3. Item 17 of the Disclosure Document is amended to add the following:

- a. The California Business and Professions Code §§ 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

- b. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)

- c. The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California Law.

- d. The Franchise Agreement may contain a liquidated damages clause. Under California Law, certain liquidated-damages clauses are unenforceable.

- e. The Franchise Agreement requires litigation to be conducted in a court located in the State of Colorado. This provision might not be enforceable for any cause of action arising under California Law.

- f. The Franchise Agreement requires 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 BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

STATE OF ILLINOIS

The Franchise Disclosure Document is amended as follows:

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' right 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 franchisee, and franchisee has commenced doing business. The financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor's financial condition.

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
FOR INDIANA

ITEMS 6 and 9 of the Disclosure Document are amended to add the following:

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.

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 with 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 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:

Item 5 is amended to state the following: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

In Item 17 and the Franchise Agreement requires you to sign a general release. The general release required as a condition of renewal, termination, or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

In Item 17 and the Franchise Agreement, we require you to arbitrate in 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.

The Closing Acknowledgment that is attached to the Franchise Agreement is amended to state: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

STATE OF MINNESOTA

The following Minnesota-specific language must be included in an exhibit attached to the Franchise Disclosure Document and also to the franchise agreements:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring 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.

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 SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

The following additional RISK FACTOR is added to the cover page of the Franchise Disclosure Document:

SEE ITEM 6. THERE ARE SEVERAL FEES THAT STATE 'THERE IS NO LIMIT TO THE AMOUNT OF AN INCREASE IN THIS FEE OR THE NUMBER OF TIMES IT MAY BE INCREASED. IN ADDITION, YOU MUST MAKE MINIMUM ROYALTY, ADVERTISING, AND OTHER PAYMENTS, REGARDLESS OF YOUR SALES LEVELS. YOUR INABILITY TO MAKE THE PAYMENTS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

2. The following is added at the end of Item 3:

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

A. No such party has an administrative, criminal or civil action pending against that person alleging, a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which 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.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

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

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

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

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

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum,**” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

STATE OF SOUTH DAKOTA

In South Dakota, we will defer collecting your initial franchisee fee or other fees due to us before you open until we have delivered all of our pre-opening services stated in Item 11, and you are open for business. At that time, all fees due to us will be collected.

STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Payroll Vault Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure.

Item 3 is amended to state the following:

In Virginia, we will defer collecting the IFF and any other fees that are described in this Item until we have provided you with all of our pre-opening services (Item 11), and you are open for business. At that time, all fees to us will be due.

The following statements are added to Item 17.h.

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

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 collectable 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 provide that in Washington, we will defer collecting the IFF and any other fees that are described in this Article until we have provided you with all of our pre-opening services (Item 11) and you are open for business. At that time, all fees to us will be due.

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019 and 2018

PAYROLL VAULT FRANCHISING LLC

AUDITED FINANCIAL STATEMENTS

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March 4, 2020

SUBJECT: AUTHORIZATION TO USE ACCOUNTANT'S AUDIT REPORT AND FINANCIAL STATEMENTS

To whom it may concern:

By signature of this letter, I, Richard X. Robinett, C.P.A., hereby authorize Payroll Vault Franchising, LLC to use the prepared audited financial statements as of December 31, 2019, the accompanying footnotes, and the Independent Auditor's Report as an exhibit within the required franchise disclosure document for Payroll Vault Franchising, LLC.

Richard X. Robinett, C.P.A., takes no responsibility for and will not express an opinion or any other form of assurance on any other information presented in the disclosure document.

Sincerely,

Richard Robinett

Richard X. Robinett, C.P.A.
Richard X. Robinett, C.P.A. LLC

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Payroll Vault Franchising, LLC
Greenwood Village, CO 80111

I have audited the accompanying balance sheet of Payroll Vault Franchising, LLC as of December 31, 2019 and 2018, and the related statements of income (comparative totals only for 2017), owner's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Payroll Vault Franchising, LLC as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then needed in conformity with U.S. generally accepted accounting principles.

Richard Robinett

Richard X. Robinett, C.P.A.

