

## FRANCHISE DISCLOSURE DOCUMENT



Labor Finders International, Inc.,  
a Florida corporation  
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Palm Beach Gardens, Florida 33418  
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You will offer temporary industrial employment services under the name LABOR FINDERS for skilled, semi-skilled and unskilled workers. The total investment necessary to begin operation of a Labor Finder's franchised business ranges from \$152,835 to \$354,700. This includes \$20,000 that must be paid to us.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor in connection with the proposed franchise sale. **Note, however, that no government 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 the franchise administrator in our home office at the address and telephone number listed above.

The terms of your contract will govern your franchise relationship. Don't 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 1, 2024

## 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
<b>How much can I earn?</b>	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 G and H.
<b>How much will I need to invest?</b>	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 describe the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit I includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Labor Finders business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management has been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Labor Finders franchisee?</b>	Item 20 or Exhibits G and H list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need To Know About Franchising *Generally*

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

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

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

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to 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 arbitration and/or litigation only in Florida. Out-of-state arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate, or litigate with the franchisor in Florida than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

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**STATE EFFECTIVE DATES**

**RECEIPTS (2 copies)**

**ITEM 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Disclosure Document, "LFI," "we," "us" or "our" means Labor Finders International, Inc., the franchisor. "You" means the person or entity who has the right to operate a LABOR FINDERS franchise. If the franchisee is a partnership, corporation or other legal entity, "you" sometimes includes the franchisee's officers, directors, owners, shareholders or partners individually.

**LFI**

We are a Florida corporation. We were originally incorporated as Action Temporary Services, Inc. in Florida in 1975. We reincorporated on June 15, 1992 under the name Temporary Solutions, Inc., and changed our name to Labor Finders International, Inc. on December 4, 1992. We maintain our principal place of business at 11426 North Jog Road, Palm Beach Gardens, Florida 33418. We do not do business under any other name. We do not have any predecessors that we are required to disclose.

Our agents for service of process are disclosed in Exhibit J to this Disclosure Document.

**LFI's Business**

We offer temporary personnel services through our franchisees who provide skilled, semi-skilled and unskilled industrial personnel to the business community. We began offering LABOR FINDERS and OFFICE FORCE franchises in June 1992 and stopped offering OFFICE FORCE franchises in December 1997. We have never offered franchises in any other lines of business. We are not involved in any other business activities. We do not presently operate any businesses of the type being franchised.

**LFI's Parents**

LFI has no parent entities.

**LFI's Affiliate**

Our affiliate, LF Staffing Services, Inc. ("LF Staffing"), a wholly owned subsidiary of LFI, was formed in July 1997. LF Staffing began operating LABOR FINDERS offices in September 1997, and it operates 49 LABOR FINDERS offices which have been reclassified as Corporate/Affiliate owned. Additionally, in May of 2023, 50 franchises were acquired by LF Staffing, bringing the total number of franchises to 84 and the total number of Corporate/Affiliate owned to 99. The principal business address of LF Staffing is 11426 North Jog Road, Palm Beach Gardens, Florida 33418. LF Staffing has conducted the type of business to be conducted by you, however, it has never offered franchises in any line of business and does not offer any products or services to franchisees.

**LABOR FINDERS® Franchises**

LABOR FINDERS franchises are temporary personnel offices that supply skilled, semi-skilled and unskilled industrial workers. As a franchisee, you will provide these services to general business and industrial customers within your specified exclusive territory. Your competition will include other local and national businesses offering similar temporary personnel services.

You must open the number of offices, in the general locations and by the times specified in the development schedule in Exhibit 1 to your Franchise Agreement. You must continue to open at least one office each year until you have one office for each 500,000 population in your territory. You will also be entitled to open additional offices within your territory if you wish. All your offices will be operated under your existing Franchise Agreement. You will not have to pay an additional franchise fee to open any additional offices in your territory.

As an existing franchisee, you may also request an additional franchise for a different territory. If you are in good standing and we approve your request, you will sign a current standard form of Franchise Agreement for the new territory. There is no initial franchise fee for additional franchises.

Your temporary personnel service business will be subject to all of the federal, state and local laws that apply to businesses generally, including minimum-age and minimum-wage laws, and occupational health and safety laws. These laws vary from place to place. You should investigate these matters further and consult with local authorities and your attorney about them.

### **Referral Program**

In May, 2008, we implemented a referral program for franchisees and their employees, as well as LFI employees, subject to certain qualifications. If the referred person is a qualified candidate and executes a franchise agreement, LFI will pay the referring party (subject to meeting the qualifications) \$2,500. We reserve the right to either modify or cancel this referral program at any time.

## **ITEM 2 BUSINESS EXPERIENCE**

### **JEFFREY S. BURNETT, Director and Chief Executive Officer**

Mr. Burnett has been an officer of LFI since June 1992. He was the President from March 1999 until July 2021. He has been the Chief Executive Officer and a Director of LFI since March 1999. Mr. Burnett became a Director, President and Chief Executive Officer of LFI's subsidiary, LF Staffing in March 1999. He was President of LF Staffing until December 2012.

### **WALDO TAMES, Director**

Mr. Tames has been a Director of LFI since June 2009. He has been a franchisee and the President of Labor Finders of Kentucky, Inc., in Louisville, Kentucky, since February, 1999 and a franchisee and President of Labor Finders of Florida, LLC, in Jupiter, Florida, since July, 2008.

### **LESLIE COTTON, Chief Financial Officer, Secretary and Treasurer**

Ms. Cotton became the Chief Financial Officer, Secretary, and Treasurer of LFI and LF Staffing in December 2017. From March 2017 to December 2017 she was the Owner of L.A. Morris, Inc., an accounting consulting firm in Jupiter, Florida. From February 2016 to February 2017 she worked as an employee of Accounting Principals, an accounting consulting firm in West Palm Beach, Florida. From February 2016 to August 2016 she was the HR Manager for Environmental Technology Control, a home automation business in West Palm Beach,



Florida. From April 2015 to February 2016 she was a self-employed as a consultant in Jupiter, Florida and from November 2011 to April 2015 she was the Controller/Director of Club Operations for The Golf & Racquet Club at Eastpointe, Inc., a private country club in Palm Beach Gardens, Florida.

**AMIT P. SINGH, President and Chief Operating Officer**

Mr. Singh became LFI's President in July 2021. He has been its Chief Operating Officer since October 2016. From September 2007 to October 2016 he was LFI's Director of Operations. In March 2010, Mr. Singh began to oversee the operations of LF Staffing Services, Inc. with offices in Arizona, Arkansas, California, New Mexico, North Carolina, Missouri, Illinois, and Iowa. Mr. Singh has served as President of LF Staffing Services, Inc. since December 2012. In May, 2023, we (LF Staffing Services) acquired 50 additional Labor Finders offices in Alabama, Colorado, Florida, Georgia, Indiana, Louisiana, Mississippi, Nevada and Utah.

**JORGE QUINTANA, Chief Information Officer**

Mr. Quintana became LFI's Chief Information Officer in September 2014. From August 2003 until September 2014 he served as LFI's Director of Information Technology.

**ELLIS MASS, Chief Marketing Officer**

Mr. Mass became LFI's Chief Marketing Officer in September 2022. From August 2014 until September 2022 he was the Owner/Principal of EAM Associates, LLC, a consulting firm in Parkland, Florida.

**GARY B. GLASS, Chief Legal and Human Resources Officer**

Mr. Glass has been the Chief Legal and Human Resources Officer for LFI since May, 2023. Prior to that, from December 2015 until January, 2023 he was General Counsel & Chief Human Resources Officer for HealthChannels, LLC, a healthcare staffing agency in Ft. Lauderdale, FL.

**ITEM 3  
LITIGATION**

**Pending Actions**

There are no pending actions required to be disclosed against LFI, its Affiliate or the persons disclosed in Item 2.

LFI initiated no lawsuits against franchisees at the end of the last fiscal year.

**Concluded Actions**

There are no concluded actions required to be disclosed against LFI, its Affiliate or the persons disclosed in Item 2.

Other than these actions, no other litigation is required to be disclosed in this Item 3.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

**Franchise Fee**

You must pay us an initial lump sum franchise fee of \$20,000 when you sign your Franchise Agreement. This fee is not refundable under any circumstances. We use this money for our general operating expenses. You do not have to pay an additional initial franchise fee when you open additional offices in the same territory.

The initial franchise fee is waived for our subsidiary LF Staffing and for existing franchisees who acquire one or more additional franchises. It is uniform for all other franchises currently being offered by us.

**ITEM 6  
OTHER FEES**

Type of Fee (Note 1)	Amount	Due Date	Remarks (Note 2)
Royalties FA § 4.2 (Note 3)	3.5% of Sales (Note 4)	45 days after end of month in which you invoiced customers	"Sales" are your gross customer billings excluding interest, taxes and certain bonuses and transportation costs paid to your employees.
Software and Social Media Fees FA § 4.3	\$125 per month per office for the software fee; plus one-time \$80 for each additional on- line computer per office	1st day of each month	We also reserve the right to own the social media accounts used to promote the franchise. If we exercise this right, we have the right to require you to either pay the provider directly or pay us for the provider fees. We also have the right to manage the social media accounts for you and charge you a fee for our services. The social media fees are not being charge but are estimated to range from \$0 to \$100 a month.
Training FA § 6.1	LFI's expenses plus then current fee (estimated to be \$0 to \$2,500)	In advance	LFI provides free initial training for two people.
Uncured Online Review Fee FA § 6.10.2	Currently \$100 per day per violation	As billed	We may charge this fee if you have more than three open customer complaints and/or if you have had multiple negative uncured online reviews, that have not been resolved to our satisfaction within 10 days' notice

Type of Fee (Note 1)	Amount	Due Date	Remarks (Note 2)
Insurance FA § 6.11	LFI's cost	Within 30 days after your receipt of LFI invoice	You must reimburse LFI if you fail to maintain required insurance and LFI at its option purchases insurance for you.
Temporary Management FA § 8.5.2	150% of manager's gross compensation, plus benefits, and costs of transportation, commuting and housing	As billed	For interim manager of your business furnished by LFI upon your death or permanent incapacity.
Audits FA § 6.6	LFI's costs, expenses and overhead for examining your records	On demand	Payable if you under report amounts owed to LFI by 5% or more.
Delinquent Interest FA § 4.4	Interest at maximum rate permitted by law, not to exceed 1.5% per month	Beginning on date of delinquency	Payable on any delinquent amount you owe LFI.
Indemnification FA § 6.10.3, 6.13	Amount of LFI's liabilities	As incurred	Covers claims and liabilities incurred by LFI relating to your business, including resolution of complaints.
Attorneys' Fees FA §§ 6.13 and 11.5	Amount incurred by LFI	As incurred	Attorneys' fees and costs for indemnification or enforcing your Franchise Agreement.
Guaranty FA § 17	All your obligations	On demand	Your owners who are active in the business and their spouses must personally guaranty your obligations to LFI to the extent of their percentage ownership interests.

**Notes:**

1. The fees and charges shown in this chart are all payments you must make to us. They are not optional.
2. Unless otherwise noted, all fees in this table are imposed by and payable to us. All fees are non-refundable. All fees are waived for our subsidiary LF Staffing.
3. "FA" means the Franchise Agreement attached as Exhibit C to this Disclosure Document. The more detailed provisions of your Franchise Agreement on each of these subjects determine your obligations.
4. The Royalty fee is uniform for all franchisees who are acquiring their first franchise from us. Some existing franchisees currently pay Royalties calculated as a percent of Sales, and some pay Royalties on a sliding scale based on billable hours invoiced. In both cases, some existing franchisees who have older franchises, or who have renewed their franchises or acquired additional franchises, pay reduced Royalties.

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**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT\***

Type of Expenditure	Notes	Amounts		Method of Payment (Note 1)	When Due	To Whom Payment is to be Made
		Low	High			
<b>PRE-OPENING EXPENSES:</b>						
Initial Franchise Fee	2	20,000	20,000	Lump sum	Upon execution of Franchise Agreement	LFI
Travel	3	2,000	5,000	Lump sums	As incurred	Airlines
Living Expenses While Training	4	2,500	5,000	As incurred	During training	Hotels & Restaurants
Office Rent Deposit	5	2,000	5,000	Lump sum	Upon signing lease	Landlord
Office Furniture and Fixtures	6	5,000	10,000	Lump sums	As incurred	Vendors
Signage	7	1,500	10,000	Lump sum	As incurred	Vendors
Telephones	8	350	400	Lump sums	As incurred	Vendors
Telephone Answering Machine or Service	9	40	50	Lump sums	As incurred	Vendors
FAX Machine	6	--	--	Lump sums	As incurred	Vendor
Copier	6	400	750	Lump sums	As incurred	Vendor
Supplies	10	2,000	5,000	Lump sums	As incurred	Vendors or LFI
Computer System & Software	11	3,000	4,000	Lump sums	As incurred & monthly	Vendors & LFI
Utility Deposits	12	500	2,000	Lump sums	As incurred	Utility Companies
Insurance	13	30,000	40,000	Lump sums	As incurred & annually	Insurance Carriers
Professional Services (legal/accounting)	14	5,000	15,000	Lump sums	As incurred	Attorney or Accountant
Licenses & Permits	15	200	1,500	Lump sums	As incurred	Government Authorities
Advertising	16	1,000	5,000	Lump sums & monthly	As incurred	Telephone Company & Media
Office Build-Out/ Leasehold Improvements	17	3,000	30,000	Lump sums	As incurred	Vendors

Type of Expenditure	Notes	Amounts		Method of Payment (Note 1)	When Due	To Whom Payment is to be Made
		Low	High			
<b>SUBTOTAL</b>		78,490	159,700	---	---	---
<b>ADDITIONAL OPERATING FUNDS FOR 3 MONTHS</b>	18	74,345	195,000	---	As incurred	Vendors or LFI
<b>TOTAL</b>	19	152,835	354,700			

\* Your estimated initial investment before you begin operating your business and for your first 3 months of operations are shown on this chart. In general, with the possible exception of office rent deposits and utility deposits, which may be refundable, none of the expenses in the above chart are refundable.

**Notes:**

1. We may provide payroll funding financing for your outside temporary employees. Neither we nor our affiliate offers any other direct or indirect financing for any part of your initial investment. These estimates do not include debt service for any financing you may obtain from us or third parties.
2. The initial franchise fee is waived for the purchase of additional franchises by existing franchisees. You do not have to pay an additional initial franchise fee when you open additional office locations within your franchise territory.
3. This estimate is for two people. Transportation costs for training can vary significantly depending upon advance scheduling, your location and the number of people traveling.
4. Food and lodging expenses for two people for 5 to 10 days of training at our principal place of business in Palm Beach Gardens or in a mutually acceptable location. No estimate is included for car rentals or other personal expenses. The estimates should be increased if more than two people will be attending training.
5. You must obtain an office location suitable for the operation of your business. A typical office has 1,000 to 1,200 square feet, and is located in a single free-standing building. Whether you lease or purchase office space is solely your decision. Many variables, including region, neighborhood, condition and size, affect the cost of a location.
6. Assumes all office furniture, equipment and fixtures will be purchased and fully paid for immediately. If you lease instead, your initial investment will be reduced, but your working capital needs will increase to cover the lease payments. We have assumed that you have existing transportation for researching office locations, overseeing the offices and other business purposes.
7. Includes the costs of interior and exterior signs and their installation.
8. Includes two telephones.
9. The estimate for telephone answering services covers the first month of service.
10. Includes business forms, forms and specialty items, and safety equipment.
11. You must use software provided by us, and a specified computer system. This estimate anticipates that you will purchase one computer, the required software and two printers.
12. Includes deposits for telephone, other utilities and postage meter deposits.
13. These are estimates for (i) the deposit and three months premium for workers compensation insurance and (ii) the premium for three months of automobile and general liability insurance with a limit of \$1,000,000 and no deductible. This estimate does not include any premium for property or other types of insurance.

14. Obtaining professional legal and accounting services is not mandatory, but we recommend that you obtain this advice in the course of verifying these initial investment estimates locally, entering into your Franchise Agreement, setting up your business and complying with legal requirements.
15. Includes business licenses and permits.
16. Includes pre-opening direct mail and other advertising expenses of \$350 to \$500.
17. The estimates for office build-out/leasehold improvements cover expenditures related to remodeling your leased location.
18. The estimates for additional operating funds are based upon the average experience of new offices opening in the past. They include funds required to cover operating shortfalls and cash flow shortages during your first 3 months of operations. The amount of additional operating funds was estimated from our and our affiliates' experiences in operating a LABOR FINDERS office. These estimates include:

Expense	Estimated Amounts	
	Low	High
Salaries (temporary personnel)	35,000	100,000
Salaries (office staff)	30,000	45,000
Office Rent	3,000	15,000
Telephone Service	1,000	4,500
Computer hardware and software rental (if you rent your computer system instead of purchasing)	495	1,500
Utilities	600	4,500
Postage	1,000	2,000
Legal and accounting	1,500	10,000
Repairs and maintenance	750	7,500
Miscellaneous (includes software fees)	1,000	5,000
<b>Total</b>	<b>74,345</b>	<b>195,000</b>

These estimates do not include a salary for you (unless you are the office manager) or Royalties. No debt service is included for any financing you may obtain. See note 1 above. No lease payments are included. See note 6 above.

19. Unless otherwise stated, all expenses are applicable to each LABOR FINDERS office you open.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### **Required Purchases from LFI**

You must pay us a monthly fee of \$125 per office for the use of our proprietary computer software. If you choose to install our proprietary computer software on more than one computer per office, then you must also pay us a one-time charge of \$80 for each additional computer. You must also pay us fees for new manager training and any temporary management services provided by LFI. There are no other goods or services that you must purchase from us to establish or operate your business.

## **Optional Purchases from LFI**

None.

None of LFI's officers own an interest in any of our suppliers.

## **Approved Suppliers**

While we no longer require you to have yellow pages advertising, we have an approved yellow pages supplier who is familiar with our advertising layouts. You may, however, use any yellow pages vendor you wish if you elect to have yellow pages advertising.

We may in the future require you to purchase all your indoor and outdoor signs, printed materials, stationary, forms, advertising specialty items, apparel and safety equipment from suppliers that we approve. At that time, a list of approved suppliers will be included in the Operations Manual. We or our affiliates may also become a designated supplier or the sole supplier of the items that you purchase. You may request that we approve a new supplier. Based on information and samples from the supplier which you must furnish, we will evaluate the vendor's products, financial capacity, business reputation, delivery performance, credit rating and other relevant criteria. We do not disclose to franchisees our criteria for approving suppliers because this criteria varies between suppliers. We will notify you of our decision within a reasonable time after receipt of your request. We may charge a reviewed vendor a one-time fee to compensate us for the expense of the review process.

We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the franchise system. We do not provide any material benefits or inducements to you (for example, renewal or granting additional franchises) based on whether you make purchases from us or other suppliers. We receive a small rebate from our office supply provider but do not receive any payments or material consideration from your purchases or leases from other third party suppliers, but we may do so in the future. If we do, then we may also require such consideration as a condition for approval of a supplier.

Except as disclosed above, none of our officers owns an interest in any of our other suppliers.

## **Specifications for Goods and Services**

You must lease or purchase certain initial equipment and supplies, including signs, a computer, computer printer, telephone answering machine, copier and fax machine, all in accordance with specifications provided in the Operations Manual. You must provide your own internet access to our computer system server. You must obtain a new telephone number, and a white pages telephone directory listing. We do not require that you obtain a yellow pages listing. You must maintain workers' compensation and general liability insurance naming us as an additional insured from insurance companies rated at least B+ by Best's or otherwise acceptable to us, and comply with our accounting and record keeping standards as specified in the Operations Manual.

We do not establish specifications for any other goods or services you purchase to establish or operate your business.

## **Operations Manual and Changes to Specifications**

We will loan you one copy of the Operations Manual at the beginning of your initial training. We may make periodic revisions to the Operations Manual by providing copies of changes to you, and you must comply with all these changes.

We will consider any request for the modification of specifications, or for the approval of equipment or supplies, upon submission of a written request. For a modification, your request must state the reason for the modification. For an approval, you must provide sufficient technical data to enable us to determine if the item meets specifications. We will notify you of our decision within a reasonable time after receipt of your request. We reserve the right to perform these tests as we deem necessary to determine if any item meets our specifications. We will approve a request if we determine that the item meets specifications then in effect.

## **Revenues of LFI and its Affiliate from Sales to Franchisees**

In the year ended December 31, 2023, based on our audited consolidated financial statements (Exhibit I to this Disclosure Document), total revenues are \$137,834,936.83 and total other income, net, is \$923,640.22. Total revenues include \$153,187.50 or 0.11% of total revenues from required purchases by franchisees for the licensing of computer software, and total other income includes \$100.46, or 0.011%, of total other income from interest earned from related interest/late fees on outstanding accounts receivable for software license fees. The other income amount is reflected separately from total revenues on our audited consolidated financial statements. Neither we nor any of our affiliates received revenues from providing new manager training, temporary management services or interest from payroll loans made to franchisees during the year ended December 31, 2023.

## **Percentages of Franchisee Purchases**

We estimate that the cost of the goods and services you will purchase from us and in accordance with our specifications, will be approximately the following percentages of your total purchases in connection with the establishment of your business, and of your total annual purchases in connection with the on-going operation of your business:

<b>Estimated Percentages of Franchisee Purchases</b>	<b>Percent of Total Purchases in Connection with the Establishment of Your Business</b>	<b>Percent of Total Annual Purchases in Connection with the On-Going Operation of Your Business</b>
Required Purchases from LFI (Note 1)	0.5%	0.1%
Optional Purchases from LFI and Its Affiliates (Note 2)	2.4%	1.5%
Purchases from Approved Suppliers	2.4%	1.5%
Purchases in Accordance with LFI's Specifications (Note 1)	30.0%	11.5%
Total Purchases in All Four Categories Above	35.3%	14.6%



**Notes:**

1. Our affiliate does not offer goods or services to franchisees.
2. If you do not make these optional purchases from us, the percentage for optional purchases will be reduced and the percentage for purchases in accordance with our specifications will be increased correspondingly.

**Purchasing Cooperatives**

There are currently no purchasing or distribution cooperatives.

**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 in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	2.3, 5.5, 6.4.1, 6.4.7	Items 11, 12
b. Pre-opening purchases/leases	4.3, 5.4, 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.11	Items 5, 6, 7, 8, 11
c. Site development and other pre-opening requirements	6.4.1, 6.4.4	Items 7, 11
d. Initial and ongoing training	5.1, 6.2	Items 6, 7, 11
e. Opening	6.4	Items 11, 12
f. Fees	4.1, 4.2, 4.3, 4.4, 6.2, 6.11, 8.1.2.G, 8.5.2, 6.10.2, 11.5, 17; Ex. 1	Items 5, 6, 7, 8, 10
g. Compliance with standards and policies/Operations Manual	5.3, 5.4, 6.4, 6.5, 6.7, 6.8, 6.9, 6.10, 6.11, 6.12, 6.14, 11.3	Items 8, 11, 14
h. Trademarks and proprietary information	1, 6.8, 7.1, 7.2, 7.7; Ex's. 1, 2	Items 13, 14
i. Restrictions on products/services offered	2.3.2, 6.4.7; Ex. 1	Items 12, 13, 16
j. Warranty and customer service requirements	2.3.2, 6.4.7; Ex. 1	Items 12, 13, 16
k. Territorial development and sales quotas	2.1, 2.3.1, 6.2, 6.4.7	Items 1, 11, 12
l. Ongoing product/service purchases	4.3, 5.6, 6.11	Items 5, 6, 8, 11
m. Maintenance, appearance and remodeling requirements	6.4.1, 6.4.7	Items 7, 11
n. Insurance	6.11	Items 6, 8
o. Advertising	6.4.3, 6.10	Items 7, 8, 11
p. Indemnification	5.8, 6.6, 6.10.3, 6.13	Items 6, 13, 14

Obligation	Section in Franchise Agreement	Item in Disclosure Document
q. Owner's participation/management/staffing	6.1, 6.2, 6.3, 6.4.4	Items 7, 11, 15
r. Records/reports	6.6, 6.12, 7.1	Items 6, 11
s. Inspections/audits	6.6	Items 6, 11
t. Transfer	8, 10.2	Items 6, 17
u. Renewal	3.1, 3.2	Item 17
v. Post-termination obligations	7.2.6, 7.3, 7.4, 10; Ex. 2; Ex. 3	Item 17
w. Non-competition covenants	7.3, 7.4, 7.7; Ex. 2; Ex. 3	Items 14, 17
x. Dispute resolution	6.10.3, 10.3, 11.4, 11.5, 11.6	Item 17
y. Guaranties	8.1.2.E, 8.3.4, 13, 17	Item 17

## ITEM 10 FINANCING

Neither we nor any of our affiliates have any obligation to provide financing to you, either directly or indirectly through third parties. Neither we nor our affiliates receive any direct or indirect payments for any financing you may receive from third parties.

We may, at our discretion, provide payroll financing to you, along with related administrative support services, in connection with your initial investment at the time you commence business and in connection with the on-going operation of your business. These loans are made periodically to fund your temporary worker payroll expenses and repaid from your account receivables as your clients pay. See the detailed discussion under the caption "Payroll Funding Financing" below. Neither we nor any of our affiliates provide any other financing in connection with your initial investment. Neither we nor any of our affiliates guarantee any loan, lease or other obligation you may enter into with a third party in connection with your initial investment.

We may also, at our discretion, provide working capital loans to established franchisees. These loans are repaid in fixed monthly installments over one to five years. See the detailed discussion under the caption "Working Capital Financing" below.

### **Payroll Funding Financing**

We may, at our discretion, provide payroll financing to you for wages, social security taxes, medicare taxes, federal and state unemployment compensation taxes, federal and state income tax withholding, local taxes, and any other payroll related income or deductions for your temporary personnel. We may finance up to 75% of your gross accounts receivable less than 60 days old from your clients whose credit has been preapproved by us. If the total amount of your outstanding loans is more than \$75,000, we may or may not elect to make additional loans to you.

Copies of the forms of Payroll Funding and Support Services Agreement, Security Agreement (Payroll Funding Loan), Guaranty (Payroll Funding Loan) and Financing Statement currently used by us when making payroll funding loans to franchisees are attached to this

Disclosure Document as Exhibit D. These forms, and the loan terms, may be changed periodically by us.

Interest on payroll loans will be a floating rate of three percent above the annual prime rate published in the Wall Street Journal at the end of each month, payable monthly on the average daily principal balance of loans outstanding. (Exhibit D, Payroll Funding Agreement § 6.1.) The monthly interest rate as of February 28, 2024 was .9583% (Wall Street Journal annual prime rate of 8.50% +3% ÷ 12). You must also pay us a weekly service fee of 5% of the principal amount of loans made the previous week. (Exhibit D, Payroll Funding Agreement § 6.2.)

All of your client accounts receivable will be pledged to us to secure repayment of the payroll funding loans made to you by us. (Exhibit D, Payroll Funding Agreement § 8.1, Security Agreement §§ 1 and 2, and Financing Statement.) You must invoice all of your clients for your services and direct them to send their payments to us. (Exhibit D, Payroll Funding Agreement § 8.1.2.) We will apply 65% of the payments we receive from your clients to the charges and interest you owe, and to the repayment of the principal of your loans, and 35% of the amounts collected will be paid to you on a weekly basis so long as you are not in default. (Exhibit D, Payroll Funding Agreement §§ 5.3, 6.3 and 7.1.1.) We can charge any receivable back to you if your client fails to pay within 60 days or we determine that the client is not creditworthy. (Exhibit D, Payroll Funding Agreement § 7.2.) The loans can be prepaid at any time, in whole or in part, without penalty. (Exhibit D, Payroll Funding Agreement § 7.3.)

To obtain payroll loans, you must release us and our affiliates from any prior claims you may have. (Exhibit D, Payroll Funding Agreement § 4.) The loans must be personally guaranteed by all of the individual owners of the franchise business and their spouses. (Exhibit D, Payroll Funding Agreement § 8.2, and Guaranty.) You will also be required to pledge and deliver all of the stock (or equivalent ownership interests in the franchise business) to us to secure the loans. (Exhibit D, Payroll Funding Agreement § 8.2, and Security Agreement § 2.) You must also agree to certain operational restrictions while the loans are outstanding. (Exhibit D, Payroll Funding Agreement § 10.2.)

If you default on any payment due under the Payroll Funding Agreement or otherwise breach any provisions of the payroll loan documents, we may accelerate the entire amount due, collect default interest at a rate 2% higher than you would otherwise pay, and also recover our attorneys' fees and costs in collecting what you owe. (Exhibit D, Payroll Funding Agreement § 14.3 and 17.3, and Guaranty.) In addition, we may terminate your Franchise Agreement. (Franchise Agreement § 9.3.7.)

The loan documents contain waivers of notice, homestead exemptions, and your rights under suretyship laws. (Exhibit D, Guaranty.) You are barred from asserting any claim you might have against us or our affiliates as a defense to what you must pay under the loan documents. (Exhibit D, Payroll Funding Agreement § 18.3.) The documents provide that we can sue you in Florida. (Exhibit D, Payroll Funding Agreement § 17.2, Security Agreement § 8, and Guaranty.)

The Payroll Funding Agreement and security interests are fully transferable, although we have not transferred these loan obligations in the past, and have no present intention to do so in the future.

## **Working Capital Financing**

We may, at our discretion, provide working capital financing to you for up to 100% of your increased costs for outside temporary payroll expenses during growth periods. This working capital financing normally is provided only to franchisees who have been operating for at least six months.

Copies of the forms of Loan Agreement and Release, Promissory Note, Security Agreement, Guaranty and Financing Statement currently used by us when making working capital loans to franchisees are attached to this Disclosure Document as Exhibit E. We may change these forms and the loan terms periodically.

Any working capital loan made by us must be repaid in equal monthly installments of principal and interest over a period of one to five years. Interest will be a fixed annual rate established at the time the loan is made, at the then current "prime rate" plus 2%. For a loan made on February 28, 2024, the annual rate of interest would have been 10.5% (Wall Street Journal Prime Rate of 8.5% plus 2%). The loan can be prepaid at any time, in whole or in part, without penalty. (Exhibit E, Promissory Note.)

To obtain a loan, you must release us and the lender from any prior claims you may have. (Exhibit E, Loan Agreement and Release § 4.) Each loan must be personally guaranteed by all of the individual owners of the franchise business and their spouses. (Exhibit E, Loan Agreement and Release § 2, and Guaranty.) You may also be required to pledge your accounts receivable and all of the stock (or equivalent ownership interests in the franchise business) to secure the loan. (Exhibit E, Loan Agreement § 1 and Security Agreement § 2.)

If you default on any payment due under the Promissory Note or otherwise breach any provisions of the working capital loan documents, the holder of your Note may accelerate the entire amount due, collect default interest at a higher rate than you would otherwise pay, and also recover its attorneys' fees and costs in collecting what you owe. (Exhibit E, Promissory Note, and Guaranty.) In addition, we may terminate your Franchise Agreement. (Franchise Agreement § 9.3.7.)

The loan documents contain waivers of notice, homestead exemptions, and your rights under suretyship laws. (Exhibit E, Promissory Note, and Guaranty.) You are barred from asserting any claim you might have against us or our affiliates as a defense to what you must pay under the loan documents. (Exhibit E, Promissory Note.) The documents provide that the holder of the Note can sue you in Florida. (Exhibit E, Loan Agreement and Release § 5, Promissory Note, Security Agreement and Guaranty.)

The Note and security interests are fully transferable. We have never transferred these notes in the past, and currently do not have any present intention to do so in the future.

**ITEM 11**  
**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

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

**LFI's Required Pre-Opening and Operational Assistance**

Before you open your first Labor Finders office, we will:

- ☐ Provide initial training for you and one other employee at no charge (if you are a new LFI franchisee), in Palm Beach Gardens, Florida, or another mutually acceptable location. (Franchise Agreement § 5.1.) See the detailed discussion under the caption "Training" below.
- ☐ Provide you with a set-up package including master artwork for use on stationery, forms and advertising. (Franchise Agreement § 5.2.)
- ☐ Loan you one copy of the LFI Operations Manual. (Franchise Agreement § 5.3.)
- ☐ Loan and license you to use our proprietary computer software and user's manual ("Software Manuals"), and host a computer system server you must access by Internet to replicate your employee and customer information. (Franchise Agreement § 5.4.) See the detailed discussion under the caption "Computer System and Software" below.
- ☐ Assist you, at your request, in evaluating possible locations for your first office. (Franchise Agreement § 5.5.) See the detailed discussion under the caption "Site Selection" below.
- ☐ Offer forms and promotional supplies which you may purchase from us at a reasonable profit, plus handling and shipping charges. (Franchise Agreement § 5.6.)

Except where specifically noted, this assistance is also available before the opening of any additional office locations within your franchise territory or in any new territory if you purchase additional franchises.

During the operation of your business, we will:

- ☐ Provide you by telephone during business hours with reasonable software support and consultation concerning the operation of your business. (Franchise Agreement §§ 5.4.8 and 5.7.1(i).)
- ☐ Notify you periodically of new developments and techniques. (Franchise Agreement § 5.7.1(ii).)
- ☐ Cooperate with you in obtaining account leads and contracts for temporary personnel services. (Franchise Agreement § 5.7.1(iii).)
- ☐ Assist you in the development of promotional campaigns and materials. (Franchise Agreement § 5.7.1(iv).)
- ☐ Provide you with periodic analyses of your promotional programs, financial status and other aspects of your business (based upon data you submit). (Franchise Agreement § 5.7.1(v).)

- ☐ Provide you with reasonable counseling and assistance regarding insurance, payroll taxes and unemployment claims (based upon information you submit). (Franchise Agreement § 5.7.1(vi).)
- ☐ Make periodic visits to your office. (Franchise Agreement § 5.7.1(vii).)
- ☐ Provide any other support which we deem, in our sole discretion, to be advisable or necessary. (Franchise Agreement § 5.7.1(viii).)
- ☐ Loan you one copy of updates to the LFI Operations Manual, and any additional manuals we may develop. (Franchise Agreement § 5.3.)
- ☐ Provide you access by Internet to updates to the LFI Software Manuals. (Franchise Agreement § 5.4.7.)
- ☐ Offer forms and promotional supplies which you may purchase from us at a reasonable profit, plus handling and shipping charges. (Franchise Agreement § 5.6.)
- ☐ Assist you, at your request, in evaluating possible locations for additional offices. (Franchise Agreement § 5.5.) See the detailed discussion under the caption "Site Selection" below.
- ☐ Review the specifications you provide for your signs. (Franchise Agreement § 6.4.6.) See the detailed discussion under the caption "Advertising" below.
- ☐ At our option, provide a temporary manager for the operation of your business upon your death or incapacity. (Franchise Agreement § 8.5.2.)

This assistance is available for your first office and for any new office locations within your existing territory or in any new territory if you purchase additional franchises.

### **LFI's Optional Assistance**

We may maintain a 1-800 sales and customer assistance telephone number. Potential and existing customers may call the 1-800 number and we will refer the caller to you if you are the LFI office nearest to the caller. There is no charge for this service.

### **Advertising**

We do not maintain any advertising fund, and we have no advertising councils or cooperatives that advise us on advertising matters. We are not obligated to conduct advertising for the system.

You must submit the specifications for your signs to us. Standard signs are deemed approved if we fail to disapprove them within 15 days. Modified signs cannot be used without our actual approval. We must respond to your request for approval of a modified sign within 15 days. (Franchise Agreement § 6.4.6.) You may develop other advertising including internet advertising for your own use at your own cost. Advertising (other than signs) is not subject to our prior approval, but we can require you to cease using this advertising at any time. (Franchise Agreement § 6.10.) You must provide us with the passwords to any social media account that you use to promote the franchised business. We have the right to make changes to correct misleading advertising and to operate the account if your franchise agreement was terminated. Any information from the internet that is provided to us or that we collect may be used by us for the franchise system. We reserve the right to own and operate the social media

accounts as well and we will give you prior written notice if we exercise this right. (Franchise Agreement § 6.12.)

### **Computer System and Software**

You must have or obtain any brand of IBM compatible personal computer system for your business. You must also have access by Internet to our computer server. (Franchise Agreement § 5.4.1.) We strongly recommend purchasing reputable brand name computer when upgrading or purchasing new computer equipment. The minimum specifications for your computer system, and our recommended upgrades, are listed in the following charts:

### **Computer Workstation**

<b>Computer Hardware Requirements</b>		
<b>Equipment</b>	<b>Minimum Specifications</b>	<b>Recommended Specifications</b>
Operating System	Windows 11	Windows 11
Processor Type	Intel Core i5 Processor 3.0 Ghz or higher	Intel Core i7 Processor 3.0 Ghz or higher
Hard Drive Size/Capacity	500 GB	2500 GB or more
Memory	16 GB	32 GB or more
Monitor Size and Resolution	17" Super VGA, 1024 x 768	17" Super VGA, 1920 x 1080, 32 bit color
Communications	High speed connection to the Internet (DSL, Cable Modem)	High speed connection to the Internet (DSL, Cable Modem)
Back-up Device	Portable hard drive with 50 GB capacity and USB connection	Portable hard drive with 100 GB capacity and USB connection
Peripheral Ports	6 USB Ports	8 USB Ports or more
Printers	1 Epson LX-350 printer 1 Generic Laser Printer 1 MICR Laser Printer	1 Epson LX-350 printer 1 Lexmark MICR Laser Printer with 2 Paper Trays
Miscellaneous Peripheral and I/O Devices	1 Standard Keyboard 1 Standard Mouse	1 Standard Keyboard 1 Standard Mouse
Uninterrupted Power Supply	Any generic UPS unit	APC back-up unit

### **Sybase Database Licensing Fees**

Labor Finders International provides one database license at no cost to the corporation for each StaffCom installation. If a Corporation requires additional database users licenses, Labor Finders International will provide them for a one-time fee of \$80.00 each.

This database license fee is a direct pass-through cost that we are required to pay to Sybase in order to be in compliance with their Licensing Agreement.

**Example 1: Standalone Location**

If StaffCom is installed only in one computer there is no database license fee to the Corporation.

**Example 2: Networked Location**

StaffCom is installed in one server computer and in two additional computers then the Corporation has to pay 2 database licenses (2 \* \$80.00 = \$160.00)

**Example 3: Networked Corporation**

StaffCom is installed in one server computer and in 4 additional computers then the Corporation has to pay 4 database licenses (4 \* \$80.00 = \$320.00)

**Paper forms for different printed materials**

Type	Epson - Dot Matrix Printer	Lexmark MICR-Laser Printer
<b>Work Orders</b>	StaffCom continuous form pre-printed work orders (new layout)	N/A
<b>Checks</b>	N/A	Laser form checks
<b>Invoices</b>	N/A	Generic 8 ½ x 11 laser printer paper
<b>Reports</b>	N/A	Generic 8 ½ x 11 laser printer paper
<b>W2</b>	N/A	Generic 8 ½ x 11 laser printer paper

**Notes:**

1. These hardware and software requirements are as of February, 2024.

The estimated cost to lease or purchase your computer system including maintenance and repairs ranges from \$2,000 to \$4,500. You are not required to use an electronic cash register and accordingly, no cost estimates are included for this equipment.

We will loan you one or more copies of our proprietary software "StaffCom" for which you must pay a license fee of \$125 per month per office. You may install the StaffCom software on one computer without any charges other than the monthly license fee. If you choose to install the StaffCom software on additional computers in a single office, then you must pay us a one-time security device charge of \$80 for each additional computer. (Franchise Agreement §§ 4.3 and 5.4.) We will provide you with reasonable software support by telephone during business hours without charge. (Franchise Agreement § 5.4.8.) We may provide updated versions of our software to you at no charge. You must install these upgrades within one month if no hardware upgrade is required, and within 45 business days if upgraded hardware is required. (Franchise Agreement § 5.4.7.) If we upgrade the specifications for the computer hardware system in the Operations Manual, you must upgrade your computer system at your expense. (Franchise Agreement § 5.4.1.) There are no contractual limitations on the frequency or cost of this obligation.

The computer system will be used to maintain your payroll and customer records, and collect information regarding employee earnings, and customer sales, billings and payments. We have access to this information through our server where your data will be replicated, and also through any additional reports, electronic data transfer and diskette backups you must provide to us. (Franchise Agreement § 6.12.1.) We may access any information in our software although we have no obligation to do so. Although we have the right to make consolidated information about our franchisees public, we are contractually required to keep specific information about your business confidential except as required in litigation, upon your transfer



of the franchise, by law or is disclosed only within the system with regards to sales and operational information. (Franchise Agreement § 6.12.2.)

## **Manuals**

Copies of the tables of contents of our current Operations Manual and Software Manuals are attached as Exhibit F to this Disclosure Document. The Operations Manual has approximately 169 pages and the Corporate Office Software Manual has approximately 110 pages and the Branch Office Software Manual has approximately 183 pages. The tables of contents show the number of pages devoted to each subject.

## **Site Selection**

We grant you a territory within which you must establish all your offices for your franchised business. You must locate an appropriate site for each of your offices. We do not own or lease sites and then lease or sublease them to franchisees. You should select the sites for your offices based on factors such as neighborhood, area demographics, traffic patterns, access, parking, size, layout, length of availability, and the terms and conditions of any proposed lease or purchase contract. You will work with your architect and contractor to ensure that the ordinances and codes are met. At your request, we will assist you in evaluating possible locations for your offices but we do not otherwise assist you in conforming the site to the applicable ordinances and codes or in the construction, remodeling, or decorating of your site. Currently, we do not assist you by providing you with equipment, signs, fixtures, initial inventory or supplies, nor do we deliver or install these items, although we will provide you with a list of approved suppliers and written specifications. You must notify us in advance of the location for any office you open or relocate, and of any office closing. (Franchise Agreement §§ 2.1, 5.5 and 6.4.1.)

Each office lease must provide that the landlord will give us the same notice of default that we give to you, and that we have the option of assuming the lease upon your default or upon the termination or expiration of your franchise. If the office lease does not contain these provisions, then you must amend the office lease with the lease amendment that is included as Exhibit K to this Disclosure Document. (Franchise Agreement §§ 2.1, 5.5 and 6.4.1.) If you own the site of any office, we have the option to lease it from you upon the termination or expiration of your franchise. (Franchise Agreement § 6.4.2.B.)

If you have not begun operation of your business within three months, we will have the right to terminate your Franchise Agreement without refunding your Initial Fee. (Franchise Agreement §§ 6.4 and 9.3.7.) However, this situation has never occurred.

## **Opening**

The length of time between signing the Franchise Agreement (when the Initial Fee is paid) and the opening of a franchisee's business is typically one to two months. Factors affecting this length of time may include the ability to obtain a lease, making acceptable financing arrangements, meeting local ordinances or community requirements, slow delivery of equipment or supplies, and other factors bearing on completion of construction, remodeling, decorating, purchasing and installing equipment, fixtures and signs and similar factors. You have three months from the effective date of your Franchise Agreement to commence your business. (Franchise Agreement § 6.4.)

## **Training Program**

Our initial training program as of the date of this Disclosure Document is described in the following chart:

<b>INITIAL TRAINING</b>			
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location Offered</b>
Sales, Marketing and Operations	6-8	24-32	Florida or other affiliate-owned location
Information Systems	16-24	0	Florida or other affiliate-owned location
Corporate Administration	4-8	0	Florida or other affiliate-owned location
Risk Management	4	4	Florida or other affiliate-owned location
<b>TOTAL HOURS</b>	<b>30-44</b>	<b>28-36</b>	

The classroom training will be conducted at LFI's office located at 11426 North Jog Road, Palm Beach Gardens, Florida 33418. "On the Job" training will be conducted at a location selected by LFI that will be the closest reasonably available affiliate-owned location to you. Training will be offered as needed. Each instructor has at least 5 years of experience in the subject the instructor is teaching. We will use our manuals and operating equipment as our principal instructional materials.

If you are a new franchisee, you must complete our initial training program to our satisfaction. We provide this initial training to you and one other employee at no charge. For any additional person trained in the future, we may charge you fees and expenses. Initial training is not provided free of charge when you open additional offices within your franchise territory or when existing franchisees purchase additional franchises. (Franchise Agreement §§ 5.1 and 6.2.) We do not otherwise train your employees before opening. We may provide general recommendations on hiring your employees but all recommendations are optional and we do not otherwise assist you in hiring your employees.

During initial training, you (or your employees) must pay all travel, lodging, meals and other personal expenses you or any of your employees incur, and you are responsible for any compensation or benefits due employee trainees. (Franchise Agreement § 5.1.)

We are not obligated to offer you additional training. If we offer additional training, you are not required to take it.

## **ITEM 12 TERRITORY**

### **Territory**

We will grant you a territory, usually consisting of one or more contiguous counties within a state or states. Before the execution of your Franchise Agreement, a description of the territory will be inserted in Exhibit 1 to your Franchise Agreement. You may locate and relocate

your offices, and establish any number of additional offices, at locations within your territory. You must notify us of the locations for your offices, but the locations are not subject to our approval.