March 4, 2020, except as to Note *Summary of Significant Accounting Policies*, which is as of April 15, 2020

PAYROLL VAULT FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31,

ASSETS

	2019	2018
Current Assets		
Cash and Cash Equivalents	\$ 121,164	\$ 44,855
Accounts Receivable	816	71,850
Inventory - Marketing	12,300	9,000
Prepaid Expenses	52,355	-
Deferred Franchise Fee - Commission	40,800	-
Total Current Assets	<u>227,435</u>	<u>125,705</u>
Fixed Assets		
Transportation Equipment	\$ 22,744	\$ 22,744
Fixtures & Equipment	9,671	9,671
Less: Accumulated Depreciation	<u>(31,759)</u>	<u>(30,449)</u>
Total Fixed Assets	656	1,966
Non-Current Assets		
Software Systems	\$ 24,500	\$ 24,500
Organizational Costs	57,000	57,000
Goodwill	10,000	10,000
Accumulated Amortization	<u>(85,167)</u>	<u>(84,500)</u>
Total Non-Current Assets	6,333	7,000
 TOTAL ASSETS	 <u><u>\$ 234,424</u></u>	 <u><u>\$ 134,671</u></u>

LIABILITIES AND OWNER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 362	\$ -
Credit Card Payable	66,309	14,277
Deferred Initial Franchise Fee	128,400	-
Line of Credit	<u>50,000</u>	<u>-</u>
Total Current Liabilities	245,071	14,277
Non Current Liabilities		
Note Payable - US Bank 2000	<u>\$ 1,604</u>	<u>\$ 6,628</u>
Total Non Current Liabilities	1,604	6,628
Owner's Equity		
Partners' Capital - Sean Manning	\$ 923,338	\$ 768,765
Partners' Capital - Tricia Petteys	25,000	25,427
Retained Earnings	<u>(960,589)</u>	<u>(680,426)</u>
Total Owner's Equity	(12,251)	113,766
 TOTAL LIABILITIES AND OWNER'S EQUITY	 <u><u>\$ 234,424</u></u>	 <u><u>\$ 134,671</u></u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDING DECEMBER 31,

REVENUE	2019	2018	2017
Franchise Fees	\$ 651,296	\$ 604,633	\$ 540,850
Technology Fee	206,306	65,715	59,115
Annual Conference & Speaking	72,050	58,885	48,080
Payroll Service Group	18,935	1,229	1,338
Marketing Support	15,750	37,650	31,500
TOTAL REVENUE	964,337	768,112	680,883
COST OF SALES			
Labor - Operations, Marketing and Sales	326,895	229,568	250,490
Sales Support	209,620	106,540	72,933
Technology & Software	202,715	79,392	60,481
Franchise Consultant	50,700	2,280	-
Franchise Advertising & Promotion	48,759	45,573	37,710
Franchise Training	32,566	7,289	24,851
Website Hosting	16,899	15,423	12,590
Franchise Web Store	4,647	6,665	9,865
State Registrations	2,700	1,960	3,210
Bank Fees	912	618	712
TOTAL COST OF SALES	896,413	495,308	472,842
GROSS INCOME	67,924	272,804	208,041
OPERATING EXPENSES			
Guaranteed Payments	102,228	90,650	107,750
Outside Services	57,826	23,431	2,040
Rent	33,372	29,597	28,760
Travel	23,738	18,285	15,362
Advertising & Promo	23,537	29,237	24,614
Legal & Accounting	17,335	38,431	22,339
Conference & Training	14,384	2,277	2,204
Dues & Subscriptions	13,605	12,364	6,815
Office Expense	12,434	3,988	812
Telephone	10,180	6,198	4,388
Insurance	10,032	5,916	2,843
Meals and Entertainment 50%	9,637	3,776	5,876
Payroll Taxes	8,475	12,244	12,244
Bank Fees	4,984	2,937	1,602
Operating Supplies	3,149	403	1,159
Interest Expense	2,048	-	1,425
Depreciation Expense	1,310	1,310	3,277
Amortization Expense	667	667	8,267
TOTAL OPERATING EXPENSES	348,941	281,711	251,777
OTHER INCOME			
Gain on Sale of Assets	-	-	6,626
Interest	-	149	-
NET PROFIT (LOSS)	\$ (281,017)	\$ (8,758)	\$ (37,110)

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OWNER'S EQUITY
FOR THE PERIODS ENDING DECEMBER 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning Owner's Equity	\$ 113,766	\$ 121,670	\$ 113,780
Partner Contributions	155,000	854	45,000
Current Year Net Income	(281,017)	(8,758)	(37,110)
Ending Owner's Equity	<u>\$ (12,251)</u>	<u>\$ 113,766</u>	<u>\$ 121,670</u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31,

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ (281,017)	\$ (8,758)	\$ (37,110)
Adjs to reconcile net income to cash used in operating activities:			
Depreciation & Amortization	1,977	1,977	11,542
General operating and administrative expenses	145,326	(52,806)	42,296
Net cash flows from operating activities	(133,714)	(59,587)	16,728
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	-	-
Organizational Costs	-	-	-
Net cash flows from investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans - Bank & Business	55,023	(5,824)	(19,985)
Partner Contribution - Sean Manning	155,000	-	50,000
Partner Contribution - Tricia Petteys	-	-	-
Net cash flows from financing activities	210,023	(5,824)	30,015
NET CHANGE IN CASH	76,309	(65,411)	46,743
CASH & CASH EQUIVALENTS, Beginning of the year	44,855	110,266	63,523
CASH & CASH EQUIVALENTS, End of the year	<u>\$ 121,164</u>	<u>\$ 44,855</u>	<u>\$ 110,266</u>

See accompanying notes to the financial statements and accountant's audit report

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Summary of Significant Accounting Policies

Nature of operations - The Company was organized under the laws of the State of Colorado as a Limited Liability Company on June 22, 2012. The Company was organized to sell and administer franchises that will provide payroll services to accounting and Certified Public Accounting firms.

Revenue recognition – The Company’s revenues will be recorded pursuant to ASC 606 in 2020.

Nature of significant initial services – When an individual franchise is sold, the Company agrees to provide an operations manual and training to the franchises.

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

Start-up costs – The cost of creating the corporation and developing the franchise plan and materials are expensed as incurred.

Cash and Cash Equivalents - The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments – For certain of the Company’s financial instruments, including cash and cash equivalents and accounts receivable and payable, the carrying value of amounts approximate fair value due to their short maturities.

Accounts and Notes Receivable

Accounts and Notes Receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollected are charged against the allowance for doubtful accounts in the period that determination is made. As of December 31, 2019 the accounts receivable balance was \$816. No allowance was made for bad debts as the Company expects the balance to be collectible.

Income Taxes

The Company is organized as a partnership for income tax purposes, therefore all income or losses of the Company are passed through to the members and no provision for income taxes is provided for at the company level.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Other Comprehensive Income

Accounting principles generally requires that recognized expenses, gains and losses be included in net income. Certain changes in assets and liabilities, however, such as foreign currency translation adjustments, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Members Equity

Members' Equity consists of the cumulative investment plus net income or loss of the company less any distributions to members. The Company is organized as a limited liability company and all interest are held by member as limited liability members.

Risk Management and Fair Values

Financial risk is the risk to the company's earnings that arise from fluctuations in interest and foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk. The fair value of the company's financial assets and liabilities approximate amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information.

Franchise Sales/Revenues

Franchise sales and revenues, net of Discounts, consist of the following:

Franchise Fees	\$ 651,296
Technology Fee	206,306
Speaking	72,050
Payroll Service Group	18,935
Marketing Support	<u>15,750</u>
Total Revenue	<u>\$ 964,337</u>

Payroll Service Group is an affiliate and time is billed back to Payroll Vault Franchising, LLC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

Accounting Pronouncements *issued but Not Yet Adopted or Currently in Effect Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Company until annual periods beginning after December 15, 2018 which is December 31, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The company will implement ASU 606 in the financial statements for 2020.

Subsequent Events

The financial records were examined for subsequent events through the report date of March 4, 2020 and April 15, 2020. No adjustments or significant events were noted during this time period.

PAYROLL VAULT FRANCHISING LLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018 and 2017

PAYROLL VAULT FRANCHISING LLC

AUDITED FINANCIAL STATEMENTS

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March 4, 2019

SUBJECT: AUTHORIZATION TO USE ACCOUNTANT'S AUDIT REPORT AND FINANCIAL STATEMENTS

To whom it may concern:

By signature of this letter, I, Richard X. Robinett, C.P.A., hereby authorize Payroll Vault Franchising, LLC to use the prepared audited financial statements as of December 31, 2018, the accompanying footnotes, and the Independent Auditor's Report as an exhibit within the required franchise disclosure document for Payroll Vault Franchising, LLC.