You must establish all your offices within your territory. You must open your first office within three months. If you have a territory with a population greater than one million, you must also open the number of additional offices specified in the development schedule in Exhibit 1 to your Franchise Agreement. Each additional office must be opened in the general location within your territory, and within the time period, specified in the development schedule.

This requirement continues while your Franchise Agreement is in effect, and is based on the changing population of your territory in future years.

If you fail to open required offices on time, we may reduce your territory to areas within a radius around each of your open offices. If the population of your original territory was 5 million or less, the radius will be 20 miles. If the population of your original territory was more than 5 million, the radius will be 10 miles. After an area reduction, you will not be able to provide services to customers outside your reduced area, and you will not have any right to open additional offices outside your reduced area. We cannot terminate your Franchise Agreement for your failure to open required offices on time.

### **Additional Territory**

If you and LFI agree, you may be granted an additional territory in which to open offices under an Additional Territory Amendment that is included in this Disclosure Document at Exhibit L. The number of offices that you will open and continuously operate (and the dates by which the offices must be opened) will be stated in the Additional Territory Amendment. After you have opened the offices required by your development schedule, you must continue to open at least one office per year until you have at least one office open for each 500,000 in population in your territory.

If you fail to open required offices on time, we may reduce your territory to areas within a radius around each of your open offices. The territory will be reduced to an area within a 30 mile radius around each of your operating offices in the new territory but in any event, not beyond or outside of the original boundaries of the new territory. After an area reduction, you may continue to provide services to customers that were within your former territory only if you have serviced those customers within a thirty day period prior the date that we notified you of the proposed territory reduction. You will not have the right to open additional offices outside your reduced territory. We cannot terminate your Franchise Agreement for your failure to open required offices on time.

### **Solicitation of Customers**

You will not have the right to solicit customers outside of your territory and you are prohibited from soliciting sales or accepting orders from customers for work sites outside of your territory unless you obtain our prior written consent. You will not have the right to use other channels of distribution such as the Internet, catalogs, telemarketing or other direct marketing, to make sales outside of your territory unless you obtain our prior written consent. You may use marketing materials without our preapproval but you must provide us with your marketing materials upon our request. We may notify you that the marketing materials are not approved and you must cease any use of the disapproved materials.

So long as you are not in default under your Franchise Agreement, we will not solicit sales or accept orders from customers for work sites inside your territory, and we will use our best efforts to prohibit any of our affiliates or franchisees from soliciting sales or accepting orders from customers for work sites in your territory.

### **Office Locations**

You are granted an exclusive territory. So long as you are not in default under your Franchise Agreement, we will not establish, and we will not authorize our subsidiary LF Staffing or any other franchisee to establish, an office in your territory under the LABOR FINDERS trademarks or any other trademark for the purpose of providing temporary industrial workers. We have the right, however, to establish, and license others to establish, temporary personnel offices outside your territory under the LABOR FINDERS trademark or any other trademark. Our subsidiary, LF Staffing, does operate LABOR FINDERS temporary personnel offices located outside of franchisees' territories.

Your continued exclusivity in your territory is not dependent on your achieving any certain amount of sales volumes, market penetration or any other contingency but the size of your territory is dependent on your meeting certain development goals for opening offices. We cannot terminate your Franchise Agreement for your failure to open required offices on time but we can reduce the size of your territory. See information in "Territory" above in this Item.

### **Other Businesses**

We have the right to operate, and license others to operate, other types of businesses (*i.e.*, businesses other than those operating temporary industrial employment service businesses) under the LABOR FINDERS trademark or different trademarks both within and outside your territory. We have no current plans to engage in any other type of business. You have no right to a license from us or our affiliates for any of these businesses.

## **ITEM 13 TRADEMARKS**

### **Licensed Trademarks**



You have the right and obligation to use the LABOR FINDERS trademark and other marks that may be licensed to you by us in the future, only in connection with your LABOR FINDERS franchised business.

All rights and good will arising from your use of our names and trademarks accrue solely to us. Marks currently being licensed by us are LABOR FINDERS used together with LF and design, to be used solely in connection with supplying temporary industrial workers.

## Registrations

We own the following registrations on the principal register of the United States Patent and Trademark Office (“USPTO”) and have a common law trademark in the below design:



Trademark	Registration/ Serial Number	Registration Date
LABOR FINDERS (words only)	1,736,960	12/01/1992 [renewed 2012] [renewed 2022]
LF and design 	1,601,318	6/12/1990 [renewed 2010] [renewed 2020]
StaffCom	2,942,485	4/19/2005 [renewed 2015]
LF Staffing and design 	3,338,076	11/20/2007 [renewed 2017]

Franchisee locations will typically use the LABOR FINDERS and LF marks as shown above. Only locations that are operating under the LF STAFFING banner can use the LF STAFFING mark as further stated in the Manuals.

Affidavits of Use and incontestability have been filed with the USPTO with respect to Registration No. 1,736,960, Registration No. 2,527,523, Registration No. 2,942,485 and Registration No. 3,338,076 and those marks are now incontestable. The registered trademarks have also been renewed, as shown in the chart above. We anticipate that we will file all necessary renewals to maintain the above trademarks before the due date.

## Proceedings, Agreements and Infringements

There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, any court, or the trademark administrator of any state, no pending infringement, opposition or cancellation proceedings, no pending material lawsuits, and no agreements currently in effect, concerning the trademarks that could materially affect your rights. We are not

aware of any superior prior rights to, or other infringing uses of, the LFI name or marks which could materially affect your rights.

### **Protection of the Marks**

You are not required to notify us of any infringing use of our trademarks although you are encouraged to do so. We must indemnify you against all claims for trademark infringement based on your authorized use of our trademarks listed above in accordance with your Franchise Agreement and the Operations Manual. You must give us written notice of any claim against you within ten days, or any shorter period necessary to avoid prejudice. We may take whatever action we deem appropriate regarding any infringement, and have the right to control any proceedings relating to any of these claims.

### **Change of Marks**

We have the right to adopt a new or modified name or trademarks. If it becomes advisable at any time for us to modify or discontinue using any trademark or to use one or more additional or substitute trademarks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your direct expenses of changing the office signs, for any loss of revenue due to any modified or discontinued trademark, or for your expenses of promoting a modified or substitute trademark.

## **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Patents**

There are no patents material to your franchise.

### **Copyrights**

**Copyrighted Materials.** Our Operations Manual, proprietary computer software program, Software Manuals and marketing materials are protected by copyright. These copyrights have not been registered. The Franchise Agreement grants you the right to use these copyrighted materials for the term of the Franchise Agreement. If we decide to add, modify or discontinue the use of copyrighted material, then you must do so also, at your expense.

**Proceedings and Agreements.** There are no pending copyright applications relating to our copyrighted materials. There are no determinations of the Copyright Office or any court, no pending interference, opposition or cancellation proceedings, and no agreements concerning any copyrighted materials that could materially affect your rights.

**Infringements.** We have no actual knowledge of any infringing uses of our copyrights, and there is no pending litigation regarding the copyrights that could materially affect your rights.

**Protection of the Copyrights.** You are not required to notify us of any infringing use of our copyrights although you are encouraged to do so. We are not required under the franchise agreement to take any affirmative action when notified of any infringement of our copyrighted materials. We must indemnify you against all claims for copyright infringement based on your authorized use of our copyrighted materials in accordance with your Franchise Agreement and the Operations Manual. You must give us written notice of any claim against you within ten days, or any shorter period necessary to avoid prejudice. We may take whatever action we

deem appropriate regarding any infringement, and have the right to control any proceedings relating to any claim.

**Change of Copyrighted Materials.** You are required to discontinue the use of any of our copyrighted materials that we have discontinued at your own expense. If we have modified our copyrighted materials, then we will provide you with the modified materials and instructions for their use and the discontinuance of the revised materials.

### **Confidential Information**

Employee and customer information for your business will be jointly owned by you and us while your Franchise Agreement is in effect. Upon the termination or expiration of your Franchise Agreement, we will automatically become the sole owner of all employee and customer information without any payment to you.

You will be entitled to use our confidential and proprietary Operations Manual and Software Manuals, and you will have access to other confidential information, including employee and customer lists, in the conduct of your business. You must protect the confidentiality of these materials, and to prevent the wrongful disclosure or duplication of these materials and the information in them. You, and your officers, directors, owners, managers and any employee with access to confidential information, must each sign the Confidentiality and Unfair Competition Agreement attached to this Disclosure Document as Exhibit 2 to the Franchise Agreement. Exhibit 2B to the Confidentiality and Unfair Competition Agreement describes the state specific changes on the assignment of intellectual property rights.

## **ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

We strongly believe that the success of your business will depend on your personal and continued efforts, supervision and attention. If you are a corporation or other form of legal entity, you must appoint a designated representative for the entity. The designated representative must satisfactorily complete our initial training, and will be responsible for training your employees.

Each of your offices must be supervised on a day-to-day basis by an office manager. The appointment of an office manager is not subject to our approval, but you must notify us within five days of the appointment. An individual franchisee or the designated representative of a franchisee that is a corporation or other legal entity may be the office manager for one office. Office managers are not required to have an equity interest in your business.

The designated representative and each office manager must sign a Confidentiality and Unfair Competition Agreement which prohibits them and their immediate family members from having any interest in any temporary industrial employment service business that is located anywhere in the United States while they work for you, or that is located within your territory or within 20 miles of a temporary industrial employment business franchised or operated by us for two years after they no longer work for you. In certain states, the above provisions are amended to reflect state law. The Confidentiality and Unfair Competition Agreement is attached to this Disclosure Document as Exhibit 2 to the Franchise Agreement. Exhibits 2A and 2B to the Confidentiality and Unfair Competition Agreement describes any specific state changes. Exhibit 3 to the Franchise Agreement describes state specific changes to the data, confidentiality and unfair competition provisions in the Franchise Agreement.

**ITEM 16  
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You will be authorized to operate as "LABOR FINDERS." You may use only the LABOR FINDERS trademarks, and offer only temporary industrial workers. You may not conduct or advertise any other business under the trademarks licensed to you by us or the telephone numbers, business cards or other marketing materials associated with your LABOR FINDERS business.

We can change the types of workers that you may provide to your customers only with your consent, by a written amendment to your Franchise Agreement.

You are prohibited from soliciting or dealing with any customer whose worksite is located outside your territory unless you obtain the prior written consent of LFI. If your territory is reduced because you fail to open required offices on time, you may be prohibited from continuing to deal with former customers who are located outside of your reduced territory

You must maintain office hours consistent with local practices concerning business hours and holidays.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain 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. Term of franchise	3.1; Ex. 1	10 years; we have the right to extend the term by six months to match the term of one or more office leases.
b. Renewal or extension of the term	3.2	An unlimited number of successive 10-year terms; if you continue operating after the term expires, we have the right to consider your franchise renewed on a month-to-month basis until the Franchise Agreement is formally renewed or terminated.
c. Requirements for you to renew or extend	3.2	You must be in good standing, not have been repeatedly in default during the past year, have a written commitment from your landlord for at least five years; give 4-6 months' notice, and sign a general release and a new agreement.  If you wish to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your original or previous franchise agreement.
d. Termination by you	9.2, 9.6	You may not unilaterally terminate except you may terminate with notice for LFI's default after 30 days (or longer in some cases).



Provision	Section in Franchise Agreement	Summary
e. Termination by LFI without cause	Not Applicable	LFI cannot terminate without cause.
f. Termination by LFI with cause	9.3, 9.4, 9.5	Subject to state law, LFI can terminate after 10 days' notice for non-payment and after one month for any other material default.
g. "Cause" defined – defaults which can be cured	9.3	Subject to state law: non-payment; failure to submit reports; failure to maintain standards, licenses or insurance; misuse of confidential information or LFI trademarks; owner impasse, conduct jeopardizing the reputation of the system; uncured online reviews, or breaches of third party agreements. We may suspend our obligations to you until you cure the default.
h. "Cause" defined – defaults which cannot be cured	8.1.1, 9.4, 9.5	Subject to applicable law: breach of confidentiality or noncompetition, insufficient funds check, unapproved transfer, bankruptcy, abandonment, misrepresentation, 3 breaches within 12 months, criminal acts, unilateral repudiation, and uncured defaults under other agreements with LFI or its affiliates.
i. Your obligations on termination/nonrenewal	6.4.3.E, 7.3, 7.4, 9.5, 10.1	Cease use of trademarks; assign telephone numbers; pay money owed to LFI; return manuals, software, forms, and trademarked and confidential materials; permit LFI on your premises to operate the business; turn over customer and employee records; not use any trade secrets; not use any confidential materials for 4 years unless a shorter period is required by law; non-competition; certain FA obligations continue. LFI will own employee and customer data, and will have an option to acquire your assets and assume your office leases (if LFI does not, you must de-identify your offices). (See o below.) LFI may also terminate any other agreements with you or your affiliates.
j. Assignment of contract by LFI	8.7	LFI may assign to any person or entity LFI believes capable.
k. "Transfer" by you – definition	8.1, 8.5	Any transfer or pledge of FA or substantially all your business assets, or an ownership change.
l. LFI's approval of your transfer	8.1, 8.2, 8.3	Transfer to a legal entity you control pre-approved subject to certain conditions; approval of other transfers cannot be unreasonably withheld.
m. Conditions for LFI approval of transfer	8.1.2, 8.2, 8.3, 8.4	The new franchisee must be qualified, sign a new agreement, price must not be burdensome, properly disclosed, successfully complete training, and provide Guaranties and Confidentiality and Unfair Competition Agreements; you must be in good standing, pay all amounts owed to LFI and its affiliates, indemnify us for any statements you made to the new franchisee, and sign a general release (also seen below). Brokers and advertising using our trademarks must be preapproved.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
n. LFI's right of first refusal to acquire your business	8.4	LFI has one month to match any offer you receive.
o. LFI's option to purchase your business	6.4.1, 10.1.8	Upon expiration or termination of your franchise, LFI has an option to assume your office leases, and to acquire your assets for their fair market value (determined by appraisal if the parties cannot agree) less setoffs for amounts owed to LFI and its affiliates.
p. Your death or disability	8.5	Subject to acceptable temporary operating conditions, your heirs have 6 months to transfer the business (subject to the conditions in m above).
q. Non-competition covenants during the term of the franchise	7.2, 7.3, 7.4	Subject to state law, no involvement with any temporary industrial employment service business located in the U.S; no referral or promotion of other businesses at the offices, and no unauthorized use of confidential information.
r. Non-competition covenants after the franchise is terminated or expires	7.2, 7.3, 7.4	Subject to state law, no involvement with any temporary industrial employment service business located in your Territory or within 20 miles of any temporary industrial employment business operated by us or our franchisees, for 760 days; no use of confidential information; and no solicitation of customers of LFI, its affiliates or other franchisees, for 760 days; no referrals or promotion of other competing businesses at the former offices for 90 days.
s. Modification of the Agreement	1, 5.3, 6.7, 7.2.2, 11.6.1, 11.8, 11.9	Automatic conformance to state law; otherwise only by signed document except that LFI may unilaterally revise Manuals, change its marks, modify the system for material changes (including new fees) and reduce the scope of non-competition covenants.
t. Integration/merger clause	11.7	Only the terms of the Franchise Agreement (including system standards in the Manuals) are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this disclosure document should not be relied upon and may not be enforceable.
u. Dispute resolution by arbitration or mediation	11.4	Mandatory binding arbitration except for injunctive relief.
v. Choice of forum	11.6.2	Arbitration must be held in Florida; LFI may seek injunctive relief anywhere (subject to applicable state law).
w. Choice of law	11.6.1	Federal and Florida law apply (subject to applicable state law).
x. Waivers	11.10.1	Mutual waiver of punitive damages.

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote our franchises.

**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 franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that 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 this 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 franchised outlets. We also do not authorize our employees or representatives to make 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 you future income, you should report it to our management by contacting us at Labor Finders International, Inc., 11426 North Jog Road, Palm Beach Gardens, Florida 33418, Telephone: (561) 627-6507, the Federal Trade Commission and any appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary  
For years 2021 to 2023 (Note 1)**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	187	185	-2
	2022	185	184	-1
	2023	184	84	-100
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	99	+99

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Total Outlets	2021	187	185	-2
	2022	185	184	-1
	2023	184	183	-1

**Note:**

1. Numbers for each of the three years are as of December 31<sup>st</sup>. In 2023, LFI's affiliate purchased multiple locations from a franchisee. LFI also reclassified its subsidiary locations that were that are owned by LFI's affiliate, LF Staffing, Inc., to be shown as company-owned locations.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2021 to 2023 (Note 1)**

State	Year	Number of Transfers
Alabama	2021	0
	2022	0
	2023	1
Georgia	2021	0
	2022	0
	2023	1
Totals	2021	0
	2022	0
	2023	2

**Note:**

1. Numbers for each of the three years are as of December 31<sup>st</sup>.

A list of the names of all franchisees and the addresses and telephones numbers of their businesses are provided in Exhibit G to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business

terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit I to this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the franchise system.

There are no trademark-specific organizations formed by our franchisees that are associated with the system which have asked to be included in this disclosure document.

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2021 to 2023 (Notes 1 & 2)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor (Note 3)	Ceased Operations – Other Reasons	Outlets at End of the Year
Alabama	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	7	0	3
Arizona	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	1	0	0
Arkansas	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	8	0	0
California	2021	21	0	0	0	0	1	20
	2022	20	0	0	0	0	0	20
	2023	20	0	0	0	20	0	0
Colorado	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	3	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor (Note 3)	Ceased Operations – Other Reasons	Outlets at End of the Year
Florida	2021	38	0	0	0	0	1	37
	2022	37	0	0	0	0	0	37
	2023	37	0	0	0	23	0	14
Georgia	2021	22	2	0	0	0	1	23
	2022	23	0	0	0	0	0	23
	2023	23	0	0	0	2	0	21
Illinois	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
	2023	0	0	0	0	0	0	0
Indiana	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	1	0	0
Iowa	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	2	0	0
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	1	3
Louisiana	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	6	0	0
Maryland	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Minnesota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor (Note 3)	Ceased Operations – Other Reasons	Outlets at End of the Year
Mississippi	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	5	0	0
Missouri	2021	3	0	0	0	0	1	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	3	0	0
Nevada	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	2	0	0
New Mexico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	1	0	0
North Carolina	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14
	2023	14	0	0	0	14	0	0
North Dakota	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Oklahoma	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	1	4
	2023	4	0	0	0	0	0	4
South Carolina	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Tennessee	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Texas	2021	12	0	0	0	0	0	12
	2022	12	0	0	0	0	0	12
	2023	12	0	0	0	0	0	12

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor (Note 3)	Ceased Operations – Other Reasons	Outlets at End of the Year
Utah	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	1	0	1
Virginia	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Washington	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals (Note 2)	2021	187	3	0	0	0	5	185
	2022	185	1	0	0	0	2	184
	2023	184	0	0	0	99	1	84

**Notes:**

1. Numbers for each of the three years are as of December 31<sup>st</sup> for each year.
2. We established a referral program for franchisees and their employees, as well as LFI employees, subject to certain qualifications in 2008. If the referred person is a qualified candidate and executes a franchise agreement, LFI will pay the referring party (subject to meeting the qualifications) \$2,500. We reserve the right to either modify or cancel this referral program at any time.
3. In 2023, LFI's affiliate purchased multiple locations from a franchisee. LFI also reclassified locations that are owned by LFI's affiliate, LF Staffing, Inc., to be shown as company-owned locations. The results from both actions are shown in the "Reacquired by Franchisor" column. Information on the location acquired from the franchisee is shown in Exhibit H.



**Table No. 4**

**Status of Corporate/Affiliate Owned Outlets  
For years 2021-2023 (Note 1)**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of the Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired From Franchisee</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisees (Note 2)</b>	<b>Outlets at End of the Year (Note 3)</b>
Alabama	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	7	0	0	7
Arizona	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
Arkansas	2021	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2023	0	0	8	0	0	8
California	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	20	0	0	20
Colorado	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	3	0	0	3
Florida	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	23	0	0	23
Georgia	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisees (Note 2)	Outlets at End of the Year (Note 3)
	2023	0	0	2	0	0	2
Indiana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
Iowa	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	2	0	0	2
Kansas	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Louisiana	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	6	0	0	6
Mississippi	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	5	0	0	5
Missouri	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	3	0	0	3
Nevada	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	2	0	0	2
New Mexico	2021	0	0	0	0	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisees (Note 2)	Outlets at End of the Year (Note 3)
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
North Carolina	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	14	0	0	14
Utah	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	1	0	0	1
TOTALS	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	99	0	0	99

**Notes:**

1. All numbers are as of December 31<sup>st</sup> for each year.
2. In 2023, LFI purchased the assets of one franchisee which operated multiple locations under different entities and also reclassified locations operated by LF Staffing Services, Inc. as company owned locations.
3. This is the total number of Corporate/Affiliate Owned Stores at the end of 2023.

**Table No. 5**

**Projected Openings as Of December 31, 2023**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year (Note 1)
	0	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year (Note 1)
Totals	0	0	0

Note 1: No openings are currently projected for 2024.

**ITEM 21  
FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit I are the comparative audited consolidated financial statements of LFI and its subsidiary LF Staffing for the years ended December 31, 2023 and 2022 and for the years ended December 31, 2022 and 2021.

**ITEM 22  
CONTRACTS**

Attached as Exhibit C to this Disclosure Document is a copy of the LFI Franchise Agreement and its Exhibits:

- Exhibit 1 - Terms
- Exhibit 2A - Confidentiality and Unfair Competition Agreement
- Exhibit 2B - State Required Notices Regarding Assignment of Intellectual Property
- Exhibit 3 - Specific Terms for Franchisees regarding Section 7 Data, Confidentiality and Unfair Competition Agreement
- Exhibit 4 - UCC-1 Financing Statement
- Exhibit 5 - Ohio Notice of Cancellation

Copies of the following payroll funding loan documents are attached as Exhibit D to this Disclosure Document:

- Payroll Funding and Support Services Agreement
- Security Agreement (Payroll Funding Loan)
- Guaranty (Payroll Funding Loan)
- Financing Statement

Copies of the following working capital loan documents are attached as Exhibit E to this Disclosure Document:

- Loan Agreement and Release (Working Capital Loan)
- Promissory Note (Working Capital Loan)
- Security Agreement (Working Capital Loan)
- Guaranty (Working Capital Loan)
- Financing Statement

Attached as Exhibit K to this Disclosure Document is a copy of the Lease Amendment that you must sign if you are leasing your office location and your office lease does not provide that the landlord will give us the same notice of default that it gives to you, and that we have the option of assuming the lease upon your default or upon the termination or expiration of your franchise. The Additional Territory Amendment that you may sign for additional territories is attached at Exhibit L.

### **ITEM 23 RECEIPTS**

The last two pages contain detachable documents acknowledging your receipt of this disclosure document.

**EXHIBIT A  
STATE AGENCIES EXHIBIT**

California	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation  320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344 866/275-2677  2101 Arena Boulevard Sacramento, California 95834 866/275-2677  1455 Frazee Road, Suite 315 San Diego, California 921018 866/275-2677  One Sansome Street, #600 San Francisco, California 94104-4428 866/275-2677
Connecticut	Connecticut Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 860/240-8295
Florida	Department of Agriculture and Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, Florida 32399-6500 800/424-7352
Hawaii	Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 808/586-2722
Illinois	Illinois Attorney General, Franchise Division 500 South Second Street Springfield, Illinois 62701 217/782-4465 or 217/782-4462
Indiana	Indiana Secretary of State 302 West Washington Street, Room E-111 Indianapolis, Indiana 46204 317/232-6681
Iowa	Iowa Securities Bureau 340 E. Maple Street Des Moines, Iowa 50319-0066 515/281-4441

Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 410/576-7786
Michigan	Attn: Franchise Consumer Protection 525 West Ottawa Street G. Mennen Williams Building, 1 <sup>st</sup> Floor Lansing, Michigan 48913 517/373-7117
Minnesota	Minnesota Department of Commerce Securities Section 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101 651/539-1600
Nebraska	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 402/471-2171
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> Floor New York, New York 10005 212/416-8236
North Dakota	North Dakota Securities Department State Capitol, 14 <sup>th</sup> Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 701/328-4712
Oregon	Department of Consumer and Business Services 350 Winter Street NE, Suite 410 P.O. Box 14480 Labor and Industries Building Salem, Oregon 97509 503/378-4100
Rhode Island	Rhode Island-DBR-Securities Division 1511 Pontiac Avenue - Building 69-1 Cranston, RI 02920 401/462-9527

South Dakota	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, SD 57501 605/773-3563
Texas	Secretary of State James Earl Rudder Office Building 1019 Brazos Street [Zip 78701] P. O. Box 13193 Austin, Texas 78711-3193 512/475-0775
Utah	Department of Commerce State of Utah Department of Commerce P.O. Box 8414-6704 Salt Lake City, Utah 84114-6704 801/530-6601
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 804/371-9051
Washington	Department of Financial Institutions P. O. Box 41200 Olympia, Washington 98504-1200 360/902-8760
Wisconsin	Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 608/266-0448



**EXHIBIT B**  
**STATE LAW ADDENDUM**

**IN CERTAIN STATES FRANCHISEES ARE PROTECTED BY SPECIFIC LAWS. THESE STATE LAWS ARE REFERENCED AND SUMMARIZED IN THIS EXHIBIT. IF THE LAWS OF A PARTICULAR STATE GOVERN YOUR FRANCHISE, ITS STATUTES AND REGULATIONS AUTOMATICALLY APPLY TO YOUR FRANCHISE, AND AMEND BOTH YOUR AGREEMENTS WITH THE FRANCHISOR AND THIS DISCLOSURE DOCUMENT INCLUDING THE DOCUMENTS WHICH ARE ATTACHED AS EXHIBITS TO THIS DISCLOSURE DOCUMENT, INCLUDING ANY CONFIRMATION OF SALES PROCEDURES), UNLESS A PARTICULAR STATE LAW IS UNENFORCEABLE BECAUSE IT CONFLICTS WITH FEDERAL LAW AND IS PREEMPTED.**

**ALL STATES**  
**(EXCEPT CALIFORNIA)**

**Bankruptcy Disclosure**

A franchisor is required to state in Item 4 of the Disclosure Document whether the franchisor, its affiliate, its predecessor, officers or general partners during the ten year period immediately before the date of the Disclosure Document: (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 Bankruptcy Code during or within one year after the officer or general partner held his position in the company or partnership. If so, the franchisor must disclose the name of the person or company that was the debtor under the Bankruptcy Code, the date of the action and the material facts.

**Choice of Law and Forum**

Certain states have statutes and court decisions that may supersede provisions of the franchise agreement that require the application of laws of states other than the franchisee's state or require litigation in a state other than the franchisee's state. However, some of these state laws may be unenforceable under the Federal Arbitration Act, 9 U.S.C. §§ 1-16, which pre-empts conflicting state law.

**Covenants Not To Compete**

Certain states have statutes (cited below) that may limit the franchisor's ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting the franchisor's ability to restrict your activity after the franchise agreement has ended.

### **Federal Arbitration Act**

Certain state laws prohibiting or restricting arbitration agreements may be unenforceable under the Federal Arbitration Act, 9 U.S.C. §§ 1-16, which pre-empts conflicting state law.

### **Federal Bankruptcy Law**

A provision in the franchise agreement that terminates the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law, Title 11, United States Code, Section 101 *et seq.*

### **Liquidated Damages**

Certain states have statutes (cited below) that may restrict or prohibit the imposition of liquidated damage provisions. The imposition of liquidated damages is also restricted by fair practice laws, contract law and state and federal court decisions.

### **Litigation Disclosure**

A franchisor is required to disclose in Item 3 of the Disclosure Document whether the franchisor, its predecessor, a person identified in Item 2 of the Disclosure Document, or an affiliate offering franchises under the franchisor's principal trademark:

- A. Has an administrative, criminal or material civil action pending against that person alleging a violation of a franchise, antitrust or securities law, fraud, unfair or deceptive practices, or comparable allegations. In addition, the franchisor must include actions other than ordinary routine litigation incidental to the business which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations. If so, the franchisor must disclose the names of the parties, the forum, nature, and current status of the pending action. The franchisor may include a summary opinion of counsel concerning the action if a consent to use of the summary opinion is included as part of the Disclosure Document.
- B. Has during the ten year period immediately before the date of the Disclosure Document been convicted of a felony or pleaded *nolo contendere* to a felony charge; or been held liable in a civil action by final judgment or been the subject of a material action involving violation of a franchise, antitrust or securities law, fraud, unfair or deceptive practices, or comparable allegations. If so, the franchisor must disclose the names of the parties, the forum and date of conviction or date judgment was entered, penalty or damages assessed and/or terms of settlements.
- C. 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. If so, the franchisor must disclose the name of the person, the public agency and court, a summary of the allegations or facts found by the agency or court and the date, nature, terms and conditions of the order or decree.

## **Relationship Statutes and Court Decisions**

Certain states have statutes (cited below), and those states and others may have court cases, which may govern your relationship with the franchisor and supersede the terms of your franchise agreement, including the areas of choice of law, choice of forum, waivers, releases, periods of limitation, transfer, termination and renewal of your franchise.

### **ALASKA**

ALASKA STAT. §§ 45.45.700 to .790.

### **ARKANSAS**

Franchise Practices Act, ARK. CODE ANN. §§ 4-72-201 to -210.

### **CALIFORNIA**

Franchise Investment Law, CAL. CORP. CODE §§ 31000-31516.  
Franchise Relations Act, CAL. BUS. & PROF. CODE §§ 20000-20043.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

## **Litigation Disclosure**

a. The franchisor, any person or franchise broker in Item 2 of the FDD is not 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 persons from membership in such association or exchange.

## **Termination and Nonrenewal**

b. California Business and Professions Code 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

## **Bankruptcy Disclosure**

c. 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.).

## **Covenants Not to Compete**

d. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

## **Liquidated Damages**

e. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

### **Arbitration**

f. The franchise agreement requires binding arbitration. The arbitration will occur at the site indicated on the state cover page of the Disclosure Document, with the costs to be borne by the losing party. Prospective franchisees are encouraged to consult private 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 a franchise agreement restricting venue to a forum outside the State of California.

### **Choice of Law and Forum**

g. The franchise agreement requires application of the laws of the jurisdiction stated on the cover page of the Disclosure Document. This provision may not be enforceable under California law.

### **Modification of Existing Franchise**

h. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

### **Waivers and Releases**

i. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

j. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Financial Performance Representations**

k. The financial performance representation figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

### **Exemption for Internet Advertisement**

l. The California Franchise Investment Law provides that internet advertisements may be exempt from the requirements of Corp. Code § 31156 for filing advertisements with the Commissioner, provided that the franchisor meets all of the requirements under Corp. Code § 310156.3.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

### **Food Service Regulations**

- m. The State of California has codified regulations specific to the food service industry which may be applicable to you. You may refer to California Plan Check Guide for Retail Food Facilities at <http://www.ccdeh.com/resources/documents/food-safety-guidelines-1/152-california-plan-check-guide-for-retail-food-facilities-2/file>. For further requirements, please see the California Retail Food Code at <http://www.cdph.ca.gov/services/Documents/fdbRFC.pdf>.

### **Interest Rate**

- n. The maximum interest rate allowed the State of California is 10%.

### **CONNECTICUT**

Franchises, CONN. GEN. STAT. §§ 42-133e to -133h.

### **DELAWARE**

Franchise Security Law, DEL. CODE ANN. tit. 6, §§ 2551-2556.

### **FLORIDA**

### **Covenants Not To Compete**

FLA. STAT. § 542.335.

### **HAWAII**

Franchise Investment Law, HAW. REV. STAT. §§ 482E-1 to -12.  
Franchise Rights and Prohibitions, HAW. REV. STAT. § 482E-6.

### **Waivers and Releases**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **ILLINOIS**

Illinois Franchise Disclosure Act (815 ILCS 705/1 et seq.)

### **Choice of Law and Forum**

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, arbitration may occur outside of Illinois. 815 ILCS 705/4 (West 2014).

### **Waivers and Releases**

Section 41 of the Illinois Franchise Disclosure Act provides that 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. 815 ILCS 705/41 (West 2014).

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **Termination and Nonrenewal**

Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act. 815 ILCS 705/19, 20 (West 2014).

## **INDIANA**

Franchises, IND. CODE tit. 23, art. 2, ch. 2.5, §§ 1-51.  
Deceptive Franchise Practices, IND. CODE tit. 23, art. 2, ch. 2.7, §§ 1-7.

### **Choice of Law and Forum**

A franchise agreement requiring resolution of disputes in a forum other than Indiana is not enforceable. CODE § 23-2-2.7-1(10). Additionally, a franchise agreement requiring application of the laws of a jurisdiction other than Indiana is subject to any superseding provisions in Sections 23-2-2.5 and 23-2-2.7 of the Code. The risk factor statements on the Disclosure Document cover page indicating that disputes must be resolved in a state other than Indiana, and that the laws of a state other than Indiana apply, do not apply in Indiana.

### **Covenants Not To Compete**

A franchisor cannot require a franchisee to covenant not to compete with the franchisor for more than three years after the termination or nonrenewal of a franchise, or in an area greater than the franchisee's exclusive area, or if the franchisee has no exclusive area, in more than a reasonable area. CODE § 23-2-2.7-1(9). Under Indiana law, a franchisee may not be liable for violations of covenants against competition by third parties.

## **Indemnification**

To the extent required by Indiana law, a franchisee need not provide any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or material provided by the franchisor or by the franchisor's negligence.

## **Periods of Limitation**

Under Code § 23-2-2.5-30, an action must be brought within three years after the franchisee's discovery of the facts of a violation and, under Code § 23-2-2.7-7, within two years after the date of a violation.

## **Territories**

A franchisor may not establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted to the franchisee by the franchise agreement; or, if no exclusive territory is designated, the franchisor may not compete unfairly with the franchisee within a reasonable area. CODE §§ 23-2-2.7-1(2) and 23-2-2.7-2(4).

## **Waivers and Releases**

Code § 23-2-2.7-1(10) prohibits any limitation on litigation for breach of a franchise agreement, such as a reservation of rights to injunctive relief, liquidated damages or any other limitation on damages or remedies. A franchisee may not be required to recognize irreparable harm. Indiana law prohibits requiring a franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to release any person from liability imposed by Indiana franchise laws.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **IOWA**

Franchises, IOWA CODE §§ 523H.1 to .17.  
Franchise Agreements, IOWA CODE § 537A.10.

## **Transfer**

A franchisor may require the following conditions to transfer: (1) that transferee successfully completes training; (2) payment of a transfer fee to reimburse the franchisor for the franchisor's actual expenses directly attributable to the transfer; (3) that franchisee payor makes provision acceptable to the franchisor to pay any amount due the franchisor or its affiliate; (4) that financial terms of the transfer comply at the time of the transfer with the franchisor's current financial requirements for franchisees. Code §§ 537A.10(5)(c)(1 to 4). Under Code § 537A.10(5)(e), a transfer by a franchisee is deemed to be approved 60 days after the franchisee submits the request for consent to the transfer, unless the franchisor withholds consent to the transfer in writing, specifying the reason(s) for

withholding consent. The written notice must be delivered to the franchisee prior to the expiration of the sixty-day period. Any such notice is privileged and is not actionable based upon a claim of defamation.

### **Termination**

A franchisor shall not terminate a franchise prior to the expiration of its term except for good cause. Code § 537A.10(7)(a).

### **Nonrenewal**

A franchisor shall not refuse to renew a franchise unless the franchisee has been notified of the franchisor's intent not to renew at least six months prior to the expiration date or any extension of the franchise agreement and other state specific conditions are satisfied regarding good cause. Code. § 537A.10(8)(a)(1).

### **Waivers and Releases**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MARYLAND**

Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. §§ 14-201 to -233.  
Fair Distributorship Act, MD. CODE ANN., COM. LAW II §§ 11-1301 to -1307.

### **Choice of Law and Forum**

Section 14-216(c)(25) of the Maryland Franchise Law requires a franchisor to file an irrevocable consent to be sued in Maryland. A franchisee may sue in Maryland for claims arising under that Law.

### **Periods of Limitation**

Under Section 14-227(e) of the Maryland Franchise Law, a franchisee may bring a lawsuit in Maryland for claims arising under that Law for a period of three years after a franchise is granted.

### **Waivers and Releases**

Section 14-226 of the Maryland Franchise Law and Section 02.02.08.16L of the Code of Maryland Regulations prohibit a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing, renewing or assigning a franchise. 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. When prospective franchisees disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland



Law when purchasing a franchise, such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Law. Any general release required as a condition of renewal, sale, transfer or assignment shall not apply to any liability under the Law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MICHIGAN**

Franchise Investment Law, MICH. COMP. LAWS §§ 445.1501 to .1546.

### **Arbitration**

Any provision requiring that arbitration or litigation be conducted outside of Michigan is void and unenforceable. A franchisee may enter into an agreement, at the time of arbitration, to conduct arbitration at a location outside of Michigan. LAWS § 445.1527(f).

### **Covenants Not To Compete**

LAWS §§ 445.771 *et seq.*

### **Franchisee Associations**

Provisions prohibiting franchisees from joining franchisee associations are void and unenforceable. LAWS § 445.1527(27)(a).

### **Relationship Laws**

Any provision allowing a franchisor to terminate a franchise prior to the expiration of its term except for good cause is void and unenforceable. Good cause includes the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice and a reasonable opportunity, which need not be more than 30 days, to cure the failure. LAWS § 445.1527(27)(c).

Any provision that allows 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 is void and unenforceable. Personalized materials which 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 provision of the law applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by an agreement from continuing to conduct substantially the same business under another trademark or name in the same area after the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise. LAWS § 445.1527(27)(d).

Any provision allowing the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances is void and unenforceable. A renewal provision is not required. LAWS § 445.1527(27)(e).

Any provision that allows the franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause, is void and unenforceable. Good cause includes: (i) the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards, (ii) the fact that the proposed transferee is a competitor of the franchisor, (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations, and (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer. LAWS § 445.1527(27)(g).

Any provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor is void and unenforceable. The law does not prohibit provisions allowing a franchisor to exercise 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, or allowing a franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in Section 445.1527(27)(c) of the Law. LAWS § 445.1527(27)(h).

Any provision that permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee is void and unenforceable unless provision has been made for providing the required contractual services. LAWS § 445.1527(27)(i).

### **Waivers and Releases**

A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives the franchisee of rights under the Law is void and unenforceable, but the settlement of disputes is not prohibited. LAWS § 445.1527(27)(b).

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MINNESOTA**

Franchises, MINN. STAT. §§ 80C.01 to .30.

### **Choice of Law and Forum**

Nothing in the franchise agreement shall in any way abrogate or reduce any rights of the franchisee as provided for in Chapter 80C of the Statutes. STATUTES § 80C.21 and MINN. R. 2860.4400J. A risk factor statement on the Disclosure Document cover page that a franchisee must litigate in a state other than Minnesota does not apply in Minnesota.

### **Liquidated Damages**

Liquidated damage provisions are void. MINN. R. 2860.4400J.

### **Period of Limitation**

An action for a violation of Chapter 80C of the Statutes may not be commenced more than three years after the cause of action accrues. STATUTES § 80C.17(5).

### **Relationship Laws**

Except in certain specified cases, a franchisee must be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. STATUTES § 80C.14(3)-(5).

Any termination penalty provision is void. MINN. R. 2860.4400J.

### **Trademarks**

The Commissioner has determined that it is unfair for the franchisor not to protect the franchisee's right 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 name within the intent of Section 80C.12(1g) of the Minnesota Statutes.

### **Waivers and Releases**

A franchisee cannot assent to a release, assignment, novation or waiver of liability imposed by Minnesota law, waive rights to a jury trial or to any procedure, forum, or remedies provided by the laws of Minnesota, or consent to the franchisor obtaining injunctive relief, but the voluntary settlement of disputes is not prohibited. STATUTES § 80C.21 and MINN. R. 2860.4400D and .4400J.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **MISSISSIPPI**

Franchises, MISS. CODE ANN. §§ 75-24-51 to -63.

### **MISSOURI**

Franchises, MO. REV. STAT. §§ 407.400 to .420.

### **NEBRASKA**

Franchise Practices Act, NEB. REV. STAT. §§ 87-401 to -410.

## **NEW JERSEY**

Franchise Practices Act, N.J. REV. STAT. §§ 56:10-1 to -12.

## **NEW YORK**

Franchises, N.Y. GEN. BUS. LAW §§ 680-695.

### **Bankruptcy Disclosure**

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular has: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

### **Choice of Law and Forum**

The franchise agreement has been made and accepted in the state listed on the cover page of the Franchise Disclosure Documents and it will be interpreted in accordance with and governed by the laws of that state and any applicable federal and state franchise laws. You hereby consent to jurisdiction in that state. However, 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.

### **Litigation Disclosure**

In addition to the general litigation disclosure requirements applicable to all states, as described above, New York requires the disclosure of all pending actions alleging a felony or misdemeanor; all felony convictions; any misdemeanor conviction within the past ten years; any currently effective order of any national securities association or exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership; and any currently effective injunction or order relating to business activity as a result of an action brought by a public agency, including actions affecting a license as a real estate broker or sales agent. LAW § 683.2(e) and N.Y. COMP. CODES R. & REGS. tit. 13, § 200.2.

### **Termination and Nonrenewal**

You may terminate the franchise agreement on any grounds available by law.

### **Litigation Disclosure**

In addition to the general litigation disclosure requirements applicable to all states, as described above, New York requires the disclosure of all pending actions alleging a felony or misdemeanor; all felony convictions; any misdemeanor conviction within the past ten years; any currently effective order of any national securities association or exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership; and any currently effective injunction or order relating to business activity as a result of an action brought by a public agency, including actions affecting a

license as a real estate broker or sales agent. LAW § 683.2(e) and N.Y. COMP. CODES R. & REGS. tit. 13, § 200.2.

### **Waivers and Releases**

All rights enjoyed by the franchisee and any causes of action arising in its favor from the provisions of the General Business Law of the State of New York and the regulations thereunder shall remain in force; it being the extent of this proviso that the non-waiver provisions of Sections 687.4 and 687.5 of the Law be satisfied.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

### **NORTH DAKOTA**

Franchise Investment Law, N.D. CENT. CODE §§ 51-19-01 to -17.

### **Arbitration**

The Commissioner has determined that franchise agreements which provide that the parties agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business are unfair, unjust or inequitable within the intent of Section 51-19-09(i) of the Law.

### **Choice of Law and Forum**

The Commissioner has determined that franchise agreements which provide that the parties agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business, or which require franchisees to consent to the jurisdiction of courts outside of North Dakota, or which specify that the parties are to be governed by the laws of a state other than North Dakota, are unfair, unjust or inequitable within the intent of Section 51-19-09(i) of the Law.

### **Covenants Not To Compete**

N.D. CENT. CODE § 9-08-06. Covenants not to compete may not be enforceable in North Dakota. The Commissioner has determined that covenants restricting competition contrary to Section 9-08-06 of the Law, without further disclosing that such covenants may be subject to this Law, are unfair, unjust, or inequitable within the intent of the Section 51-19-09(i) of the Law.

### **Liquidated Damages**

The Commissioner has determined that liquidated damages provisions are unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

### **Termination**

The Commissioner has determined that provisions consenting to termination are unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

### **Periods of Limitation**

The Commissioner has determined that requiring a franchise to consent to limit its claims to those that are brought within a certain time frame is unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

### **Waivers and Releases**

The Commissioner has determined that requiring a franchisee to consent to a waiver of trial by jury, or to consent to a waiver of exemplary and/or punitive damages, is unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **OKLAHOMA**

### **Covenants Not To Compete**

OKLA. STAT. § 15-217-19.

## **OREGON**

Franchise Transactions, OR. REV. STAT. §§ 650.005 to .085.

## **RHODE ISLAND**

Franchise Investment Act, R.I. GEN. LAWS §§ 19-28.1-1 to 19-28.1-34.

### **Choice of Law and Forum**

A provision in a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act. LAWS § 19-28.1-14.

### **Waivers and Releases**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **SOUTH DAKOTA**

Franchise Investment, S.D. CODIFIED LAWS §§ 37-5B-1 to -53.

### **Arbitration**

A written provision in a franchise contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of the contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of the contract, transaction, or refusal, is valid, irrevocable, and enforceable except upon such grounds as exist at law or in equity for the revocation of any contract. However, any condition, stipulation, or provision requiring a franchisee to waive compliance with or relieving a person of a duty or liability imposed by or a right provided by this chapter or a rule or order under this chapter is void. S.D. CODIFIED LAWS § 53-5B-21.

### **Liquidated Damages**

Liquidated damage provisions are void. S.D. CODIFIED LAWS § 53-9-5.

### **Waivers and Releases**

No person may, directly or indirectly, in connection with the offer or sale of a franchise disclaim or require a prospective franchisee to waive reliance on any representation made in the disclosure document or in its exhibits or amendments. However, this provision is not intended to prevent a prospective franchisee from voluntarily waiving specific contractual terms and conditions set forth in his or her disclosure document during the course of franchise sale negotiations S.D. CODIFIED LAWS § 53-5B-26(8).