Richard X. Robinett, C.P.A., takes no responsibility for and will not express an opinion or any other form of assurance on any other information presented in the disclosure document.

Sincerely,

Richard Robinett

Richard X. Robinett, C.P.A.

Richard X. Robinett, C.P.A. LLC

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Payroll Vault Franchising, LLC
Greenwood Village, CO 80111

I have audited the accompanying balance sheet of Payroll Vault Franchising, LLC as of December 31, 2018 and 2017, and the related statements of income (comparative totals only for 2016), owner's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Payroll Vault Franchising, LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then needed in conformity with U.S. generally accepted accounting principles.

Richard Robinett

Richard X. Robinett, C.P.A.

March 4, 2019

PAYROLL VAULT FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31,

ASSETS

Current Assets	2018	2017
Cash and Cash Equivalents	\$ 44,855	\$ 110,266
Accounts Receivable	71,850	18,617
Inventory - Marketing	9,000	9,000
Total Current Assets	<u>125,705</u>	<u>137,883</u>
Fixed Assets		
Transportation Equipment	\$ 22,744	\$ 22,744
Fixtures & Equipment	9,671	9,671
Less: Accumulated Depreciation	<u>(30,449)</u>	<u>(29,139)</u>
Total Fixed Assets	1,966	3,276
Non-Current Assets		
Software Systems	\$ 24,500	\$ 24,500
Organizational Costs	57,000	57,000
Goodwill	10,000	10,000
Accumulated Amortization	<u>(84,500)</u>	<u>(83,833)</u>
Total Non-Current Assets	7,000	7,667
 TOTAL ASSETS	 <u><u>\$ 134,671</u></u>	 <u><u>\$ 148,826</u></u>

LIABILITIES AND OWNER'S EQUITY

Current Liabilities		
Accounts Payable	\$ -	\$ 427
Credit Card Payable	14,277	15,752
Total Current Liabilities	<u>14,277</u>	<u>16,179</u>
Non Current Liabilities		
Note Payable - US Bank 2000	\$ 6,628	\$ 10,977
Note Payable - US Bank 3000	-	-
Total Non Current Liabilities	<u>6,628</u>	<u>10,977</u>
Owner's Equity		
Partners' Capital - Sean Manning	\$ 768,765	\$ 768,338
Partners' Capital - Tricia Petteys	25,427	25,000
Retained Earnings	<u>(680,426)</u>	<u>(671,668)</u>
Total Owner's Equity	113,766	121,670
 TOTAL LIABILITIES AND OWNER'S EQUITY	 <u><u>\$ 134,671</u></u>	 <u><u>\$ 148,826</u></u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDING DECEMBER 31,

REVENUE	2018	2017	2016
Franchise Fees	\$ 604,633	\$ 540,850	\$ 484,514
Technology Fee	65,715	59,115	54,385
Annual Conference & Speaking	58,885	48,080	39,574
Marketing Support	37,650	31,500	66,049
Payroll Service Group	1,229	1,338	27,500
TOTAL REVENUE	768,112	680,883	672,022
COST OF SALES			
Labor - Operations, Marketing and Sales	229,568	250,490	306,750
Sales Support	106,540	72,933	82,842
Technology & Software	79,392	60,481	54,071
Franchise Advertising & Promotion	45,573	37,710	39,780
Website Hosting	15,423	12,590	16,056
Franchise Training	7,289	24,851	14,627
Franchise Web Store	6,665	9,865	13,226
Franchise Consultant	2,280	-	-
State Registrations	1,960	3,210	1,200
Bank Fees	618	712	222
TOTAL COST OF SALES	495,308	472,842	528,774
GROSS INCOME	272,804	208,041	143,248
OPERATING EXPENSES			
Guaranteed Payments	90,650	107,750	140,925
Legal & Accounting	38,431	22,339	14,200
Rent	29,597	28,760	28,949
Advertising & Promo	29,237	24,614	23,685
Outside Services	23,431	2,040	18,250
Travel	18,285	15,362	19,607
Dues & Subscriptions	12,364	6,815	4,198
Payroll Taxes	12,244	12,244	-
Telephone	6,198	4,388	7,379
Insurance	5,916	2,843	5,267
Office Expense	3,988	812	1,684
Meals and Entertainment 50%	3,776	5,876	4,615
Bank Fees	2,937	1,602	-
Conference & Training	2,277	2,204	9,278
Depreciation Expense	1,310	3,277	7,283
Amortization Expense	667	8,267	16,150
Operating Supplies	403	1,159	2,787
Interest Expense	-	1,425	1,946
TOTAL OPERATING EXPENSES	281,711	251,777	306,203
OTHER INCOME			
Gain on Sale of Assets	-	6,626	-
Interest	149	-	-
NET PROFIT (LOSS)	\$ (8,758)	\$ (37,110)	\$ (162,955)