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **VIRGINIA**

Retail Franchising Act, VA. CODE ANN. §§ 13.1-557 to -574.

### **Relationship Laws**

Any “cross-default” provision in a franchise agreement in which a default by a franchisee on one agreement will cause a default in any other agreements with the franchisor is not enforceable when applied to a franchisee in Virginia because Virginia law prohibits any provision that allows a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision in the franchise. § 13.1-564.

### **Waivers and Releases**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i)

waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **WASHINGTON**

Franchise Investment Protection Act, WASH. REV. CODE §§ 19.100.010 to .940.

### **Arbitration**

In any arbitration involving a franchise governed by Washington law, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. Interpretive Statement No. FIS-4.

### **Choice of Law and Forum**

In the event of a conflict of laws, the provisions of Chapter 19.100 of the Act shall prevail. Policy Statement No. FPS-1.

### **Covenants Not To Compete**

Every contract, combination, in form of trust or otherwise, or conspiracy in restraint of trade or commerce is hereby declared unlawful. Washington Revised Code §19.86.030

### **Termination and Renewal**

Section 19.100.180 of the Act and court decisions may govern the relationship between the franchisor and the franchisee and supersede the terms of the franchise agreement, including provisions relating to the termination and renewal of the franchise agreement.

### **Transfer Fees**

A franchisor may collect transfer fees to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer. Interpretive Statement No. FIS-2.

### **Waivers and Releases**

A release or waiver of rights by a franchisee shall not include rights under the Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel. CODE § 19.100.220(2). Provisions 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.

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## **WISCONSIN**

Franchise Investment Law, WIS. STAT. §§ 553.01 to .78.  
Fair Dealership Law, WIS. STAT. §§ 135.01 to .07.

### **Relationship Laws**

To the extent any provisions of the franchise agreement regarding notice of termination or a change in the franchise agreement conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law will apply.

### **Waivers and Releases**

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **PUERTO RICO**

Dealers' Contracts, P.R. LAWS ANN. tit. 10, §§ 278-278d.

## **VIRGIN ISLANDS**

Franchised Business, V.I. CODE ANN. tit. 12A, §§ 130-139.

IN WITNESS WHEREOF the parties have signed this State Law Addendum as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**FRANCHISEE**  
[use for a corporation, partnership, limited liability company, trust, or other form of entity]:

**FRANCHISEE**  
[use for a sole proprietorship or ownership by multiple individuals]:

\_\_\_\_\_  
(Full Legal Name of Entity)

\_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Type or Print Name)

\_\_\_\_\_  
(Type or Print Name)

\_\_\_\_\_  
(Signature)

Its: \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Type or Print Name)

**FRANCHISOR:**

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Type or Print Name)

Its: \_\_\_\_\_

**EXHIBIT C**

**LABOR FINDERS INTERNATIONAL, INC.  
FRANCHISE AGREEMENT**

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## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "**Agreement**") is made and entered into by and between Labor Finders International, Inc. (the "**Franchisor**") and the undersigned, whose full name and address is described in Exhibit "1" (the "**Franchisee**").

To simplify the language in this Franchise Agreement, "LFI," "we," "us" or "our" means Labor Finders International, Inc., the Franchisor. "You" or "Your" means the Franchisee. If the Franchisee is a partnership, corporation or other legal entity, "you" sometimes includes the franchisee's officers, directors, owners, shareholders or partners individually.

### RECITALS

**A.** We have expended time, skill, money and effort to develop a system for recruiting and supplying temporary industrial personnel, which system incorporates certain forms, advertising formats, computer software, service methods, trade secrets, processes, promotional plans, market research methods, record and bookkeeping methods, procedures and policies (the "**System**").

**B.** We have also expended time, skill, money and effort in publicizing the System and the services offered under the System. We have developed and will continue to develop valuable good will in the service marks and trade names used in the System, and may develop or acquire other service marks, trademarks, trade names, logos, signs, symbols, emblems, designs, trade dresses, color schemes and slogans for use under the System, all of which are or will be our sole property.

**C.** We franchise others to use the System and its service marks, and you desire to establish and operate a business under the System and our service marks.

In consideration of the recitals above, which are acknowledged and incorporated into this Agreement by the parties, and the promises and mutual covenants below, you and LFI agree as follows:

**1. GRANT OF FRANCHISE.** Subject to the terms and conditions of this Agreement, we grant to you the franchise, and you undertake the duty, to use the System and the service marks and trade name "LABOR FINDERS," "LF" and design, and "LABOR FINDERS" and design, together with other service marks, trademarks, trade names, logos, signs, symbols, emblems, designs, trade dress, color schemes and slogans which we may develop or acquire and designate for use by you in the future (collectively, the "**Marks**"), in the establishment and operation of a temporary industrial employment service business (the "**Franchised Business**") in the Territory (as defined in Section 2.1) solely in connection with supplying individuals or groups as temporary industrial personnel (the "**Franchise**").

**2. TERRITORY.**

**2.1. Designation.** You will have the right to establish one or more offices and to market and supply staffing services solely in the territory described in Section 2.1 of Exhibit "1" (the "**Territory**"), subject to the provisions of Section 2.3.

**2.2. Restrictions on Franchisor.**

**2.2.1. Offices.** We agree that, if you are not in Default (as defined in Section 9.1), we will not nor will any person or entity licensed or franchised by us be authorized to establish an office within the Territory for the purpose of conducting the same business as yours. We may, however, establish or license or franchise others to establish an office outside the Territory for the purpose of conducting the same business as yours. We have the right to place offices outside of the Territory even if the offices have a negative effect on your sales or an effect on competition.

**2.2.2. Customer Services.** We agree that, if you are not in Default under this Agreement, we will not solicit sales nor accept orders from customers for worksites inside your Territory. We will also use our best commercially reasonable efforts to prohibit any entity controlled by, controlling, or under common control with us (a "**Franchisor Affiliate**"), and any person or entity licensed or franchised by us, from soliciting sales or accepting orders from customers for worksites inside your Territory.

**2.2.3. Franchisor's Reserved Rights.** You will have no claim, option or other right under this Agreement to any franchise for any other area, or to a license for the use of other marks for other business purposes either outside or within the Territory. We will have the right in our sole discretion to grant others licenses and/or to conduct and operate businesses ourselves.

**2.3. Franchisee's Development Obligations.**

**2.3.1. Development Requirements.** You must establish and maintain in the Territory, at locations reasonably distributed throughout the Territory and mutually agreed upon by you and LFI, at least one Franchise office that actively services customers for each five hundred thousand (500,000) persons residing in the Territory, to be opened on the schedule included in this Section 2.3.1 ("**Penetration Goal**"). The parties agree that the current population of the Territory is as stated in Section 2.3.1 of Exhibit "1." You agree to open and continue to operate the number of offices, in the general locations and within the time periods, as specified in the chart in Section 2.3.1 of Exhibit "1." If necessary because of population growth, you must continue to operate and establish additional offices at a rate of at least one additional office each year so as to have one office for each five hundred thousand (500,000) persons residing in the Territory based on the then current population of the Territory. If you close a Franchise office, then to meet your Penetration Goal, you must open another Franchise office that actively services customers as a replacement office as well as opening the additional Franchise offices that you are required to open under this Section. You may, at your option, without paying any additional Initial Fee, also open one or more additional offices in the Territory beyond the number of offices necessary to meet your Penetration Goal.

**2.3.2. Failure to Meet Penetration Goal.**

**A. Territory Reduction.** If you fail to meet your Penetration Goal, we may reduce the Territory one month after giving you notice of the proposed reduction if you do not meet the Penetration Goal within the one month period. Upon this reduction, your Territory will be reduced to an area (the "**Reduced Territory**"): (i) within a twenty mile radius around each of your operating Franchise offices that actively services customers if the original Territory had a population of five million (5,000,000) or less; or (ii) within a ten mile radius around each of your operating Franchise offices that actively services customers if the original Territory had a population of more than five million (5,000,000), but in any event not beyond or outside of your original Territory.

**B. Additional Offices.** If you fail to meet your Penetration Goal and the Territory is reduced, you will have no rights outside of the Reduced Territory, including no automatic right, or right of first refusal, to open additional offices outside of the Reduced Territory. We may at any time, ourself or through other franchisees, without notice to you, establish additional offices in the relinquished Territory, but not within the Reduced Territory. You may request that we grant you the right to open one or more additional offices outside of the Reduced Territory (each of which would have a Territory with the same mileage radius protection as provided in Paragraph A above), but we may refuse to grant this right to you in our sole and absolute discretion.

**C. Customer Servicing.** If you fail to meet your Penetration Goal and the Territory is reduced, you may not service customers located outside of the Reduced Territory. We will not solicit sales or accept orders from customers for worksites inside your Reduced Territory.

**D. Effect on Agreement.** Your failure to meet the Penetration Goal will not be deemed a default under Article 9 or give rise to any remedy other than as described in this Section

2.3.2. After any reduction of Territory as provided in Paragraph A, all references to "**Territory**" in this Agreement will refer to the "**Reduced Territory**".

### **3. TERM AND RENEWAL.**

**3.1. Initial Term.** The Franchise will commence on the date specified in Section 3.1 of Exhibit "1" to this Agreement, and will continue for an initial term of ten years unless sooner terminated as provided in Article 9. We have the right but not the obligation to extend the term for up to six months to account for the term of one or more office leases held by Franchisee. If you continue to operate after the expiration of the term of this Agreement, we may, at our option, consider the Agreement to be renewed on a month-to-month basis until the all the conditions in Section 3.2 below are met or until the Agreement is terminated. Franchisee agrees to sign any and all documents necessary to enforce the provisions of Article 10 as required by the Franchisor or this Agreement. Any continuance of business relations between LFI and you after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal, or extension of the Agreement (except for the limited circumstances stated above) unless you and LFI agree in writing to such reinstatement, renewal, or extension.

**3.2. Renewals.** You will have the option to renew this Agreement (a "**Renewal**") for an unlimited number of successive ten year terms (each period being a "**Renewal Term**"), provided that all of the following conditions are met:

**3.2.1. Notice.** You must give us written notice of your intention to renew not less than four months nor more than six months before the end of the then current term.

**3.2.2. Debts Paid.** All monetary obligations owed to us and/or our Affiliates by you and/or any entity controlled by, controlling, or under common control with you (a "**Franchisee Affiliate**") must be satisfied.

**3.2.3. Release.** You must sign a general release that is satisfactory to us, of any and all claims against us and our Affiliates, and all officers, directors, shareholders, employees, and agents, in their corporate and individual capacities, except any claims arising under any applicable state franchise disclosure or relationship laws.

**3.2.4. New Contract.** At least two months before the expiration of the then current term, you must sign the then current standard form of franchise agreement being used by us, which may contain terms and conditions substantially different from those in this Agreement, including different obligations regarding fees, royalty payments, territories, development obligations, and future renewal rights. You agree that your failure to sign the then current standard form of franchise agreement is good cause for our refusal to renew your franchise.

**3.2.5. Refusal to Renewal.** We can refuse to renew your franchise if you are in Default, have been in Repeated Default (as defined in Section 9.4(h)) during the twelve month period immediately preceding notice of renewal, or do not have a written commitment for the renewal of or a new lease for a period of at least five years from at least one current operating office in your Territory.

**3.2.6. No Renewal Fee.** You will not pay any renewal or initial fees upon renewal.

### **4. PAYMENTS.**

**4.1. Initial Fee.** Upon the signing of this Agreement, you must pay us the "**Initial Fee**" specified in Section 4.1 of Exhibit "1." You acknowledge that the Initial Fee will be nonrefundable and fully earned by us upon the signing of this Agreement, and the granting of this Franchise constitutes the consideration for the payment of the Initial Fee.

**4.2. Royalty Fees.** You agree to pay us a nonrefundable monthly royalty fee ("**Royalty Fee**") of 3.5% of your Sales (as defined below) for all of the Labor Finders offices that you operate.

Royalty Fees for each month are due and payable at our office 45 days after the end of that month. If any governmental taxing authority imposes a tax (other than an income tax) on us upon or against the Royalties payable under this Agreement, you shall pay these taxes together with the Royalty Fee payment to us.

**4.2.1. Sales.** "Sales" means the gross amount billed to all of your customers for services rendered, including temporary personnel wages plus markup dollars, but in all cases excluding dollar amounts of Bonuses (as defined below), interest, taxes collected and payable to taxing authorities, and Transportation (as defined below). "Bonuses" means compensation for services paid to temporary personnel and invoiced to customers without markup. "Transportation" means amounts disbursed for travel expenses to temporary personnel and invoiced to customers without markup.

**4.2.2. Billings.** You must prepare and issue all billings no later than the week following the week in which services are rendered. Adjustments in billings may result in offsets reducing Royalty Fees owed by you to us provided that you follow the procedures in the Operations Manual (as defined in Section 5.3).

**4.3. Software and Social Media Fees.** You must pay us a nonrefundable computer software fee of One Hundred Twenty-Five Dollars (\$125) per month per office for the Software licensed to you according to Section 5.4, due and payable at the office of Franchisor on the 1<sup>st</sup> day of the month for the current month. We waive the monthly computer software fee for any partial month in which you open and operate an office if you open an office on any day other than the first day of a month. If you elect to have access to the Software on more than one computer per office, then you must pay us a one-time security device charge of Eighty Dollars (\$80) for each additional computer. We reserve the right to own the social media accounts used promote the Franchised Business. If we own these accounts, then we also reserve the right to require you to pay the provider directly (and keep the account current) or pay a fee directly to us. If we manage these social media accounts for you, we may also charge a fee for our services.

**4.4. Delinquent Interest.** If any sum required to be paid to us by this Agreement is not actually received by us on or before the due date, you must pay interest thereon from the due date until the sum is paid. This interest will be calculated for each day of delinquency at the rate of 1.5% per month or the highest rate of interest allowed by applicable commercial usury laws, whichever is less, and will be in addition to any other rights or remedies we may have under this Agreement or otherwise.

**4.5. Security Agreement.**

**4.5.1. Grant of Security Interest in Collateral.** You grant to us a security interest in all of your interests in the real estate where the Franchise Business is located, all improvements to that real estate, and in all furniture, furnishings, fixtures, equipment, accounts, inventory and supplies located at or used in connection with the Franchise Business, now or later leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefor, and all cash and noncash proceeds derived from insurance or the disposition of collateral, including any accounts receivable now outstanding or later arising for the Franchised Business and all of Debtor's capital stock or other evidence of ownership of Debtor if Debtor is a legal entity other than a corporation, now outstanding or later issued, and to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee under this Agreement.

**4.5.2. Authorization of Filings.** You authorize us to file and record all financing statements (see attached Exhibit 4), financing statement amendments, continuation financing statements, fixture filings and other documents necessary or desirable to evidence, perfect and continue the priority of the security interests granted in this Agreement.

**4.5.3. Subordination by Franchisor.** If you are in Good Standing (as defined below), we agree upon request to execute subordinations of our security interests to suppliers, lenders and/or lessors furnishing the premises, equipment or financing for the Franchise Business. "Good Standing" as used in this Agreement shall mean that you are not in default under this Agreement or any

other agreement with us or any affiliate, or any other agreement pertaining to the Franchise Business, and no event shall have occurred and be continuing which, with notice or the passage of time or both, would constitute a default.

## **5. FRANCHISOR'S OBLIGATIONS.**

**5.1. Initial Training.** For a new Franchisee (whose principals have no prior involvement with the System), we will provide at no charge an initial training class for one or two persons at the same time, selected by you, at our principal place of business, or in another mutually acceptable location. You and/or your employees will be responsible for any travel, meals, lodging or personal expenses incurred by you and your employees for this training. We will be responsible for our own costs and expenses in providing the initial training.

**5.2. Set-Up Package.** At the conclusion of a new Franchisee's initial training or upon the signing of this Agreement for an existing Franchisee, we will provide you with a set-up package including master artwork for use on stationery, forms and advertising.

**5.3. Operations Manual.** We have developed a copyrighted operations manual containing mandatory and suggested specifications, standards, procedures and rules applicable to the System (the "**Operations Manual**"). The Operations Manual is the exclusive property of Franchisor. At no charge to you, we will loan a copy of the Operations Manual to you while this Agreement is in effect, and provide you with updates to the Operations Manual as they are issued. You must conduct the Franchised Business in strict accordance with the Operations Manual, including all amendments and additions made by us to the Operations Manual. At no charge to you, we may also develop and loan to you additional manuals and materials covering particular phases of the System, which may also be modified. In the event of any dispute regarding the Operations Manual or any other manual, the terms of the master copy maintained by us will be controlling.

**5.4. Computer Software and Hosting.** At the conclusion of a new Franchisee's initial training or upon the signing of this Agreement for an existing Franchisee, we will license to you proprietary computer software, user's manuals and access rights by Internet or a data line (leased by you) to a server hosted by us or our agent (collectively, the "**Software**"). You agree that you acquire no title or ownership in the Software, and that all right, title and interest in the Software is owned by us. We grant to you a nonexclusive license to use the Software in the operation of the Franchised Business, subject to the terms and conditions of this Agreement, including all of the following terms and conditions:

**5.4.1. Use.** You will use the Software solely with the computer hardware systems and third party software specified in the Operations Manual, and solely at locations approved by us according to the terms of this Agreement.

**5.4.2. Confidentiality.** One copy of the Software will be provided to you in object code form. You will make no copies of the Software in any format except for backup copies as permitted in accordance with the Operations Manual. You will not create by decompilation or otherwise, the source code programs or any parts thereof from the object code program or from other information made available to you. You will not make the Software available to any person or entity, other than to your employees who require access to the Software to perform their normal employment duties for you. We may access and review any information on our server and may monitor any electronic communication on our server but we have no obligation to do so.

**5.4.3. Modification.** You will make no changes or modifications to the Software, except with our prior written consent, which consent may be granted or withheld for any reason, or for no reason, at our sole and exclusive discretion.

**5.4.4. Limited Warranty.**

**THE SOFTWARE WILL BE PROVIDED TO YOU "AS IS" WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESSED OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.**

We do not warrant that the functions contained in the Software will meet your requirements or that the operation of the Software will be uninterrupted or error free. However, we warrant the Software diskette(s) to be free from defects under normal use for a period of three months from the date of delivery to you.

**5.4.5. Server Hosting Services.** We will be responsible for maintaining our server, backing up data on the server on a commercially reasonable scheduled basis for the purpose of restoration in the event of server problems, and upgrading the server software, operating systems and equipment as needed. All Data (as defined in Paragraph A of Section 6.12.1) from your offices will remain on your computers, and will also be replicated and stored on our server, and available to your offices by accessing our server. We are not responsible for interruptions of service caused by events beyond our reasonable control. You acknowledge that if back-ups must be used to restore data on the server, recently entered data may be lost.

**5.4.6. Archive Copies of Data.** You will be solely responsible for making and storing your own periodic and/or permanent archive copies of the Data, and for making any periodic back-up copies necessary to restore Data in the event of problems with your computers. We will not have any obligation to make any archive copies of any Data.

**5.4.7. Enhancements.** We may periodically provide to you, as the same may be developed or acquired by us, revised, updated, enhanced or substitute proprietary computer software and/or user's manuals, in which case the new software and user's manuals will be deemed to be Software. Unless the revised, updated, enhanced or substitute Software requires you to obtain a new computer hardware system, you must install the new Software in your computer system within one month after receiving it. If new computer hardware is required, you must obtain it and install the new Software within forty-five business days after receiving the Software. Immediately after completing this installation, you must return to us all copies of all prior editions of the Software.

**5.4.8. Support.** We will make Software support reasonably available to you by telephone during business hours.

**5.5. Office Location.** We will reasonably assist you in evaluating possible locations for an office at your request.

**5.6. Forms and Promotional Supplies.** We, directly or through a related company, agree to provide forms and promotional supplies to you at a reasonable profit, plus reasonable handling and shipping charges. The terms will be payment in cash or equivalent upon delivery to you, unless otherwise agreed in advance in writing. You will not use either these forms and promotional supplies or any other materials that contain the Marks, such as business cards, to promote any business other than the Franchised Business.

**5.7. Operational Assistance.**

**5.7.1. Ongoing Support.** While this Agreement is in effect and you are not in Default, we agree that we will, at our sole expense, provide you with an ongoing program of assistance which will include: (i) reasonable telephonic access to our home office personnel for periodic consultations concerning the operation of the Franchised Business; (ii) periodic notifications to you of new developments and techniques concerning the operation of the Franchised Business; (iii) cooperation in obtaining account leads and contracts for temporary industrial employment services; (iv) assistance in the development of sales and promotional campaigns and materials; (v) periodic analyses of the sales



programs, promotional efforts, financial status and other aspects of the Franchised Business, all of which analyses will be based upon data submitted to us by you; (vi) reasonable counseling and assistance in the administration of insurance programs and claims, and in the handling of payroll taxes and unemployment claims, based upon information submitted to us by you; (vii) periodic visits to the Franchised Business; and (viii) any other ongoing support which we deem, in our sole discretion, to be advisable or necessary.

**5.7.2. Administrative Services.** We may offer optional administrative services to you at the current rate in effect when you elect to receive these services.

**5.8. Hold Harmless.** We agree to hold harmless, indemnify and defend you and your officers, directors, owners, employees and agents against all claims for copyright, service mark or trademark infringement arising out of your authorized use of our materials or the Marks in accordance with this Agreement and the Operations Manual, provided you notify us in writing within ten days, or within any shorter period as is necessary to avoid prejudice, after learning of any claim, and also provided we have the right to control any litigation or proceeding resulting from any claim. You may not initiate any communication or respond with any information on any infringement or challenge with any person other than your legal counsel, us, our affiliates, or our counsel.

## **6. FRANCHISEE'S OBLIGATIONS.**

**6.1. Office Manager.** You must designate an office manager for each office that you operate and inform us of the person's name and contact information within five days of the appointment. If you only operate one office, the office manager may be you, or if you are a legal entity, your designated representative. The appointment or change of an office manager is not subject to our prior approval. It will be your responsibility to hire, train and supervise each office manager to ensure that each office manager fully complies with all System standards.

**6.2. Training.** Unless you or your principals have previous experience with the System, you (or your designated representative if you are a legal entity) must satisfactorily complete our initial training program as provided in Section 5.1. We may require any new designated representative for a Franchisee entity to successfully complete training by us or our agents at locations and for a period specified by us before the designated representative assumes responsibilities. You will pay any expenses incurred by us for any necessary training because of a change of a designated representative. We reserve the right to charge a fee for this service, plus expenses.

**6.3. Best Efforts.** You will diligently develop the business and market and promote the Franchised Business. You, or your designated representative if you are a legal entity, must use your best efforts and personally be responsible for management on a day-to-day basis. You will be responsible for the performance of your designated representative and office manager(s).

**6.4. Establishment and Continuous Operation.** You must commence business within three months of the effective date of this Agreement as specified in Section 3.1 of Exhibit "1" and to continuously operate the Franchised Business. At a minimum, commencing and operating the Franchised Business will involve at least all of the following:

**6.4.1. Office(s).** You must open office(s) within the Territory for the operation of the Franchised Business as required by Section 2.3, conform the office(s) to any applicable building codes, and maintain the office(s) in good repair and appearance. The opening of any additional office(s), or the closure or change in location of any office, must be communicated to us before its occurrence.

**6.4.2. Office Lease(s).** Each office lease must expressly provide the following terms, which we strongly recommend that you provide to your potential landlord at the beginning of the lease negotiation and review process:

**A. Notices.** In the event of your default, the lessor must give us the same notice required to be given to you, and we will have the right, but not the obligation, to assume the lease and cure the default (the cost of which shall be immediately reimbursed to us by you);

**B. Option to Lease.** The lease is immediately assumable by us, at our option, upon the termination or expiration and non-renewal of this Agreement, without the further authorization or consent of the lessor. If an office is located on property owned by you, an owner of Franchisee, or a Franchisee Affiliate, we are granted an option to lease the office premises for a period of at least twelve months for a monthly rental and common area charges, if applicable, and upon any other terms and conditions, as are customary and usual for commercial leases of business office property in the area, to be determined by arbitration if the parties cannot agree upon lease terms. You agree to take the actions described in Section 10.1.7 by the deadlines stated therein. We may exercise our option by giving you written notice of our intention to lease the office premises. We will be entitled to immediate possession of the office premises as provided in Section 10.1.7 and 10.1.8. If the lease terms are determined by arbitration, we will have one month after receiving the arbitration decision to cancel the lease, in which case we will only be liable for obligations incurred under the lease while it was in effect. If you, an owner of Franchisee, or a Franchisee Affiliate owns the property upon which your office is located, the owner of the property must sign and deliver a notice of our option to lease, in form and substance satisfactory to us, which we may record.

**6.4.3. Licenses.** You shall secure and maintain all permits and licenses necessary for the establishment and operation of the Franchised Business.

**6.4.4. Telephone.** You shall secure and maintain a new and separate local telephone listing and adequate telephone service as specified in the Operations Manual for use in the Franchised Business. The telephone service shall be secured subject to the following terms and conditions:

**A. Usage.** The telephone service for your Franchised Business must not be used in conjunction with any other business or residential telephone service.

**B. Listings.** You must secure any white page, yellow page and information listings only under the service mark LABOR FINDERS or other marks as you may be authorized by us in writing in advance to use. No proper names or city names may be used in conjunction with the Marks and no additional listings may be used with any telephone number(s) assigned to your business, unless approved in writing in advance by us.

**C. Billings.** You must pay when due all charges for telephone service, any white or yellow page advertising and information listings.

**D. Assignment.** Upon the termination, or the expiration and nonrenewal of this Agreement, or any approved Transfer (as defined in Section 8.1.1), you acknowledge that your right to use the Marks will immediately end, and that all telephone numbers and listings appearing under the Marks, and all telephone numbers and other means of communication used by you at your offices or in the conduct of the Franchised Business or associated with the Marks (including all primary and additional telephone numbers, telecopy (fax) numbers, beeper and pager numbers, cellular telephone numbers, e-mail addresses and web pages, and all listings for them and for the Franchised Business), shall immediately and automatically become our property, or the property of the transferee in the case of an approved Transfer. You agree to take the actions described in Section 10.1.6 by the deadlines stated therein. We, at our option, may notify the telephone company either to assign any or all of these telephone numbers to us or our designee, or to disconnect the telephone numbers and to transfer calls coming to the disconnected numbers to any telephone numbers issued by the telephone company to us or our designee, effective as of the date of any termination or expiration and nonrenewal of the Franchise. You irrevocably authorize the telephone company to take either of the above actions upon notification by us. We may do all acts and sign in your name and on your behalf any and all documents necessary to accomplish the matters specified in this Section, and you irrevocably appoint and designate us as your attorney-in-fact to do so.

**E. Release.** Subject to applicable state law, you release and forever discharge the telephone company, us, and our respective successors, directors, officers, employees, agents and assigns, from liability of any kind or character which may result directly or indirectly from our exercise of our rights under this Section 6.4.4 or from the telephone company's cooperation with us in effecting the terms of this Agreement.

**6.4.5. Staff.** You must have at least one qualified staff member on duty during business hours.

**6.4.6. Signs.**

**A. Standard Signs.** You must install appropriate indoor and outdoor signs which display the current authorized forms of the Marks and have been approved by us. You must submit a written request for approval with the specifications of the proposed standard signage. We will be deemed to have given our approval if we have not responded to a request from you for approval within fifteen days after receipt of your request. You must conspicuously post at each office a notice in the form and content as we may reasonably designate in our Operations Manual that states that your franchise business is licensed by us and independently owned and operated by you. If Franchisee is a legal entity, then you must disclose the name of your legal entity and state of formation. If Franchisee is not a legal entity, then you must disclose the individual owner's name.

**B. Modified Signs.** Notwithstanding the provisions of Paragraph A of Section 6.4.6, you may install a sign modified from the standard specifications to comply with local law or landlord requirements, or for enhanced visibility, provided that you have submitted to us the specifications for the modified sign and documentation supporting the requested modification and actually received our prior written approval of the modified sign. We will respond to your request for approval of a modified sign within fifteen days after receipt of your request.

**6.4.7. Hours.** You must maintain office hours consistent with local practices concerning business hours and holidays.

**6.4.8. Additional Offices.** All of your offices must be located, leased, furnished, equipped, maintained, staffed and operated in strict compliance with all the provisions of Section 6.4 and the other terms of this Agreement.

**6.4.9. Suppliers.** You will have the option of purchasing your forms and advertising formats from local sources of your choosing, provided that these forms or formats conform in all respects to the design of our forms and formats. We may approve specific vendors for certain other products. We may collect rebates from suppliers or vendors based on franchisee purchases and sales. We may make these payments a condition of our approval.

**6.5. Payment of Debts.** You will pay promptly when due all taxes, accounts and indebtedness of any kind incurred by you in the conduct of the Franchised Business unless being actively contested in good faith. You must notify us in writing within ten days of the commencement of any action, suit, or proceeding which, if it could be decided adversely to you, could materially and adversely affect your personal or business financial condition. You shall also notify us within ten days of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality which could adversely affect your personal or business financial condition.

**6.6. Books and Records.** You must at all times keep and record all Sales, billings and revenues received of every nature, kind or description in books and records of account which are maintained according to our bookkeeping systems and procedures, consistent with generally accepted accounting principles. We will have, at all reasonable times and during business hours, the right to inspect and/or audit any and all of your books and records (including financial statements, and federal, state and local income tax returns). If the examination of those books and records discloses any underpayment of any sum required to be paid to us, you must pay promptly the deficient sum plus interest thereon as provided in Section 4.4. If an examination or audit discloses an underpayment of 5% or more,

you will, in addition, reimburse us for the cost of having your books and records examined and/or audited. The foregoing remedies will be in addition to any other rights or remedies we may have under this Agreement or otherwise.

**6.7. Use of System.** In connection with the operation of the Franchised Business, you must use the entire System, including the Software, as the System currently exists and as it may be supplemented or modified during the term of the Franchise. You acknowledge that the System must continue to evolve to reflect changing market conditions and to meet new and changing customer demands. Accordingly, you agree that we may periodically, upon notice and acting reasonably, add to, modify or otherwise change the System, through modification of the Operations Manual or otherwise, including, without limitation, the adoption, and use of new and modified Marks, forms, advertising formats, techniques, and methodologies. These changes may affect your rights and financial obligations. You must promptly accept, implement, use and display in the operation of the Franchised Business all these additions, modifications and changes at your sole cost and expense. Any change, addition, or revision to the System may include additional costs or additional fees to be paid to a third party or directly to us.

**6.8. Use of Marks.**

**6.8.1. Ownership.** You acknowledge that we are the exclusive owner of the Marks. You must use the Marks in strict accordance with the terms of this Agreement, and not otherwise. Except for the license as expressly granted in this Agreement, you will acquire no right, title or interest in the Marks; and all good will associated with the Marks will inure exclusively to us. You will not, at any time, contest the validity or ownership of the Marks, or use any confusingly similar marks. You agree that any use of any Mark contrary to any provisions of this Agreement will be an act of infringement, and that this use will cause irreparable injury to us and entitle us to temporary, preliminary and permanent injunctive relief from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief, including damages.

**6.8.2. Acquired Names and Trademarks.** With our prior written approval, you may, for a limited and specified transition period, use the System Marks together with the existing name and/or trademark of any temporary industrial employment service business acquired by you ("**Acquired Mark**") and operated under a franchise agreement with us. Any Acquired Mark which is or has been used by you for more than one month shall automatically be deemed a part of the System and a Mark as defined in this Agreement, and all rights and goodwill associated with the Acquired Mark shall be owned by and inure exclusively to us; *provided, however*, that the indemnification provisions of Section 5.8 of this Agreement shall not apply with respect to any Acquired Mark.

**6.9. Business Costs.** Except as otherwise expressly provided in this Agreement, you agree to be responsible for all costs of operating the Franchised Business, including without limitation, the costs of rent, advertising, taxes, licenses, insurance, materials, third party social media actions or boycotts, and labor.

**6.10. Advertising.** Subject to the requirements of Section 6.4.6 relating to signs, and your use in strict compliance with the requirements of the Operations Manual, you are authorized to use any commercially reasonable advertising, media copy, forms and other marketing materials, including yellow pages, web pages and internet advertising, without our prior written approval. Any and all photographs and other media posted to any social media platform must comply with all applicable laws, including federal and state laws governing copyright. You must, however, immediately provide us with a copy of any advertising when requested by us. Internet advertising would include the use of any social media electronic communication such as bulletin boards, chat rooms, blogs, Twitter, LinkedIn, Facebook, as well as any internet methods such as linking or framing. We may take photographs of our events in order to promote the event and the System. You consent to our usage of any photograph that contains an image of you that we take at an event or at the Franchised Business location such as training, conferences, seminars, events or at Franchisor's office.

**6.10.1. Social Media.** You agree to provide us with the current passwords to any social media account that you use to promote the Franchised Business within five days after opening the account, upon any changes, as part of any Transfer, upon termination and otherwise promptly upon our request. You grant us the right to access any social media accounts to take corrective action if such advertising and postings are in violation of our advertising policy, are misleading or misuse our Marks, and to operate such accounts after termination of this Agreement. We may at any time notify you that specified advertising is disapproved, and you must then cease any new or renewed use of the disapproved advertising. We reserve the right to own the social media accounts used promote the Franchised Business. If we own these accounts, then we may provide you with the passwords and authority to use such accounts to promote the Franchise Business. We reserve the right to manage the social media accounts as well. If we exercise these rights, we will provide you with thirty (30) days' notice. Further policies and procedures for the social media accounts may be stated in the Operations Manual or will otherwise be communicated to you in writing.

**6.10.2. Uncured Online Reviews.** We may impose a \$100 per day per violation fee, if you have more than three open customer complaints and/or if you have had multiple negative uncured online reviews, including but not limited to, Yelp, Google Reviews, BBB, Listen 360, CF, Angie's List, or Facebook, that have not been resolved to our satisfaction within 10 days' notice, as may be further stated in our Operations Manual. We have the right to increase this fee upon thirty (30) days' notice to you by the method we commonly use to update the System.

**6.10.3. Assistance With Disputes.** If we become aware of any dispute between you and any customer or other third party relating to the Franchised Business, then we reserve the right, but are not obligated to in any way, to take one or more of the following actions: (a) we may instruct you to resolve the dispute in a manner that will not cause any injury to the Marks or System but take no further action; (b) we may assist you to resolve the dispute if we believe that our assistance will assist in resolving the dispute in a constructive manner; and/or (c) if we believe that the dispute will not or cannot be resolved or the dispute will cause damage to the Marks or System, then after five days' advance notice to you, we may resolve the dispute directly with the customer or third party by paying reasonable damages, including any costs and fees, and you agree to indemnify and to pay us for all of our costs related to the settlement of the dispute within thirty days of our demand.

**6.11. Insurance Requirements.** You must secure and continuously maintain: (a) worker's compensation insurance in at least the minimum amounts required by law; and (b) both automobile and general liability insurance in forms of coverage and with carriers acceptable to us, with limits of not less than One Million Dollars (\$1,000,000) per occurrence. Within one month after establishing your business and periodically as these policies are renewed, you must furnish to us a certificate of insurance evidencing the limits noted above and providing that this insurance will not be canceled, amended or modified without the same prior written notice to us as is given to you. Each insurance policy shall name us as an additional insured. If you fail to provide or maintain any required insurance, we are authorized, but not obligated, to procure this insurance and you must reimburse us for the cost of this insurance, within one month after receipt of an invoice.

**6.12. Reports.**

**6.12.1. Requirements.** You must prepare and furnish to us all information relating to the operation of the Franchised Business, in the format, media and frequency prescribed by us periodically, including without limitation the following information:

**A. Data.** All customer and employee data relating to the operation of the Franchised Business including, without limitation, customer lists, customer requirements, customer contact information, customer billing and payment history, employment schedules, trade secret information, employee skills and contact information, and employee wage information (collectively, "**Data**"). Data that has been replicated and stored on our server shall be deemed to have satisfied this requirement. Any other Data (that has not been replicated and stored on our server) must be received by us within two weeks following the date on which the Data is created or updated, and must be delivered to us by zip-disk or CD-ROM disk backups, electronic data transfer, data replication, or any other method

prescribed by us. Any other information from the internet that is provided to us or that we collect, such as clicks, hits, user data, may be used by us for the System.

**B. Financial Statements.** Bi-annual financial statements including detailed information as specified in the Operations Manual, for the six month period ending each June 30<sup>th</sup> and the twelve month period ending each December 31<sup>st</sup>, to be provided to us by August 31<sup>st</sup> and April 30<sup>th</sup> respectively. In addition, if you have any of your financial statements compiled, reviewed or audited by a certified public accountant, a copy thereof shall also promptly be provided to us. Each financial statement must be prepared in accordance with generally accepted accounting principles, and certified to us as accurate and complete by an officer of Franchisee. You must provide us with any other financial statements, or your tax returns, only if specifically requested by us in connection with an inspection or audit of your books and records.

**6.12.2. Confidentiality.** We will not disclose or communicate to others (including our other franchisees) any confidential financial information we obtain from you except as may be stated below, required in defense or prosecution of litigation, in connection with a Transfer by you according to Article 8, by order of a court or government agency, or otherwise by law. We may prepare and disseminate publicly consolidated statements or reports regarding the financial performance or operations of our franchisees so long as these reports do not disclose specific information or data with respect to individual franchisees. We may also prepare and disseminate the sales performance information and operational statistics of any franchisee so long as this information is only provided by us to other franchisees within the system.

**6.13. Hold Harmless.** Except as expressly provided in Section 5.8, you must hold harmless, indemnify and defend us, and our officers, directors, shareholders, employees, insurers, attorneys and agents, from any claim, including damages, losses, liabilities, injuries, expenses, attorneys' fees, expert fees, other fees, and costs, that arises in connection with the operation of your business or in connection with any breach of this Agreement, regardless of whether caused in part by a party indemnified hereunder; provided, however, that you will not be required to hold harmless, indemnify or defend us or our officers, directors, shareholders, employees or agents from any claim arising out of a breach of this Agreement or illegal conduct by us.

**6.14. Laws and Regulations.** You must operate your business in compliance with all applicable laws and governmental regulations. You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of the System. You must implement all administrative, physical and technical safeguards necessary to be in accordance with applicable laws and best industry practices to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, email addresses, social security numbers, employee identification numbers, signatures, passwords, financial information, credit card information, vehicle identification numbers, account numbers, biometric or health data, government-issued identification numbers and credit-report information ("Personal Identifiable Information" or "PII"). It is your responsibility to confirm that the safeguards you use to protect Personal Identifiable Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of PII even if we provide you with any suggestions or guidance. If you become aware of any suspected or actual breach of security or unauthorized access involving Personal Identifiable Information, you will immediately notify us and provide specifics on the Personal Identifiable Information that was compromised or disclosed. Upon our reasonable request, you agree to permit us, our affiliates, and any third party vendors we designate to have independent unlimited access to all information generated by your computer system. If you have a third party vendor for your computer system, you agree to sign a release providing us with unlimited access to your data in the event of an actual or suspected data breach. You and your owners specifically agree to comply with any and all laws, regulations and orders relating to anti-terrorist activities including, Executive Order 13244. You and your owners confirm that neither you nor your owners are listed on any federally maintained list of specially designated nationals and blocked entities ("SDN List"). You and your owners agree to not hire or transact any business with any person or entity listed on the SDN List, which is currently available at

[www.treasury.gov](http://www.treasury.gov). You specifically agree to comply with any state required employment verification programs and any federal employment verification programs such as E-Verify.

**6.15. Notice of Other Business Operations.** During the term of the Franchise Agreement, you must provide us with 90 days' notice before you purchase any other franchise in any other system, or own more than 20% of any other business.

## **7. DATA, CONFIDENTIALITY AND UNFAIR COMPETITION.**

NOTICE: If you are a Franchisee of the following states, you are instructed to review Exhibit "3" for important modifications to this Confidentiality and Unfair Competition Agreement: Alabama, Arizona, Arkansas, California, Connecticut, Idaho, Illinois, Louisiana, Montana, Nebraska, Nevada, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, Texas, Utah, Virginia, and Wisconsin

**7.1. Data.** While this Agreement is in effect (including all Renewal Terms), LFI and you will have joint ownership of all Data, and you may (i) use the Data for any and all lawful purposes related to the operation of the Franchised Business, including marketing, offering and providing services under the Marks; (ii) Transfer all of your interests in the Data for value to a successor franchisee in compliance with Article 8; and (iii) reflect the Data as your sole property for tax purposes. We may use the Data for any lawful purpose. Upon any expiration and nonrenewal, or termination of this Agreement under any circumstances, we will automatically become the sole owner of the Data, without any payment to you.

### **7.2. Confidential Information.**

**7.2.1. Acknowledgments of Confidentiality and Ownership.** All of the Data, and all statistical data, customer lists, private or sensitive employee information (such as social security information or birth dates and information obtained from confidential human resources or employee files/records), advertising and promotional materials, manuals, forms, techniques, methods and procedures, the Software, the trade secrets, and all other information and knowledge about the System which is not in the public domain, and any other information and material we may designate as confidential (collectively, the "**Confidential Information**") shall be deemed confidential for purposes of this Agreement. Confidential Information does not include information lawfully acquired by a non-supervisory employees (laborers) about wages, hours or other terms and conditions of employment if used by them for purposes protected by §7 of the National Labor Relations Act such as joining or forming a union, engaging in collective bargaining, or engaging in other concerted activity for their mutual aid or protection. The System, including its trade secrets, is a process and method developed by LFI through ingenuity and know how not known to the general public and that LFI has undertaken extensive efforts to maintain the System's confidentiality. Subject to your rights relating to the Data under Section 7.1, we are the owner of all Confidential Information, and that you acquire no interest in the Confidential Information other than to use it as expressly authorized in this Agreement. The use, duplication or disclosure of the trade secrets and/or the Confidential Information except as expressly permitted by this Agreement will constitute an unfair method of competition and that we will suffer irreparable injury as a result.

**7.2.2. Nondisclosure.** You acknowledge that the Confidential Information is disclosed to you in trust and confidence, and solely on the condition that you and the Related Parties agree, and each of you agree, that except as may be specifically provided for in this Agreement, you: (a) will use the trade secrets, and the Confidential Information in strict accordance with the provisions of this Agreement and the instructions and directions given by us periodically; (b) will not use the trade secrets or the Confidential Information in any other business or capacity; (c) will not, at any time, while this Agreement is in effect or after the expiration, transfer or termination of this Agreement for any reason, in any manner or form, directly or indirectly, disclose, duplicate, license, sell, reveal, divulge, publish or communicate the trade secrets or the Confidential Information, or any portion thereof, to any person or entity other than your employees or LFI's employees who need to have this information in connection with their jobs; (d) will not copy any materials containing the trade secrets or the Confidential Information, including without limitation the Operations Manual or the Software, without our prior written consent; (e) will observe and implement all reasonable procedures imposed by us to prevent the unauthorized use and disclosure of the trade secrets and the Confidential Information; and (f) will keep the Operations

Manual and other materials containing any portion of the trade secrets and the Confidential Information in a secure place. All parties agree that the term “employment” will include both direct employment and indirect employment in which the Franchisee contracts with a separate entity to lease or otherwise contract for its employees, and that such “indirect employment” is not to be utilized as a means to avoid the provisions in this Agreement. Where required by state law to be enforceable, the restrictions above against disclosure of Confidential Information shall be limited to a period of four (4) years following the Transfer, termination, or expiration and nonrenewal of this Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing in this Agreement shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**7.2.3. Protected Conduct.** Nothing in this Agreement, including the foregoing, prevents you or your agents that may execute Exhibit 2 to this Agreement from communicating with the Equal Employment Opportunity Commission, the Securities and Exchange Commission, the Department of Labor, or any other governmental authority, making a report in good faith and with a reasonable belief of any violations of law or regulation to a governmental authority, cooperating with or participating in a legal proceeding relating to such violations, or sharing Confidential Information with you or your agent’s attorneys; provided, however, that to the extent allowed by law, you and your agent agree to give us as much written notice as possible under the circumstances and will cooperate with us in any legal action undertaken to protect the confidentiality of the information; however, nothing herein shall be construed to prohibit you or your agent from reporting what either of you reasonably believes, in good faith is a violation of the law to an appropriate law enforcement agency, with or without advance notice to us. Protected conduct may include a disclosure of trade secret information provided that it must comply with the restrictions in the Defend Trade Secrets Act of 2016 (DTSA). The DTSA provides that no individual will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret that: (i) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or, (ii) is made in a complaint or other document if such filing is under seal so that it is not made public. Also, an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. To the extent that an agent is covered by Section 7 of the National Labor Relations Act (NLRA) because the agent is not in a supervisor or management role, nothing in this Agreement shall be construed to prohibit the agent from using information the agent acquires regarding the wages, benefits, or other terms and conditions of employment at LFI and/or the Franchisee for any purpose protected under the NLRA. You understand that under the NLRA, covered employees have a right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and to refrain from any or all of such activities.

**7.2.4. Exception.** Notwithstanding any other provisions of this Section 7.2, you and the Related Parties may disclose any of the Confidential Information on a confidential basis to your attorneys, accountants, banks, or insurance underwriters for proper business purposes related to the Franchised Business.

**7.2.5. Work Product.** You agree that all documents, papers, notes and other materials and work products containing or derived from the Confidential Information or connected with the operation of the Franchised Business shall be Confidential Information. You agree that you will have no proprietary interest in any work product developed or used by you and arising out of the operation of the Franchised Business. You will, periodically, as may be requested by us, do all things which may be necessary to establish or document our ownership of any work product, including the signing of assignments. However, the foregoing does not apply to documents regarding an individual’s compensation, such as pay stubs and benefit plan booklets.



**7.2.6. Assignment of Improvements and Inventions.** You must disclose promptly to us and assign to us any and all inventions, discoveries and improvements, whether or not patentable or copyrightable, conceived or made by you or your employees or agents and related to the temporary industrial employment service business, all of which shall be automatically owned by us, without compensation to you. Whenever requested to do so by us, you will sign any and all applications, assignments or other instruments which we shall deem necessary to apply for and obtain patents and/or copyrights or to otherwise protect our interest in the improvements. These obligations continue beyond the Transfer, expiration or termination of this Agreement with respect to inventions, discoveries and improvements conceived or made by you and your employees and agents while this Agreement was in effect. **NOTICE:** Individuals residing in Delaware, Illinois, Kansas, North Carolina, Minnesota, Utah, Washington, and California should refer to Exhibit "2B" for important limitations on the scope of this assignment clause.

**7.2.7. Return of Confidential Material.** Upon the transfer, expiration or termination of this Agreement, you must promptly return to us all copies of any materials containing the trade secrets or the Confidential Information and all property belonging to us, in your possession, custody or control, including any items produced or prepared by you or your employees or agents.

**7.3. Noncompetition.**

**7.3.1. Covenant.** You recognize that: (a) The temporary industrial employment service business is very competitive; (b) the System is currently operated in numerous states throughout the United States and is intended to be national in scope; (c) by virtue of this Agreement and your relationship with us, you will have access to the trade secrets and the Confidential Information and will have close contacts with customers for the purpose of maintaining and further developing the Franchised Business and the business and goodwill of the System; (d) for these very reasons, you will have the attendant ability to divert customer trade; and (e) consequently, we have strong legitimate interests in obtaining the covenants in this Agreement for the protection of the business and goodwill of LFI, our other franchisees, and the entire System. You therefore agree that, without our express prior written consent, which we may withhold in our sole absolute discretion, you shall not, during the Time Period (as defined in Paragraph B of Section 7.3.2 below), directly or through the direction or control of others (including an Immediate Family Member (as defined in Paragraph A of Section 7.3.2 below), engage in any Prohibited Conduct (as defined in Paragraph C of Section 7.3.2 below) within the Area (as defined in Paragraph D of Section 7.3.2 below). In addition, you will not during the term of this Agreement or for a period of 90 days after the termination or expiration of this Agreement, refer or promote to any current or former customer, the operation of any other business at any of the offices of the Franchised Business, nor will you refer or promote the operation of any Prohibited Conduct within the Area during the Time Period, as defined in Sections 7.3.2.C, 7.3.2.D, and 7.3.2.B, respectively below.

**7.3.2. Definitions.**

**A. Immediate Family Members.** For the purposes of this entire Agreement, unless specifically amended by Exhibit 2A or Exhibit 3, the term "**Immediate Family Members**" shall include a spouse and minor children. The term "spouse" shall include any domestic partner established by statutory sanction, by contract, or by common law.

**B. Time Period.** For the purposes of this entire Agreement, unless specifically amended by Exhibit 2A or Exhibit 3 to the Confidentiality and Unfair Competition Agreement, the term "**Time Period**" shall mean: (a) The period while this Agreement is in effect; and (b) for a period of 730 days after the Transfer, termination, or expiration and nonrenewal of this Agreement. The parties intend for LFI to have the benefit of 730 actual days of this protection; therefore, no days during which any covenants measured by the Time Period are being breached shall count toward the 730 days constituting the Time Period.

**C. Prohibited Conduct.** For the purposes of this entire Agreement, unless specifically amended by Exhibit 2A or Exhibit 3 to the Confidentiality and Unfair Competition Agreement, the term "**Prohibited Conduct**" shall mean serving as an officer, director, or manager for any temporary

industrial employment service business, or providing financing to, being employed by, or having any financial, beneficial or equitable interest in any temporary industrial employment service business. Such Prohibited Conduct also includes a prohibition in any ownership, financing or revenue interest in any land used, leased or sold to a temporary industrial employment service business in the Area during the Time Period.

**D. Area.** For the purposes of this entire Agreement, unless specifically amended by Exhibit 2A or Exhibit 3 to the Confidentiality and Unfair Competition Agreement, the term "**Area**" shall include: (a) The geographic area in which you provide or provided services to customers; and (b) the Territory; and (c) a radius of twenty miles from each of the offices operated by you according to this Agreement; and (d) a radius of twenty miles from any temporary industrial employment service business operated or franchised by us or any of our affiliates at the time this Agreement is transferred, terminated, or expires and is not renewed; and (e) while this Agreement is in effect, the entire state(s) in which you conduct your business; and (f) while this Agreement is in effect, the entire United States.

**7.4. No Solicitation - Customers.** While this Agreement is in effect, you may only solicit your customers (or any prospective customers) on behalf of the Franchise System as reported through Franchisor's required software and for inclusion in the amount of fees due under this Agreement. For the Time Period after the Transfer, termination, or expiration and non-renewal of this Agreement, you must not solicit as a customer for any temporary industrial employment service business: (a) Any customers to whom you provided services while this Agreement was in effect; or (b) any other persons or entities who were customers of other System franchisees or any Franchisor Affiliate while this Agreement was in effect; or (c) any prospective customers to whom you made proposals or bids during the one year period before this Agreement was transferred, terminated, or expired and was not renewed.

**7.5. Modification.** Each of the covenants described in Sections 7.2 through 7.4 inclusive shall be construed as independent of any other covenant or provision of this Agreement. We reserve the right to reduce the scope of the obligations under these covenants unilaterally and without the consent of any other person or entity, effective upon giving notice thereof. In the event that any restriction contained in Sections 7.2 through 7.4 inclusive is found to be unlawful as to scope or duration or otherwise invalid or unenforceable, it is the parties' intention that the covenant not be declared ineffective in its totality, but that the provision be modified only so much as to render it enforceable or be declared unenforceable only to the extent of the illegality, and that the provision continue, as so revised, in full force and effect. This Agreement shall automatically be deemed amended to restate the limits of the restriction accordingly.

**7.6. Remedies.**

**7.6.1. Acknowledgments.** You, for yourself and on behalf of each of your Related Parties, acknowledge and agree that your and their experience and capabilities are such that each can obtain employment and engage in business activities which are of a different or non-competing nature from those prohibited under this Agreement; that the enforcement of a remedy of injunction will not prevent any of them from earning a reasonable living; and that the covenants contained in this Agreement are necessary for the protection of our legitimate business interests and are reasonable in scope and in content.

**7.6.2. Trade Secret Laws.** The remedies described in this Agreement are in addition to and cumulative of any rights or remedies that may be available to us under any applicable laws relating to trade secrets and/or unfair competition, and nothing contained in this Agreement shall be construed as a waiver of any rights or remedies available to us under any applicable law.

**7.6.3. Injunctive Relief.** In the event of an actual or threatened breach of any of the provisions of this Agreement, we shall immediately be entitled to injunctive relief restraining those responsible for the breach or threatened breach without having to show any actual damage and without the requirement of the posting of a bond, this requirement being waived by you until a final determination is made by a court of competent jurisdiction. It is specifically agreed that we may incur incalculable and irreparable damage from any violation, and that we have no fully adequate remedy at law and are entitled

to injunctive relief for any actual or threatened violation. Nothing in this Agreement shall be construed as prohibiting us from pursuing any other available remedies for this breach.

**7.6.4. Survival.** The provisions of this Article 7 shall survive the Transfer, termination or expiration and non-renewal of this Agreement, and shall, likewise, continue to apply and be valid notwithstanding any change in your or your agent's duties, compensation, responsibilities, position or title and/or the assignment of this Agreement by you or us, and shall be enforceable notwithstanding the existence of any claim or cause of action you may have against us, predicated on this Agreement or any other contract or basis whatsoever.

**7.7. Separate Agreements.** You must have each of your officers, directors, owners and managers, and each person who has access to the trade secrets and the Confidential Information or who attends our initial training program, sign a Confidentiality and Unfair Competition Agreement in form and substance substantially in the form of Exhibit "2", containing substantially the same provisions as are described in this Article 7, which may be separately and independently enforced by us and/or you. You will provide an original, signed copy of each agreement signed according to this Section 7.7 to us promptly and in any event within one month of its signing. You agree that before appointing or electing any new director or officer, or engaging any new employee who will have a management position, attend initial training or have access to the trade secrets or the Confidential Information, and before issuing or transferring any ownership interest to someone who is not already an owner, you will require the person to sign a Confidentiality and Unfair Competition Agreement in conformity with this Section 7.7. You further agree that you will not allow, suffer or permit access to, or knowledge of, any Confidential Information, to any person who has not signed an agreement in conformity with this Section 7.7. For each person becoming a Related Party after the effective date of this Agreement, you shall obtain a signed Confidentiality and Unfair Competition Agreement from the new Related Party before disclosing any Confidential Information to the Related Party, but in all cases within one month after the person becomes a Related Party. A breach of this covenant will constitute a Default of this Agreement.

## **8. TRANSFER.**

### **8.1. Transfer by Franchisee.**

**8.1.1. Restriction.** Your rights and duties described in this Agreement are personal to you, and that we have granted the Franchise in reliance on your financial capacity and the business skills of your management. Accordingly, neither you, nor any individual, partnership, corporation or other legal entity which directly or indirectly has an interest in you, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in you, the Franchise, this Agreement, the Franchised Business, or Substantially All Assets of the Franchised Business, without our prior written consent (a "**Transfer**"). "**Substantially All Assets**" shall mean more than 75% of the value of the assets of the Franchised Business as listed in your most recent financial statements. Any purported Transfer, by operation of law or otherwise, not having our prior written consent, shall be null and void, and shall constitute a Default of this Agreement, for which we may terminate the Franchise without opportunity to cure according to this Agreement. You must obtain our commercially reasonable consent to any broker or transfer agent that you wish to use. You must not use any of the Marks in any listing for Transfer without our prior written approval. You must obtain our prior written approval of any advertising for any Transfer.

**8.1.2. Conditions to Consent.** We will not unreasonably withhold our consent to a Transfer, *provided, however*, that we may, in our sole discretion, require as a condition to our approval that:

**A. Debts.** All accrued monetary obligations owed by you and all Franchisee Affiliates to us or any Franchisor Affiliate, and all other outstanding obligations relating to the Franchised Business, must be satisfied.

**B. Release.** The transferor must sign a general release, in form and substance satisfactory to us, of any and all claims against us and all Franchisor Affiliates, and their

officers, directors, shareholders, employees, and agents, in their corporate and individual capacities, except any claims arising under any applicable state franchise disclosure law.

**C. Assumption.** The transferee shall enter into a written agreement, in form and substance satisfactory to us, assuming and agreeing to discharge all of your obligations under this Agreement and any related agreements.

**D. Qualifications.** The transferee shall demonstrate to our satisfaction that it meets standards which we would normally apply to any prospective franchisee. The transferee will, for example, demonstrate that it meets our educational, personal, managerial and business standards, possesses a good moral character and a good reputation; has the aptitude and ability to conduct the business licensed hereunder (as may be evidenced by prior related experience or otherwise); has adequate financial resources to operate the business; is financially responsible and has a good credit rating; will be likely in our opinion to comply with the Franchise Agreement and the Operations Manual; and has no direct or indirect connection with any actual or potential competitor of Franchisor, unless waived by us.

**E. Franchise Agreement.** The transferee and all its Related Parties must sign such then current franchise agreement and related agreements as we may require.

**F. Training.** The transferee shall successfully complete any initial training then in effect for franchisees.

**G. Price.** The purchase price and terms of the Transfer must not be so burdensome to the prospective transferee as to impair or materially threaten the future operation of the business or the performance of the obligations and requirements in the then-current franchise agreement.

**H. Disclosure.** You must request that we provide the prospective franchisee with the current form of franchise disclosure document at least fourteen calendar days before the closing.

**I. Indemnification.** You hereby indemnify us for any representations you made to any transferee.

**J. Financial Information.** We have the right to disclose to any prospective franchisee any revenue reports or other financial information on your Franchised Business that we have or that you provided to us, subject to federal and state franchise laws.

**8.1.3. Security Interests.** No Transfer in the nature of a grant of a security interest in the Franchise or Substantially All Assets of the Franchise Business will be permitted without our prior written consent, which consent will be at our sole discretion. If consent is given to a Transfer in the nature of a grant of a security interest, it is expressly agreed that if the holder of the security interest should ever seek to exercise your rights or assume your interest in the Franchise due to a default under any documents related to the security interest, the Franchised Business shall not be operated by, or subsequently transferred to, any person or entity except in compliance with the conditions of Section 8.1.2, and we shall have the right and option to purchase the rights of the secured party upon payment of all sums then due to the secured party.

**8.2. Franchisee's Formation of Business Entity.** If the proposed Transfer is to a corporation or other legal entity formed by you solely for the convenience of ownership, our consent to this Transfer may, in our sole discretion, be conditioned on the following requirements: (1) you must own a majority interest in the transferee entity, and must act as its principal operating officer and designated representative; and (2) the conditions of Section 8.3 must all be satisfied.

**8.3. Entity Franchisee.** If you are a corporation or other legal entity, all of the following conditions shall apply:

**8.3.1. Designated Representative.** You must designate a specific individual to be the representative of the Franchisee and must inform us of the person's name and contact information within five days of the appointment. The designated representative must satisfactorily complete initial training as required by Section 6.2.

**8.3.2. Transfer or Issuance of Securities.** On the records of any ownership interest in a Franchisee you must maintain a "restriction on transfer" instruction against any transfer, and must also require that the following printed legend appear legibly and conspicuously on each certificate of ownership:

The transfer of any ownership interest in [Your Company Name] is subject to the terms and conditions of a Franchise Agreement between Labor Finders International, Inc. and [Your Company Name], a copy of which is on file with [Your Company Name] and available for inspection by any owner.

**8.3.3. Activities.** The entity's activities shall be confined exclusively to operating the Franchised Business.

**8.3.4. Owner Guarantees.** You shall furnish us with a list showing all of the owners of Franchisee and their percentages of ownership. (If any owner of Franchisee is a corporation or other legal entity, the list shall include the names of each of the individuals who are the indirect owners of Franchisee.) You shall update the list within ten business days of any Transfer of any direct or indirect ownership of Franchisee. Each of the current and future, direct and indirect, owners of Franchisee who are actively involved in the Franchised Business shall jointly and severally guarantee your performance for amounts up to their respective percentages of ownership interests in Franchisee, and shall bind themselves to the terms of this Agreement and any related agreements by signing Section 17 of a copy of this Agreement and delivering it to us. Any person who has not signed Section 17 of this Agreement and in the future acquires an ownership interest in Franchisee must comply with the requirements of this Section 8.3.4 within ten business days after becoming an owner.

**8.3.5. Entity Documents.** Copies of your articles of incorporation and bylaws (or equivalent governing documents) and resolutions authorizing entry into this Agreement, and all amendments, shall be furnished to us in connection with the issuance or Transfer of the Franchise. You shall also provide us with copies of the minutes of all meetings of the owners and board of directors of Franchisee (or equivalent documentation for entities other than corporations) relating to the election or appointment of the directors and officers (or the equivalent positions such as the general partners or the managing partners of a partnership, or the members of a limited liability company having management rights).

#### **8.4. Franchisor's Right of First Refusal.**

**8.4.1. Terms.** Any party holding an interest in Franchisee, the Franchise, this Agreement, or the assets of the Franchised Business, and desiring to accept (or make) any bona fide offer from (or to) a third party to purchase all or part of this interest shall notify us in writing of this offer. Except as otherwise provided in this Agreement, we will have the right, exercisable within one month after receipt of this written notification, to send written notice to the seller that we or our nominee intends to purchase seller's interest (excluding, if applicable, any extraneous assets not necessary to the operation of the Franchised Business), on the same terms and conditions, or their cash equivalent, as offered by (or to) the third party; provided, however, that the purchase price to be paid by us or our nominee shall be reduced by the amount of any broker's fee. Any material change in the terms of any offer before closing will constitute a new offer subject to the same right of first refusal by us or our nominee as in the case of an initial offer. Our failure to exercise the right afforded by this Section 8.4.1 shall not constitute a waiver of any other term or condition of this Agreement, including any of the other requirements of this Article 8, applicable to a proposed Transfer.

**8.4.2. Exceptions.** If a proposed transferee is the spouse, son or daughter of the transferor, or is any individual or entity already holding an equity interest in Franchisee, we shall not have any right of first refusal as provided in Section 8.4.1, but the provisions of Section 8.1.2 shall apply to any Transfer.

## **8.5. Death, Incapacity or Dissolution.**

**8.5.1. Right to Transfer.** Upon the death or Incapacity (as defined in this Agreement) of any person with an interest in Franchisee, or upon the dissolution of Franchisee if it is a corporation or other legal entity, the executor, administrator, personal representative or trustee of this person or entity shall have a period of six months after the death, determination of Incapacity, or dissolution to Transfer his or its interest to a third party approved by us. Transfers, including a Transfer by devise or inheritance, shall be subject to the provisions of Section 8.1.2. **"Incapacity"** is defined as the permanent mental or physical inability of an individual to make personal and/or business decisions as determined either by the person's family, legal representative, attending physician, or a court of law.

**8.5.2. Operation by Franchisor.** At no time shall the Franchised Business be operated by someone who has not successfully completed training as provided in Section 6.2. We reserve the right, at our option, until an approved Transfer has been made, to provide a temporary manager for the Franchised Business. Any temporary manager provided by us shall remain an employee of or an independent contractor with us. You shall pay us 150% of the manager's regular gross compensation, plus any costs or benefits, and all reasonable costs of transportation, commuting and housing. You shall remain solely and fully liable for all expenses, and any losses, incurred during the period the Franchised Business is operated by the temporary manager.

**8.6. Non-Waiver of Claims.** Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of any agreement entered into by the transferee.

**8.7. Transfer by Franchisor.** We shall have the right to transfer or assign all or any part of our rights or obligations under this Agreement to any person or legal entity that, in our good faith judgment, is willing and able to assume and perform our obligations under this Agreement. Any of our successors or assignees have the right to enforce all provisions in this Agreement, and its Exhibits, including the covenants of confidentiality, noncompetition and no solicitation. Following any transfer of our entire interests in this Agreement, we shall automatically be released from all further obligations or liabilities to you under this Agreement.

## **9. DEFAULT AND TERMINATION.**

**9.1. Default Defined.** "Default" as used in this Agreement means a material breach or default that has a substantial effect upon the contractual relationship of the parties or upon a substantial right of the other party, and any minor breach (unless repeatedly committed) is not a "Default."

**9.2. Default by Franchisor.** You may terminate this Agreement for a Default by us one month after giving us written notice of your intent, specifying the Default, if the Default remains uncured at the end of the one month period; *provided, however*, that if the nature of our obligations are such that more than one month is required for performance, then we shall not be in Default if we commence performance within the one month period and diligently continue to cure and then cure the Default. If we Default under any provision of this Agreement, you shall have all rights and remedies permitted by law or equity, including but not limited to, the right of termination as provided in Section 9.6.

**9.3. Default by Franchisee.** If you Default under any provision of this Agreement, we shall have all rights and remedies permitted by law or equity, including the right of termination. We may terminate this Agreement without advance notice as provided in Section 9.4, or one month after giving you written notice specifying any Default by you as provided in this Section 9.3 if the Default remains uncured for one month after notice (or any longer period as may be required by law). The cure period shall, if permitted by law, be ten days instead of one month if the Default is under Section 9.3.1 and two

months total for a default under 9.3.7. If we have given you formal notice of a default or termination, then we have the right to suspend our performance of any of our obligations under this Agreement, in addition to our other remedies, during the time in which you are curing the default or in the event that the default is not cured. The description of any default in any notice we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action or proceeding relating to this Agreement or termination of this Agreement. Our right to suspend our obligations to you includes but is not limited to, the right to stop providing any services to you and to not provide access to our confidential materials or software. For the purposes of this Section 9.3, a Default shall include, but not be limited to, the following:

**9.3.1. Nonpayment.** Failure of Franchisee, or any Franchisee Affiliate, to pay when due: (a) any sum owed to us or any Franchisor Affiliate under this Agreement or any other agreement; (b) any sum due to any lessor, vendor or supplier; or (c) any undisputed taxes.

**9.3.2. Reports.** Failure to provide us with any completed report at the time and in the form specified as required under this Agreement or any lease.

**9.3.3. Standards.** Failure to maintain any required standard contained in this Agreement or the Operations Manual.

**9.3.4. Jeopardizing the Franchise Name or System.** Any misuse of any Mark or Confidential Information, or conduct which reflects unfavorably upon the operation and reputation of the System.

**9.3.5. Licensing.** Your failure or your employees failure to have any permit or license necessary for the operation of the Franchised Business.

**9.3.6. Insurance.** Your failure to obtain or maintain in full force all insurance required by law, this Agreement and any lease.

**9.3.7. Owner Impasse.** If any of the owners of the Franchised Business are at an impasse which materially affects the operations of the business and this impasse continues for more than a two month period after written notice to you demanding that the matter be resolved and the default is not cured to our reasonable satisfaction within that two- month period.

**9.3.8. Uncured Online Reviews.** If you have more than three open customer complaints and/or if you have had multiple negative uncured online reviews, including but not limited to, Yelp, Google Reviews, BBB, Listen 360, CF, Angie's List, or Facebook, that have not been resolved to our satisfaction within 10 days' notice, as may be further stated in our Operations Manual.

**9.3.9. Others.** Failure to comply with any other requirement of this Agreement, failure to perform obligations imposed by any loans or leases in connection with the Franchised Business, failure to comply with any material obligations which you have to us, including without limitation, failure to satisfactorily complete our training program, failure to comply with our Operations Manual or operational memoranda issued by us, or any other reasons allowable by applicable law.

**9.4. Without Notice.** If permitted by applicable law, we may terminate this Agreement without giving advance notice and without giving an opportunity to cure for any of the following: (a) Criminal misconduct; (b) any fraudulent misrepresentation relating to the acquisition of the Franchise or operation of the Franchised Business; (c) abandonment or failure to operate the Franchised Business for any amount of time during normal business hours; (d) bankruptcy or insolvency of Franchisee; (e) giving of a no account or insufficient funds check (unless caused by bank error); (f) if any rights or obligations under this Agreement are purportedly transferred to any third party without complying with Article 8; (g) if you or any Related Party fails to comply with any covenant of noncompetition or nondisclosure; (h) three or more Defaults of this Agreement (whether of the same or different kind) within the then preceding twelve months, for which you shall have received notice thereof, regardless of whether the previous Defaults were cured within the time permitted ("**Repeated Default**"); (i) if you notify us in

writing that you will cease operating the Franchised Business at a future date or takes such action that we reasonably conclude that you will cease operating the Franchised Business at a future date or (j) any material breach or default of any other agreement between us or a Franchisor Affiliate and you or a Franchisee Affiliate which breach or default is not cured within any permitted cure period thereunder.

**9.5. Cross Defaults.** We may also terminate all other agreements between us and you and/or any Franchisee Affiliate upon our termination of this Agreement as provided in this Article 9.

**9.6. Termination by Franchisee.** Both of us may mutually agree to terminate this Agreement at any time. You do not have any unilateral right to terminate this Agreement before its term expires, except that you may terminate under Section 9.2 if we are in default of this Agreement. In the event of a mutual termination or termination by Franchisee under Section 9.2, the requirements under Section 10.1.8.D apply.

## **10. RIGHTS AND DUTIES UPON TRANSFER, TERMINATION OR NONRENEWAL.**

**10.1. Expiration or Termination.** In addition to the other rights and duties specified elsewhere in this Agreement, the following provisions shall apply in the event of the termination, or the expiration and non-renewal of this Agreement for any reason:

**10.1.1. Acceleration of Payments.** All money owed by you to us shall be due and payable within seven (7) days of termination, or the expiration and non-renewal of this Agreement.

**10.1.2. Franchise Rights Revoked.** All rights and licenses granted to you under this Agreement shall terminate as of the date of termination, or the expiration and non-renewal of this Agreement, except certain of your obligations shall continue after termination, or the expiration and non-renewal of this Agreement.

**10.1.3. Marks.** You shall immediately and permanently discontinue the use of the Marks, any name containing the Marks, any mark or name confusingly similar to the Mark, or any other designation indicating or tending to indicate that you were or are in any way an authorized Franchisee of ours. You shall immediately and permanently discontinue the use of the Marks or any derivative of the Marks in any Internet web addresses or uniform resource locators.

**10.1.4. Materials, Supplies and Software.** You shall promptly surrender to us or, if so directed by us, destroy and immediately discontinue the use of, all originals and copies of service marks, trademarks, trade names, signs, structures, literature, promotional materials, forms, supplies, computer software, and any other articles of personalty, indicative of us, our products or services, or the System.

**10.1.5. Advertising.** All telephone numbers and listings, and all other means of communication used by you at your offices or in the conduct of the Franchised Business or associated with the Marks, shall immediately and automatically become our property, as provided in Paragraph D of Section 6.4.4. You shall discontinue any radio, newspaper or other advertisements which would in any way identify you with us.

**10.1.6. Confidential Information.** You shall immediately and permanently discontinue the use of the System and any Confidential Information and materials, including Software, received according to this Agreement. You shall promptly return to us all of the Confidential Information, including the Operations Manual and all other manuals, bulletins, lists, instruction sheets, forms, devices or other materials, and all copies of all of them, acquired by you under to this Agreement. We shall automatically become the sole owner of the Data, as provided in Section 7.1.

**10.1.7. Continued Operation of Business by Franchisor.** You shall immediately permit us to place our employees or independent contractors in your Territory or alternatively, at our option, on the premises of your office, for a period of seven (7) days before and two months after the expiration or termination date, for the purpose of transitioning and continuing the operation of the



business for the benefit of the customers of the Franchised Business, Franchisor and the System. You agree to provide the necessary executed documentation assigning or transferring any phone number listings, websites, any other method of communicating with customers as well as any leases, contracts (assuming that we are executing our option as stated below) to us or our designated agent, upon request but in any event at forty-five (45) days prior to the expiration date or if stated earlier in any termination notice, such assignment to be effective upon the expiration or termination date. You agree to provide information on any leases, contracts and assets at least thirty (30) days prior to the expiration date or termination date. You will provide evidence of completion and submittal of all assignments to the lessor or account provider at least fourteen (14) days prior to the expiration or termination date. You shall also provide to us at least fourteen (14) days prior to the expiration or termination date: (1) a complete back-up copy of Software including all program and data files; (2) all customer lists, files and records, including without limitation job site directions, for all of the customers serviced by you; and (3) the names, telephone numbers, records and files for all of your permanent and part-time employees and independent contractors; update such information as of the expiration or termination date and provide the updated information at least three (3) days after the expiration or termination date. You will arrange for a meeting between us or our designated agent and all of your employees to discuss any future employment of such employees, at least no later than seven (7) days before the expiration or termination date. You will meet with us or our designated agent at your office on the date of expiration or termination and cooperate with us or our agent on the transfer of the operations.

#### **10.1.8. Acquisition of Assets.**

**A. Franchisor's Option.** Upon the expiration and non-renewal of this Agreement, or the early termination of this Agreement for any reason other than a Transfer in compliance with Article 8, we shall have the right, but shall not be obligated, to assume the lease for, or to lease from you, or any owner of Franchisee, or any Franchisee Affiliate, the premises for the Franchised Business as provided in Section 6.4.2, and to purchase from you any or all of the other assets of the Franchised Business, including without limitation leasehold improvements, fixtures, motor vehicles, equipment, furniture, furnishings, supplies and inventory. We shall provide prior written notice to you of our intention to evaluate the purchase of the assets or our waiver of our right any time between three months before to seven (7) days after the expiration or termination date. We shall identify the assets we intend to purchase in a written notice to you at least five business days after you have provided the information stated in Section 10.1.7. The assets shall be sold, and the purchase price paid, within thirty business days after the price is established. Subject to setoffs as provided in Paragraph C below, the assets shall be sold to us free and clear, at their fair market value, excluding the value of any assets acquired by us by the foreclosure of our security interests, to be determined by agreement between us and you or as provided in Paragraph B.

**B. Appraisal.** If you and LFI are unable to agree upon a fair market value within seven days of Franchisor's notice, fair market value shall be determined by independent appraisal. If you and LFI cannot agree on an independent appraiser, each shall select one, and if the two appraisers so selected are unable to agree upon fair market value within seven days of their appointment, then the two appraisers shall appoint a third. If the third appraiser agrees with either of the two originally appointed appraisers, the value so established shall be the price. If there is no agreement, then the fair market value shall be the average of: (i) the middle appraisal with a value between the highest and lowest values of the three appraisals, and (ii) the appraisal with the value closest to the value of the middle appraisal. We shall have three business days after receipt of the purchase price established by appraisal to accept the price and proceed with the purchase, or to cancel the purchase. Whether the sale proceeds or is cancelled, each party shall be responsible for the costs of the appraiser it selects. The costs of a single appraiser, or the third appraiser, and all other costs of appraisal, shall be divided equally.

**C. Setoffs.** The purchase price payable by us to you under this Subsection 10.1.8 shall be reduced by all amounts owed by you to us and all Franchisor Affiliates hereunder or under any other agreement, and by the unpaid balance of the purchase price with respect to any of the assets purchased, or if any assets are subject to a lien, by the balance due on the underlying

indebtedness, together with any interest or other charges to be paid in order for us to acquire these assets free and clear.

**D. De-Identification of Offices.** If we do not exercise our option to acquire any of your office locations, you shall promptly make or cause to be made any changes in your offices as we may reasonably direct to effectively distinguish the office from the offices of our other franchisees, all at no expense to us. You will not refer or promote to any former customer to any other business at the office location.

**10.1.9. Final Accounting.** You and LFI must make a prompt and final accounting. Any sums owing under this Agreement, or any other agreement between the parties, or any other sums owing for judgments or otherwise, shall be paid immediately and promptly by the owing party.

**10.1.10. Hold Harmless.** Your obligation and our obligation to hold harmless, indemnify and defend each other as specified in this Agreement, shall survive the expiration or termination of the Franchise for so long as any potential for liability under any applicable law, rule, ordinance, statute or judicial decision remains. In this regard, to the maximum extent permitted by law, You and LFI each waive the effect of any statute of limitation which would, by lapse of time, limit these obligations.

**10.1.11. Books and Records.** You agree that you will maintain all books and records after the expiration or termination of this Agreement for three years and will allow us access to those books and records during that time.

**10.2. Transfer.** In addition to the other rights and duties specified elsewhere in this Agreement, upon a Transfer of the Franchise according to Article 8, the provisions of Sections 10.1.1, 10.1.2, 10.1.3, 10.1.9, 10.1.10 and 10.1.11 shall apply to you and your Related Parties as though a termination had occurred; and the provisions of Sections 10.1.4, 10.1.5 and 10.1.6 shall apply to the extent that they restrict the activities of you and your Related Parties, but the property and rights referred to under these provisions shall be transferred to your transferee.

**10.3. Irreparable Injury.** In the event of an actual or threatened breach by either party of any of the provisions of Section 6.8 or Articles 7, 8 or 10 of this Agreement, the other party shall immediately be entitled to injunctive relief restraining those responsible from the breach or threatened breach without having to show any actual damage. It is specifically agreed that the non-breaching party may incur incalculable and irreparable damage from any violation, and that the non-breaching party has no fully adequate remedy at law and is entitled to injunctive relief for any actual or threatened violation. Nothing in this Agreement shall be construed as prohibiting the non-breaching party from pursuing any other available remedies for this breach.

## **11. MISCELLANEOUS.**

**11.1. Independent Contractor.** You acknowledge that you are an independent contractor, and that this Agreement does not create an agency, fiduciary, partnership, legal representative, joint venture, employment, or servant relationship between yourself and us for any purpose whatsoever, except for our disclosure of Confidential Information to you in trust. You agree to not represent to third parties that you are our agent, fiduciary, partner, legal representative, joint venturer, employee or servant. You further acknowledge that you are solely responsible for your office staff employment policies, including locating, hiring, training, scheduling, pay rates, discipline, supervising or terminating any employees and independent contractors needed to provide products and services to customers in the Territory. We have no right to control your employment practices except that you must adhere to our System standards in your Franchised Business.

**11.2. Authority.** You acknowledge that you have all appropriate corporate or other applicable legal authority to perform the obligations in this Agreement.

**11.3. Retail Prices.** You, in your sole discretion, will establish the retail prices and fees for the services and goods you sell. If we recommend a fee, this recommendation is suggested only, and is in no way binding upon you.

**11.4. Arbitration and Injunctions.**

**11.4.1. AAA Arbitration.** Any controversy between the parties arising out of or relating to this Agreement (whether by contract, tort, or other claim) shall be settled by binding arbitration to be held in Palm Beach Gardens, Florida, unless agreed otherwise in writing by the parties. Arbitration is the sole remedy and is a substitute for legal relief in the courts. You must notify us of your underlying issues at least 30 days prior to filing for arbitration and you must also agree to discuss the issues with us at least once before this filing. The federal Arbitration Act shall govern the parties' choice hereunder to arbitrate, and the choice of venue for this arbitration. If there is any question as to whether a claim is subject to arbitration, then the decider of the first open action shall decide this issue such that if an arbitration was the first action to have been filed, the arbitrator shall make such determination and if a party has first sought provisional injunctive relief from a court of competent jurisdiction, then that court shall decide if a claim is subject to arbitration. Arbitration will be conducted in accordance with the rules then prevailing of the AAA except as otherwise agreed by the parties in this Agreement. This section's provisions are intended to benefit and bind certain third-party non-signatories and will continue after expiration or termination of this Agreement.

**11.4.2. Selection.** If arbitration is commenced, both parties shall propose three independent arbitrators to the other party from a panel of American Arbitration Association ("**AAA**") arbitrators and use its best efforts to reach agreement on one arbitrator. If the parties are unable to reach agreement on one arbitrator, then each party shall select one independent arbitrator, having no relationship with either party from the AAA panel, and the two so designated will select a third arbitrator. If either party fails to designate an arbitrator within seven days after receiving notice of prospective panelists, or if the two arbitrators fail to select a third arbitrator within fourteen days after they are both designated, then an arbitrator will be selected by the AAA upon application of either party.

**11.4.3. Discovery.** We both agree that, in any arbitration arising as described in this Section, requests for documents shall be limited to documents (including electronic documents) that are directly relevant to significant issues in the case or to the case's outcome, shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." For electronic document discovery requests, we both agree that:

**A.** The production of electronic documents will be made on the basis of generally available technology in a searchable format which is convenient and economical for the party producing the document and also usable by the party receiving the documents.

**B.** Unless there is a showing of compelling need, as determined by the arbitrator, the parties are not required to produce metadata, with the exception that the header fields of email correspondence may be produced.

**C.** Production of electronic documents need only be from sources used in the ordinary course of business. No documents shall be required to be produced from back-up servers, tapes or other media.

**D.** Only individuals whose electronic documents are reasonably expected to contain evidence that is material to the dispute shall be named as custodians and requested to provide such electronic documents.

**E.** When the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on the condition

that the requesting party advance the reasonable cost of production to the providing side. Such production costs may be part of the allocation of the costs in the final arbitration award.

**11.4.4. Fees and Damages.** Each of us agrees to pay half of the upfront arbitration fees regardless of the number of officers or owners from either side that are also named in the arbitration demand. If either party fails to pay their portion of the arbitration fees, both parties agree that the arbitration panel may impose sanctions such as limiting discovery requests, not considering evidence submitted by the non-paying party, and awarding default judgment in favor of the paying party with an award of damages. Judgment upon an award rendered by the arbitrators may be entered in any court having jurisdiction thereof. We have the right to collect as part of our damages, the post term royalty payment or lost profits for the remaining term of the Franchise Agreement.

**11.4.5. Injunction.** Notwithstanding the foregoing, nothing in this Section 11.4 shall prevent us from seeking and obtaining injunctive relief from any court or agency of competent jurisdiction against actual or threatened conduct causing loss or damage cognizable under usual equity rules, including the rules for obtaining temporary, preliminary and permanent injunctive relief, either before, during or after any arbitration proceeding.

**11.4.6. No Class Actions.** Subject to state law, you agree that any arbitration filing will not be pursued on a class action basis and you waive any rights to a class action arbitration.

**11.5. Costs of Enforcement.** In any arbitration or action for injunctive relief, the party which substantially prevails in any arbitration or action shall be entitled to a judgment against the other party for the costs of any arbitration or action, including without limitation arbitrators' or court costs, reasonable expenses of arbitration or litigation, and reasonable attorneys' fees.

**11.6. Choice of Law and Venue.** This Agreement takes effect upon its acceptance and signing by a duly authorized officer of Franchisor. You acknowledge the benefits and desirability of having the entire System governed by one body of law applied uniformly and acknowledge that the following two Sections are reasonable.

**11.6.1. Applicable Law.** Except to the extent governed by the federal trademark, copyright and arbitration statutes, the existence, validity, construction and sufficiency of performance of this Agreement and all matters relating to it must and will be governed by the laws of the State of Florida applicable to agreements made and to be entirely performed in Florida, without regard to, and without giving effect to, the application of any Florida conflict of law rules; *provided, however*, that if any of the provisions of this Agreement would not be enforceable under the laws of Florida, then these provisions must and will be governed by the laws of the state in which the principal office of your Franchised Business is located; *and provided further* that the Franchise Disclosure Document delivered to you contains a State Law Addendum, which is incorporated into this Agreement, referencing and summarizing certain existing local laws of other jurisdictions, and the application of Florida law will not abrogate or reduce any of your rights provided for under existing local laws which by their terms apply and supersede Florida law (unless local law conflicts with federal law and is preempted).

**11.6.2. Venue.** Any proceeding brought against us will be brought, and any action brought by us against you or any Related Party, will be brought, in the judicial district in which we have our principal place of business. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this venue provision. The provisions of this Section 11.6.2 are subject to applicable superseding law as provided in Section 11.6.1.

**11.7. Entire Agreement.** This Agreement, together with its Exhibits and the documents expressly incorporated by reference, constitutes the entire agreement between the parties with respect to the subject matter, superseding all prior written or oral agreements or representations other than the representations of Franchisor as described in the Franchise Disclosure Document provided to you, except that nothing in this Agreement or in any related agreements is intended to disclaim the representations we made in the franchise disclosure document. Further, if a person who has signed this Agreement has also signed a Confidentiality and Unfair Competition of the type that is required under this Agreement, the

other agreement shall continue to exist, this Agreement shall not supersede it, and the non-competition, non-solicitation, confidentiality, and nondisclosure provisions of the two agreements shall be construed together to provide LFI with the broadest protections possible under applicable law. These provisions are binding upon the parties, their heirs, executors, administrators, and permitted successors and assigns.

**11.8. Modification.** Except as otherwise expressly provided, this Agreement may not be amended or modified except by a written document signed by the party against whom enforcement is sought.

**11.9. Partial Invalidity.** If any term or provision of this Agreement is found to be invalid or unenforceable for any reason, the provision shall be modified if necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms of this Agreement shall remain in full force and effect; and it is declared the intention of the parties that they would have signed the Agreement as modified.

**11.10. Waivers.**

**11.10.1. Waiver of Punitive Damages.** You and LFI each waive to the fullest extent permitted by law any right to or claim for any consequential, punitive or exemplary damages against the other, and agree that in the event of a dispute between us each shall be limited to the recovery of any actual damages sustained.

**11.10.2. No Implied Waivers.** No waiver by us of any Default of Franchisee will constitute a waiver of any other Default, and no waiver will prevent us from subsequently requiring strict compliance with this Agreement.

**11.11. Notices.**

**11.11.1. Delivery.** All notices, requests, demands, and reports to be given under this Agreement are to be in writing and delivered to the following addresses:

If to us: Labor Finders International, Inc.  
11426 North Jog Road  
Palm Beach Gardens, FL 33418  
Attn: President  
Fax: (561) 627-6556

If to you: As shown in Section 11.11.1 of Exhibit "1", or to your last known email address.

Notices shall be deemed to have been duly given when delivered personally or by telecopy (with a hard copy sent the same day by regular mail), one day after being sent by email provided no message is received that the email was undeliverable, one business day after being sent prepaid by commercial courier service for next business day delivery, or five days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Either party may designate another address at any time by appropriate notice to the other. All payments and regular reports required to be made by you shall be delivered to us at the above address, but may be delivered by any means so long as they are delivered on time.

**11.11.2. Disclosure.** Your business address and telephone number, or the business address and telephone number of your president or chief executive officer if you are a corporation or other legal entity, are described in Section 11.11.2 of Exhibit "1." You shall promptly notify us of all changes to the information described in Section 11.11.2 of Exhibit "1." We are authorized to disclose and publish this information if required by law.

**11.12. Interpretation.**

**11.12.1. Time.** Time is of the essence of this Agreement with respect to each and every provision in which time is a factor. Wherever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event; and for any period of five or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, periods longer than five days shall be measured by calendar days, except that if the last day of the period is not a business day, the period shall automatically be extended to the next business day.

**11.12.2. Captions, Defined Terms, Number, Gender.** The table of contents and captions used in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement. Capitalized terms shall have the meanings defined where these terms occur in this Agreement in bold face type and quotation marks. The word "included" wherever used shall mean "included but not limited to." The language of this Agreement shall be construed simply according to its fair meaning and not strictly for or against either party. If Franchisee shall be two or more persons and/or entities (despite any agreement, arrangement or understanding between or among these persons or entities), the rights, privileges and benefits granted may only be exercised and enjoyed jointly; the liabilities and responsibilities hereunder assumed, however, shall be the joint and several obligations of these persons or entities. Words in this Agreement shall be deemed to refer to whatever number or gender the context requires. It is the intention of the parties that if any provision in this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid. Each item and provision of this Agreement to be performed by you shall be construed to be both a covenant and a condition. If we have the right to exercise our sole or absolute discretion then the Parties agree any trier or arbitrator of fact will consider any business reason to be viewed as a reasonable and proper exercise of such discretion, unless there is evidence of bad faith.

**11.12.3. Counterparts.** This Agreement, including Section 17 which is signed by the owners of Franchisee, may be signed in counterparts, each of which shall be regarded as an original and all of which taken together shall constitute a single Agreement.

**12. DISCLOSURE.** If you are a resident of or if you will locate your franchise in New York, Oklahoma or Rhode Island, you acknowledge that we provided the franchise disclosure document to you 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. If you are a resident of or if you will locate your franchise in Michigan or Washington, you acknowledge that we provided the franchise disclosure document to you at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Otherwise, if you are not a resident or will not locate your franchise in one of the above listed states, you acknowledge that we provided the franchise disclosure document to you 14 calendar days before you signed a binding agreement with, or made payment to us or an affiliate in connection with the franchise sale. By signing this Agreement, you also acknowledge receipt of this Agreement (with all blanks completed and with any amendments and Exhibits completed) at least 7 calendar days before the execution of this Agreement.

**13. APPROVAL AND GUARANTEES OF OWNERS.** If you are a corporation or other form of legal entity, we shall not be bound unless and until all direct and indirect owners and their spouses approve this Agreement, agree to the restrictions placed on them (including restrictions on the Transfer of their interests, limitations on their ability to compete, and prohibitions on their use of Confidential Information), and if applicable under Section 8.3.4, guarantee to pay us their share of all sums owed or which may be owed according to this Agreement. The owners must sign this Agreement at Article 17, which forms a part of this Agreement.

**14. INTENTIONALLY OMITTED.**

**15. NO WARRANTY.**

YOU ACKNOWLEDGE THAT NO APPROVALS, WAIVERS, OR CONDITIONS, OR THE LIKE BY US WARRANT THE SUCCESS OF THE FRANCHISED BUSINESS OR THE APPROPRIATENESS OR LEGALITY OF THE PARTICULAR ITEM SO APPROVED. APPROVAL MEANS ONLY THAT THE MATTER APPROVED MEETS OUR MINIMUM SPECIFICATIONS. YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL GUIDANCE AS TO ALL ASPECTS OF YOUR BUSINESS OPERATIONS AND EXPRESSLY ACKNOWLEDGE THAT YOU ARE NOT IN ANY WAY RELYING ON OUR APPROVALS, CONSENTS, WAIVERS, CONDITIONS, OR THE LIKE. WE MAKE NO WARRANTIES OR GUARANTEES UPON WHICH YOU MAY RELY AND ASSUME NO LIABILITY OR OBLIGATION TO YOU BY GRANTING ANY WAIVER, APPROVAL, OR CONSENT TO YOU, OR BY REASON OF ANY NEGLIGENCE, DELAY OR DENIAL OF ANY REQUEST THEREOF.