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OWNER'S EQUITY
FOR THE PERIODS ENDING DECEMBER 31,

	2018	2017	2016
Beginning Owner's Equity	\$ 121,670	\$ 113,780	\$ 71,731
Partner Contributions	854	45,000	205,004
Current Year Net Income	(8,758)	(37,110)	(162,955)
M-1 Meals & Entertainment	-	-	-
Ending Owner's Equity	<u>\$ 113,766</u>	<u>\$ 121,670</u>	<u>\$ 113,780</u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31,

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ (8,758)	\$ (37,110)	\$ (162,955)
Adjs to reconcile net income to cash used in operating activities:			
Depreciation & Amortization	1,977	11,542	23,433
General operating and administrative expenses	(52,806)	42,296	(46,474)
Net cash flows from operating activities	(59,587)	16,728	(185,996)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	-	-
Organizational Costs	-	-	-
Net cash flows from investing activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans - Bank & Business	(5,824)	(19,985)	(8,800)
Partner Contribution - Sean Manning	-	50,000	233,334
Partner Contribution - Tricia Petteys	-	-	-
Partner Contribution - Malvina Messler	-	-	-
Net cash flows from financing activities	(5,824)	30,015	224,534
NET CHANGE IN CASH	(65,411)	46,743	38,538
CASH & CASH EQUIVALENTS, Beginning of the year	110,266	63,523	24,985
CASH & CASH EQUIVALENTS, End of the year	<u>\$ 44,855</u>	<u>\$ 110,266</u>	<u>\$ 63,523</u>

See accompanying notes to the financial statements and accountant's audit report

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

Summary of Significant Accounting Policies

Nature of operations - The Company was organized under the laws of the State of Colorado as a Limited Liability Company on June 22, 2012. The Company was organized to sell and administer franchises that will provide payroll services to accounting and Certified Public Accounting firms.

Revenue recognition – The Company's revenues consist of revenues from the sale of individual franchise licenses, royalties, marketing and support services fees, net of an allowance for bad debts. Revenue from initial franchise sales is recognized when substantially all significant services to be provided by the Company have been performed. Royalty, marketing and support services income is accrued as earned.

Nature of significant initial services – When an individual franchise is sold, the Company agrees to provide an operations manual and training to the franchisees.

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

Start-up costs – The cost of creating the corporation and developing the franchise plan and materials are expensed as incurred.

Cash and Cash Equivalents - The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments – For certain of the Company's financial instruments, including cash and cash equivalents and accounts receivable and payable, the carrying value of amounts approximate fair value due to their short maturities.

Accounts and Notes Receivable

Accounts and Notes Receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollected are charged against the allowance for doubtful accounts in the period that determination is made. As of December 31, 2018 the accounts receivable balance was \$71,850. No allowance was made for bad debts as the Company expects the balance to be collectible.

Income Taxes

The Company is organized as a partnership for income tax purposes, therefore all income or losses of the Company are passed through to the members and no provision for income taxes is provided for at the company level.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

Other Comprehensive Income

Accounting principles generally requires that recognized expenses, gains and losses be included in net income. Certain changes in assets and liabilities, however, such as foreign currency translation adjustments, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Members Equity

Members' Equity consists of the cumulative investment plus net income or loss of the company less any distributions to members. The Company is organized as a limited liability company and all interest are held by member as limited liability members.

Risk Management and Fair Values

Financial risk is the risk to the company's earnings that arise from fluctuations in interest and foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk. The fair value of the company's financial assets and liabilities approximate amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information.

Franchise Sales/Revenues

Franchise sales and revenues, net of Discounts, consist of the following:

Franchise Fees	\$ 604,633
Technology Fee	65,715
Speaking	58,885
Marketing Support	37,650
Payroll Service Group	<u>1,338</u>
Total Revenue	<u>\$ 768,112</u>

Payroll Service Group is an affiliate and time is billed back to Payroll Vault Franchising, LLC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

Accounting Pronouncements *issued but Not Yet Adopted or Currently in Effect Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Company until annual periods beginning after December 15, 2018 which is December 31, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Company is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

The financial records were examined for subsequent events through the report date of March 4, 2019. No adjustments or significant events were noted during this time period.

PAYROLL VAULT FRANCHISING LLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017 and 2016

PAYROLL VAULT FRANCHISING LLC

AUDITED FINANCIAL STATEMENTS

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February 26, 2018

SUBJECT: AUTHORIZATION TO USE ACCOUNTANT'S AUDIT REPORT AND FINANCIAL STATEMENTS

To whom it may concern:

By signature of this letter, I, Richard X. Robinett, C.P.A., hereby authorize Payroll Vault Franchising, LLC to use the prepared audited financial statements as of December 31, 2017, the accompanying footnotes, and the Independent Auditor's Report as an exhibit within the required franchise disclosure document for Payroll Vault Franchising, LLC.

Richard X. Robinett, C.P.A., takes no responsibility for and will not express an opinion or any other form of assurance on any other information presented in the disclosure document.

Sincerely,

Richard Robinett

Richard X. Robinett, C.P.A.
Richard X. Robinett, C.P.A. LLC

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Payroll Vault Franchising, LLC
Greenwood Village, CO 80111

I have audited the accompanying balance sheet of Payroll Vault Franchising, LLC as of December 31, 2017 and 2016, and the related statements of income (comparative totals only for 2015), owner's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Payroll Vault Franchising, LLC as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then needed in conformity with U.S. generally accepted accounting principles.

Richard Robinett

Richard X. Robinett, C.P.A.

February 26, 2018

PAYROLL VAULT FRANCHISING LLC
BALANCE SHEET
AS OF DECEMBER 31,

ASSETS

Current Assets	2017	2016
Cash and Cash Equivalents	\$ 110,266	\$ 63,523
Accounts Receivable	18,617	50,394
Inventory - Marketing	9,000	9,000
Total Current Assets	137,883	122,917
Fixed Assets		
Transportation Equipment	\$ 22,744	\$ 45,521
Fixtures & Equipment	9,671	9,671
Less: Accumulated Depreciation	(29,139)	(44,267)
Total Fixed Assets	3,276	10,925
Non-Current Assets		
Software Systems	\$ 24,500	\$ 24,500
Organizational Costs	57,000	57,000
Goodwill	10,000	10,000
Accumulated Amortization	(83,833)	(75,567)
Total Non-Current Assets	7,667	15,933
TOTAL ASSETS	<u>\$ 148,826</u>	<u>\$ 149,775</u>

LIABILITIES AND OWNER'S EQUITY

Current Liabilities		
Accounts Payable	\$ 427	\$ 434
Credit Card Payable	15,752	4,599
Total Current Liabilities	16,179	5,033
Non Current Liabilities		
Note Payable - US Bank 2000	\$ 10,977	\$ 15,492
Note Payable - US Bank 3000	-	15,470
Total Non Current Liabilities	10,977	30,962
Owner's Equity		
Partners' Capital - Sean Manning	\$ 768,338	\$ 718,338
Partners' Capital - Tricia Petteys	25,000	12,500
Partners' Capital - Malvina Messler	-	12,500
Retained Earnings	(671,668)	(629,558)
Total Owner's Equity	121,670	113,780
TOTAL LIABILITIES AND OWNER'S EQUITY	<u>\$ 148,826</u>	<u>\$ 149,775</u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OPERATIONS
FOR THE PERIODS ENDING DECEMBER 31,