**16. OHIO NOTICE.** You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation in the State Law Addendum in Exhibit B for an explanation of this right.

**17. SIGNATURES.** IN WITNESS WHEREOF, the parties have signed this Franchise Agreement on the date(s) described below, to be effective as of the date specified in Section 3.1 of Exhibit "1".

**FRANCHISEE:**

**FRANCHISOR:**

\_\_\_\_\_

**LABOR FINDERS INTERNATIONAL, INC.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Witness: \_\_\_\_\_

Witness: \_\_\_\_\_

**18. AGREEMENT OF FRANCHISEE'S OWNERS.**

**18.1. Acceptance of Restrictions.** Each of your direct and indirect owners, including *both those who are and are not active in the Franchised Business*, approve this Agreement, and agree to the restrictions placed on them (including without limitation restrictions on the transfer of their ownership interests, limitations on their ability to compete, and prohibitions on their use of Confidential Information).

**18.2. Personal Guaranty of Owners Active in the Franchised Business.**

In consideration of, and as an inducement to, the signing of the foregoing Franchise Agreement by and between you and LFI, only your direct and indirect owners who *are or will be active in the Franchised Business*, and their spouses (each a "**Guarantor**"), personally and unconditionally: (1) guarantee to us and our successors and assigns, for the term of the Agreement and all renewals as provided in the Agreement, that you shall punctually pay and perform each and every undertaking, agreement, and covenant described in the Agreement; and (2) agree to be personally bound by, and personally liable for any breach or default by you of any provision in the Agreement.

Each of the Guarantors waives: (1) acceptance and notice of acceptance by us of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right he/she may have to require that an action be

brought against you or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he/she may be entitled.

Each of the Guarantors consents and agrees that: (1) his/her direct and immediate liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) he/she will individually comply with the terms and provisions of the Franchise Agreement and all renewal franchise agreements, including without limitation the provisions of Section 11.6 regarding choice of law and venue; (4) this liability shall not be contingent or conditioned upon pursuit by us of any remedies against you or any other person; and (5) this liability shall not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may grant to you or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement and all renewals with respect to those provisions which survive expiration, termination or Transfer; provided, however, that each of the undersigned Guarantors shall only be liable for that percentage of your payment and performance obligations equal to the Guarantor's percentage ownership in Franchisee at the time that any obligation of Franchisee arises for which performance under this guaranty is subsequently sought. A discharge in bankruptcy of the Franchisee by a Bankruptcy Court that is "full satisfaction" (or words to such effect) of the Franchise Agreement's obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of any of the Guarantor and Franchisor may pursue any Guarantor for the entire amount due and owing Franchisor regardless of the discharge, subject to the above limitations for percentage of ownership.

If any provision of this guaranty is deemed to be invalid or inoperative for any reason, that part shall be deemed modified if necessary to make it valid and operative or if it cannot be so modified, then severed, and the remainder of the guaranty shall continue in full force and effect as if it had been signed with the invalid portion so modified or eliminated.



IN WITNESS WHEREOF, each of the undersigned owners has hereunto completed and signed below to acknowledge his or her agreement as provided in Section 17.1 above, and if the undersigned is or will be active in the Franchised Business, then also as a Guarantor of your obligations as provided in Section 17.2 above.

_____	Owner's Residential Address:	Owner's Title/Position with Franchisee:
Signature of Franchisee Owner	_____	_____
_____	_____	_____
Printed/Typed Name of Owner	_____	_____
Active in Franchised Business (a Guarantor):	_____	Percent Ownership in Franchisee:
<input type="checkbox"/> Yes <input type="checkbox"/> No	Signature of Guarantor's Spouse	_____ %
Date: _____, 20__	_____	_____
	Printed/Typed Name of Spouse	

_____	Owner's Residential Address:	Owner's Title/Position with Franchisee:
Signature of Franchisee Owner	_____	_____
_____	_____	_____
Printed/Typed Name of Owner	_____	_____
Active in Franchised Business (a Guarantor):	_____	Percent Ownership in Franchisee:
<input type="checkbox"/> Yes <input type="checkbox"/> No	Signature of Guarantor's Spouse	_____ %
Date: _____, 20__	_____	_____
	Printed/Typed Name of Spouse	

_____ Signature of Franchisee Owner	Owner's Residential Address: _____  _____ _____	Owner's Title/Position with Franchisee:   _____ _____
_____ Printed/Typed Name of Owner	_____ _____	_____ _____
Active in Franchised Business (a Guarantor): <input type="checkbox"/> Yes <input type="checkbox"/> No	_____ Signature of Guarantor's Spouse	Percent Ownership in Franchisee:   _____%
Date: _____, 20__	_____ Printed/Typed Name of Spouse	_____%

_____ Signature of Franchisee Owner	Owner's Residential Address: _____  _____ _____	Owner's Title/Position with Franchisee:   _____ _____
_____ Printed/Typed Name of Owner	_____ _____	_____ _____

Active in Franchised Business (a Guarantor): <input type="checkbox"/> Yes <input type="checkbox"/> No	_____ Signature of Guarantor's Spouse	Percent Ownership in Franchisee: _____%
Date: _____, 20__	_____ Printed/Typed Name of Spouse	

_____ Signature of Franchisee Owner	Owner's Residential Address: _____ _____	Owner's Title/Position with Franchisee: _____
_____ Printed/Typed Name of Owner	_____ _____	
Active in Franchised Business (a Guarantor): <input type="checkbox"/> Yes <input type="checkbox"/> No	_____ Signature of Guarantor's Spouse	Percent Ownership in Franchisee: _____%
Date: _____, 20__	_____ Printed/Typed Name of Spouse	

_____ Signature of Franchisee Owner	Owner's Residential Address: _____ _____	Owner's Title/Position with Franchisee: _____
_____ Printed/Typed Name of Owner	_____ _____	
Active in Franchised Business (a Guarantor): <input type="checkbox"/> Yes <input type="checkbox"/> No	_____ Signature of Guarantor's Spouse	Percent Ownership in Franchisee: _____%
Date: _____, 20__	_____ Printed/Typed Name of Spouse	

_____	Owner's Residential Address:	Owner's Title/Position with Franchisee:
Signature of Franchisee Owner	_____	_____
_____	_____	_____
Printed/Typed Name of Owner	_____	_____
Active in Franchised Business (a Guarantor):	_____	Percent Ownership in Franchisee:
<input type="checkbox"/> Yes <input type="checkbox"/> No	Signature of Guarantor's Spouse	_____ %
Date: _____, 20__	_____	_____ %
	Printed/Typed Name of Spouse	

_____	Owner's Residential Address:	Owner's Title/Position with Franchisee:
Signature of Franchisee Owner	_____	_____
_____	_____	_____
Printed/Typed Name of Owner	_____	_____
Active in Franchised Business (a Guarantor):	_____	Percent Ownership in Franchisee:
<input type="checkbox"/> Yes <input type="checkbox"/> No	Signature of Guarantor's Spouse	_____ %
Date: _____, 20__	_____	_____ %
	Printed/Typed Name of Spouse	

_____	Owner's Residential Address:	Owner's Title/Position with Franchisee:
Signature of Franchisee Owner	_____	_____
_____	_____	_____
Printed/Typed Name of Owner	_____	_____
Active in Franchised Business (a Guarantor):	_____	Percent Ownership in Franchisee:
<input type="checkbox"/> Yes <input type="checkbox"/> No	Signature of Guarantor's Spouse	_____ %
Date: _____, 20__	_____	_____ %
	Printed/Typed Name of Spouse	

**EXHIBIT "1"**  
**TO**  
**FRANCHISE AGREEMENT**  
**TERMS**

**Franchisee.** Franchisee's legal name is \_\_\_\_\_

\_\_\_\_\_

Franchisee is a/an \_\_\_\_\_, whose business address is:  
[state] [type of business entity]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Telephone: \_\_\_\_\_

Fax: \_\_\_\_\_

**2.1. Territory.** Your Territory shall be: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(If in Louisiana, then list the actual parishes covered by the Territory)

**2.3.1 Population of Territory and Development Schedule.** You and LFI agree that as of the most recent available information, which is for the year 20\_\_, the population of the Territory is:

\_\_\_\_\_. You agree to open and continuously operate Franchise offices that actively service

customers as required by the chart on the following page:

**Franchisor Initials:** \_\_\_\_\_

**Franchisee Initials:** \_\_\_\_\_

General Location of Office(s) To Be Opened	Date(s) by Which Office(s) Must Be Opened and Operating	Cumulative Number of Open Offices Required
		1
		2
		3
		4
		5
		6
		7
		8
		9
		10

**3.1. Effective Date.** The Franchise Agreement and Franchise is effective as of, and commence on \_\_\_\_\_, 20\_\_.

**4.1. Initial Fee.** The Initial Fee to be paid by you to us is \$\_\_\_\_\_.

**11.11.1. Notice to Franchisee.** Notices to you will be delivered to the following address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Fax: (\_\_\_\_) \_\_\_\_ - \_\_\_\_\_

<b>Franchisor Initials:</b> _____ <b>Franchisee Initials:</b> _____
--

**11.11.2. Business Address and Telephone Number.** Your name, business address and telephone number, or that of your president or chief executive officer if you are a corporation or other legal entity, is:

---

---

---

---

Telephone Number: (\_\_\_\_) \_\_\_\_ - \_\_\_\_\_

**16. Ohio Franchises Only.** The date of the last day on which you may cancel (any time prior to midnight of the fifth business date after the date you sign) is \_\_\_\_\_, 20\_\_\_. The notice of cancellation is attached in duplicate.

<b>Franchisor Initials:</b> _____
<b>Franchisee Initials:</b> _____

**EXHIBIT "2"**  
**TO**  
**FRANCHISE AGREEMENT CONFIDENTIALITY**  
**AND UNFAIR COMPETITION AGREEMENT**

NAME OF AGENT: \_\_\_\_\_  
NAME OF FRANCHISEE: \_\_\_\_\_  
DATE: \_\_\_\_\_, 20\_\_\_\_\_

**A.** LABOR FINDERS INTERNATIONAL, INC., a Florida corporation ("**LFI**"), has developed and owns a distinctive system (the "**System**") for recruiting and supplying temporary industrial personnel. LFI was founded in 1975 to support companies by providing qualified temporary workers for industrial commercial and construction projects. At present, the scope of the business includes production and assembly workers, maintenance technicians, electricians, carpenters and welders, and providing staffing solutions for thousands of clients across the country.

**B.** Franchisor has licensed \_\_\_\_\_ ("**Franchisee**") under a Franchise Agreement (the "**Franchise Agreement**") to use the System in connection with the operation of a franchised temporary industrial employment service business.

**C.** The undersigned individual (referred to in this Agreement as "**Agent**") either holds, or has been offered, a position with Franchisee as a director, officer, owner, manager, agent, representative and/or employee, as specified with the signatures to this Agreement (the "**Position**"). Those Agents who are directors, officers, and owners of Franchisee are sometimes referred to in this Agreement as "**Controlling Agents**." Those Agents who are managers, agents, representatives and/or employees of Franchisee are sometimes referred to in this Agreement as "**Employees**." The Position will place Agent in a position of trust and confidence with both LFI and Franchisee. In connection with the Position, Agent will have access to, generate, or otherwise come into contact with certain trade secrets of Franchisee and LFI, as well as other proprietary and/or confidential information of Franchisee and LFI which is not in the public domain, including without limitation: statistical data, customer lists, information obtained from confidential human resources or employee files/records to which Agent may have access, advertising and promotional materials, manuals, forms, techniques, methods and procedures, computer software, any and all information and knowledge about the System, and any other information and material as LFI may designate as confidential (collectively, the "**Confidential Information**"). Confidential Information does not include information lawfully acquired by a non-supervisory employees (laborers) about wages, hours or other terms and conditions of employment if used by them for purposes protected by §7 of the National Labor Relations Act such as joining or forming a union, engaging in collective bargaining, or engaging in other concerted activity for their mutual aid or protection. All parties agree that the term "employment" will include both direct employment and indirect employment in which the Franchisee contracts with a separate entity to lease or otherwise contract for its employees, including the Agent, and that such "indirect employment" is not to be utilized as a means to avoid the provisions in this Agreement.

**D.** Agent, Franchisee, and LFI desire to prevent the dissemination or misuse of any Confidential Information.

**E.** If you are a manager, agent, representative or employee of Franchisee, then this Confidentiality and Unfair Competition Agreement is entered into in consideration for your employment with Franchisee and is signed in conjunction with the employment agreement signed between Agent and Franchisee on \_\_\_\_\_ (or such agreement between Franchisee and an employment entity on \_\_\_\_\_).



**F.** NOTICE: If you are a resident of the following states, you are instructed to review Exhibit "2A" for important modifications to this Confidentiality and Unfair Competition Agreement: Alabama, Arizona, Arkansas, California, Connecticut, Georgia, Idaho, Illinois, Louisiana, Maine, Maryland, Massachusetts, Montana, Nebraska, Nevada, New Hampshire, New York, North Carolina, North Dakota, Oklahoma, Oregon, Rhode Island, South Carolina, Texas, Utah, Virginia, Washington, and Wisconsin.

As an inducement to LFI to enter into the Franchise Agreement with Franchisee, or to approve a transfer to Franchisee, or the appointment of Agent, and/or in consideration of Agent's employment as stated above or continued employment by Franchisee, and/or in consideration of Agent's receipt of Confidential Information, access to customers and the ability to develop goodwill, and/or specialized training, and/or other valuable consideration, the receipt and sufficiency of which Agent acknowledges, Agent and Franchisee (on behalf of both Franchisee and LFI) agree as follows:

**1. Confidential Information.**

**1.1 Ownership.** LFI and/or Franchisee is/are the sole owner(s) of all the Confidential Information; that the Confidential Information is being imparted to Agent in trust and confidence and only by reason of Agent's Position; and that the Confidential Information is not generally known to the trade or public and is not known to Agent except by reason of Agent's Position. Agent shall acquire no interest in the Confidential Information, other than the right to utilize it in connection with the performance of any duties associated with Agent's Position. In addition, the use, duplication or disclosure of the Confidential Information except as expressly permitted by this Agreement shall constitute an unfair method of competition and that LFI and Franchisee shall suffer irreparable injury.

**1.2 Confidentiality.** All of the Confidential Information and all information and knowledge about the System which is not in the public domain and any other information and material as LFI or Franchisee may designate as confidential shall be deemed Confidential Information for purposes of this Agreement. The System is a process and method developed by LFI through ingenuity and know how not known to the general public. LFI has undertaken extensive efforts to maintain the System's confidentiality. The Confidential Information is disclosed to Agent solely on the condition that Agent agree, and Agent agrees, that Agent: (a) will use the Confidential Information in strict accordance with the instructions and directions given by Franchisee or LFI periodically; (b) will not use the Confidential Information in any other business or capacity; (c) will not, at any time, while holding any Position with Franchisee, in any manner or form, directly or indirectly, disclose, duplicate, license, sell, reveal, divulge, publish or communicate the Confidential Information, or any portion thereof, to any person or entity other than Franchisee, or employees of Franchisee or LFI who need to have this information in connection with their jobs; (d) will not copy any materials containing the Confidential Information, including without limitation any manuals or computer software, without LFI's prior written consent; (e) will observe and implement all reasonable procedures imposed periodically by LFI and/or Franchisee to prevent the unauthorized use and disclosure of the Confidential Information; (f) will keep all manuals and other materials containing any portion of the Confidential Information in a secure place. Notwithstanding the foregoing, Agent may disclose any of the Confidential Information on a confidential basis to his or her accountants, banks, or insurance underwriters for proper business purposes, or, upon the prior written approval of LFI, to applicants for other franchises from LFI.

**1.3 Protected Conduct.** Nothing in this Agreement, including the foregoing, prevents Agent from communicating with the Equal Employment Opportunity Commission, the Securities and Exchange Commission, the Department of Labor, or any other governmental authority, making a report in good faith and with a reasonable belief of any violations of law or regulation to a governmental authority, cooperating with or participating in a legal proceeding relating to such violations, or sharing Confidential Information with Agent's attorneys; provided, however, that to the extent allowed by law, Agent will give LFI and Franchisee as much written notice as possible under the circumstances and will cooperate with LFI and Franchisee in any legal action undertaken to protect the confidentiality of the information; however, nothing herein shall be construed to prohibit Agent from reporting what Agent reasonably

believes, in good faith is a violation of the law to an appropriate law enforcement agency, with or without advance notice to LFI and/or the Franchisee. Protected conduct may include a disclosure of trade secret information provided that it must comply with the restrictions in the Defend Trade Secrets Act of 2016 (DTSA). The DTSA provides that no individual will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret that: (i) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or, (ii) is made in a complaint or other document if such filing is under seal so that it is not made public. Also, an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. To the extent that Agent is covered by Section 7 of the National Labor Relations Act (NLRA) because Agent is not in a supervisor or management role, nothing in this Agreement shall be construed to prohibit Agent from using information Agent acquires regarding the wages, benefits, or other terms and conditions of employment LFI and/or the Franchisee for any purpose protected under the NLRA. The NLRA, covered employees have a right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection, and to refrain from any or all of such activities.

**1.4 Work Product.** Agent agrees that all documents, papers, notes and other materials and work products containing or derived from the Confidential Information or in any way connected with Agent's Position with Franchisee shall be the Company's property, including all information, records, or documents developed or used by Agent by him or her and arising out of Agent's Position with Franchisee (collectively the "**Work Product**"). Agent agrees that he or she will have no proprietary interest in any Work Product. Agent will, periodically, as may be requested by Franchisee or LFI, do all things which may be necessary to establish or document Franchisee's or LFI's ownership of any Work Product, including the execution of assignments.

**1.5 Assignment of Improvements and Inventions.** Agent agrees to disclose promptly to LFI any and all inventions, discoveries and improvements, whether or not patentable or copyrightable, conceived or made by Agent while holding any Position with Franchisee and related to the temporary industrial employment service business, all of which Agent assigns to LFI and which shall be automatically owned by LFI, without compensation to Agent. Whenever requested to do so by LFI, Agent will sign any and all applications, assignments or other instruments which LFI shall deem necessary to apply for and obtain patents and/or copyrights or to otherwise protect LFI's interest. These obligations shall continue beyond the termination of Agent's Position with respect to inventions, discoveries and improvements conceived or made by Agent while holding any Position with Franchisee, and shall be binding upon Agent's assigns and personal representatives. **NOTICE:** If Agent is a resident of Delaware, Illinois, Kansas, North Carolina, Minnesota, Utah, Washington, or California, Agent should refer to Exhibit "2B" for important limitations on the scope of this Assignment of Improvements provision.

**1.6 Return of Work Product, Confidential Information and Property.** Upon termination of his or her Position with Franchisee, Agent shall promptly return to Franchisee all Work Product, all copies of any materials containing Confidential Information, and all other property belonging to Franchisee and LFI, or either of them, in Agent's possession, custody or control, including any items produced or prepared by Agent. However, the foregoing does not apply to documents regarding Agent's individual compensation, such as pay stubs and benefit plan booklets.

## **2. Non-Competition.**

**2.1 Covenant.** Agent recognizes that: (a) the temporary industrial employment service business is very competitive; (b) the System is currently operated in numerous states throughout the United States and is intended to be national in scope; (c) by virtue of his or her Position, Agent will be

given access to items of Confidential Information and will have close contacts with the customers serviced by Franchisee for the purpose of maintaining and further developing Franchisee's business and the business and goodwill of the System; (d) for these very reasons, the Position also provides Agent with the attendant ability to divert customer trade; and (e) consequently, LFI and Franchisee each have strong legitimate interests in obtaining the covenants for the protection of their respective businesses, goodwill and trade secrets. Therefore, without the express prior written consent of LFI and Franchisee, which either may withhold in its sole absolute discretion, Agent agrees that Agent will not, directly or through any person or entity acting under Agent's control and direction (including Agent's Immediate Family Members) (as defined in Paragraph A of Section 2.2 below), shall, during the Time Period (as defined in Paragraph B of Section 2.2 below), directly or through the direction or control of others, engage in any Prohibited Conduct (as defined in Paragraph C of Section 2.2 below) within the Area (as defined in Paragraph D of Section 2.2 below).

## **2.2 Definitions.**

**A.** For the purposes of this Agreement, the term "**Immediate Family Members**" shall mean a Controlling Agent's spouse and minor children.

**B.** For the purposes of this Agreement, the term "**Time Period**" shall mean: (a) the period that Agent holds any Position with Franchisee; and (b) after the Agent no longer holds a Position with Franchisee for a period of (i) 730 days if Agent is or ever was a Controlling Agent or manager, or (ii) 365 days if Agent never was a Controlling Agent or manager.

**C.** For the purposes of this Agreement, the term "**Prohibited Conduct**" shall mean: (a) if Agent is or ever was a Controlling Agent serving as an officer, director, or manager for any temporary industrial employment service business or providing financing to, being employed by, or having any financial, beneficial or equitable interest in any temporary industrial employment service business; or (b) if Agent never was a Controlling Agent, engaging in duties that are the same or similar in function or purpose to those provided by Agent to Franchisee within the Look-Back Period for any other temporary industrial employment service business. Such Prohibited Conduct would also include a prohibition in any ownership, financing or revenue interest in any land used, leased or sold to a temporary industrial employment service business in the Area during the Time Period.

**D.** For the purposes of this Agreement, the term "**Area**" shall include: (a) the geographic area in which Agent provides or provided services to customers of the Franchisee or any of LFI's affiliates during the Look-Back Period; and (b) a radius of twenty miles from the office(s) of Franchisee in which Agent worked during the Look-Back Period; and (c) if Agent is or was a manager during the Look-Back Period, a radius of twenty miles from any and all offices of Franchisee or of any other franchised or LFI- owned offices in the same business as Franchisee over which the manager had managerial or supervisory responsibilities during the Look-Back Period; and (d) if Agent is or ever was a Controlling Agent, a radius of twenty miles from each additional office operated by Franchisee during the Look-Back Period; and (e) if Agent is or ever was a Controlling Agent during the Look-Back Period, a radius of twenty miles from any temporary industrial employee service business operated or franchised by LFI or any of LFI's affiliates at the time Agent's position with Franchisee ends.

**E.** For purposes of this Agreement, the term "**Look-Back Period**" shall mean: (a) a period of 730 days immediately preceding the termination of Agent's employment by Franchisee, if Agent was a Controlling Agent during that 730-day period; or (b) a period of 365 days immediately preceding the termination of Agent's employment by Franchisee, if Agent never was a Controlling Agent during the 730-day period preceding the termination of Agent's employment by Franchisee.

**3. No Solicitation - Customers.** The following non-solicitation provisions apply: (a) If Agent is or was a Controlling Agent during the Look-Back Period, except for any solicitations Agent makes on behalf

of Franchisee, Agent shall not during the Time Period solicit as a customer for temporary industrial employment services: (i) any customers to whom Franchisee provided services during the Look-Back Period; or (ii) any other persons or entities, who were customers of other System franchisees or affiliates of LFI during the Look-Back Period and with which Agent had contact or received Confidential Information during the Look-Back Period; or (iii) any prospective customers to whom Franchisee made proposals or bids during the Look-Back Period. (b) if Agent was not a Controlling Agent during the Look-Back Period, except for any solicitations Agent makes on behalf of Franchisee, Agent shall not during the Time Period solicit as a customer for temporary industrial employment services: (i) any customers to which Agent provided services or about which Agent received Confidential Information during the Look-Back Period; or (ii) any other persons or entities, who were customers of other System franchisees or affiliates of LFI during the Look-Back Period and with which Agent had contact or about which Agent received Confidential Information during the Look-Back Period; or (iii) any prospective customers to which Franchisee made proposals or bids during the Look-Back Period.

#### **4. Modification.**

Each of the obligations in this Agreement shall be construed as independent of any other agreement. LFI may reduce the scope of the obligations under any of the covenants in this Agreement unilaterally and without the consent of any other person or entity, effective upon giving notice thereof.

#### **5. Remedies.**

**5.1 Acknowledgments.** Agent acknowledges and agrees that Agent's experience and capabilities are such that Agent can obtain employment and engage in business activities which are of a different or non-competing nature from those prohibited hereunder; that the enforcement of a remedy of injunction will not prevent Agent from earning a reasonable living; and that the covenants contained in this Agreement are necessary for the protection of Franchisee and LFI's legitimate business interests and are reasonable in scope and in content.

**5.2 Applicable Statutory and Common Law Still Apply.** The remedies described in this Agreement are in addition to and cumulative of any rights or remedies that may be available to LFI and/or Franchisee under any applicable statutory or common law, including laws relating to trade secrets, duty of loyalty, tortious interference with contract and/or unfair competition, and nothing contained in this Agreement shall be construed as a waiver of any rights or remedies available to LFI and/or Franchisee under any applicable law.

**5.3 Injunctive Relief and Arbitration.** In the event of an actual or threatened breach of any of the provisions of this Agreement, Franchisee and LFI, or either of them, or their agents, shall immediately be entitled to injunctive relief restraining those responsible from the breach or threatened breach without having to show any actual damage. It is specifically agreed that Franchisee and LFI, or either of them, may incur incalculable and irreparable damage from any violation, and that Franchisee and LFI, or either of them, have no fully adequate remedy at law and are entitled to injunctive relief for any actual or threatened violation. Nothing in this Agreement shall prohibit Franchisee and LFI, or either of them, from pursuing any other available remedies for any breach. If a claim is made for arbitration, then the provisions relating to arbitration in the Franchise Agreement apply to this Agreement. If there is any question as to whether a claim is subject to injunctive relief or arbitration, then the decider of the first open action shall decide this issue such that if an arbitration was the first action to have been filed, the arbitrator shall make such determination and if a party has first sought provisional injunctive relief from a court of competent jurisdiction, then that court shall decide if a claim is subject to injunctive relief.

#### **6. Survival.**

Except for as otherwise provided, the provisions of this Agreement shall survive the expiration or termination of any agreement or relationship between Franchisee and Agent for any reason, and shall, likewise, continue to apply and be valid notwithstanding any change in Agent's duties, compensation, responsibilities, position or title and/or the assignment of this Agreement by Franchisee or LFI, and shall be enforceable notwithstanding the existence of any claim or cause of action of Agent against Franchisee and LFI, or either of them, predicated on any contract or other basis whatsoever.

**7. Severability and Modification.**

In the event any term or provision of this Agreement is declared to be invalid or unenforceable for any reason, the provision shall be modified only so much as necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms of this Agreement shall remain in full force and effect, and it is declared the intention of the parties that they would have signed the Agreement as so modified.

**8. Notice.**

Any notice to be given to Agent under this Agreement shall be deemed to have been duly given when delivered personally or by telecopy (with a hard copy sent the same day by regular mail), one day after being sent by email provided no message is received that the email was undeliverable, one business day after being sent prepaid by commercial courier service for next business day delivery, or five days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid, at his or her residential address as provided below or to his or her last known email address if the email is not returned to Franchisee or LFI as undeliverable.

**9. Applicable Law.**

Except to the extent governed and/or preempted by federal trademark, copyright, and/or arbitration statutes or ERISA, the existence, validity, construction and sufficiency of performance of this Agreement and all matters relating to it shall be governed by the laws of the State of Florida applicable to agreements made and to be entirely performed in Florida, without regard to, and without giving effect to, the application of any Florida conflict of laws rules; *provided, however* that if any of the provisions of this Agreement would not be enforceable under the laws of Florida, then these provisions shall be governed by the laws of the state in which the office of Franchisee's temporary industrial employment business is located; *and provided further* that if Agent never was a Controlling Agent or manager, this Agreement shall be governed by the laws of the state in which the office of Franchisee's temporary industrial employment business is located; *and provided further* that the Franchise Disclosure Document delivered to Franchisee before entering into the Franchise Agreement contained a State Law Addendum, which is incorporated into this Agreement, referencing and summarizing certain existing local laws of other jurisdictions, and the application of Florida law shall not abrogate or reduce any rights of Franchisee or its Controlling Agent(s) or manager(s) provided for under existing local laws which by their terms apply and supersede Florida law (unless local law conflicts with federal law and is preempted).

**10. General.** (a) Except as otherwise expressly provided, this Agreement contains the entire understanding between the parties with respect to the subjects hereof, and supersedes all prior oral and written negotiations and agreements, except if Agent is party to a Franchise Agreement with LFI, the Franchise Agreement shall continue to exist and this Agreement shall not be construed to supersede the Franchise Agreement. In which case, the non-competition, non-solicitation, confidentiality and nondisclosure provisions of this Agreement and the Franchise Agreement shall be construed together to provide the Franchisee and LFI with the broadest protections possible under applicable law. (b) Except as provided in Section 4, this Agreement may be amended only by an instrument in writing signed by Franchisee and Agent or by order of a court of competent jurisdiction or duly-appointed arbitrator. (c) The waiver of any breach or violation of this Agreement shall not be deemed to amend this Agreement and shall not constitute a waiver of any other or subsequent breach. (d) Headings are for convenience and

shall not limit or control interpretation. (e) Words in this Agreement shall be deemed to refer to whatever number and gender the context requires. (f) This Agreement shall inure to the benefit of and be enforceable by Franchisee's or LFI's successors and assigns without need for further consent or agreement from Agent. (g) None of the rights or obligations under this Agreement shall be assigned or transferred by Agent. (h) LFI shall be a third party beneficiary of this Agreement and entitled to enforce it as though LFI were a signatory. (i) Should Franchisee or LFI be required to enforce its rights hereunder, it shall be entitled to recover its reasonable costs and expenses, including without limitation attorneys' fees. (j) If Agent fails to comply with a time-limited restriction in this Agreement, the time period applicable to the restriction shall be extended by one day for each day Agent is found to have violated the restriction up to a maximum period of the originally-agreed upon period of forbearance.

(Signature blocks follow on the next page.)

**AGENT :**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name: Printed or Typed)

Position(s) with Franchisee [check all that apply]:

- \_\_\_\_% Owner
- Director
- Officer: \_\_\_\_\_ [provide title]
- Regional Manager
- Manager
- Assistant Manager
- Administrative Assistant
- Other: \_\_\_\_\_ [specify]

\_\_\_\_\_  
(Residential Street Address)

\_\_\_\_\_  
(City, State, Zip Code)

**ACCEPTED BY FRANCHISEE**

(For itself and on behalf of LFI):

\_\_\_\_\_  
(Full Legal Name of Franchisee)

By:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name Printed or Typed)

Its:

\_\_\_\_\_  
(Title)

**EXHIBIT "2A"**  
**TO**  
**CONFIDENTIALITY AND UNFAIR COMPETITION AGREEMENT**

**STATE-SPECIFIC MODIFICATIONS**

The provisions below modify the corresponding sections in the main text of the Agreement, unless otherwise s

**Alabama**

For an Alabama resident, for so long as Agent resides in Alabama and is subject to the laws of Alabama:

1. Section 3 shall be limited to current customers of the Franchisee that Agent had material business-related contact or dealings with or access to Confidential Information about during the Look Back Period.
2. Section 3 shall, in all circumstances, extend past employment for a period of only 18 months.

**Arizona**

For an Arizona resident, for so long as Agent resides in Arizona and is subject to the laws of Arizona: The provisions in Section 3 shall be limited to the Area.

The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**Arkansas**

For an Arkansas resident, for so long as Agent resides in Arkansas and is subject to the laws of Arkansas:

1. The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

2. Section 2.2 (D) is rewritten as follows:

For the purposes of this Agreement, the term "Area" shall mean a radius of twenty miles from any temporary industrial employment service business operated or franchised by LFI or any of its affiliates at the time this Agreement is transferred, terminated, or expires and is not renewed.



## **California**

For a resident of California, for so long as Agent is subject to the laws of California:

1. Section 2.1 shall not apply.
2. Section 3 is rewritten as follows:

Customers. During the Time Period, except for any solicitations Agent makes on behalf of Franchisee, Agent shall not solicit as a customer for temporary industrial employment services, utilizing trade secrets of Franchisee: (a) any customers to whom Franchisee provided services during the period Agent held a Position with Franchisee; or (b) any other persons or entities, who were customers of other System franchisees or affiliates of LFI during the period Agent held a Position with Franchisee; or (c) any prospective customers to whom Franchisee made proposals or bids during the period Agent held a Position with Franchisee ended.

3. Section 9 is rewritten as follows:

Except to the extent governed and/or preempted by federal trademark, copyright and/or arbitration statutes or ERISA, the existence, validity, construction and sufficiency of performance of this Agreement and all matters related to it shall be governed by the laws of California applicable to agreements made and to be entirely performed in California.

## **Colorado**

For a resident of Colorado, for so long as Agent resides in Colorado and is subject to the laws of Colorado:

1. Section 2.1 shall only apply if Agent earns Annualized Cash Compensation equivalent to or greater than the Threshold Amount for Highly Compensated Workers and to the extent that the conduct in violation of Section 3(e) and (f) is aided by Agent's use or disclosure of the Franchisee's trade secrets.
2. Section 3 shall only apply if Agent earns Annualized Cash Compensation equivalent to or greater than sixty percent (60%) of the Threshold Amount for Highly Compensated Workers and to the extent that the conduct in violation of Section 3(c) and (d) is aided by the Agent's use or disclosure of the Franchisee's trade secrets.
3. "Annualized Cash Compensation" means: (A) the amount of gross salary or wage amount, the fee amount, or other compensation amount for the full year, if the person was employed or engaged for a full year; or (B) the compensation that the person would have earned, based on the worker's gross salary or wage amount, fee, or other compensation if the worker was not employed or engaged for a full year. In determining whether a worker's cash compensation exceeds the threshold amount, where the worker has been employed for less than a calendar year, the worker's cash compensation exceeds the threshold amount if the worker would reasonably expect to earn more than the threshold amount during a calendar year of employment.
4. "Threshold Amount for Highly Compensated Workers" means the greater of the threshold amount for highly compensated workers as determined by the Division of Labor Standards and Statistics in the Department of Labor and Employment: (A) as of August 10, 2022; or (B) at the time this Agreement is executed by Agent.

5. Nothing contained in this Agreement shall be construed to prohibit Agent from disclosing information that: (A) arises from the Agent's general training, knowledge, skill, or experience, whether gained on the job or otherwise; (B) is readily ascertainable to the public; or (C) a worker otherwise has a right to disclose as legally protected conduct.

6. Agent acknowledges that Agent received notice of this Agreement (including, but not limited to, the provisions of Sections 2.1 and 3: (A) before Agent accepted the Franchisee's offer of employment (if Agent is a new hire); or (B) at least fourteen (14) days before the earlier of (I) the execution of this Agreement, or (II) the effective date of any additional compensation or change in the terms or conditions of employment that provides consideration for the covenants in Sections 2.1 and 3.

### **Connecticut**

For a resident of Connecticut, for so long as Agent resides in Connecticut and is subject to the laws of Connecticut:

The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

### **Georgia**

For a resident of Georgia, for so long as Agent resides in Georgia and is subject to the laws of Georgia:

The tolling provision in Section 10(j) shall not apply.

### **Idaho**

For a resident of Idaho, for so long as Agent resides in Idaho and is subject to the laws of Idaho:

Sections 2.1 and 3, shall, in all circumstances, be limited post-employment to a period of only 18 months.

### **Illinois**

For a resident of Illinois, for so long as Agent resides in Illinois and is subject to the laws of Illinois:

1. The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

2. The provisions of Section 3 shall only apply if Agent's Earnings, as defined by the Illinois Freedom to Work Act, exceed \$45,000 per year in 2022-2026, \$47,500 per year in 2027-2031, \$50,000 per year in 2032-2036, and \$52,500 beginning on January 1, 2037.

3. The provisions of Section 2.1 shall only apply if Agent's Earnings, as defined by the Illinois Freedom to Work Act, exceed \$75,000 per year in 2022-2026, \$80,000 per year in 2027-2031, \$85,000 per year in 2032-2036, and \$90,000 beginning on January 1, 2037.

4. The provisions of Section 2.1 and 3 shall not apply if the Agent is terminated or furloughed or laid off as a result of business circumstances or governmental orders related to the COVID-19 pandemic or under circumstances that are similar to the COVID-19 pandemic, unless Franchisee informs the Agent in writing that it will be intending to enforce the provisions of Sections 2.1 and 3, and will be paying the Agent compensation equivalent to the agent's base salary at the time of termination for the period of enforcement minus compensation earned through subsequent employment during the period of enforcement.

5. The provisions of Section 2.1 shall not apply if Agent is covered by a collective bargaining agreement under the Illinois Public Relations Act.

6. Agent acknowledges that Agent has been advised to consult with an attorney about this Agreement and has been given an opportunity to do so; and

7. If Agent is a new employee, Agent acknowledges that Agent has been provided a copy of this Agreement at least 14 calendar days before the commencement of employment. If Agent is an existing employee, Agent acknowledges that Agent has been given at least 14 calendar days to review the covenant.

### **Louisiana**

For a resident of Louisiana, for so long as Agent resides in Louisiana and is subject to the laws of Louisiana:

The enforcement of the restrictions in Sections 2.1 and 3 will be limited within the state of Louisiana to the Parishes in which Agent assisted Franchisee in marketing its products and services, as are indicated by circling below, and to counties in states outside of Louisiana as identified below; provided, however, that nothing in Agreement may be construed to prohibit the enforcement of Sections 2.1 and 3 in accordance with their terms in states outside of Louisiana.

Acadia	Allen	Ascension	Assumption
Avoyelles	Beauregard	Bienville	Bossier
Caddo	Calcasieu	Caldwell	Cameron
Catahoula	Claiborne	Concordia	De Soto
East Baton Rouge	East Carroll	East Feliciana	Evangeline
Franklin	Grant	Iberia	Iberville
Jackson	Jefferson	Jefferson Davis	Lafayette
Lafourche	La Salle	Lincoln	Livingston
Madison	Morehouse	Natchitoches	Orleans
Ouachita	Plaquemines	Pointe Coupee	Rapides
Red River	Richland	Sabine	St. Bernard
St. Charles	St. Helena	St. James	
St. John the Baptist	St. Landry	St. Martin	St. Mary
St. Tammany	Tangipahoa	Tensas	Terrebonne
Union	Vermilion	Vernon	Washington
Webster	West Baton Rouge	West Carroll	West Feliciana
Winn			

Counties outside of Louisiana: \_\_\_\_\_.

**Maine**

For a resident of Maine, for so long as Agent resides in Maine and is subject to the laws of Maine:

1. The Agent acknowledges that if Agent is being initially hired by the Franchisee that the Agent received a copy of this Agreement prior to receiving a formal offer of employment from the Franchisee and was given at least three business days to consider the Agreement before signing;
2. Section 2.1 will not take effect until one year of employment or a period of six months from the date this Agreement is signed, whichever is later; and
3. Section 2.1 shall not apply if the Agent earns at or below 400% of the federal poverty level.

**Maryland:**

For a resident of Maryland, for so long as Agent resides in Maryland and is subject to the laws of Maryland:

1. Section 2.1 shall not apply if the Agent earns equal to or less than \$15/hour or \$31,200 annually.

**Massachusetts**

For a resident of Massachusetts, for so long as Agent resides in Massachusetts and is subject to the laws of Massachusetts:

1. The Agent was provided this Agreement at least ten (10) business days before commencing employment or expected to sign it, and advised of the right to consult legal counsel prior to signing.
2. Any actions to enforce this Agreement must be brought in a court in the county in which the Agent resides or in the Superior Court or business litigation session of the Superior Court of Suffolk County.
3. If Agent is an employee, director or officer, he or she received [ADD AMOUNT OR STATEMENT OF ADDITIONAL CONSIDERATION] which shall constitute mutually-agreed upon consideration for purposes of the non-compete restriction in Section 7.1 of this Agreement.

4. Section 2.2 (B) is rewritten as follows:

For the purposes of this Agreement, the term “**Time Period**” shall mean: (a) the period that Agent holds any Position with Franchisee; and (b) a period of 365 days after Agent no longer holds a position with Franchisee.

5. Section 10 (j) is rewritten as follows:

If Agent fails to comply with a time-limited restriction in Section 3 in this Agreement, the time period applicable to restriction shall be extended by one day for each day Agent is found to have violated the restriction up to a maximum period of the originally-agreed upon period of forbearance. If Agent if an employee and breaches his or her fiduciary duty to LFI or unlawfully takes, physically or electronically, property belonging to LFI, the time period for the restriction

contained in Section 2 may be equitably extended by an enforcing court for a period not to exceed two (2) years from the date of cessation of Agent's employment.

### **Montana**

For a resident of Montana, for so long as Agent resides in Montana and is subject to the laws of Montana:

The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

### **Nebraska**

For a resident of Nebraska, for so long as Agent resides in Nebraska and is subject to the laws of Nebraska:

1. Section 2.1 shall not apply.
2. Section 3.2 shall be limited to solicitation of customers for any temporary industrial employment service business as to which customers Agent provided services while this Agreement was in effect.

### **Nevada**

For a resident of Nevada, for so long as Agent resides in Nevada and is subject to the laws of Nevada:

Section 3.2 does not preclude Agent from providing services to any former client or customer of the Franchisee if: (a) Agent did not solicit the former customer or client; (b) the customer or client voluntarily chose to leave and seek services from Agent; and (c) Agent is otherwise complying with the limitations in this Agreement as to time and scope of activity to be restrained.

Section 2.1 does not apply if Agent is paid solely on an hourly wage, exclusive of tips or gratuities

### **New Hampshire:**

For a resident of New Hampshire, for so long as Agent resides in New Hampshire and is subject to the laws of New Hampshire:

1. Section 2.1 does not apply if the Agent earns an hourly rate less than or equal to 200 percent of the federal minimum wage; and
2. The Agent acknowledges that the Agent was given a copy of this Agreement prior to a change in job classification or the offer of employment.

### **New York**

For a resident of New York, for so long as Agent resides in New York and is subject to the laws of New York:

1. Section 3 shall be modified so that it excludes those customers who became a customer of the Franchisee as a result of Agent's independent contact and business development efforts with the customer prior to and independent from his/her employment with the Franchisee.

### **North Carolina**

For a resident of North Carolina, for so long as Agent resides in North Carolina and is subject to the laws of North Carolina:

1. The Look Back Period shall be calculated looking back from the date of enforcement and not from the date employment ends and

2. The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

### **North Dakota**

For a resident of North Dakota, for so long as Agent resides in North Dakota and is subject to the laws of North Dakota:

1. Section 2.1 shall not apply.

2. Section 3 is rewritten as follows:

Customers. During the Time Period, except for any solicitations Agent makes on behalf of Franchisee, Agent shall not solicit as a customer for temporary industrial employment services, utilizing trade secrets of Franchisee: (a) any customers to whom Franchisee provided services during the period Agent held a Position with Franchisee; or (b) any other persons or entities, who were customers of other System franchisees or affiliates of LFI during the period Agent held a Position with Franchisee; or (c) any prospective customers to whom Franchisee made proposals or bids during the period Agent held a Position with Franchisee ended.

### **Oklahoma**

For a resident of Oklahoma, for so long as Agent resides in Oklahoma and is subject to the laws of Oklahoma:

1. The provisions of Section 2.1 shall not apply.

2. The provisions of Section 3 shall not apply to prospective customers, but shall be limited to the established customers of the Franchisee.

### **Oregon**

For a resident of Oregon, for so long as Agent resides in Oregon and is subject to the laws of Oregon:

1. The restrictions in Section 2.1 shall only apply if Agent: (a) is engaged in administrative, executive or professional work and performs predominantly intellectual, managerial, or creative tasks, exercises discretion and independent judgment and earns a salary or is otherwise exempt from Oregon's

minimum wage and overtime laws; (b) the Franchisee has a "protectable interest" (meaning, access to trade secrets or competitively sensitive confidential business or professional information); and (c) the total amount of Agent's annual gross salary and commission, calculated on an annual basis, at the time of Agent's termination, exceeds \$100,533 adjusted annually for inflation pursuant to the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor immediately preceding the calendar year of the agent's termination. However, if Agent does not meet requirements of either (a) or (c) (or both), Franchisee may, on a case-by-case basis, decide to make Section 2.1 enforceable as to Agent (as allowed by Oregon law), by agreeing in writing to pay Agent during the period of time Agent is restrained from competing the greater of: (i) compensation equal to at least 50 percent of Agent's annual gross base salary and commissions at the time of Agent's termination; or (ii) fifty percent of \$100,533 adjusted annually for inflation pursuant to the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor immediately preceding the calendar year of the employee's termination.