REVENUE	2017	2016	2015
Franchise Fees	\$ 540,850	\$ 484,514	\$ 376,737
Technology Fee	59,115	54,385	43,119
Speaking	48,080	39,574	38,900
Marketing Support	31,500	66,049	14,000
Payroll Service Group	1,338	27,500	63,500
TOTAL REVENUE	680,883	672,022	536,256
COST OF SALES			
Labor - Operations, Marketing and Sales	250,490	306,750	221,604
Sales Support	72,933	82,842	105,304
Technology & Software	60,481	54,071	47,758
Franchise Advertising & Promotion	37,710	39,780	28,410
Franchise Training	24,851	14,627	30
Website Hosting	12,590	16,056	23,358
Franchise Web Store	9,865	13,226	9,876
State Registrations	3,210	1,200	1,235
Bank Fees	712	222	-
Franchise Sales Support	-	-	7,500
Franchise Consultant	-	-	1,085
Franchise Marketing	-	-	49
TOTAL COST OF SALES	472,842	528,774	446,209
GROSS INCOME	208,041	143,248	90,047
OPERATING EXPENSES			
Guaranteed Payments	107,750	140,925	141,450
Rent	28,760	28,949	18,000
Advertising & Promo	24,614	23,685	8,422
Legal & Accounting	22,339	14,200	20,010
Travel	15,362	19,607	15,587
Payroll Taxes	12,244	-	-
Amortization Expense	8,267	16,150	16,150
Dues & Subscriptions	6,815	4,198	2,010
Meals and Entertainment 50%	5,876	4,615	2,111
Telephone	4,388	7,379	3,000
Depreciation Expense	3,277	7,283	27,313
Insurance	2,843	5,267	3,321
Conference & Training	2,204	9,278	4,884
Outside Services	2,040	18,250	17,538
Bank Fees	1,602	-	-
Interest Expense	1,425	1,946	1,718
Operating Supplies	1,159	2,787	686
Office Expense	812	1,684	1,613
Pension & Profit Sharing Expense	-	-	4,655
TOTAL OPERATING EXPENSES	251,777	306,203	288,468
OTHER INCOME			
Gain on Sale of Assets	6,626	-	-
NET PROFIT (LOSS)	\$ (37,110)	\$ (162,955)	\$ (198,421)

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF OWNER'S EQUITY
FOR THE PERIODS ENDING DECEMBER 31,

	2017	2016	2015
Beginning Owner's Equity	\$ 113,780	\$ 71,731	\$ 138,929
Partner Contributions	45,000	205,004	133,334
Current Year Net Income	(37,110)	(162,955)	(198,421)
M-1 Meals & Entertainment	-	-	(2,111)
Ending Owner's Equity	<u>\$ 121,670</u>	<u>\$ 113,780</u>	<u>\$ 71,731</u>

See accompanying notes to the financial statements and accountant's audit report

PAYROLL VAULT FRANCHISING LLC
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31,

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	\$ (37,110)	\$ (162,955)	\$ (198,421)
Adjs to reconcile net income to cash used in operating activities:			
Depreciation & Amortization	11,542	23,433	45,461
General operating and administrative expenses	42,296	(46,474)	(8,593)
Net cash flows from operating activities	16,728	(185,996)	(161,553)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	-	-	(45,521)
Organizational Costs	-	-	-
Net cash flows from investing activities	-	-	(45,521)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans - Bank & Business	(19,985)	(8,800)	39,762
Partner Contribution - Sean Manning	50,000	233,334	133,334
Partner Contribution - Tricia Petteys	-	-	-
Partner Contribution - Malvina Messler	-	-	-
Net cash flows from financing activities	30,015	224,534	173,096
NET CHANGE IN CASH	46,743	38,538	(33,978)
CASH & CASH EQUIVALENTS, Beginning of the year	63,523	24,985	58,963
CASH & CASH EQUIVALENTS, End of the year	<u>\$ 110,266</u>	<u>\$ 63,523</u>	<u>\$ 24,985</u>

See accompanying notes to the financial statements and accountant's audit report

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Summary of Significant Accounting Policies

Nature of operations - The Company was organized under the laws of the State of Colorado as a Limited Liability Company on June 22, 2012. The Company was organized to sell and administer franchises that will provide payroll services to accounting and Certified Public Accounting firms.

Revenue recognition – The Company's revenues consist of revenues from the sale of individual franchise licenses, royalties, marketing and support services fees, net of an allowance for bad debts. Revenue from initial franchise sales is recognized when substantially all significant services to be provided by the Company have been performed. Royalty, marketing and support services income is accrued as earned.

Nature of significant initial services – When an individual franchise is sold, the Company agrees to provide an operations manual and training to the franchisees.

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

Start-up costs – The cost of creating the corporation and developing the franchise plan and materials are expensed as incurred.

Cash and Cash Equivalents - The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments – For certain of the Company's financial instruments, including cash and cash equivalents and accounts receivable and payable, the carrying value of amounts approximate fair value due to their short maturities.

Accounts and Notes Receivable

Accounts and Notes Receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollected are charged against the allowance for doubtful accounts in the period that determination is made. As of December 31, 2017 the accounts receivable balance was \$18,617. No allowance was made for bad debts as the Company expects the balance to be collectible.

Income Taxes

The Company is organized as a partnership for income tax purposes, therefore all income or losses of the Company are passed through to the members and no provision for income taxes is provided for at the company level.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Other Comprehensive Income

Accounting principles generally requires that recognized expenses, gains and losses be included in net income. Certain changes in assets and liabilities, however, such as foreign currency translation adjustments, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Members Equity

Members' Equity consists of the cumulative investment plus net income or loss of the company less any distributions to members. The Company is organized as a limited liability company and all interest are held by member as limited liability members.

Risk Management and Fair Values

Financial risk is the risk to the company's earnings that arise from fluctuations in interest and foreign exchange rates and the degree of volatility of these rates. The company does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk. The fair value of the company's financial assets and liabilities approximate amounts for which instruments could be exchanged in a transaction between knowledgeable and willing parties based on public market information.

Franchise Sales/Revenues

Franchise sales and revenues, net of Discounts, consist of the following:

Franchise Fees	\$ 540,850
Technology Fee	59,115
Speaking	48,080
Marketing Support	31,500
Payroll Service Group	<u>1,338</u>
Total Revenue	<u>\$ 680,883</u>

Payroll Service Group is an affiliate and time is billed back to Payroll Vault Franchising, LLC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Accounting Pronouncements *issued but Not Yet Adopted or Currently in Effect Revenue from Contracts with Customers (Topic 606)*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Company until annual periods beginning after December 15, 2018 which is December 31, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Company is currently evaluating the impact of this ASU on its financial statements.

Subsequent Events

The financial records were examined for subsequent events through the report date of February 26, 2018. No adjustments or significant events were noted during this time period.

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
Illinois	Pending
Indiana	April 15, 2020
Maryland	Pending
Michigan	April 13, 2020
Minnesota	April 16, 2020
New York	Pending
South Dakota	March 23, 2020
Virginia	Pending
Washington	Pending
Wisconsin	March 17, 2020

Connecticut - December 20, 2017 (One time filing)

Florida - March 30, 2020 - AIN BF 50110

Kentucky - April 27, 2018 (One-time filing)

Nebraska - April 10, 2018 (One-time filing)

Texas - June 7, 2013 (One-time filing).

Utah - April 4, 2020

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 I
RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Payroll Vault Franchising LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan and Oregon require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Payroll Vault Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

Date of Issuance: March 9, 2020

The Franchisor is Payroll Vault Franchising, LLC, 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111. Our telephone number is 303-763-1828.

The franchise seller for this offering is _____ at 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111,. Our telephone number is: 303-763-1828.

Payroll Vault Franchising, LLC authorizes the respective state agencies identified on Exhibit A to receive service of process for us in the particular state

I received a disclosure document dated March 9, 2020, that included the following Exhibits:

- Exhibit A. List of State Agencies/Agents for Service of Process
- Exhibit B. Franchise Agreement
- Exhibit C. Table of Contents
- Exhibit D. Current Franchisees
- Exhibit E. Franchisees that have left the System
- Exhibit F. Trademark Specific Franchisee Associations and Independent Franchisee Associations
- Exhibit G. State Specific Amendments
- Exhibit H. Financial Statements
- Exhibit J. Receipt

Date

Prospective Franchisee

You should return one copy of the signed receipt by signing, dating, and mailing to 5231 S. Quebec Street, Suite 260, Greenwood Village, Colorado 80111. Keep a copy for your records.

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