2. In no circumstances shall the Time Period exceed 12 months.

### **Rhode Island:**

For a resident of Rhode Island, for so long as the Agent resides in Rhode Island and is subject to the laws of Rhode Island:

1. Section 2.1 shall not apply to the Agent post-employment if the Agent is: classified as non-exempt under the FLSA; an undergraduate or graduate student in an internship or short-term employment relationship; 18 years of age or younger; or a low wage employee (defined as earning less than 250% of the federal poverty level)

### **South Carolina**

For a resident of South Carolina, for so long as Agent resides in South Carolina and is subject to the laws of South Carolina:

1. The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

### **Texas**

For a resident of Texas, for so long as Agent resides in Texas and is subject to the laws of Texas:

### **Utah**

For a resident of Utah, for so long as Agent resides in Utah and is subject to the laws of Utah:

Section 2.1 shall, in all circumstances, be limited post-employment to a period of only one year.

### **Virginia:**

For a resident of Virginia, for so long as Agent resides in Virginia and is subject to the laws of Virginia:

1. Sections 2 and 3 shall not apply if Agent is a "low wage employee." A "low wage employee" refers to an employee whose average weekly earnings, calculated by dividing the employee's earnings during the period of 52 weeks immediately preceding the date of termination of employment by 52, or if an employee worked fewer than 52 weeks, by the number of weeks that the employee was actually paid during the 52-week period, are less than the average weekly wage of the Commonwealth of Virginia as determined pursuant to subsection B of Virginia Code § 65.2-500. "Low-wage employee" includes interns, students, apprentices, or trainees employed, with or without pay, at a trade or occupation in order to gain work or educational experience. "Low-wage employee" also includes an individual who has independently contracted with another person to perform services independent of an employment relationship and who is compensated for such services by such person at an hourly rate that is less than the median hourly wage for the Commonwealth of Virginia for all occupations as reported, for the preceding year, by the Bureau of Labor Statistics of the U.S. Department of Labor. However, "low-wage employee" does not include any employee whose earnings are derived, in whole or in predominant part, from sales commissions, incentives, or bonuses paid to the employee by the Franchisee;

2. This Agreement does not preclude Agent from providing services to any client or customer of the Franchisee if the Agent did not initiate contact with or solicit the former customer or client;

3. The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement; and

### **Washington**

For a resident of Washington, for so long as the Agent resides in Washington and is subject to the laws of Washington:

1. If Agent is an existing employee, the Agent acknowledges that the Agent was given ten (10) business days to consider this Agreement before accepting it;

2. Section 2.1 shall only apply post-employment if the Agent's annualized earnings from the Franchisee exceed \$100,000.00 per year (adjusted annually in accordance with Section 5 of Washington HP 1450), and Section 2.1 shall only apply during employment if the Agent earns at least twice the Washington minimum hourly wage (subject to the common law duty of loyalty and the Franchisee's Code of Conduct);

3. For purposes of the application of Section 2.1, the Agent understands that the Non-Competition provision will not be enforced against the Agent if the Agent is terminated from employment without cause or if the Agent is laid off unless the Franchisee pays the Agent during the post-employment Time Period an amount equal to the Agent's base salary at the time of termination less any compensation earned by the Agent during the post-employment Time Period; and

4. Agent further acknowledges that if Agent is a new employee, Agent has had advance notice of the terms of this Agreement prior to accepting the Franchisee's offer of employment.

### **Washington (D.C.):**

1. If Agent is a "Covered Employee" as defined by Bill 24-256, Agent acknowledges that Agent was given a copy of Washington, D.C., Council Bill 24-256 ("Bill 24-256") contemporaneously with executing this Agreement.



2. If Agent is a “Covered Employee” as defined by Bill 24-256 and Agent is not a “Highly Compensated Employee,” as defined by Bill 24-256, the following applies to Agent: (1) Section 2.1 shall not apply; (2) “Confidential Information” shall, in all instances, be limited to information owned or possessed by the Franchisee which is not available to the general public and which the Franchisee has taken reasonable steps to ensure is protected from improper disclosure; (3) Agent is precluded from accepting money or a thing of value for performing work for a person other than the Franchisee, during the Agent’s employment with the Franchisee, where the Agent’s acceptance of money or a thing of value under such circumstances can reasonably be concluded to result (a) in the Agent’s disclosure or use of Confidential Information or “Proprietary employer information,” as defined by Bill 24-256; (b) conflict with the Franchisee’s established rules regarding conflicts of interest, or (c) impair the Franchisee’s ability to comply with federal law, the law of the District of Columbia, or a contract or grant agreement.

3. If Agent is a “Covered Employee” as defined by Bill 24-256 and Agent is a “Highly Compensated Employee,” as defined by Bill 24-256, the following applies to Agent: (1) Agent acknowledges that Agent was given a copy of this Agreement at least 14 days before Agent commenced employment for the Franchisee (if Agent is a new hire) or Agent was given a copy of this Agreement at least 14 days before Agent was required to execute this Agreement (if Agent is an existing employee); (2) “Confidential Information” shall, in all instances, be limited to information owned or possessed by the Franchisee which is not available to the general public and which the Franchisee has taken reasonable steps to ensure is protected from improper disclosure; (3) the Restricted Period for purposes of Section 2.1 shall, in any cases, be limited to a period of twelve (12) months post-employment (as well as the period of time during which Agent is employed by the Franchisee); and (4) Agent is notified that The District of Columbia Ban on Non-Compete Agreements Amendment Act of 2020 limits the use of non-compete agreements. It allows employers to request non-compete agreements from “highly compensated employees” under certain conditions. The Franchisee has determined that you are a highly compensated employee. For more information about the Ban on Non-Compete Agreements Amendment Act of 2020, contact the District of Columbia Department of Employment Services (DOES).

### **Wisconsin**

For a resident of Wisconsin, for so long as Agent resides in Wisconsin and is subject to the laws of Wisconsin:

1. The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent’s employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

2. The tolling provision in Section 10(j) shall not apply.

**EXHIBIT "2B"**  
**TO**  
**CONFIDENTIALITY AND UNFAIR COMPETITION AGREEMENT**

**STATE-REQUIRED NOTICES REGARDING**  
**ASSIGNMENT OF INTELLECTUAL PROPERTY**

1. Individuals residing in **Delaware, Illinois, Kansas, and North Carolina**, are notified of the following limitations on the "Assignment of Improvements and Inventions" provision:

**Notice.** The "Assignment of Improvements and Inventions" provision does not require you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Franchisee or LFI was used and which was developed entirely on your own time, unless (a) the invention relates (i) to the business of the Franchisee/LFI or (ii) to the Franchisee's/LFI's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by you for the Franchisee/LFI. Delaware Code Title 19 Section 805; Illinois 765ILCS1060/1-3, "Employees Patent Act"; Kansas Statutes Section 44-130; North Carolina General Statutes Article 10A, Chapter 66, Commerce and Business, Section 66-57.1.

2. Individuals residing in **Minnesota** are notified of the following limitations on the "Assignment of Improvements and Inventions" provision:

**Notice.** The "Assignment of Improvements and Inventions" provision does not require you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Franchisee/LFI was used and which was developed entirely on your own time, and (a) which does not relate (i) directly to the business of the Franchisee/LFI, or (ii) to the Franchisee's/LFI's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by you for the Franchisee/LFI. Minnesota Statutes 13A Section 181.78.

3. Individuals residing in **Utah** are notified of the following limitations on the "Assignment of Improvements and Inventions" provision:

**Notice.** The "Assignment of Improvements and Inventions" provision does not require you to assign any of your rights to an invention which is created entirely on your own time, and which is not (a) conceived, developed, reduced to practice, or created by you (i) within the scope of your employment with the Franchisee, (ii) on the Franchisee's time, or (iii) with the aid, assistance, or use of any of the Franchisee's/LFI's property, equipment, facilities, supplies, resources, or patents, trade secrets, know-how, technology, confidential information, ideas, copy rights, trademarks and service marks and any and all rights, applications and registrations relating to them, (b) the results of any work, services, or duties performed by you for the Franchisee, (c) related to the industry or trade of the Franchisee/LFI, or (d) related to the current or demonstrably anticipated business, research, or development of the Franchisee/LFI. Utah Code Sections 34-39-1 through 34-39-3, "Employee Inventions Act."

4. Individuals residing in **Washington** are notified of the following limitations on the "Assignment of Improvements and Inventions" provision:

**Notice.** No provision in the "Assignment of Improvements and Inventions" provision requires you to assign any of your rights to an invention for which no equipment, supplies, facility, or trade secret information of the Franchisee/LFI was used and which was developed entirely on your own time, unless (a) the invention relates (i) directly to the business of the Franchisee/LFI, or (ii) to the Franchisee's/LFI's actual or demonstrably anticipated research or development, or (b) the invention results from any work

performed by you for the Franchisee. Washington Rev. Code, Title 49 RCW: Labor Regulations Chapter 49.44.140.

5. Individuals residing in **California**, are notified of the following limitations on the "Assignment of Improvements and Inventions" provision:

**Notice.** No provision in the "Assignment of Improvements and Inventions" provision requires you to assign any of your rights to an invention if that invention qualifies for exclusion under California Labor Code §2870 which states: (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) result from any work performed by the employee for the employer, (b) to the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable. Cal. Lab. Code §2870.

I acknowledge receipt of this written notification.

Date: \_\_\_\_\_

[Signature of Agent] \_\_\_\_\_  
Name: [Typed name] \_\_\_\_\_

**EXHIBIT "3"**  
**TO**  
**LABOR FINDERS INTERNATIONAL, INC.**  
**FRANCHISE AGREEMENT**  
**STATE-SPECIFIC TERMS FOR FRANCHISEES**  
**REGARDING**  
**SECTION 7 DATA, CONFIDENTIALITY AND UNFAIR COMPETITION**

The sections indicated are modified or replaced (as indicated below) and amend the corresponding sections in Section 7 of the main text of the Agreement, unless otherwise stated.

**Alabama**

**7.4 No Solicitation - Customers.** Section 7.4 shall be limited to current customers of the Franchisee that you had material business-related contract or dealings with or access to Confidential Information about during the 730-day period preceding the Transfer, termination, or expiration and nonrenewal of the Agreement. The Time Period after the Transfer, termination, or expiration and nonrenewal of the Agreement applicable to Section 7.4 shall, in all circumstances, be limited to 18 months.

**Arizona**

**7.2. Confidential Information.** The restriction against disclosure of Confidential Information in Section 7.2 shall be limited to a period of two (2) years following the termination of the Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**7.4. No Solicitation - Customers.** The restrictions in this provision are limited to the Area.

**Arkansas**

**Section 7.2 Confidential Information.** The restriction against disclosure of Confidential Information in Section 7.2 shall be limited to a period of two (2) years following the termination of the Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**Section 7.3.2. (D) Area.** For the purposes of Section 7.3, the term "Area" shall mean a radius of twenty miles from any temporary industrial employment service business operated or franchised by us or any of our affiliates at the time this Agreement is transferred, terminated, or expires and is not renewed.

**7.4. No Solicitation - Customers.** For the Time Period after the Transfer, termination, or expiration and non-renewal of this Agreement, you must not solicit as a customer for any temporary industrial employment service business any customers to whom you provided services while this Agreement was in effect.

**California**

**Section 7.3.1. Covenant.** This section shall not apply.

**Section 7.4. No Solicitation - Customers** is rewritten as follows:

**7.4. No Solicitation - Customers.** For a period of 730 days after the Transfer, termination or expiration and non-renewal of this Agreement, you will not solicit as a customer for temporary industrial employment services, utilizing trade secret or information otherwise protected by California Business and Professions Code Section 16607: (a) any customers to whom you provided services while this Agreement was in effect; or (b) any other persons or entities, who were customers of other System franchisees or affiliates of LFI while this Agreement was in effect; or (c) any prospective customers to whom you made proposals or bids during the one year period before this Agreement was transferred, terminated, or expired and was not renewed.

**Section 11.6. Choice of Law and Venue.** Any proceeding brought against us and any action brought by us against your or any Related party related to Section 7 of this Agreement shall be governed by California law and brought in a federal or state court located in the county where our California office is located.

### **Connecticut**

**Section 7.2 Confidential Information.** The restriction against disclosure of Confidential Information in Section 7.2 shall be limited to a period of two (2) years following the termination of the Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

### **Georgia**

**Section 7.3.2.B.** The tolling provision contained in the last sentence of Section 7.3.2(B) shall not apply.

### **Idaho**

**Section 7 Time Period.** The Time Period after the Transfer, termination, or expiration and nonrenewal of the Agreement applicable to Sections 7.3.1 and 7.4 shall, in all circumstances, be limited to 18 months.

### **Illinois**

**Section 7.2 Confidential Information** The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**Louisiana**

**7.3.2. (D) Area**

For the purposes of this Agreement, the term "Area" shall be all parishes containing any portion of the territory described in Section 2.1 of Exhibit "1" to the Franchise Agreement, all parishes directly adjoining such parishes, all other parishes in which you provide or provided services to customers, and all counties in states outside of Louisiana as identified below. The parishes include, without limitation, those circled below:

Acadia	Allen	Ascension	Assumption
Avoyelles	Beauregard	Bienville	Bossier
Caddo	Calcasieu	Caldwell	Cameron
Catahoula	Claiborne	Concordia	De Soto
East Baton Rouge	East Carroll	East Feliciana	Evangeline
Franklin	Grant	Iberia	Iberville
Jackson	Jefferson	Jefferson Davis	Lafayette
Lafourche	La Salle	Lincoln	Livingston
Madison	Morehouse	Natchitoches	Orleans
Ouachita	Plaquemines	Pointe Coupee	Rapides
Red River	Richland	Sabine	St. Bernard
St. Charles	St. Helena	St. James	
St. John the Baptist	St. Landry	St. Martin	St. Mary
St. Tammany	Tangipahoa	Tensas	Terrebonne
Union	Vermilion	Vernon	Washington
Webster	West Baton Rouge	West Carroll	West Feliciana
Winn			

Counties outside of Louisiana:

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However, nothing in Agreement may be construed to prohibit the enforcement of Sections 7.3.1 and 7.4 in accordance with their terms in states outside of Louisiana.

**Montana**

**7.2. Confidential Information.** The restriction against disclosure of Confidential Information in Section 7.2 shall be limited to a period of two (2) years following the termination of the Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**Nebraska**

**Section 7.3.1. Covenant.** This section shall not apply.

**7.4 No Solicitation - Customers.** For the Time Period after the Transfer, termination, or expiration and non-renewal of this Agreement, you must not solicit as a customer for any temporary industrial employment service business any customers to whom you provided services while this Agreement was in effect.

**Nevada**

**7.4. No Solicitation - Customers.** Section 7.4 does not preclude you from providing services to any former client or customer of the Franchisee if: (a) you did not solicit the former customer or client; (b) the customer or client voluntarily chose to leave and seek services from you; and (c) you are otherwise complying with the limitations in this Agreement as to time and scope of activity to be restrained.

## **New York**

**7.4. No Solicitation - Customers.** Section 7.4 shall be modified so that it excludes those customers who became a customer of the Franchisee as a result of your independent contact and business development efforts with the customer prior to the effective date of the Agreement and independent from your relationship with the Franchisor.

## **North Carolina**

**Section 7.2 Confidential Information** The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**7.4. No Solicitation - Customers.** Section 7.4 is rewritten as follows:

While this Agreement is in effect, you may only solicit your customers (or any prospective customers) on behalf of the Franchise System as reported through Franchisor's required software and for inclusion in the amount of fees due under this Agreement. For the Time Period after the Transfer, termination, or expiration and non-renewal of this Agreement, you must not solicit as a customer for any temporary industrial employment service business: (a) Any customers to whom you provided services during the one (1) year preceding the Transfer, termination or expiration and non-renewal of this Agreement; or (b) any other persons or entities who were customers of other System franchisees or any Franchisor Affiliate at the time of the Transfer, termination or expiration and non-renewal of this Agreement; or (c) any prospective customers to whom you made proposals or bids during the one year period before this Agreement was transferred, terminated, or expired and was not renewed,

## **North Dakota**

**Section 7.3.1. Covenant.** This section shall not apply.

**7.4. No Solicitation - Customers.** Section 7.4 is rewritten as follows:

**7.4. No Solicitation - Customers.** For a period of 730 days after the Transfer, termination or expiration and non-renewal of this Agreement, you will not solicit as a customer for temporary industrial employment services, utilizing trade secret or information otherwise protected by California Business and Professions Code Section 16607: (a) any customers to whom you provided services while this Agreement was in effect; or (b) any other persons or entities, who were customers of other System franchisees or affiliates of LFI while this Agreement was in effect; or (c) any prospective customers to whom you made proposals or bids during the one year period before this Agreement was transferred, terminated, or expired and was not renewed.

## Oklahoma

**7.4. No Solicitation - Customers.** Section 7.4 is rewritten as follows:

**7.4. No Solicitation - Customers.** The provisions of Section 7.4 shall not apply to prospective customers, but shall be limited to established customers of the Franchisee.

## Oregon

**Section 7.3.1. Covenant.** The restrictions in Section 7.3.1 shall only apply if the Franchisee: has a "protectable interest" (meaning, access to trade secrets or competitively sensitive confidential business or professional information).

**7.3.2.B. Time Period.** In no circumstances shall the Time Period exceed 12 months.

## South Carolina

**Section 7.2 Confidential Information.** The restriction against disclosure of Confidential Information in Section 7.2 shall be limited to a period of two (2) years following the termination of the Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

## Utah

**Section 7.3.1 Covenant.** The Time Period after the Transfer, termination, or expiration and nonrenewal of the Agreement applicable to Section 7.3.1 shall, in all circumstances, be limited to one year.

## Virginia

**Section 7.2 Confidential Information** The restriction against disclosure of Confidential Information in Section 1.2 shall be limited to a period of two (2) years following the termination of Agent's employment (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

## Wisconsin

**Section 7.2 Confidential Information.** The restriction against disclosure of Confidential Information in Section 7.2 shall be limited to a period of two (2) years following the termination of the Agreement (whatever the cause) for any information that does not qualify as a trade secret. Trade secret information will remain protected at all times and nothing herein shall be construed to reduce or diminish the applicability of trade secret protections, statutory or common law, that apply to trade secrets independent from this Agreement.

**Section 7.3.2.B.** The tolling provision contained in the last sentence of Section 7.3.2(B) shall not apply.



**UCC FINANCING STATEMENT**

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT SUBMITTER (optional)

B. E-MAIL CONTACT AT SUBMITTER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

SEE BELOW FOR SECURED PARTY CONTACT INFORMATION

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name, do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor Information in Item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE COUNTRY

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name, do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor Information in Item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE COUNTRY

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE COUNTRY

4. COLLATERAL: This financing statement covers the following collateral:

5. Check only if applicable and check only one box: Collateral is  held in a Trust (see UCC1Ad, Item 17 and instructions)  being administered by a Decedent's Personal Representative

5a. Check only if applicable and check only one box:  Public-Finance Transaction  Manufactured-Home Transaction  A Debtor is a Transmitting Utility

5b. Check only if applicable and check only one box:  Agricultural Lien  Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable):  Lessee/Lessor  Consignee/Consignor  Seller/Buyer  Bailor/Ballor  Licensee/Licenser

8. OPTIONAL FILER REFERENCE DATA:

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 07/01/23)

**Exhibit "5" to Franchise Agreement  
[For Ohio Franchisees Only]  
Notice of Cancellation**

\_\_\_\_\_, 20\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Labor Finders International, Inc., at 11426 North Jog Road, Palm Beach Gardens, Florida 33418, or send a fax to Labor Finders International, Inc. at 561-627-6556 or an email to Labor Finders International, Inc. at [Gary.Glass@laborfinders.com](mailto:Gary.Glass@laborfinders.com) not later than midnight of \_\_\_\_\_, 20\_\_.

I hereby cancel this transaction.

\_\_\_\_\_

[copy to be sent to franchisor]

**[For Ohio Franchisees Only]**  
**Notice of Cancellation**

\_\_\_\_\_, 20\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Labor Finders International, Inc., at 11426 North Jog Road, Palm Beach Gardens, Florida 33418, or send a fax to Labor Finders International, Inc. at 561-627-6556 or an email to Labor Finders International, Inc. at [Gary.Glass@laborfinders.com](mailto:Gary.Glass@laborfinders.com) not later than midnight of \_\_\_\_\_, 20\_\_.

I hereby cancel this transaction.

\_\_\_\_\_

[copy to be completed and retained by franchisee]

**EXHIBIT D**

**PAYROLL FUNDING**

**LOAN DOCUMENTS**

## PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT

This Payroll Funding and Support Services Agreement (this "**Agreement**") is made as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("Franchisee"), and Labor Finders International, Inc. ("**LFI**").

### 1. **Recitals.**

1.1. **Purpose.** Franchisee and LFI are parties to a Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Franchise Agreement**"). Under the Franchise Agreement, Franchisee is entitled to operate one or more LABOR FINDERS® temporary industrial personnel offices (the "**Franchise Business**"). Franchisee wishes to obtain payroll funding loans (the "**Loans**") from LFI for the Franchise Business.

1.2. **Related Documents.** The Loans are to be secured by a lien on all of the receivables of the Franchise Business, the stock or other equity ownership of Franchisee's business, and guaranties (the "**Guaranties**") from all of the owners of Franchisee (the "**Guarantors**"). At the time of the execution and delivery of this Agreement, Franchisee, as debtor, and LFI, as secured party, will sign and deliver a Security Agreement and related Financing Statements to LFI; all of the owners of Franchisee will deliver their stock certificates in Franchisee (or equivalent evidence of ownership interests if Franchisee is a legal entity other than a corporation) to LFI; and the Guarantors will sign and deliver their Guaranties to LFI.

2. **Payroll Funding.** Subject to the terms of this Agreement, LFI agrees to furnish Franchisee with payroll funding relating to Franchisee's employees ("**Employees**") assigned for temporary placement with third party business entities ("**Clients**") according to contracts between Franchisee and the Clients.

2.1. **Use of Funds.** Franchisee agrees all of the loan proceeds will be used solely to pay for current payroll expenses for Employees.

### 2.2. **Loan Procedures.**

2.2.1. **Client Information.** Upon entering into any agreement to furnish Employee(s) for a Client, Franchisee shall, upon LFI's request, provide information concerning the Client's credit and financial history, invoice payment history, and any other relevant information to LFI. LFI's minimum credit requirements which Franchisee agrees to follow and comply with are:

**A. Credit History.** The Client must have a satisfactory credit history, based on standards defined by LFI, as updated periodically.

**B. Legal Notices.** A Notice to Client in accordance with any applicable lien or equivalent laws must be filed on orders greater than \$500 or for more than one week of service.

2.2.2. **Acceptance by LFI.** LFI can inform Franchisee of its acceptance or rejection of any Client account (an "**Account**") submitted for payroll funding without waiving any future right to terminate or modify any such acceptance.

2.2.3. **Payments.** Promptly after each pay period for which Franchisee desires to receive a Loan, and upon receipt of payroll information by LFI, LFI shall make payments as follows: (a) to Franchisee's payroll bank account by automatic clearing house or by wire transfer or such other bank transfer as determined by LFI in an amount not to exceed the total net earnings of the Employees for that pay period; and (b) to a bank for distribution of tax deposits for federal income tax and F.I.C.A. withholding, for distribution to state agencies for state income tax withholding, for distribution to any other governmental agency to whom any tax obligation is due with respect to Employees' activities. LFI shall be entitled to rely on the data provided by Franchisee in making these deposits, and shall not be responsible for the accuracy of the numbers.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

**2.3. Maximum Amount.** LFI reserves the right to cease funding Franchisee's payroll if at any time the total principal amount of outstanding Loans owing to LFI by Franchisee under this Agreement would be: (a) more than \$75,000, or any greater amount set by LFI in its sole absolute discretion; or (b) more than seventy-five percent (75%) of Franchisee's gross uncollected Client receivables less than 60 days old.

**3. Obligations of Franchisee.** In addition to the obligations described elsewhere in this Agreement, Franchisee agrees to the following:

**3.1. Reports.** Franchisee shall provide LFI with daily reports, by means of electronic transfer or other form prescribed by LFI, of Employee payroll and Client Account invoices and receivables.

**3.2. Records.** It is understood and agreed that Franchisee's principal place of business is the one described in the Franchise Agreement, that all of Franchisee's books and records are located there, and that Franchisee will keep its records at its principal place of business and available for inspection for a minimum of three years. Franchisee will promptly notify LFI in writing at least ten days before to any change of address of its principal or other places of business or the addition of any new places of business and their addresses.

**3.3. Financial Statements.**

**3.3.1. Quarterly Statements.** Franchisee shall, as soon as is practicable and in any event within 30 days after the end of each calendar quarter, furnish to LFI, a quarterly unaudited financial statement of Franchisee, including balance sheets and income statements for the quarter just ended and for the fiscal year to date, certified by a duly authorized officer of Franchisee.

**3.3.2. Annual Statements.** Franchisee shall, as soon as is practicable, and in any event within four months of the end of its fiscal year, furnish to LFI an annual financial statement of Franchisee and copies of Franchisee's income tax returns, certified by a duly authorized officer of Franchisee.

**3.4. Additional Documents.** Franchisee agrees to sign any and all documents necessary to effectuate this Agreement or to perfect LFI's security interest or to facilitate collection of Accounts, including, without limitation, security agreements, financing statements, and special endorsement authorizations.

**3.5. Audits.** LFI reserves the right to inspect, copy and audit Franchisee's books, records, documents, computer data and tax returns, or to have documentation sent to its offices to determine compliance with the requirements of this Agreement. Lack of compliance with these requirements will give LFI the right to refuse further funding under this Agreement, or to terminate this Agreement, at its sole option.

**4. Releases.** Franchisee and the Guarantors each release LFI and its affiliates, and their directors, officers, employees and agents, from any and all claims with respect to the offer, grant and acceptance of the Franchise Agreement and with respect to any breach, violation or default of the Franchise Agreement by LFI which occurred before to the date of this Agreement.

**5. Services of LFI.** LFI agrees to support the collection and administration of Franchisee's Accounts and furnish the following services to Franchisee:

**5.1. Account Administration.** LFI shall administer all funds so that separate records are maintained for Franchisee's Accounts for which LFI provides funding and support services and collects receivables.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

### **5.2. Collections.**

**5.2.1. Direct Payment to LFI.** LFI shall collect all of Franchisee's receivables directly from the Clients, and shall separately account to Franchisee for all these collections.

**5.2.2. Delinquent Accounts.** LFI shall have the right, after reasonable notice to Franchisee, to proceed against any Client or, in LFI's sole discretion against Franchisee, for the collection or offset of any invoice or amount owed by a Client that is unpaid after 60 days. All costs of collection, including LFI's reasonable administrative costs, shall be charged against Franchisee.

### **5.3. Remittances to Franchisee.**

**5.3.1. Payments.** Subject to deductions as provided in Subsection 5.3.2, and so long as no event of default (as defined in Section 14.1 of this Agreement) has occurred and is continuing, LFI shall remit to Franchisee by wire transfer by Tuesday of each week, the balance of all funds collected from Franchisee's Clients during the previous week (Monday through Sunday), without interest.

**5.3.2. Deductions.** All funds held by LFI for the benefit of Franchisee shall be available to pay all amounts then owing to LFI by Franchisee under this or any other agreement or for any other reason.

**5.4. Record Keeping.** LFI shall deliver to Franchisee periodic summaries of all transactions into and out of Franchisee's account.

## **6. Charges.**

**6.1. Interest.** Franchisee agrees to pay LFI monthly interest, payable for the previous month on the third business day (all days of the week other than weekends and national holidays, are a "**Business Day**") of the following month, at three percent (3%) above the annual prime rate of interest as published in the Wall Street Journal on the last Business Day of the month, divided by twelve, times the average daily principal balance of the Loans outstanding during the previous month.

**6.2. Service Charges.** Franchisee agrees to pay LFI a weekly service fee, payable each Tuesday for the previous week (Monday through the Sunday), in the amount of five percent (5%) of the principal amount of the Loans made under this Agreement during the previous week; provided, however, that the weekly service fee shall be at least \$125 (even if no loans were made).

**6.3. Costs.** Franchisee shall pay or reimburse LFI for all fees and expenses incident to the transaction between Franchisee and LFI as statements are submitted, including LFI's costs before closing, excluding attorneys' fees, for closing and for administration of the Loan, recording and filing costs, intangibles taxes, stamp taxes, *etc.* Franchisee shall also pay all taxes, assessments, levies and charges upon or against the business of Franchisee and the collateral pledged to LFI under this Agreement, before to delinquency.

**6.4. Delinquent Interest.** Should any payment due under this Agreement not be paid when due, the delinquent amount shall bear default interest until paid at the lesser of (a) a monthly rate of two percent (2%) above the total monthly rate stated in Section 6.1 above, or (b) the highest rate permitted by applicable usury laws.

**6.5. No Usurious Interest.** It is the intention of the parties to conform strictly to the usury laws applicable to LFI. Accordingly, if the transactions contemplated in this Agreement would be usurious under applicable law (including the laws of the United States of America), then, in that event, notwithstanding anything to the contrary in this Agreement, it is agreed as follows: (a) the aggregate of all consideration which constitutes interest under law applicable to LFI that is contracted for, taken, reserved, charged or received under this Agreement shall under no circumstances exceed the maximum amount

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

allowed by applicable usury laws; (b) in the event the repayment of the Loans under this Agreement is accelerated by reason of an event of default, or in the event of any permitted prepayment, then the consideration that constitutes interest under law applicable to LFI may never include more than the maximum amount allowed by these applicable usury laws; (c) and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically and, if previously paid, shall be credited by LFI on the principal amount due under this Agreement (or, if that the principal amount shall have been or would have been paid in full, refunded by LFI to Franchisee). An acceleration under this Agreement does not include the acceleration of any interest which has not otherwise accrued on the date of this acceleration, and LFI does not intend to collect any unearned interest in the event of acceleration.

**6.6. Taxes.** Should any excise, sales, service or other tax be imposed by state, federal or local authorities regarding any of the transactions in the form that LFI is required to withhold, collect or pay such taxes, Franchisee agrees to disclose this requirement to LFI and to indemnify LFI regarding the payments, and LFI shall be entitled to charge and collect these payments from Franchisee's account.

### **7. Repayment of Loans.**

#### **7.1. Repayment of Loans.**

**7.1.1. From Client Payments.** LFI shall retain the first 65% of each amount collected by LFI from a franchisee's Client Accounts receivable, to be applied as provided in Section 7.4. So long as no event of default (as defined in Section 14.1) has occurred and is continuing, LFI shall remit the remaining 35% of each payment to Franchisee as provided in Section 5.3.

**7.1.2. Payments by Franchisee.** Franchisee promises to pay to LFI, at LFI's principal place of business, or at any other place as LFI shall designate, the total outstanding principal amounts loaned to Franchisee periodically by LFI according to this Agreement, together with interest on the unpaid principal balance from the date of each Loan as provided in Section 6.1, and all other payments provided for in this Agreement to be made by Franchisee to LFI, payable: (a) from payments of the Account receivables of Franchisee as provided in Subsection 7.1.1 above; or (b) by Franchisee as provided in Sections 5.2.2, 7.2 and 14.5. Principal and interest shall be payable in lawful money of the United States of America. Checks shall constitute payment when collected.

#### **7.2. Charge Backs.**

**7.2.1. Non-Payment by Client.** If, for any reason, any Client pays less than or none of the face amount of any invoice or amount owed, or pays by a check without sufficient funds to cover it, the full amount owed by the Client shall be immediately due and payable by Franchisee to LFI. LFI may, in its sole discretion, set off the unpaid amount against any amounts then or subsequently payable to Franchisee from LFI.

**7.2.2. Unsatisfactory Creditworthiness of Client.** LFI reserves the right to demand repayment of the entire amount of any or all Loans if at any time LFI determines in its sole discretion that the creditworthiness of any Client(s) is unsatisfactory, regardless of previous acceptance by LFI or a previously satisfactory credit history.

**7.3. Prepayment.** Franchisee may prepay the Loans in whole or in part at any time without notice or penalty.

**7.4. Application of Payments.** LFI may, in its sole discretion, credit all payments received from Franchisee's Clients, from Franchisee and from any other source, to pay the following obligations of Franchisee in the following order: (a) service charges due and owing according to Section 6.2; (b) any payments (other than service charges and interest) due and owing from Franchisee to LFI under this Agreement; (c) any payments due and owing from Franchisee to LFI under the Security Agreement (Payroll Funding Loan) signed on the same date; (d) interest due and owing according to Sections 6.1



## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

and 6.4; (d) all amounts due and owing by Franchisee to LFI under the Franchise Agreement and any other agreements between Franchisee and LFI; (e) any obligation of Franchisee to LFI other than those listed in parts (a) through (d) inclusive and part (f) of this Section 7.4; and (f) the outstanding principal amounts of all Loans made by LFI under this Agreement.

**7.5. Offsets.** LFI shall have the right to offset payments due under this Agreement to Franchisee against any amounts which are payable by Franchisee to LFI.

### **8. Security.**

**8.1. Pledge of Client Receivables.** As security for the repayment of the Loans made by LFI to Franchisee and the payment of all amounts to be paid by Franchisee to LFI under this Agreement, Franchisee shall sign and deliver to LFI the Security Agreement (Payroll Funding Loan) by which Franchisee shall grant to LFI a first priority security interest in all of Franchisee's currently existing and later acquired or arising accounts receivable for Franchisee's business operated according to the Franchise Agreement, and in and to all cash and noncash proceeds derived from insurance or the disposition of this collateral.

**8.1.1. Financing Statements.** With this agreement, and later as LFI deems necessary, Franchisee shall sign and deliver to LFI, all in form and substance satisfactory to LFI: (a) Financing Statements according to the Uniform Commercial Code, and (b) any other agreements, documents, instruments and writings required to evidence, perfect, or protect LFI's lien and security interest in Franchisee's receivables. Franchisee authorizes LFI to file and record all Financing Statements (see attached form), Financing Statement amendments, continuation Financing Statements, and other documents in all jurisdictions deemed appropriate by LFI, necessary or desirable to evidence, perfect and continue the priority of the security interests granted under this Agreement and under the Security Agreement (Payroll Funding Loan).

**8.1.2. Client Invoices.** All invoices to all of Franchisee's Clients (regardless of whether LFI has funded payroll expenses for the Clients) shall designate Franchisee as the named payee, with specific instructions to deliver payment to the office of LFI or to any other office, depository or agent of LFI as LFI shall designate periodically. Franchisee shall not revoke or change the payment instructions to any of its Clients, and shall continue to issue instructions to its Clients, until all amounts owed to LFI have been paid in full and this Agreement is terminated. Franchisee shall sign all authorizations or other documents requested to establish the authority of LFI to accept, endorse and deposit all of these remittances to the account of LFI.

**8.1.3. Client Contracts.** Franchisee shall furnish signed copies of all its Client contracts and/or purchase orders to LFI upon request by LFI. All contracts and confirmations of purchase orders must be signed by the principal/operating officer of both Franchisee and the Client. Franchisee shall not extend the time for payment of any Account receivable or otherwise modify, amend or impair any of the terms of any Account receivable. Franchisee agrees to timely provide any and all required back-up for issuance of customer invoices. Franchisee indemnifies and holds LFI harmless for any losses resulting from delayed collections due to insufficient or untimely information provided by Franchisee to LFI in support of invoices.

**8.2. Pledge of Equity Interests in Franchisee.** Franchisee represents and warrants to LFI that: (a) Franchisee is the type of legal entity, and is duly organized and in good standing under the laws of the state as stated below with its signature; and (b) that its principal place of business is the address stated below with its signature. All of the owners of Franchisee grant LFI a first priority security interest in their ownership interests in Franchisee as security for the obligations of Franchisee under this Agreement. With the execution of this Agreement, Franchisee or its owners shall deliver to LFI the share certificates for all of the issued and outstanding stock of Franchisee if Franchisee is a corporation, or if Franchisee is another form of legal entity, then all of the issued and outstanding certificates or other evidence of ownership interests in that entity.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

**8.3. Owner Guaranties.** With the execution of this Agreement, all of the owners of Franchisee and their spouses shall sign and deliver to LFI their personal Guaranties, guarantying all of the obligations of Franchisee to LFI under this Agreement.

**9. Representations of Franchisee.** Franchisee represents and warrants that:

**9.1. Good Standing.** Franchisee is a corporation or other form of legal entity duly organized, validly existing and in good standing under the laws of its state of formation; Franchisee is qualified to do business and in good standing under the laws of every state where it does business; and Franchisee has all necessary power and authority to conduct its affairs and business and carry out the transactions contemplated by this Agreement.

**9.2. Authorization.** This Agreement has duly authorized by all proper and necessary action of Franchisee's governing body; the officer or officers signing this Agreement and the other agreements contemplated on behalf of Franchisee are duly authorized to do so; and all documents are the valid, legal and binding obligations of Franchisee fully enforceable against Franchisee in accordance with their terms.

**9.3. No Defaults or Conflicts.** Franchisee is not in default under any indenture, agreement or instrument to which it is a party, and it is not in violation of any federal, state or local statute, rule, ruling or regulation governing its operations or the conduct of its business; neither the execution and delivery of this Agreement or the documents contemplated, nor the consummation of the provisions of those documents, will violate any law or regulation, or any order or decree of any court or governmental agency, or conflict with or result in any breach of, or constitute a default under, any indenture, agreement or other instrument to which Franchisee is a party or by which it may be bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property of Franchisee or violate, or be in conflict with any provision of its governing documents.

**9.4. No Litigation.** There are no actions, suits or proceedings pending or, to the knowledge of Franchisee, threatened against Franchisee before any court, arbitrator, or governmental or administrative body or agency which, if adversely determined, would result in any material and adverse change in the financial condition, business operations, properties or assets of Franchisee.

**10. Covenants of Franchisee.**

**10.1. Compliance with Law.** Franchisee shall cause to be done all things necessary to preserve, renew or keep in full force and effect its existence as a legal entity, and its rights, licenses, permits and franchises; to comply with all statutes, rules, rulings and regulations applicable to it, whether federal, state or local; and to file all reports and statements required of it.

**10.2. Operational Restrictions.** Franchisee covenants that during the term of this Agreement and so long afterwards as any Obligations remain outstanding, Franchisee shall not take any of the following actions without the prior written consent of LFI, which LFI may withhold in its absolute sole discretion:

**10.2.1. Contracts.** Franchisee shall not to enter into any other agreements which could adversely affect or impair LFI's rights or position.

**10.2.2. Debt.** Franchisee shall not create, incur, assume or suffer to exist, as either a direct, indirect, guaranteed or contingent obligation, any indebtedness of \$10,000 or more except indebtedness of Franchisee to LFI.

**10.2.3. Liens.** Franchisee shall not mortgage, pledge, grant or permit to exist a security interest in, or lien or encumbrance upon, any of its assets or property pledged to or secured by LFI, real or personal, tangible or intangible, now owned or later acquired except: (a) liens in favor of LFI, and (b) liens arising by operation of law with respect to obligations of Franchisee not yet due and payable.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

**10.2.4. Payments.** Franchisee shall not (a) invest in (by capital contribution or otherwise), or purchase or repurchase stock or indebtedness, or all or a substantial part of the assets or properties of any person or entity; (b) lend or advance money, credit or property to any person or entity; or (c) pay dividends (other than stock or equivalent interests) to any owner or employee of Franchisee.

**10.2.5. Organization.** Franchisee shall not (a) change the management, officers or ownership of Franchisee; (b) enter into any merger or consolidation or effect any reorganization or recapitalization; (c) redeem, purchase, or retire any of the capital stock or other ownership interests in Franchisee; (d) enter into any sale-leaseback transaction, or sell, lease, transfer, or otherwise dispose of all or any substantial portion of its assets; (e) enter, directly or indirectly, into any contract to acquire (i) all or any part of any entity, or (ii) all of or any part of the assets of any entity, or (iii) any beneficial ownership in any business of any nature whatsoever; (f) make or permit any substantial change in, or cease in whole or in part, its present business; (g) engage in any other activities apart from its present business; or (h) change its principal place of business.

**11. Term.** This Agreement shall become effective as of the date stated in the first paragraph of this Agreement, and it shall continue until terminated as provided in Article 14.

**12. Transfer.** This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted heirs, representatives, successors or assigns. It may be assigned by LFI, but shall not be assignable by Franchisee without the express prior written consent of LFI.

**13. Indemnification.** Franchisee agrees to indemnify and hold LFI and its affiliates, and their directors, officers, employees and agents, harmless from all loss, damage and expense, including court costs and attorneys' fees, from claims, demands, actions and suits, whether at law or in equity, asserted or brought against any indemnified party, based on, growing out of or in any way connected with Franchisee's operation of its business, the performance by an Employee of services for a Client, or a Client's obligations for an Employee's services.

**14. Default and Termination.** This Agreement shall terminate automatically upon the termination, or the expiration and non-renewal, of the Franchise Agreement under any circumstances.

**14.1. Events of Default.** Upon a material default by Franchisee, this Agreement shall be immediately terminable by LFI by written notice to Franchisee. The occurrence of any of the following events shall constitute a material default:

**14.1.1. Failure to Make Payments.** Franchisee shall fail to make any payment as and when the same shall become due (by acceleration or otherwise) in accordance with this Agreement or any other obligation due and owing to LFI by Franchisee.

**14.1.2. Other Violations of This Agreement.** Franchisee shall fail duly to perform and observe of any other term, condition, covenant or agreement contained in this Agreement (other than those referred to in Subsection 14.1.1), and this default shall continue for more than ten Business Days after notice to Franchisee.

**14.1.3. Client Non-Payment.** The insecurity of LFI with respect to non-payment by, or any other event, circumstance or condition relating to any Client of Franchisee, when written notice has been given to Franchisee and Franchisee has failed to provide adequate assurance to LFI's sole satisfaction within seven days.

**14.1.4. Misrepresentation.** The determination by LFI that any representation or warranty made by Franchisee in connection with this Agreement was false.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

**14.1.5. Violations of Other Agreements.** Any event of default occurs under the Security Agreement (Payroll Funding Loan) signed by Franchisee at the same time as this Agreement, the Franchise Agreement, or any other agreement between LFI and Franchisee, if the default is not cured within the time permitted, if any is permitted under that agreement.

**14.1.6. Loss of Guaranty.** Any Guarantor becomes bankrupt or insolvent, or dies, and a Guaranty from a new Guarantor having the same or better financial resources, all approved in writing by LFI, is not substituted within 30 days.

**14.1.7. Legal Proceedings.** Any legal, equitable, arbitration or administrative proceeding or inquiry is commenced against Franchisee that, if adversely determined, could substantially impair the ability of Franchisee to perform each and every obligation.

**14.1.8. Bankruptcy.** A general assignment by Franchisee for the benefit of creditors, or the commencement of any proceeding under any federal or state bankruptcy law or any other law existing for the relief of creditors by or against Franchisee.

**14.1.9. Invalidity of this Agreement.** The decision of any court renders any material portion of the covenants and agreements in this Agreement, or any instrument securing the obligations of Franchisee to LFI legally inoperative, void or voidable.

**14.2. Notice of Known Default.** Immediately upon the obtaining of knowledge by any principal officer of Franchisee, of any condition or event that constitutes or, after notice or lapse of time or both, would constitute an event of default, Franchisee shall deliver to LFI a certificate specifying the nature and period of existence of the default, and what action Franchisee has taken or is taking or proposes to take regarding the default.

**14.3. Rights of LFI upon Franchisee's Default.** Upon any event of default specified in Section 14.1, LFI may immediately, at its option: (a) Cease making new Loans to Franchisee; (b) declare all of the principal amounts of outstanding Loans made by LFI under this Agreement immediately due and payable; (c) cease making remittances to Franchisee under Section 5.3 until all amounts owing to LFI by Franchisee have been paid in full; (d) pursue all remedies of a creditor under this Agreement, and all instruments signed and delivered in connection with this Agreement and/or under applicable statutes and/or otherwise available at law or in equity; (e) terminate this Agreement; and (f) take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and that become due, and/or to enforce performance and observance of any obligation, agreement or covenant of Franchisee.

**14.4. Termination Without Cause.** Franchisee may terminate this Agreement at any time, without cause, upon at least 10 Business Days' prior notice to LFI. LFI may terminate this Agreement at any time, without cause, upon at least 30 days' prior notice to Franchisee.

**14.5. Payment by Franchisee.** Upon the termination of this Agreement under any circumstances, Franchisee agrees to pay in full within five Business Days the total outstanding principal amount of all Loans made by LFI, together with all other amounts due to LFI by Franchisee under this or any other agreement.

**14.6. Obligations After Termination.** Upon termination of this Agreement under any circumstances, LFI shall render an accounting for all Accounts to Franchisee. After all amounts owing to LFI by Franchisee have been paid, all excess funds collected by LFI from the Accounts receivable of Franchisee's Clients, and the stock or other certificates of ownership in Franchisee delivered to LFI to secure the obligations of Franchisee, shall all be delivered to Franchisee within ten days. The security interests granted in connection with this Agreement shall continue beyond the termination of this Agreement, and shall not be discharged or released until all obligations owed to LFI are satisfied in full. The indemnification provisions of this Agreement shall survive the termination of this Agreement and continue with respect to all events which occurred before the termination.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

**15. Notices.** Any notice under this Agreement shall be in writing, and shall be deemed given one Business Day after being sent prepaid by commercial courier service for next Business Day delivery, or five Business Days after being deposited, postage prepaid, with the U.S. Post Office for delivery by certified or registered mail, return receipt requested; in each case to the respective addresses of LFI and Franchisee at the addresses noted at the end of this Agreement, or to such other place as either of them shall designate in writing to the other.

**16. Arbitration and Injunctions.** Any controversy between the parties arising out of or relating to this Agreement shall be settled by binding arbitration to be held in Palm Beach Gardens, Florida, unless agreed otherwise in writing by the parties. If arbitration is commenced, each party shall select one arbitrator from a panel of American Arbitration Association ("**AAA**") arbitrators, and the two so designated will select a third arbitrator. If either party fails to designate an arbitrator within 7 days after receiving notice of prospective panelists, or if the two arbitrators fail to select a third arbitrator within 14 days after they are both designated, then an arbitrator will be selected by the AAA upon application of either party. Arbitration will be conducted in accordance with the rules then prevailing of the AAA. Judgment upon an award rendered by the arbitrators may be entered in any court having jurisdiction over the party against whom a judgment is obtained. Notwithstanding the foregoing, nothing in this Article 16 shall prevent LFI from seeking and obtaining injunctive relief from any court or agency of competent jurisdiction against actual or threatened conduct causing loss or damage cognizable under usual equity rules, including the rules for obtaining temporary, preliminary and permanent injunctive relief.

### **17. Enforcement.**

**17.1. Applicable Law.** This Agreement shall be governed by and construed under the laws of the State of Florida, without giving effect to the application of any Florida conflict of law rules.

**17.2. Jurisdiction and Venue.** Any proceeding brought by LFI against Franchisee may be brought in Palm Beach County, Florida, and Franchisee waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

**17.3. Attorneys' Fees and Costs.** LFI shall be entitled to be paid by Franchisee for the costs of any proceeding or collection expense, including without limitation attorneys', accountants' and paralegal fees, incurred by LFI in connection with the performance, enforcement or interpretation of this Agreement.

### **18. Interpretation.**

**18.1. Independent Contractors.** Franchisee and LFI are independent contractors, and this Agreement does not create a fiduciary, partnership, joint venture or employment relationship between them. Employees of Franchisees are the exclusive employees of Franchisee for all purposes. Under no circumstances are Employees of Franchisee the employees of LFI for any purpose, including without limitation any state or federal wage and hour laws, federal withholding, state withholding, or payment of any withholding to taxing authorities.

**18.2. Time of the Essence.** Time is of the essence of this Agreement and each and every term and provision of this Agreement.

**18.3. Separate Agreements.** This Agreement constitutes a separate agreement independently supported by good and adequate consideration, the receipt and sufficiency of which are acknowledged. This Agreement (including the Security Agreement (Payroll Funding Loan), the Guaranties and the exhibits to all of these agreements) shall be interpreted, construed and enforced separately and apart from the Franchise Agreement or any other agreement between the parties and/or their affiliates. The parties further agree that any claim or cause of action of any party against the other or the other's affiliate arising under any other agreement between the parties and/or their affiliates, or out of any other transaction or occurrence, shall not constitute a defense to the enforcement of the obligations and covenants contained in this Agreement.

## **PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

**18.4. Entire Agreement.** This Agreement (including the Security Agreement (Payroll Funding Loan), the Guaranties and the exhibits to all of these agreements) constitutes the sole and entire agreement between the parties as to the transactions described in this Agreement. There are no promises, terms, conditions or obligations other than those contained in this Agreement; and this Agreement shall supersede all prior or contemporaneous communications, representations or agreements, either verbal or written, between the parties regarding the subject matter of this Agreement.

**18.5. Waivers.** LFI's waiver of a default, or delay or failure to exercise any right upon default, or acceptance of late or partial payments, shall not be a waiver of LFI's rights and shall not impair LFI's rights upon other defaults of the same or a different kind. The failure of LFI to enforce any of the terms and provisions of this Agreement, or failure to exercise any right upon a default, shall apply only in the particular instance and shall not operate as a continuing waiver.

**18.6. Modification.** This Agreement may be amended, modified or supplemented only by written instrument duly signed by an authorized officer of each party clearly expressing this intent.

**18.7. Remedies.** No remedy conferred upon or reserved to LFI is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy now or later existing at law or in equity or by statute.

**18.8. Captions, Defined Terms, Number and Gender.** The captions in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement. Capitalized terms shall have the meanings defined where these terms occur in this Agreement in bold face type and quotation marks. The language of this Agreement shall be construed simply according to its fair meaning and not strictly for or against either party. If Franchisee shall be two or more persons and/or entities (notwithstanding any agreement, arrangement or understanding between or among these persons or entities) the rights, privileges and benefits granted in this Agreement may only be exercised and enjoyed jointly; the liabilities and responsibilities assumed under this Agreement, however, shall be the joint and several obligations of these persons or entities. Words in this Agreement shall be deemed to refer to whatever number or gender the context requires. It is the intention of the parties that if any provision in this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid. Each item and provision of this Agreement to be performed by Franchisee shall be construed to be both a covenant and a condition.

**18.9. Severability.** Every provision of this Agreement (including the Security Agreement (Payroll Funding Loan), the Guaranties and the exhibits to all of these agreements) is intended to be severable. In the event any term or provision in them is found to be invalid or unenforceable for any reason, the provision shall be modified if necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms shall remain in full force and effect; and it is declared the intention of the parties that they would have signed the document as so modified.

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**PAYROLL FUNDING AND SUPPORT SERVICES AGREEMENT (Continued)**

IN WITNESS WHEREOF the parties have signed this Payroll Funding and Support Services Agreement as of the date stated in the first paragraph.

**DEBTOR:**

\_\_\_\_\_  
Full Legal Name of Franchisee Company

[Check one box and fill in the state of formation]:

- a(n) \_\_\_\_\_ corporation
- a(n) \_\_\_\_\_ general partnership
- a(n) \_\_\_\_\_ limited partnership
- a(n) \_\_\_\_\_ limited liability company

\_\_\_\_\_  
Street Address of Company (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

Its: \_\_\_\_\_  
Title

**SECURED PARTY:**  
**LABOR FINDERS INTERNATIONAL, INC.**  
11426 North Jog Road  
Palm Beach Gardens, Florida 33418

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

Its: \_\_\_\_\_  
Title

**DEBTOR'S OWNERS:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

**SECURITY AGREEMENT**  
**(Payroll Funding Loan)**

**1. Liabilities.** The undersigned debtor ("**Debtor**"), whose address at its principal place of business is shown below, for value received, assigns and grants to Labor Finders International, Inc., whose address is 11426 North Jog Road, Palm Beach Gardens, Florida 33418, or its assignee ("**Secured Party**"), a security interest in the property described in Paragraph 2 below (collectively the "**Collateral**") to secure the payment of the principal and interest on and all obligations under the Payroll Funding and Support Services Agreement of Debtor payable to the order the Secured Party, dated on the same date as this Agreement (the "**Payroll Funding Agreement**"), all renewals and extensions of the obligations, and all costs, expenses, advances and liabilities which may be made or incurred by Secured Party in the disbursement, administration and collection of the loans and in the protection, maintenance and liquidation of the security interest granted, with interest at the maximum legal rate on these costs, expenses, advances and liabilities. The obligations of Debtor under the Payroll Funding Agreement and all other obligations secured are collectively called the "**Liabilities**."

**2. Collateral.** The Collateral in which this security interest is granted is all of Debtor's interests in the accounts receivable now outstanding or later acquired or arising for the Debtor's business operated according to a Franchise Agreement between Debtor and Secured Party (the "**Franchise Business**"), and all of Debtor's capital stock or other evidence of ownership of Debtor if Debtor is a legal entity other than a corporation, now outstanding or later issued, and all cash and noncash proceeds derived from insurance or the disposition of this Collateral.

**3. Transfers Prohibited.** Debtor shall not transfer, sell, assign or pledge Debtor's interest in the Collateral nor permit any other security interest to be created thereon without Secured Party's prior written approval.

**4. Debtor's Name.** Debtor shall not conduct business under any other name than as given above, nor change or reorganize the type of business entity under which it does business, nor change its principal place of business, except with prior written approval of Secured Party. If approval is given, Debtor guarantees that all documents, instruments and agreements demanded by Secured Party shall be prepared and filed at Debtor's expense before any change occurs.

**5. Filings and Recordings.** Debtor authorizes Secured Party to file and record all Financing Statements (see attached form), Financing Statement amendments, continuation Financing Statements, and other documents in all jurisdictions deemed appropriate by Secured Party, necessary or desirable to evidence, perfect and continue the priority of the security interests granted under this Agreement. Debtor shall pay the filing and recording costs of any documents or instruments necessary to perfect, extend, modify, or terminate the security interest created, as reasonably requested by Secured Party.

**6. Default.** Debtor shall be in default of this Agreement if Debtor fails to perform any of the obligations imposed under this Agreement or under the Payroll Funding Agreement signed at the same time as this Agreement, or under any other instruments or papers evidencing or securing the loans made under the Payroll Funding Agreement, or if the full balance of the loans become immediately payable under the terms of the Payroll Funding Agreement or other instruments, either automatically or by declaration of the Secured Party, or if Debtor defaults under any other contract between Debtor and Secured Party and fails to cure the default within any permitted cure period. In the event of any default, Secured Party may, in its own discretion, cure this default and, if it does so, any expenditures made for this purpose shall be added to the principal due under the Payroll Funding Agreement.

**7. Remedies.** In the event of default, Debtor shall assemble and make available all Collateral in Debtor's possession or under its control, at any place designated by Secured Party. All rights conferred on Secured Party are in addition to those granted to it by any state or local law or any other law. Failure or repeated failure to enforce any rights under this Agreement shall not constitute an estoppel or waiver of Secured Party's right to exercise these rights accruing before or after the default. Secured Party shall not



**SECURITY AGREEMENT (Payroll Funding Loan) (Page 2)**

be liable for any loss to Collateral in its possession, nor shall this loss diminish the debt due, even if the loss is caused or contributed to by Secured Party's negligence.

**8. Choice of Law and Venue.** This Agreement takes effect upon its acceptance and execution by an authorized officer of Secured Party. This Agreement shall be governed by and construed under the laws of the State of Florida, without giving effect to the application of any Florida conflict of law rules. Any proceeding brought by Secured Party against Debtor may be brought in Palm Beach County, Florida, and Debtor waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

IN WITNESS WHEREOF, this Security Agreement is signed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**DEBTOR:**

\_\_\_\_\_  
Legal Name of Franchisee Company

\_\_\_\_\_  
dba of Franchisee Company

By: \_\_\_\_\_  
Signature

Its: \_\_\_\_\_  
Title

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

**SECURED PARTY:**

\_\_\_\_\_  
Company Name

By: \_\_\_\_\_  
Signature

Its: \_\_\_\_\_  
Title

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

**DEBTOR'S OWNERS:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City, State, Zip Code

**GUARANTY**  
**(Payroll Funding Loan)**

\_\_\_\_\_, 20\_\_\_\_

To induce Labor Finders International, Inc. ("**Lender**") to make a loan to \_\_\_\_\_ ("**Debtor**"), the undersigned (the "**Guarantors**"), who are owners of Debtor and their spouses, unconditionally and irrevocably guarantee to Lender, and its successors and assigns, the due and punctual payment when due, whether by acceleration or otherwise, in accordance with the terms of the Payroll Funding Agreement, of the principal of and interest on and all other sums payable, or stated to be payable, with respect to the repayment of loans and other obligations of Debtor under the Payroll Funding and Support Services Agreement between Debtor and Lender (the "**Payroll Funding Agreement**").

The term Guarantor as used in this agreement shall mean the signers of this Guaranty agreement, and all others who sign any copy of this agreement guarantying Debtor's obligations under the Payroll Funding Agreement, who shall be jointly and severally liable. Each Guarantor further agrees that all liability under this Guaranty shall continue notwithstanding the incapacity, lack of authority, death, or disability of any one or more of the Guarantors.

The obligations of the Guarantors under this Guaranty are independent of the obligations of Debtor. A separate action or actions may be brought and prosecuted directly against any one or more of the Guarantors, whether or not an action is brought first or at all against Debtor or any other Guarantor. A discharge in bankruptcy of the Debtor by a Bankruptcy Court that is "full satisfaction" (or words to such effect) of the Payroll Funding Agreement obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of Guarantor and Lender may pursue Guarantor for the entire amount due and owing Lender regardless of the discharge.

Guarantors each waive any and all homestead exemptions, all rights accorded to them under the suretyship provisions of applicable state law, and waive acceptance and notice of acceptance, all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor and notices of acceptance of this Guaranty and of the existence, creation, or modification of the terms of the indebtedness and obligations of Debtor to Lender. Guarantors each agree to pay all reasonable attorneys' fees and other costs and expenses which may be incurred by Lender in connection with the enforcement of this Guaranty.

The laws of the State of Florida shall govern this Guaranty and its interpretation, without giving effect to the application of any Florida conflict of law rules. Any proceeding brought by Lender against any Guarantor may be brought in Palm Beach County, Florida, and Guarantors waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

**GUARANTORS:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Spouse's Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City, State, Zip Code)

\_\_\_\_\_  
(Telephone Number)

**UCC FINANCING STATEMENT**  
FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT SUBMITTER (optional)
B. E-MAIL CONTACT AT SUBMITTER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
<div style="border: 1px solid black; width: 100%; height: 100%; margin: 0 auto;"></div> <p><b>SEE BELOW FOR SECURED PARTY CONTACT INFORMATION</b></p>

**Print**

**Reset**

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**1. DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**2. DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY):** Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**4. COLLATERAL:** This financing statement covers the following collateral:

5. Check <u>only</u> if applicable and check <u>only</u> one box: Collateral is <input type="checkbox"/> held in a Trust (see UCC1Ad, item 17 and Instructions) <input type="checkbox"/> being administered by a Decedent's Personal Representative	
6a. Check <u>only</u> if applicable and check <u>only</u> one box: <input type="checkbox"/> Public-Finance Transaction <input type="checkbox"/> Manufactured-Home Transaction <input type="checkbox"/> A Debtor is a Transmitting Utility	6b. Check <u>only</u> if applicable and check <u>only</u> one box: <input type="checkbox"/> Agricultural Lien <input type="checkbox"/> Non-UCC Filing
7. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> Lessee/Lessor <input type="checkbox"/> Consignee/Consignor <input type="checkbox"/> Seller/Buyer <input type="checkbox"/> Bailee/Bailor <input type="checkbox"/> Licensee/Licensor	
8. OPTIONAL FILER REFERENCE DATA:	

## Instructions for UCC Financing Statement (Form UCC1)

Please type or print this form. Be sure it is completely legible. Forms with handwritten entries may be rejected. Read and follow all Instructions.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. The filing office cannot give legal advice.

Unless specifically required by applicable state law, DO NOT include social security numbers, driver's license numbers, financial account numbers or other non-public personally identifiable information anywhere on the form.

Form instructions are intended for paper forms. Electronic UCC filing parameters and instructions may differ from the below instructions.

Send completed form and any attachments to the filing office, with the required fee.

### ITEM INSTRUCTIONS

A and B. To assist filing offices that might wish to communicate with filer, filer may provide information in item A and item B. These items are optional.  
C. Complete item C if filer desires an acknowledgment sent to them.

1. Debtor's name. Carefully review applicable statutory guidance about providing the debtor's name. Enter only one Debtor name in item 1 -- either an organization's name (1a) or an individual's name (1b). If any part of the Individual Debtor's name will not fit in line 1b, check the box in item 1, leave all of item 1 blank, check the box in item 9 of the Financing Statement Addendum (Form UCC1Ad) and enter the Individual Debtor name in item 10 of the Financing Statement Addendum (Form UCC1Ad). Enter Debtor's correct name. Do not abbreviate words that are not already abbreviated in the Debtor's name. If a portion of the Debtor's name consists of only an initial or an abbreviation rather than a full word, enter only the abbreviation or the initial. If the collateral is held in a trust and the Debtor name is the name of the trust, enter trust name in the Organization's Name box in item 1a.

1a. Organization Debtor Name. "Organization Name" means the name of an entity that is not a natural person. A sole proprietorship is not an organization, even if the individual proprietor does business under a trade name. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed public organic records to determine Debtor's correct name. Trade name is insufficient. If a corporate ending (e.g., corporation, limited partnership, limited liability company) is part of the Debtor's name, it must be included. Do not use words that are not part of the Debtor's name.

1b. Individual Debtor Name. "Individual Name" means the name of a natural person; this includes the name of an individual doing business as a sole proprietorship, whether or not operating under a trade name. The term includes the name of a decedent where collateral is being administered by a personal representative of the decedent. The term does not include the name of an entity, even if it contains, as part of the entity's name, the name of an individual. Prefixes (e.g., Mr., Mrs., Ms.) and titles (e.g., M.D.) are generally not part of an individual name. Indications of lineage (e.g., Jr., Sr., III) generally are not part of the individual's name, but may be entered in the Suffix box. Enter individual Debtor's surname (family name) in Individual's Surname box, first personal name in First Personal Name box, and all additional names in Additional Name(s)/Initial(s) box. If a Debtor's name consists of only a single word, enter that word in Individual's Surname box and leave other boxes blank.

For both organization and individual Debtors. Do not use Debtor's trade name, DBA, AKA, FKA, division name, etc. in place of or combined with Debtor's correct name; filer may add such other names as additional Debtors if desired (but this is neither required nor recommended).

For both organization and individual Debtors. Name variations may be optionally provided as additional debtors. Do not combine multiple names in one section. Provide each name variation and address as described in the instructions for item 2 below.

1c. Enter a mailing address for the Debtor named in item 1a or 1b.

2. Additional Debtor's name. If an additional Debtor is included, complete item 2, determined and formatted per Instruction 1. For additional Debtors, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names.

3. Secured Party's name. Enter name and mailing address for Secured Party or full Assignee who will be the Secured Party of record. For additional Secured Parties, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP). Optional: Attach Addendum (Form UCC1Ad) giving Assignor Secured Party's name and mailing address in item 11.

4. Collateral. Use item 4 to indicate the collateral covered by this financing statement. If space in item 4 is insufficient, continue the collateral description in item 12 of the Addendum (Form UCC1Ad) or attach additional page(s) and incorporate by reference in item 12 (e.g., See Exhibit A).

Note: If this financing statement covers timber to be cut, covers as-extracted collateral, and/or is filed as a fixture filing, attach Addendum (Form UCC1Ad) and complete the required information in items 13, 14, 15, and 16. Consult applicable state UCC law for filing location.

5. If collateral is held in a trust or being administered by a decedent's personal representative, check the appropriate box in item 5. If more than one Debtor has an interest in the described collateral and the check box does not apply to the interest of all Debtors, the filer should consider filing a separate Financing Statement (Form UCC1) for each Debtor.

6a. If this financing statement relates to a Public-Finance Transaction, Manufactured-Home Transaction, or a Debtor is a Transmitting Utility, check the appropriate box in item 6a. If a Debtor is a Transmitting Utility and the initial financing statement is filed in connection with a Public-Finance Transaction or Manufactured-Home Transaction, check only that a Debtor is a Transmitting Utility.

6b. If this is an Agricultural Lien (as defined in applicable state's enactment of the Uniform Commercial Code) or if this is not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 6b and attach any other items required under applicable law.

7. Alternative Designation. If filer desires (at filer's option) to use the designations lessee and lessor, consignee and consignor, seller and buyer (such as in the case of the sale of a payment intangible, promissory note, account or chattel paper), bailee and bailor, or licensee and licensor instead of Debtor and Secured Party, check the appropriate box in item 7.

8. Optional Filer Reference Data. This item is optional and is for filer's use only to provide reference information the filer may find useful.

**UCC FINANCING STATEMENT ADDENDUM**  
**FOLLOW INSTRUCTIONS**

**9. NAME OF FIRST DEBTOR:** Same as line 1a or 1b on Financing Statement; if line 1b was left blank because Individual Debtor name did not fit, check here

9a. ORGANIZATION'S NAME	
OR	
9b. INDIVIDUAL'S SURNAME	
FIRST PERSONAL NAME	
ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

**Print**

**Reset**

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**10. DEBTOR'S NAME:** Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c

10a. ORGANIZATION'S NAME				
OR				
10b. INDIVIDUAL'S SURNAME				
INDIVIDUAL'S FIRST PERSONAL NAME				
INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX			
10c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**11.  ADDITIONAL SECURED PARTY'S NAME or  ASSIGNOR SECURED PARTY'S NAME:** Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME				
OR				
11b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX	
11c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):**

<p><b>13.</b> <input type="checkbox"/> This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS (if applicable)</p> <p><b>15.</b> Name and address of a RECORD OWNER of real estate described in item 16 (if Debtor does not have a record interest):</p>	<p><b>14.</b> This FINANCING STATEMENT:  <input type="checkbox"/> covers timber to be cut    <input type="checkbox"/> covers as-extracted collateral    <input type="checkbox"/> is filed as a fixture filing</p> <p><b>16.</b> Description of real estate:</p>
--	---

**17. MISCELLANEOUS:**

## Instructions for UCC Financing Statement Addendum (Form UCC1Ad)

Please type or laser-print this form. Be sure it is completely legible. Read and follow all Instructions; use of the correct name for the Debtor is crucial. Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. The filing office cannot give legal advice.

### ITEM INSTRUCTIONS

9. **Name of first Debtor.** Enter name of first Debtor exactly as shown in item 1 of Financing Statement (Form UCC1) to which this Addendum relates. The name will not be indexed as a separate debtor. The Debtor name in this section is intended to cross-reference this Addendum with the related Financing Statement (Form UCC1).  
  
If the box in item 1 of the Financing Statement (Form UCC1) was checked because Individual Debtor name did not fit, the box in item 9 of this Addendum should be checked.
10. **Additional Debtor's name.** If this Addendum adds an additional Debtor, complete item 10 in accordance with Instruction 1 of Financing Statement (Form UCC1). For additional Debtors, attach either an additional Addendum or Additional Party (Form UCC1AP) and follow Instruction 1 of Financing Statement (Form UCC1) for determining and formatting additional names.
11. **Additional Secured Party's name or Assignor Secured Party's name.** If this Addendum adds an additional Secured Party, complete item 11 in accordance with Instruction 3 of Financing Statement (Form UCC1). For additional Secured Parties, attach either an additional Addendum or Additional Party (Form UCC1AP) and complete applicable items in accordance with Instruction 3 of Financing Statement (Form UCC1). In the case of a full assignment of the Secured Party's interest before the filing of this financing statement, if filer has provided the name and mailing address of the Assignee in item 3 of Financing Statement (Form UCC1), filer may enter Assignor Secured Party's name and mailing address in item 11.
12. **Additional Collateral Description.** If space in item 4 of Financing Statement (Form UCC1) is insufficient or additional information must be provided, enter additional information in item 12 or attach additional page(s) and incorporate by reference in item 12 (e.g., See Exhibit A). Do not include social security numbers or other personally identifiable information.
- 13-16. **Real Estate Record Information.** If this Financing Statement is to be filed in the real estate records and covers timber to be cut, covers as-extracted collateral, and/or is filed as a fixture filing, complete items 1-4 of the Financing Statement (Form UCC1), check the box in item 13, check the appropriate box in item 14, and complete the required information in items 15 and 16. If the Debtor does not have an interest of record, enter the name and address of the record owner in item 15. Provide a sufficient description of real estate in accordance with the applicable law of the jurisdiction where the real estate is located in item 16. If space in items 15 or 16 is insufficient, attach additional page(s) and incorporate by reference in items 15 or 16 (e.g., See Exhibit A), and continue the real estate record information. Do not include social security numbers or other personally identifiable information.
17. **Miscellaneous.** Under certain circumstances, additional information not provided on the Financing Statement (Form UCC1) may be required. Also, some states have non-uniform requirements. Use this space or attach additional page(s) and incorporate by reference in item 17 (e.g., See Exhibit A) to provide such additional information or to comply with such requirements; otherwise, leave blank. Do not include social security numbers or other personally identifiable information.



**EXHIBIT E**

**WORKING CAPITAL**

**LOAN DOCUMENTS**

**LOAN AGREEMENT AND RELEASE**  
**(Working Capital Loan)**

This Loan Agreement and Release (this "**Agreement**") is made as of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ ("**Franchisee**"), and \_\_\_\_\_ ("**Lender**").

1. Franchisee and Labor Finders International, Inc. ("**Franchisor**") are parties to a Franchise Agreement dated \_\_\_\_\_ (the "**Franchise Agreement**"). Under the Franchise Agreement, Franchisee is entitled to operate one or more temporary personnel offices (the "**Franchise Business**"). Franchisee wishes to borrow funds from Lender to finance certain working capital expenses of the Franchise Business. The loan is to be secured by a lien on the receivables of the Franchise Business, the stock of Franchisee's corporation, and a guaranty from the owners of Franchisee (the "**Guarantors**").

2. With the signing and delivery of this Agreement, Lender will loan \$ \_\_\_\_\_ to Franchisee; Franchisee will sign and deliver a Promissory Note for \$ \_\_\_\_\_ to Lender; Franchisee, as debtor, and Lender, as secured party, will sign and deliver a Security Agreement and any required Financing Statements; the shareholders of Franchisee will deliver their stock certificates in Franchisee to Lender; and the Guarantors will sign and deliver a Guaranty to Lender.

3. Franchisee agrees all of the loan proceeds will be used solely to pay for increased net payroll expenses for outside temporary workers in connection with the Franchise Business.

4. Franchisee and the Guarantors release Franchisor and Lender from any and all claims with respect to the offer, grant and acceptance of the Franchise Agreement and with respect to any breach, violation or default of the Franchise Agreement by Franchisor which occurred before to the date of this Agreement.

5. This Agreement takes effect upon its acceptance and execution by an authorized officer of Lender. This Agreement shall be governed by and construed under the laws of the State of Florida, without giving effect to the application of any Florida conflict of law rules. Any proceeding brought by Lender against Franchisee may be brought in Palm Beach County, Florida, and Franchisee waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision. If there is an arbitration action proceeding under the Franchise Agreement between Franchisee and Franchisor, then the dispute resolution provisions of the Franchise Agreement apply to this Guaranty.

IN WITNESS WHEREOF the parties have signed this Agreement as of the date written above.

**FRANCHISEE:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
\_\_\_\_\_  
Typed/Printed Name

**GUARANTORS/OWNERS:**

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Printed/Typed Name  
\_\_\_\_\_  
Residential Address  
\_\_\_\_\_  
City, State, ZIP Code

**LENDER:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
\_\_\_\_\_  
Typed/Printed Name

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Printed/Typed Name  
\_\_\_\_\_  
Residential Address  
\_\_\_\_\_  
City, State, ZIP Code



**PROMISSORY NOTE**  
**(Working Capital Loan)**

\$ \_\_\_\_\_, 20\_\_\_\_

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_, (the "**Maker**"), promises to pay to \_\_\_\_\_, or its assignee ("**Holder**"), or Holder's order, at the principal place of business of Holder, or at any other place as Holder shall designate, the principal sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_); together with interest on the unpaid principal balance from the date of this Note, until paid, at the annual rate \_\_\_\_\_%; payable in \_\_\_\_\_ (\_\_\_\_) equal monthly installments of principal and interest in the amount of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) on the first day of every month beginning \_\_\_\_\_ 1, \_\_\_\_\_, with a final payment of the outstanding principal balance due, together with interest, on \_\_\_\_\_, \_\_\_\_\_.

Principal and interest shall be payable in lawful money of the United States of America. Checks shall constitute payment when collected.

Prepayment in whole or in part may be made at any time without notice or penalty.

Holder shall have the right to credit all payments received first against the accrued but unpaid interest, then against any unpaid principal payment which is due or in default, and shall then credit the remainder of any payment against the last principal payment(s) due under this Note.

Should any installment due hereunder not be paid as it matures, the amount of the installment which has matured shall bear default interest until paid at the lesser of (i) an annual rate of \_\_\_% above the annual rate stated in the first paragraph of this Note, or (ii) the highest rate permitted by applicable usury laws.

A default shall be deemed to have occurred in the event (i) the Maker of this Note shall fail to pay any principal or interest payment under this Note when due if the payment is not made within seven (7) calendar days after notice thereof by the Holder of this Note to Maker; (ii) if the Franchise Agreement dated \_\_\_\_\_, as amended, by and between Maker and Labor Finders International, Inc. or any other agreement referred to in the Note, is terminated; (iii) any event of default occurs under the Security Agreement signed by Maker on the same date as this Note, if the default is not cured within the time permitted, if any, under the Security Agreement; (iv) any default occurs under the Loan Agreement and Release executed on the same date as this Note by Maker; or (v) any guarantor of this Note becomes bankrupt or insolvent, or dies, and a guarantee from a new guarantor having the same or better financial resources, all approved in writing by Holder, is not substituted within thirty (30) days.

Should a default occur, then the whole sum of principal, and interest thereon which shall then have accrued but which remains unpaid, shall become immediately due and payable at the option of Holder, with default interest on the entire unpaid principal and accrued interest from date of the default until paid at the lesser of (i) an annual fixed rate of two percent (2%) above the rate stated in the first paragraph of this Note, or (ii) the highest rate permitted by applicable usury laws.

It is the intention of the parties to conform strictly to the usury laws applicable to Holder. Accordingly, if the transactions contemplated would be usurious under applicable law (including the laws of the United States of America), then, in that event, notwithstanding anything to the contrary in this Note, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to Holder that is contracted for, taken, reserved, charged or received under this Note shall under no circumstances exceed the maximum amount allowed by applicable law; (ii) in the event

**PROMISSORY NOTE (Working Capital Loan), Page 2**

the maturity of this Note is accelerated by reason of an event of default, or in the event of any permitted prepayment, then the consideration that constitutes interest under law applicable to Holder may never include more than the maximum amount allowed by applicable law; (iii) and excess interest, if any, provided for in this Note or otherwise shall be cancelled automatically and, if paid before that time, shall be credited by Holder on the principal amount of this Note (or, if the principal amount of this Note shall have been or would be paid in full, refunded by Holder to Maker). The acceleration of the maturity of this Note does not include the acceleration of any interest which has not otherwise accrued on the date of acceleration, and Holder does not intend to collect any unearned interest in the event of acceleration.

Holder shall have the right to offset payments due hereunder against any amounts which are or may become payable from Holder to Maker.

Maker waives demand, diligence, presentment for payment, protest and notice of demand, protest and nonpayment. Maker further agrees that the granting without notice of any extension of time for payment of any sum due hereunder, or under any security agreement, guaranty or other instrument securing this Note, or for the performance of any covenant, condition or agreement hereof or thereof, or the taking or release of other or additional security, shall in no way release or discharge the liability of any signor or any guarantor hereof. Maker further agrees that this Note shall be enforceable by Holder notwithstanding the existence of any claim or cause of action by Maker against Labor Finders International, Inc. or Holder.

This Note shall be governed by and construed under the laws of the State of Florida, without giving effect to the application of any Florida conflict of law rules. Any proceeding brought by Holder against Maker may be brought in Palm Beach County, Florida, and Maker waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision. If there is an arbitration action proceeding between the parties, and this Note is at issue, then this Note is subject to the arbitration proceedings.

Should suit be brought to recover on this Note, Maker promises to pay the costs of collection, including attorneys' fees in a reasonable amount, in addition to the amount found due hereunder.

Time is of the essence of this Note and each and every term and provision hereof. Holder's waiver of a default, or delay or failure to exercise any right upon default, or acceptance of late or partial payments, shall not be a waiver of Holder's rights and shall not impair Holder's rights upon other defaults of the same or a different kind.

Holder may negotiate, sell, assign or transfer all rights and interest in this Note at any time.

**MAKER:**

\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
Officer's Printed/Typed Name

\_\_\_\_\_  
Company Street Address

\_\_\_\_\_  
City, State, Zip Code

## **SECURITY AGREEMENT** **(Working Capital Loan)**

**1. Liabilities.** The undersigned debtor ("**Debtor**"), whose address at its principal place of business is shown below, for value received, grants to the undersigned secured party or its assignee ("**Secured Party**"), whose address is shown below, a security interest in the property described in Paragraph 2 below (collectively the "**Collateral**") to secure the payment of the principal and interest on and all obligations under the Promissory Note (Working Capital Loan) of Debtor payable to the order the Secured Party, dated on the same date as this Agreement, in the principal amount of \$\_\_\_\_\_ (the "**Note**"), all renewals and extensions of the Note, and all costs, expenses, advances and liabilities which may be made or incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note and in the protection, maintenance and liquidation of the security interest granted, with interest at the maximum legal rate on these costs, expenses, advances and liabilities. The Note and all other obligations secured are collectively called the "**Liabilities**."

**2. Collateral.** The Collateral in which this security interest is granted is all of Debtor's interests in the accounts receivable now outstanding or later arising for the Debtor's business (the "**Franchise Business**") operated according to a Franchise Agreement between Debtor and Labor Finders International, Inc. ("**LFI**"), and all of Debtor's capital stock or other evidence of ownership of Debtor if Debtor is a legal entity other than a corporation, now outstanding or from now on issued, and all cash and noncash proceeds derived from insurance or the disposition of the collateral.

**3. Transfers Prohibited.** Debtor shall not transfer, sell, assign or pledge Debtor's interest in the Collateral nor permit any other security interest to be created thereon without Secured Party's prior written approval; *provided, however*, that Debtor may collect as Secured Party's agent sums due on accounts receivable until advised otherwise by Secured Party; and *provided, further* that Secured Party's security interests in the Collateral shall be subordinate to any security interests in the Collateral granted by Debtor to LFI to secure separate payroll funding provided by LFI to Debtor.

**4. Debtor's Organization.** Debtor represents and warrants to Secured Party that: (a) Debtor is the type of legal entity, and is duly organized and in good standing under the laws of the state as stated below with its signature; and (b) that its principal place of business is the address described below with its signature. Debtor shall not conduct business under any other name than as given above, nor change or reorganize the type of business entity under which it does business, nor change its principal place of business, except with prior written approval of Secured Party. If approval is given, Debtor guarantees that all documents, instruments and agreements demanded by Secured Party shall be prepared and filed at Debtor's expense before any change occurs.

**SECURITY AGREEMENT (Working Capital Loan), Page 2**

**5. Filings and Recordings.** Debtor authorizes Secured Party to file and record all Financing Statements (see attached form), Financing Statement amendments, continuation Financing Statements, and all other documents in all jurisdictions deemed appropriate by Secured Party, necessary or desirable to evidence, perfect and continue the priority of the security interests granted hereunder. Debtor shall pay the filing and recording costs of any documents or instruments necessary to perfect, extend, modify, or terminate the security interest created hereunder, as reasonably requested by Secured Party.

**6. Default.** Debtor shall be in default hereunder if Debtor fails to perform any of the obligations imposed under the Note, the Loan Agreement and Release, all signed on the same date, or under any other instruments or papers evidencing or securing the loan, or if the full balance of the loan becomes immediately payable under the terms of the Note or other instruments, either automatically or by declaration of the Secured Party, or if Debtor defaults under any other contract between Debtor and LFI and fails to cure the default within any permitted cure period. In the event of any default, Secured Party may, in its own discretion, cure the default and, if it does so, any expenditures made for this purpose shall be added to the principal of the Note.

**7. Remedies.** In the event of default, Debtor shall assemble and make available all Collateral at any place designated by Secured Party. All rights conferred on Secured Party are in addition to those granted to it by any state or local law or any other law. Failure or repeated failure to enforce any rights under this Agreement shall not constitute an estoppel or waiver of Secured Party's rights to exercise these rights accruing prior or subsequent. Secured Party shall not be liable for any loss to Collateral in its possession, nor shall this loss diminish the debt due, even if the loss is caused or contributed to by Secured Party's negligence.

**8. Choice of Law and Venue.** This Agreement takes effect upon its acceptance and signing by an authorized officer of Secured Party. This Agreement shall be governed by and construed under the laws of the State of Florida, without giving effect to the application of any Florida conflict of law rules. Any proceeding brought by Secured Party against Debtor may be brought in Palm Beach County, Florida, and Debtor waives all questions of personal jurisdiction and venue for the purpose of carrying out this provision. If there is an arbitration action proceeding between the Secured Party and the Debtor, and this Agreement is also at issue, then the arbitration proceeding applies to this Agreement.

**SECURITY AGREEMENT (Working Capital Loan), Page 3**

IN WITNESS WHEREOF, this Security Agreement is signed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**DEBTOR:**

\_\_\_\_\_  
Full Legal Name of Franchisee Company

[Check one box and fill in the state of formation]:

- a(n) \_\_\_\_\_ corporation
- a(n) \_\_\_\_\_ general partnership
- a(n) \_\_\_\_\_ limited partnership
- a(n) \_\_\_\_\_ limited liability company

\_\_\_\_\_  
Street Address of Company (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

Its: \_\_\_\_\_  
Title

**SECURED PARTY:**

\_\_\_\_\_  
Full Legal Name of Secured Party

\_\_\_\_\_  
Street Address (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

Its: \_\_\_\_\_  
Title

**DEBTOR'S OWNERS:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address (not P.O.Box)

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed/Typed Name

\_\_\_\_\_  
Street Address (not P.O. Box)

\_\_\_\_\_  
City, State, Zip Code

**GUARANTY**  
**(Working Capital Loan)**

\_\_\_\_\_, 20\_\_

In order to induce \_\_\_\_\_ ("Lender") to make a loan to \_\_\_\_\_ ("Debtor"), the undersigned (the "Guarantors"), who are owners of Debtor and their spouses, unconditionally and irrevocably guarantee to Lender, and its successors and assigns, the due and punctual payment when due, whether by acceleration or otherwise, in accordance with the terms thereof, of the principal of and interest on and all other sums payable, or stated to be payable, with respect to the promissory note of the Debtor, made by the Debtor to Lender, dated on the same date as this Guaranty, in the principal amount of \$ \_\_\_\_\_, with interest as provided (the "Note").

The term Guarantor as used in this agreement shall mean the signers of this agreement, and all others who sign any copy of this agreement guarantying Debtor's obligations under the Note, who shall be jointly and severally liable hereunder. Each Guarantor further agrees that all liability hereunder shall continue notwithstanding the incapacity, lack of authority, death, or disability of any one or more of the Guarantors.

The obligations of the Guarantors hereunder are independent of the obligations of the Debtor. A separate action or actions may be brought and prosecuted directly against any one or more of the Guarantors, whether or not an action is brought first or at all against Debtor or any other Guarantor. A discharge in bankruptcy of the Debtor by a Bankruptcy Court that is "full satisfaction" (or words to such effect) of the Note obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of Guarantor and Lender may pursue Guarantor for the entire amount due and owing Debtor regardless of the discharge.

Guarantors each waive any and all homestead exemptions, all rights accorded to them under the suretyship provisions of the applicable state law, and waive acceptance and notice of acceptance, all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor and notices of acceptance of this Guaranty and of the existence, creation, or modification of the terms of the indebtedness of Debtor to Lender. Guarantors each agree to pay all reasonable attorneys' fees and other costs and expenses which may be incurred by Lender in connection with the enforcement of this Guaranty.

The laws of the State of Florida shall govern this Guaranty and its interpretation, without giving effect to the application of any Florida conflict of law rules. Any proceeding brought by Lender against any Guarantor may be brought in Palm Beach County, Florida, and Guarantors waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision. If there is an arbitration action proceeding between the Debtor and Lender, or between the Lender and Guarantor and this Guaranty is also at issue, then the arbitration proceeding applies to this Guarantor.

**GUARANTORS:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Spouse's Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City, State, Zip Code)

\_\_\_\_\_  
(Telephone Number)

**UCC FINANCING STATEMENT**  
FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT SUBMITTER (optional)
B. E-MAIL CONTACT AT SUBMITTER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address)
<div style="border: 1px solid black; width: 100%; height: 100%; display: flex; align-items: center; justify-content: center;"> <div style="border: 1px solid black; width: 100%; height: 100%;"></div> </div>
<b>SEE BELOW FOR SECURED PARTY CONTACT INFORMATION</b>

Print

Reset

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**1. DEBTOR'S NAME:** Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME				
OR	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**2. DEBTOR'S NAME:** Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here  and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME				
OR	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY):** Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME				
OR	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

**4. COLLATERAL:** This financing statement covers the following collateral:

5. Check <u>only</u> if applicable and check <u>only</u> one box: Collateral is <input type="checkbox"/> held in a Trust (see UCC1Ad, item 17 and Instructions) <input type="checkbox"/> being administered by a Decedent's Personal Representative	
6a. Check <u>only</u> if applicable and check <u>only</u> one box:	6b. Check <u>only</u> if applicable and check <u>only</u> one box:
<input type="checkbox"/> Public-Finance Transaction <input type="checkbox"/> Manufactured-Home Transaction <input type="checkbox"/> A Debtor is a Transmitting Utility	<input type="checkbox"/> Agricultural Lien <input type="checkbox"/> Non-UCC Filing
7. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> Lessee/Lessor <input type="checkbox"/> Consignee/Consignor <input type="checkbox"/> Seller/Buyer <input type="checkbox"/> Bailee/Bailor <input type="checkbox"/> Licensee/Licensor	
8. OPTIONAL FILER REFERENCE DATA:	

FILING OFFICE COPY — UCC FINANCING STATEMENT (Form UCC1) (Rev. 07/01/23)

## Instructions for UCC Financing Statement (Form UCC1)

Please type or print this form. Be sure it is completely legible. Forms with handwritten entries may be rejected. Read and follow all Instructions.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. The filing office cannot give legal advice.

Unless specifically required by applicable state law, DO NOT include social security numbers, driver's license numbers, financial account numbers or other non-public personally identifiable information anywhere on the form.

Form instructions are intended for paper forms. Electronic UCC filing parameters and instructions may differ from the below instructions.

Send completed form and any attachments to the filing office, with the required fee.

### ITEM INSTRUCTIONS

A and B. To assist filing offices that might wish to communicate with filer, filer may provide information in item A and item B. These items are optional.  
C. Complete item C if filer desires an acknowledgment sent to them.

1. Debtor's name. Carefully review applicable statutory guidance about providing the debtor's name. Enter only one Debtor name in item 1 -- either an organization's name (1a) or an individual's name (1b). If any part of the Individual Debtor's name will not fit in line 1b, check the box in item 1, leave all of item 1 blank, check the box in item 9 of the Financing Statement Addendum (Form UCC1Ad) and enter the Individual Debtor name in item 10 of the Financing Statement Addendum (Form UCC1Ad). Enter Debtor's correct name. Do not abbreviate words that are not already abbreviated in the Debtor's name. If a portion of the Debtor's name consists of only an initial or an abbreviation rather than a full word, enter only the abbreviation or the initial. If the collateral is held in a trust and the Debtor name is the name of the trust, enter trust name in the Organization's Name box in item 1a.

1a. Organization Debtor Name. "Organization Name" means the name of an entity that is not a natural person. A sole proprietorship is not an organization, even if the individual proprietor does business under a trade name. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed public organic records to determine Debtor's correct name. Trade name is insufficient. If a corporate ending (e.g., corporation, limited partnership, limited liability company) is part of the Debtor's name, it must be included. Do not use words that are not part of the Debtor's name.

1b. Individual Debtor Name. "Individual Name" means the name of a natural person; this includes the name of an individual doing business as a sole proprietorship, whether or not operating under a trade name. The term includes the name of a decedent where collateral is being administered by a personal representative of the decedent. The term does not include the name of an entity, even if it contains, as part of the entity's name, the name of an individual. Prefixes (e.g., Mr., Mrs., Ms.) and titles (e.g., M.D.) are generally not part of an individual name. Indications of lineage (e.g., Jr., Sr., III) generally are not part of the individual's name, but may be entered in the Suffix box. Enter individual Debtor's surname (family name) in Individual's Surname box, first personal name in First Personal Name box, and all additional names in Additional Name(s)/Initial(s) box. If a Debtor's name consists of only a single word, enter that word in Individual's Surname box and leave other boxes blank.

For both organization and individual Debtors. Do not use Debtor's trade name, DBA, AKA, FKA, division name, etc. in place of or combined with Debtor's correct name; filer may add such other names as additional Debtors if desired (but this is neither required nor recommended).

For both organization and individual Debtors. Name variations may be optionally provided as additional debtors. Do not combine multiple names in one section. Provide each name variation and address as described in the instructions for item 2 below.

1c. Enter a mailing address for the Debtor named in item 1a or 1b.

2. Additional Debtor's name. If an additional Debtor is included, complete item 2, determined and formatted per Instruction 1. For additional Debtors, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names.

3. Secured Party's name. Enter name and mailing address for Secured Party or full Assignee who will be the Secured Party of record. For additional Secured Parties, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP). Optional: Attach Addendum (Form UCC1Ad) giving Assignor Secured Party's name and mailing address in item 11.

4. Collateral. Use item 4 to indicate the collateral covered by this financing statement. If space in item 4 is insufficient, continue the collateral description in item 12 of the Addendum (Form UCC1Ad) or attach additional page(s) and incorporate by reference in item 12 (e.g., See Exhibit A).

Note: If this financing statement covers timber to be cut, covers as-extracted collateral, and/or is filed as a fixture filing, attach Addendum (Form UCC1Ad) and complete the required information in items 13, 14, 15, and 16. Consult applicable state UCC law for filing location.

5. If collateral is held in a trust or being administered by a decedent's personal representative, check the appropriate box in item 5. If more than one Debtor has an interest in the described collateral and the check box does not apply to the interest of all Debtors, the filer should consider filing a separate Financing Statement (Form UCC1) for each Debtor.

6a. If this financing statement relates to a Public-Finance Transaction, Manufactured-Home Transaction, or a Debtor is a Transmitting Utility, check the appropriate box in item 6a. If a Debtor is a Transmitting Utility and the initial financing statement is filed in connection with a Public-Finance Transaction or Manufactured-Home Transaction, check only that a Debtor is a Transmitting Utility.

6b. If this is an Agricultural Lien (as defined in applicable state's enactment of the Uniform Commercial Code) or if this is not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 6b and attach any other items required under applicable law.

7. Alternative Designation. If filer desires (at filer's option) to use the designations lessee and lessor, consignee and consignor, seller and buyer (such as in the case of the sale of a payment intangible, promissory note, account or chattel paper), bailee and bailor, or licensee and licensor instead of Debtor and Secured Party, check the appropriate box in item 7.

8. Optional Filer Reference Data. This item is optional and is for filer's use only to provide reference information the filer may find useful.





## Instructions for UCC Financing Statement Addendum (Form UCC1Ad)

Please type or laser-print this form. Be sure it is completely legible. Read and follow all Instructions; use of the correct name for the Debtor is crucial. Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. The filing office cannot give legal advice.

### ITEM INSTRUCTIONS

9. **Name of first Debtor.** Enter name of first Debtor exactly as shown in item 1 of Financing Statement (Form UCC1) to which this Addendum relates. The name will not be indexed as a separate debtor. The Debtor name in this section is intended to cross-reference this Addendum with the related Financing Statement (Form UCC1).  
  
If the box in item 1 of the Financing Statement (Form UCC1) was checked because Individual Debtor name did not fit, the box in item 9 of this Addendum should be checked.
10. **Additional Debtor's name.** If this Addendum adds an additional Debtor, complete item 10 in accordance with Instruction 1 of Financing Statement (Form UCC1). For additional Debtors, attach either an additional Addendum or Additional Party (Form UCC1AP) and follow Instruction 1 of Financing Statement (Form UCC1) for determining and formatting additional names.
11. **Additional Secured Party's name or Assignor Secured Party's name.** If this Addendum adds an additional Secured Party, complete item 11 in accordance with Instruction 3 of Financing Statement (Form UCC1). For additional Secured Parties, attach either an additional Addendum or Additional Party (Form UCC1AP) and complete applicable items in accordance with Instruction 3 of Financing Statement (Form UCC1). In the case of a full assignment of the Secured Party's interest before the filing of this financing statement, if filer has provided the name and mailing address of the Assignee in item 3 of Financing Statement (Form UCC1), filer may enter Assignor Secured Party's name and mailing address in item 11.
12. **Additional Collateral Description.** If space in item 4 of Financing Statement (Form UCC1) is insufficient or additional information must be provided, enter additional information in item 12 or attach additional page(s) and incorporate by reference in item 12 (e.g., See Exhibit A). Do not include social security numbers or other personally identifiable information.
- 13-16. **Real Estate Record Information.** If this Financing Statement is to be filed in the real estate records and covers timber to be cut, covers as-extracted collateral, and/or is filed as a fixture filing, complete items 1-4 of the Financing Statement (Form UCC1), check the box in item 13, check the appropriate box in item 14, and complete the required information in items 15 and 16. If the Debtor does not have an interest of record, enter the name and address of the record owner in item 15. Provide a sufficient description of real estate in accordance with the applicable law of the jurisdiction where the real estate is located in item 16. If space in items 15 or 16 is insufficient, attach additional page(s) and incorporate by reference in items 15 or 16 (e.g., See Exhibit A), and continue the real estate record information. Do not include social security numbers or other personally identifiable information.
17. **Miscellaneous.** Under certain circumstances, additional information not provided on the Financing Statement (Form UCC1) may be required. Also, some states have non-uniform requirements. Use this space or attach additional page(s) and incorporate by reference in item 17 (e.g., See Exhibit A) to provide such additional information or to comply with such requirements; otherwise, leave blank. Do not include social security numbers or other personally identifiable information.

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## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
<b>ALABAMA</b>	
Labor Finders of Tennessee, Inc.* 108 Odette Street P.O. Box 219 Madison, TN 37115 (615) 860-3486	401 14 <sup>th</sup> Street, Suite 4G (35601) Decatur, AL (256) 350-1855  2709 Governors Drive (35805) Huntsville, AL (256) 533-2604
Alabama Premier Services, LLC 220 Gateway Drive, Suite B Opelika, AL 36801 (334) 579-7133	2200 Gateway Drive (36801) Suite B Opelika, AL (334) 749-7080
<b>FLORIDA</b>	
Labor Finders of Miami, Inc.* (33466-6458) P.O. Box 6458 Lake Worth, FL (561) 641-7513	906 North Flagler Avenue (33030-4905) Homestead, FL (877) 717-9339  2440 NW 54 <sup>th</sup> Street (33142) Miami, FL (305) 545-6677
Labor Finders of Florida* (33458) 601 Heritage Drive, Suite 106 Jupiter, FL 33458 P.O. Box 8809 Jupiter, FL 33468 (561) 510-2729	216 Hibiscus Street (33458) Jupiter, FL (561) 747-1205  2100 SE Hillmoor Drive, Suite 205C (34952) Port St. Lucie, FL (772) 873-9562  4109 SE Salerno Road (34997) Stuart, FL (772) 220-1417  4414 Forest Hill Boulevard (33406) West Palm Beach, FL (561) 439-0605
Gary James, Inc. (33688-1508) P.O. Box 271508 Tampa, FL (813) 932-2570	600 West Jefferson Street (34601) Brooksville, FL (352) 693-9400

## EXHIBIT G CURRENT FRANCHISEES

### FRANCHISEE OWNED (as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
	<p>4867 Palm Coast Parkway, Unit 3 (32137) Palm Coast, FL (386) 437-0126</p> <p>1037 West US Highway 90, Suite 120 (32055) Lake City, FL (386) 758-2330</p> <p>1531 South Missouri Avenue (33756) Clearwater, FL (727) 535-6633</p> <p>180 NW 3<sup>rd</sup> Avenue, Suite C (349720) Okeechobee, FL (863) 467-9193</p> <p>318 Reid Avenue (32456) Port St. Joe, FL (850) 229-5441</p> <p>1536 Lakeview Drive (33870) Sebring, FL (863) 314-8895</p>
Labor Finders of Broward County, Inc. (33466) P.O. Box 6458 Lake Worth, FL (561) 641-7513	929 NW 8 <sup>th</sup> Avenue (33311-2050) Ft. Lauderdale, FL (954) 581-7774
GEORGIA	
<p>WRDV, Inc.* 3108 Mercer University Drive (31204) P.O. Box 14159 Macon, GA 31203-4159 (478) 741-4500</p>	<p>1813 Rice Avenue (31021) Dublin, GA 31021 (478) 304-1133</p> <p>4210 Columbia Road, Building 5-A (30907) Martinez, GA (706) 7247777</p> <p>2170 West Point Road, Suite 5 (30240) La Grange, GA (706) 668-5554</p> <p>31555 Mercer University Drive (31204) Macon, GA (478) 741-4500</p>

## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
	<p>211 Bullsboro Drive, Suite 106 (30263) Newnan, GA 31304 (770) 252-7751</p>
<p>Jiudicy, Inc. P.O. Box 271508 Tampa, FL 33688-1508 (813) 932-2570</p>	<p>5655 Lake Acworth Drive, Suite 220 (30101) Acworth GA (770) 917-5727</p> <p>2401 B-8 Dawson Road (31707) Albany, GA (229) 430-8785</p> <p>112 South Broad Street (39817) Bainbridge, GA (229) 243-1501</p> <p>4400 2<sup>nd</sup> Avenue, Unit 7 (31904) Columbus, GA (706) 660-9911</p> <p>2010 Central Avenue (31015) Cordele, GA (229) 276-1774</p> <p>109 Merchant Square (30040) Cumming, GA (678) 513-7328</p> <p>1214 North Peterson Avenue, Suite O (31533) Douglas, GA (912) 384-5200</p> <p>202 Ocilla Highway (31750) Fitzgerald, GA (229) 426-7489</p> <p>541 Forest Parkway, Suite 9 (30297) Forest Park, GA 404-361-7733</p> <p>104 Carrington Park Drive, Suite A (30504) Gainesville, GA (678) 696-5310</p> <p>32 1<sup>st</sup> Avenue NE (31768) Moultrie, GA (229) 715-7355</p>



## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
	<p>5041 Dallas Highway, #404 (30127) Powder Springs, GA (770) 222-0087</p> <p>2004 GA Highway 122, Suite 9 (31757) Thomasville, GA (229) 227-6317</p> <p>806 Central Avenue N (31794) Tifton, GA (229) 387-9962</p> <p>3003 North Ashley Street, Suite B (31602-1940) Valdosta, GA (229) 244-4302</p> <p>317 Albany Avenue (31501) Waycross, GA (912) 338-9804</p>
<b>KANSAS</b>	
DMD, Inc.* 1309 West Detroit Street Broken Arrow, OK 74012 (918) 250-5521	849 South Hillside Street (67211) Wichita, KS (316) 684-5780
<b>KENTUCKY</b>	
Labor Finders of Kentucky, Inc.* 601 Heritage Drive, Suite 106 Jupiter, FL 33458 P.O. Box 8809 Jupiter, FL 33468-8809 (561) 510-2729	<p>1143 Fairway Street, Suite 104 (42103) Bowling Green, KY (270) 843-2313</p> <p>1815 North Dixie Highway, Suite 105 (42701) Elizabethtown, KY (270) 735-1300</p> <p>11501 Plantside Drive, Suite 12 (40299) Louisville, KY (502) 261-0441</p>

## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
<b>MARYLAND</b>	
M.L.F., Inc.* P.O. Box 785 Manassas Park, VA 20113-0785 (561) 641-7513	3698 Old Silver Hill Road (20746) Suitland, MD (301) 316-0102
	4115 Ritchie Highway (21225) Baltimore, MD (410) 355-1200z
<b>OKLAHOMA</b>	
DMD, Inc.* 1309 West Detroit Street Broken Arrow, OK 74012 (918) 250-5521	309 SW 59 <sup>th</sup> Street, Suite 302 (73109) Oklahoma City, OK (405) 634-2900
	310 East 6th Street (74074) Stillwater, OK (405) 707-0134
	1241 South Peoria Avenue (74120) Tulsa, OK (918) 583-5200
	5436-D South Mingo Road (74146) Tulsa, OK (918) 627-3003

# EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
<b>TENNESSEE</b>	
<p>Labor Finders of Tennessee, Inc.* 108 Odette Street Madison, TN 37115 (615) 860-3486</p>	<p>5646 Brainerd Road, Suite D (37411) Chattanooga, TN (423) 689-5380</p> <p>316 Blue Bird Drive (37072) Goodlettsville, TN (615) 859-3387</p> <p>80 Innsdale Cove, Suite K (38305) Jackson, TN (731) 421-9010</p> <p>4411 North Roan Street, Suite 24 (37615) Johnson City, TN (423) 928-3005</p> <p>6344 Clinton Highway (37912) Knoxville, TN (865) 947-0199</p> <p>1682 Shelby Oaks Drive, #14 (38134) Memphis, TN 38181-1039 (901) 794-1404</p> <p>115 SE Broad Street (37130) Murfreesboro, TN (629) 201-5981</p>
<b>TEXAS</b>	
<p>L.C. Personnel, Inc.* 205 Brushy Creek Rd (78613) Cedar Park, TX 78613 (512) 219-0701</p>	<p>2521 Rutland Drive, Suite 350 (78758) Austin, TX (512) 719-4384</p> <p>4701 Ayers Street, #205 (78415) Corpus Christi, TX (361) 854-7733</p> <p>2000 Denison Street, Suite 102 (76201) Denton, TX (940) 243-0183</p> <p>3010 Williams Drive, #106 (78628) Georgetown, TX (512) 930-4820</p>

## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
	<p>1005 NW Freeway, Suite 290 (77092) Houston, TX (713) 432-1314</p> <p>918 Harris Avenue, Suite 100 (77506) Pasadena, TX (713) 534-8717</p> <p>6723 Baker Boulevard (76118) Richland Hills, TX (817) 838-3900</p> <p>525 West Arapaho Road, Suite 12 (75080) Richardson, TX (972) 231-7640</p> <p>7914 Culebra, Suite 112 (78251) San Antonio, TX</p> <p>2029 Austin Highway (78218) San Antonio, TX (210) 590-1242</p> <p>1200 Highway 80, Suite 106 (78666) San Marcos, TX (512) 392-2931</p> <p>612 West Adams Avenue (76501) Temple, TX (254) 771-2188</p>
<b>SOUTH CAROLINA</b>	
<p>Labor Finders of South Carolina, Inc. 200 Montclair Road, P.O. Box 6888 Irmo, SC 29063 (803) 749-6050</p>	<p>1225 Rosewood Drive (29201) Columbia, SC (803) 779-1210</p> <p>329 West Palmetto Street (29501) Florence, SC (843) 669-0410</p> <p>1003 Poinsett Highway (29609) Greenville, SC (864) 235-0188</p>

## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
	<p>5000 Rivers Avenue (29406) North Charleston, SC (843) 554-1179</p> <p>1184-101 East Main Street (29730) Rock Hill, SC (803) 328-8300</p> <p>243 John B. White, Sr. Boulevard (29306) Spartanburg, SC (864) 582-4572</p>
<b>UTAH</b>	
<p>Labor Finders Intermountain, Inc. 97 East 100 N Price, UT 84501 (435) 637-1782</p>	<p>97 East 100 North (84501) Price, UT (435) 637-1782</p>
<b>VIRGINIA</b>	
<p>Labor Finders of Virginia, Inc.* P.O. Box 785 Manassas Park, VA 20113-0785 (703) 393-6650</p>	<p>8121 Richmond Highway, Suite A (22309) Alexandria, VA (703) 660-9555</p> <p>1110 E. Market Street, Suite 9-L (22902) Charlottesville, VA (434) 422-4027</p> <p>1518 Princess Anne Street (22401) Fredericksburg, VA (540) 372-6707</p> <p>8910 Centreville Road (20110) Manassas, VA (703) 369-1553</p> <p>9924 Jefferson Avenue (23605) Newport News, VA (757) 245-0351</p> <p>2886 Airline Boulevard (23701) Portsmouth, VA (757) 612-4255</p>

## EXHIBIT G CURRENT FRANCHISEES

FRANCHISEE OWNED  
(as of December 31, 2023)

Franchisee Corporate Address	Franchisee Office Location(s)
	1901 Chamberlayne Avenue (23222) Richmond, VA (804) 254-8367  2707 Williamson Road (24012) Roanoke, VA (540) 342-4409  125 S. Plaza Trail (23452) Virginia Beach, VA (757) 490-4590
<b>WASHINGTON</b>	
Labor Finders of the Greater Northwest, Inc. 127 E. 13 <sup>th</sup> Street St. Cloud, FL 34769 (772) 370-5361	1101 North Argonne Road, Suite 217 (99212) Spokane Valley, WA (509) 893-8828

\* Locations marked with an \* are affiliated with LFI because they have minority ownership held in common with LFI.

## EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
<b>ALABAMA</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	401 South Leighton Avenue (36207) Anniston, AL (256) 741-9829
	417 Second Avenue North (35204) Birmingham, AL (205) 324-1498
	225 Saint Francis Street (36602) Mobile, AL (251) 438-5808
	1405 Federal Drive (36107) Montgomery, AL (334) 264-4506
	410 Saraland Boulevard South, Suites C & D (36571) Saraland, AL (251) 675-8306
	5784 Highway 90 West, Suite E & F (36582) Theodore, AL (251) 653-1542
	1357 Investigator Dornell Cousette Street, Suite A (35401) Tuscaloosa, AL (205) 750-0059
<b>ARIZONA</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	250 West Baseline Road, Suite 108 (85282) Tempe, AZ (480) 448-2664
<b>ARKANSAS</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	1222 Old Hot Springs Highway (72019) Benton, AR (501) 776-4060
	405 Oak Street, Suite 2 (72032) Conway, AR (501) 336-8488

## EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
	<p>302 North Greenwood Avenue (72901) Fort Smith, AR</p> <p>1301 Central Avenue, Suite A (71901) Hot Springs, AR (501) 623-1799</p> <p>506 Southwest Drive (72401) Jonesboro, AR (870) 972-1239</p> <p>1300 West Park Ste. 2 (72204) Little Rock, AR (501) 565-9632</p> <p>3901 East Kiehl Avenue, Suite G (72120) Sherwood, AR (501) 835-6464</p> <p>1712 W. Sunset Avenue, Suite E (72762) Springdale, AR (479) 751-6318</p>
<b>CALIFORNIA</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561)627-6507</p>	<p>3801 Buck Owens Boulevard, Suite 108 (93308) Bakersfield, CA (661) 396-8162</p> <p>1380 East Avenue, Suite 112 (95926) Chico, CA (530) 433-4060</p> <p>310 3<sup>rd</sup> Avenue, #C8 (91910) Chula Vista, CA (619)691-0058</p> <p>3580 Santa Anita Avenue, Suite G El Monte, CA 91731 (323) 519-1503</p> <p>1317 Simpson Way, Suite A (92029) Escondido, CA (760)480-2300</p>



# EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

	<p>9739 Fair Oaks Boulevard, Suite A (95628) Fair Oaks, CA (916) 961-1475</p> <p>468 East Bullard Avenue, Suite 103 (93710) Fresno, CA (559) 221-2023</p> <p>16151 San Fernando Mission Boulevard (91344) Granada Hills, CA (818) 894-6851</p> <p>13030 Inglewood Avenue, Suite 105 (90250) Hawthorne, CA (310) 675-7900</p> <p>77682 Country Club Drive, Suite F3 (92211) Palm Desert, CA (760) 324-2014</p> <p>2727 Buena Vista Drive, Suite 103 (93446) Paso Robles, CA (805) 221-8044</p> <p>7207 Arlington Avenue, Suite H (92503) Riverside, CA (951) 549-8884</p> <p>1800 B-2 Tully Road (95350) Modesto, CA (209) 551-6201</p> <p>8340 Clairemont Mesa Boulevard (92111) Suite 210 San Diego, CA (858) 492-5162</p> <p>1560 N. 4<sup>th</sup> Street, Suite 101 (95112) San Jose, CA (408) 262-2423</p> <p>1670 Alvarado Street, Suite 13 (94577) San Leandro, CA (510) 678-3461</p> <p>2122 N. Tustin Avenue (92705) Santa Ana, CA (714) 769-7046</p>
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# EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
	<p>1782 South Broadway (93454) Santa Maria, CA (805) 346-6083</p> <p>1621 Tennessee Street (94590) Vallejo, CA (707) 559-8686</p> <p>12611 Hesperia Road, Suite 8 (92395) Victorville, CA (760) 951-7800</p>
<b>COLORADO</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507</p>	<p>2828 North Nevada Avenue (80907) Colorado Springs, CO (719) 634-1699</p> <p>616 South Broadway (80209) Denver, CO (303) 282-3860</p> <p>7033 West Colfax Avenue (80214) Lakewood, CO (303) 238-4120</p>
<b>FLORIDA</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507</p>	<p>202 East Sugarland Highway (33440) Clewiston, FL (863) 902-9494</p> <p>1270 N. Nova Road (32117) Daytona Beach, FL (386) 255-1653</p> <p>3814 Palm Beach Boulevard (33916) Ft. Myers, FL (239) 334-1964</p> <p>6 Hollywood Boulevard SW, Suite B (32548) Ft. Walton Beach, FL (850) 243-2699</p> <p>1001 NE Waldo Road (32641) Gainesville, FL (352) 373-5777</p>

## EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
	1602 East Church Street (32202) Jacksonville, FL (904) 358-7128
	1616 Combee Road, Suite 1 (33801) Lakeland, FL (863) 688-0003
	322 East New Haven Avenue (32901) Melbourne, FL (321) 729-6130
	3305 Bayshore Drive (34112) Naples, FL (239) 793-5500
	945 NW 9th Avenue (34475) Ocala, FL (352) 402-9244
	850 Magnolia Avenue (32401) Panama City, FL (850) 913-9701
	4227 N. Davis Highway, Suite A (32503) Pensacola, FL (850) 455-0077
	4099 Tamiami Trail (33952) Port Charlotte, FL (941) 883-4723
	4034 North Washington Boulevard, Unit 7 (34234) Sarasota, FL (941) 957-0098
	1333 Old Dixie Highway, Unit 1 (32084) St. Augustine, FL (904) 825-2115
	520 West Brevard Street (32301) Tallahassee, FL (850) 222-7378
	1895 Wilbur Avenue (32960) Vero Beach, FL (772) 567-8253

## EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
	3725 20th Street (32960) Vero Beach, FL (772) 564-8777
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	601 West Robertson Street (33511) Brandon, FL (813) 654-0885  5501 West Waters, Suite 407 (33634) Tampa, FL (813) 881-0100
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	1428 Brack Street (34744) Kissimmee, FL (407) 935-9959  401 West Kaley Street (32806) Orlando, FL (407) 843-5050  1008 South French Avenue (32771) Sanford, FL (407) 302-1939
<b>GEORGIA</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	5891 New Peachtree Road, Suite 114 (30340) Doraville, GA (770) 451-9192  310 East Montgomery Crossroads, Suite 4 (31406) Savannah, GA (912) 925-7336
<b>INDIANA</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	3121 Kentucky Avenue (46221) Indianapolis, IN (317) 246-1130

## EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
<b>IOWA</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	3200 16th Avenue SW, Suite C (52404) Cedar Rapids, IA (319) 862-0462
	1300 50 <sup>TH</sup> Street, Suite 100 West Des Moines, IA 50266 (515) 984-0104
<b>LOUISIANA</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	3327 Jackson Street, Suite B (71301) Alexandria, LA (318) 561-7075
	4757 North Boulevard (70806) Baton Rouge, LA (225) 927-1099
	69164 Highway 59, Suite 3 (70471) Mandeville, LA (985) 892-2545
	1018 Central Avenue, Suite A (70001) Metairie, LA (504) 828-9208
	615 North 5 <sup>th</sup> Street (71201) Monroe, LA (318) 398-9617
	2160 Hollywood Avenue (71108) Shreveport, LA (318) 525-9800
<b>MISSISSIPPI</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	10429 Seymour Avenue (39540) Diberville, MS (228) 392-3444

## EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
	<p>206 S. 28<sup>th</sup> Avenue Hattiesburg, MS (39401) (601) 264-2752</p> <p>741 Harris Street, Suite A (39202) Jackson, MS (601) 362-6677</p> <p>7011 Highway 613 (39563) Moss Point, MS (228) 474-6444</p> <p>2002 Washington Street (39180) Vicksburg, MS (601) 638-0083</p>
<b>MISSOURI</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507</p>	<p>10421 W. Florissant Avenue Ferguson, MO 63136 (314) 377-5040</p> <p>4024 Butler Hill Road, #10 (63129) St. Louis, MO (636) 287-3709</p> <p>3701 North St. Peters Parkway, Suite C2 (63376) St. Peters, MO 63376 (636) 244-9080</p>
<b>NEVADA</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507</p>	<p>2550 South Rainbow Boulevard, Suite E-2 (89146) Las Vegas, NV (702) 385-4665</p> <p>440 South Rock Boulevard (89431) Sparks, NV (775) 331-1677</p>
<b>NEW MEXICO</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507</p>	<p>5001 Central Avenue NE, Suite A-1 (87108) Albuquerque, NM (505) 898-8885</p>

# EXHIBIT G CURRENT FRANCHISEES

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
<b>NORTH CAROLINA</b>	
<p>LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507</p>	<p>39 Choctaw Street (28801) Asheville, NC (828) 253-0019</p> <p>4040 Chesapeake Drive (28216) Charlotte, NC (704) 394-7314</p> <p>100 Britania Avenue, Suite A (27704) Durham, NC (919) 402-8030</p> <p>330 North Eastern Boulevard, Suite 10 (28301) Fayetteville, NC (910) 321-7552</p> <p>351 West Main Avenue (28052) Gastonia, NC (704) 691-7359</p> <p>300 South Westgate Drive, Unit J (27407) Greensboro, NC (336) 274-5277</p> <p>1800 Ashville Highway (28791) Hendersonville, NC (828) 513-5084</p> <p>722 New Bridge Street (28540) Jacksonville, NC (910) 333-8591</p> <p>4709 Margaret Wallace Road, Suite 106 (28105) Mathews, NC (980) 224-7076</p> <p>4674 Capital Boulevard (27604) Raleigh, NC (919) 713-0717</p> <p>816 West Innes Street (28144) Salisbury, NC (704) 636-6332</p>

**EXHIBIT G  
CURRENT FRANCHISEES**

CORPORATE/AFFILIATE OWNED  
(as of December 31, 2023)

Corporate/Affiliate Address	Franchisee Office Location(s)
	108 N. Kerr Avenue, Suite 1 (28405) Wilmington, NC (910) 794-5340  4500 Indiana Avenue, Suite 45 (27106) Winston Salem, NC (336) 788-0056  113 W. Firetower Road, Suites K&L (28590) Winterville, NC (252) 689-6215
<b>UTAH</b>	
LF Staffing Services, Inc. 11426 North Jog Road Palm Beach Gardens, FL 33418 (561) 627-6507	2330 South Main, Suite 1 (84115) Salt Lake City, UT (801) 487-6004

**OUTLETS OPENED BETWEEN JANUARY 1, 2024 TO MARCH 1, 2024**

**NONE**

**FRANCHISE AGREEMENTS SIGNED BUT OUTLET NOT YET OPENED  
BETWEEN JANUARY 1, 2024 TO MARCH 1, 2024**

**NONE**



**EXHIBIT H**

**FORMER FRANCHISEES**

Franchisees whose agreements were terminated, cancelled or not renewed, or who ceased doing business during the one-year period beginning January 1, 2023, and those franchisees who have not communicated with LFI since January 1, 2024, are listed in the chart below.

**CHANGES FROM JANUARY 1, 2023 THROUGH DECEMBER 31, 2023**

**CORPORATE/AFFILIATE OWNED FRANCHISEES  
(as of December 31, 2023)**

**(Note 1 & 2)**

Franchisee Corporate Address	Franchisee Office Location(s)	Date of Termination	Notes
<b>ALABAMA</b>			
LFI Ft. Pierce, Inc. 1617 North Federal Highway, Suite B (33460) P.O. Box 1380 Lake Worth, FL 33460-1380 (561) 533-9400.	401 South Leighton Avenue (36207) Anniston, AL (256) 741-9829  417 Second Avenue North (35204) Birmingham, AL (205) 324-1498  225 Saint Francis Street (36602) Mobile, AL (251) 438-5808  1405 Federal Drive (36107) Montgomery, AL (334) 264-4506  410 Highway 43 South, Suite C & D (36571) Saraland, AL (251) 675-8306  5784 Highway 90 West, Suite E & F (36582) Theodore, AL (251) 653-1542  1357 Investigator Dornell Cousette Street, Suite A (35401) Tuscaloosa, AL (205) 750-0059	05-01-2023	Purchased by LF Staffing, an LFI Subsidiary

Franchisee Corporate Address	Franchisee Office Location(s)	Date of Termination	Notes
WRDV, Inc.* 3108 Mercer University Drive (31204) P.O. Box 14159 Macon, GA 31203-4159 (478) 741-4500	<b>2200 Gateway Drive            (36801)            Suite B            Opelika, AL            (334) 749-7080</b>	07-10-2023	Purchased by Alabama Premier Services, LLC
<b>COLORADO</b>			
LFI Ft. Pierce, Inc. (33460-1380) 1617 North Federal Highway, Suite B P.O. Box 1380 Lake Worth, FL (561) 533-9400	2828 North Nevada Avenue (80907) Colorado Springs, CO (719) 634-1699  616 South Broadway (80209) Denver, CO (303) 282-3860  7033 West Colfax Avenue (80214) Lakewood, CO (303) 238-4120	05-01-2023	Purchased by LF Staffing, an LFI Subsidiary
<b>FLORIDA</b>			
LFI Ft. Pierce, Inc. (33460-1380) 1617 North Federal Highway, Suite B P.O. Box 1380 Lake Worth, FL (561) 533-9400	601 West Robertson (335121) Brandon, FL (813) 654-0885  202 East Sugarland Highway (33440) Clewiston, FL (863) 902-9494  1270 N. Nova Road (32117) Daytona Beach, FL (386) 255-1653  3814 Palm Beach Boulevard (33916) Ft. Myers, FL (239) 334-1964  6 Hollywood Boulevard SW, Suite B (32548) Ft. Walton Beach, FL (850) 243-2699  1001 NE Waldo Road (32641) Gainesville, FL (352) 373-5777  1602 East Church Street (32202)	05-01-2023	Purchased by an LFI Subsidiary

Franchisee Corporate Address	Franchisee Office Location(s)	Date of Termination	Notes
	<p>Jacksonville, FL (904) 358-7128</p> <p>1428 Brack Street (3474) Kissimmee, FL (407) 935-9959</p> <p>811 North Tennessee Avenue (33801) Lakeland, FL (863) 688-0003</p> <p>322 East New Haven Avenue (32901) Melbourne, FL (321) 729-6130</p> <p>3305 Bayshore Drive (34112) Naples, FL (239) 793-5500</p> <p>945 NW 9th Avenue (34475) Ocala, FL (352) 402-9244</p> <p>401 West Kaley Street (32806) Orlando, FL (407) 843-5050</p> <p>850 Magnolia Avenue (32401) Panama City, FL (850) 913-9701</p> <p>4227 N. Davis Highway, Suite A (32503) Pensacola, FL (850) 455-0077</p> <p>4099 Tamiami Trail (33949) Port Charlotte, FL (941) 883-4723</p> <p>1008 South French Avenue (32771) Sanford, FL (407) 302-1939</p> <p>4034 North Washington Boulevard, Unit 7 (34234) Sarasota, FL (941) 957-0098</p> <p>1333 Old Dixie Highway, Unit 1 (32084)</p>		

Franchisee Corporate Address	Franchisee Office Location(s)	Date of Termination	Notes
	<p>St. Augustine, FL (904) 825-2115</p> <p>520 West Brevard Street (32301) Tallahassee, FL (850) 222-7378</p> <p>5501 West Waters, Suite 407 (33634) Tampa, FL (813) 881-0100</p> <p>1895 Wilbur Avenue (32960) Vero Beach, FL (772) 567-8253</p> <p>3725 20th Street (32960) Vero Beach, FL (772) 564-8777</p>		
<b>GEORGIA</b>			
<p>LFI Ft. Pierce, Inc. 1617 North Federal Highway, Suite B (33460) P.O. Box 1380 Lake Worth, FL 33460-6644 (561) 533-9400</p>	<p>5891 New Peachtree Road, Suite 114 (30340) Doraville, GA (770) 451-9192</p> <p>310 East Montgomery Crossroads, Suite 4 (31406) Savannah, GA (912) 925-7336</p>	05-01-2023	Purchased by LF Staffing, an LFI Subsidiary
<p>WRDV, Inc.* 3108 Mercer University Drive (31204) P.O. Box 14159 Macon, GA 31203-4159 (478) 741-4500</p>	<p>4400 2<sup>nd</sup> Avenue, Unit 7 (31904) Columbus, GA (706) 660-9911</p>	07-17-23	Purchased by Juidicy, Inc.
<b>INDIANA</b>			
<p>LFI Ft. Pierce, Inc. 1617 North Federal Hwy, Suite B P.O. Box 1380 Lake Worth, FL (33460-1380) (561) 588-0440</p>	<p>3121 Kentucky Avenue (46221) Indianapolis, IN (317) 246-1130</p>	05-01-2023	Purchased by LF Staffing, an LFI Subsidiary

Franchisee Corporate Address	Franchisee Office Location(s)	Date of Termination	Notes
<b>LOUISIANA</b>			
<p>LFI Ft. Pierce, Inc. 1617 North Federal Highway, Suite B (33460) P.O. Box 1380 Lake Worth, FL 33460-1380 (561) 533-9400</p>	<p>3327 Jackson Street, Suite B (71301) Alexandria, LA (318) 561-7075</p> <p>4757 North Boulevard (70806) Baton Rouge, LA (225) 927-1099</p> <p>69164 Highway 59, Suite 3 (70471) Mandeville, LA (985) 892-2545</p> <p>1018 Central Avenue, Suite A (70001) Metairie, LA (504) 828-9208</p> <p>615 North 5<sup>th</sup> Street (71201) Monroe, LA (318) 398-9617</p> <p>2160 Hollywood Avenue (71108) Shreveport, LA (318) 525-9800</p>	<p>05-01-2023</p>	<p>Purchased by LF Staffing, an LFI Subsidiary</p>
<b>MISSISSIPPI</b>			
<p>LFI Ft. Pierce, Inc. 1617 North Federal Highway Suite B (33460) P.O. Box 1380 Lake Worth, FL 33460-1380 (561) 533-9400</p>	<p>10429 Seymour Avenue (39540) Diberville, MS (228) 392-3444</p> <p>206 S. 28thSt. Hattiesburg, MS (39401) (601) 264-2752</p> <p>741 Harris Street, Suite A (39202) Jackson, MS (601) 362-6677</p> <p>7011 Highway 613 (39563) Moss Point, MS (228) 474-6444</p> <p>2002 Washington Street (39180) Vicksburg, MS</p>	<p>05-01-2023</p>	<p>Purchased by LF Staffing, an LFI Subsidiary</p>

Franchisee Corporate Address	Franchisee Office Location(s)	Date of Termination	Notes
	(601) 638-0083		
<b>NEVADA</b>			
LFI Ft. Pierce, Inc. 1617 North Federal Highway, Suite B (33460) P.O. Box 1380 Lake Worth, FL 33460-1380 (561) 533-9400	2550 South Rainbow Boulevard, Suite E-2 (89146) Las Vegas, NV (702) 385-4665  440 South Rock Boulevard (89431) Sparks, NV (775) 331-1677	05-01-2023	Purchased by LF Staffing, an LFI Subsidiary
<b>UTAH</b>			
LFI Ft. Pierce, Inc. 1617 North Federal Highway, Suite B (33460) P.O. Box 1380 Lake Worth, FL 33460-1380 (561) 533-9400	2330 South Main, Suite 1 (84115) Salt Lake City, UT (801) 487-6004	05-01-2023	Purchased by LF Staffing, an LFI Subsidiary

**Note:**

1. LFI's Franchisees typically have several offices within a state. Franchisees are permitted to relocate, close or open offices within their territory provided that the Franchisee maintains at least one open office in the franchise territory, the lease meets the requirements in the Franchise Agreement and the closure or change in location is communicated to LFI prior to its occurrence. Due to these minimal requirements, Franchisees occasionally close their offices based on the Franchisee's marketing determinations. These office closings are reflected in this chart, even if the closing is temporary.
2. LFI reclassified the locations operated by LF Staffing Services, Inc. as affiliate owned locations. Those locations are not shown above because LF Staffing Services, Inc. continues to operate those locations.

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**CHANGES FROM JANUARY 1, 2024 THROUGH MARCH 1, 2024**

**NONE**

**EXHIBIT I**

**LABOR FINDERS INTERNATIONAL, INC.**

**AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2023 and 2022**

**DECEMBER 31, 2022 and 2021**

Labor Finders  
International,  
Inc. and  
Subsidiary



Years Ended  
December 31,  
2023 and 2022

Consolidated  
Financial  
Statements

**Rehmann**



# LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

April 1, 2024

Board of Directors  
Labor Finders International, Inc. and Subsidiary  
Palm Beach Gardens, Florida

### **Opinion**

We have audited the accompanying consolidated financial statements of **Labor Finders International, Inc. and Subsidiary** (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the "financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Labor Finders International, Inc. and Subsidiary** as of December 31, 2023 and 2022, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As described in Note 1 to the consolidated financial statements, effective January 1, 2023, the Company adopted Accounting Standards Codification Topic 326, *Financial Instruments - Credit Losses*. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Rehman Lohani LLC*

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Balance Sheets

	December 31	
	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,546,732	\$ 6,625,547
Short-term investments	-	2,120,227
Accounts receivable, less allowance for credit losses of approximately \$130,000 (\$100,000 in 2022)	12,783,051	8,860,555
Current portion of loan to affiliate	44,115	41,968
Deposits with affiliated management company (Note 11)	1,682,900	1,678,876
Prepaid workers' compensation collateral and expenses (Note 11)	548,901	2,923,668
Prepaid expenses	2,097,787	1,822,902
<b>Total current assets</b>	<b>22,703,486</b>	<b>24,073,743</b>
Net property and equipment	1,491,299	1,596,000
Net operating lease right-of-use assets	2,550,086	2,217,081
Investments	4,039,272	3,992,990
Loan to affiliate, less current portion	46,372	90,487
Company owned life insurance	594,981	-
Net software development costs	248,547	236,547
Deposits	155,410	103,402
Goodwill and other intangibles	21,224,250	8,033,899
<b>Total assets</b>	<b>\$ 53,053,703</b>	<b>\$ 40,344,149</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,995,223	\$ 1,153,034
Accrued expenses	1,936,456	1,155,404
Accounts payable to affiliated management company (Note 11)	779,336	1,197,428
Current portion of long-term debt	2,089,669	-
Current portion of operating lease obligations	1,460,049	967,229
<b>Total current liabilities</b>	<b>8,260,733</b>	<b>4,473,095</b>
Long-term debt, less current portion	9,310,476	-
Operating lease obligations, net of current portion	1,100,509	1,274,485
<b>Total liabilities</b>	<b>18,671,718</b>	<b>5,747,580</b>
<b>Shareholders' equity</b>		
Common stock, \$1 par value; 991,704 shares authorized, 74,659 shares issued and outstanding	74,659	74,659
Additional paid-in capital	8,700,533	8,700,533
Retained earnings	25,606,793	25,821,377
<b>Total shareholders' equity</b>	<b>34,381,985</b>	<b>34,596,569</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 53,053,703</b>	<b>\$ 40,344,149</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Income

	Year Ended December 31	
	2023	2022
<b>Revenues</b>		
Industrial staffing services	\$ 133,464,188	\$ 96,161,523
Franchise revenues	4,370,748	5,939,887
<b>Total revenues</b>	<b>137,834,936</b>	<b>102,101,410</b>
Operating expenses	135,852,697	98,684,925
<b>Operating income</b>	<b>1,982,239</b>	<b>3,416,485</b>
<b>Other income</b>	<b>923,641</b>	<b>1,245,711</b>
<b>Net income</b>	<b>\$ 2,905,880</b>	<b>\$ 4,662,196</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Shareholders' Equity

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balances, January 1, 2022	74,659	\$ 74,659	\$ 8,700,533	\$ 24,397,763	\$ 33,172,955
Net income	-	-	-	4,662,196	4,662,196
Distributions	-	-	-	(3,238,582)	(3,238,582)
<b>Balances, December 31, 2022</b>	<b>74,659</b>	<b>74,659</b>	<b>8,700,533</b>	<b>25,821,377</b>	<b>34,596,569</b>
Net income	-	-	-	2,905,880	2,905,880
Distributions	-	-	-	(3,120,464)	(3,120,464)
<b>Balances, December 31, 2023</b>	<b>74,659</b>	<b>\$ 74,659</b>	<b>\$ 8,700,533</b>	<b>\$ 25,606,793</b>	<b>\$ 34,381,985</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	2022
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 133,772,405	\$ 102,747,012
Other income received	825,323	1,488,474
Cash paid out for operating expenses	(130,736,610)	(98,768,332)
Interest paid	(492,411)	-
State income taxes paid	(142,940)	(26,917)
<b>Net cash provided by operating activities</b>	<b>3,225,767</b>	<b>5,440,237</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	-	7,252,445
Proceeds from maturities of short-term investments	2,133,246	-
Purchases of short-term investments	-	(2,120,227)
Purchases of investments	-	(4,687,441)
Purchases of property and equipment	(233,205)	(195,500)
Proceeds from disposal of property and equipment	175,115	-
Purchases of software development costs	(12,000)	(100,801)
Reimbursements of loan made to affiliate	41,968	39,925
Company owned life insurance	(563,334)	-
Acquisition of business	(12,346,053)	-
<b>Net cash (used in) provided by investing activities</b>	<b>(10,804,263)</b>	<b>188,401</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt	5,000,000	-
Proceeds from loans from shareholders	6,000,000	-
Repayments of long-term debt	(1,379,855)	-
Distributions	(3,120,464)	(3,238,582)
<b>Net cash provided by (used in) financing activities</b>	<b>6,499,681</b>	<b>(3,238,582)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,078,815)</b>	<b>2,390,056</b>
Cash and cash equivalents, beginning of year	6,625,547	4,235,491
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,546,732</b>	<b>\$ 6,625,547</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income	\$ 2,905,880	\$ 4,662,196
Adjustments to reconcile net income to net cash provided by operating activities		
Credit losses	140,035	87,989
Depreciation	168,168	144,930
Amortization of right-of-use assets	1,625,756	993,692
Net gain on disposals of property and equipment	(5,377)	(24,872)
Unrealized (gain) loss on investments	(41,633)	53,091
Realized (gain) loss on sale of investments	(17,668)	214,544
Amortization of intangible assets	599,649	-
Net change in cash value of Company owned life insurance	(31,647)	-
Changes in operating assets and liabilities which provided (used) cash, net of amounts acquired in 2023 business acquisition		
Accounts receivable	(4,062,531)	645,602
Deposits with affiliated management company	(4,024)	2,504
Prepaid workers' compensation collateral and expenses	2,374,767	(304,406)
Prepaid expenses	61,168	(330,161)
Deposits	(52,008)	(7,961)
Accounts payable	842,189	(36,852)
Accrued expenses	781,052	(353,983)
Accounts payable to affiliated management company	(418,092)	662,983
Operating lease obligations	(1,639,917)	(969,059)
<b>Net cash provided by operating activities</b>	<b>\$ 3,225,767</b>	<b>\$ 5,440,237</b>

The accompanying notes are an integral part of these consolidated financial statements.



# LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

### 1. NATURE OF BUSINESS, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

**Labor Finders International, Inc.** ("Labor Finders"), a Florida corporation, grants franchises to operate temporary employment and staffing offices in exclusive territories, usually consisting of one or more counties within a state or states, located throughout the United States. These franchised offices provide temporary employment staffing personnel services on a short and long-term basis to a variety of businesses, principally in the industrial sector.

Labor Finders International, Inc.'s wholly-owned subsidiary, LF Staffing Services, Inc. ("Staffing"), is organized as a qualified subchapter S subsidiary under the Internal Revenue Code. Staffing principally operates Company-owned temporary staffing locations in various states.

The Company is obligated under its franchise agreements to keep franchisees apprised of new developments in conducting their operations, assisting in promotional campaigns, supporting new business development, and providing counseling that includes periodic on-site visits at the Company's expense. The Company is also obligated to render technical support, software updates, and training assistance.

#### *Risks and Economic Uncertainties*

The extent of the impact of the global events on the Company's operational and financial performance will depend on various factors, including the duration and its effect on customers, suppliers, and employees, all of which cannot be reasonably predicted at this time. The impact of global events on the Company's consolidated financial position, operating results, and the timing and amounts of cash flows continue to be highly uncertain.

#### *Consolidation*

The consolidated financial statements include the accounts of Labor Finders and Staffing (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the carrying value of goodwill.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### ***Business Acquisition***

The Company uses the acquisition method of accounting for acquired businesses. Under the acquisition method, the consolidated financial statements reflect the operations of an acquired business starting from the completion of the acquisition. The assets acquired and liabilities assumed, if any, are recorded at their respective estimated fair values at the date of the acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. Significant judgment is required in estimating the fair value of the net assets acquired.

Identifiable intangible costs allocated through business acquisitions are amortized over their estimated useful lives of four to five years at the date of acquisition.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of demand deposits in banks and deposits in a money market funds with original maturities when purchased of less than three months. The Company maintains its deposits in amounts which, at times, may exceed federally insured limits, in multiple national financial institutions. Management does not believe the Company is exposed to any significant interest rate or other financial risk as a result of these deposits. The Company's money market funds primarily invest in short term debt securities. The Company has not experienced any credit losses and does not believe it is exposed to any significant credit loss on these funds.

#### ***Short-term Investments***

Short-term investments, comprised of readily marketable debt securities with original maturities of less than 180 days at the time of purchase, were carried at amortized cost which approximated fair value.

#### ***Revenue from Contracts with Customers***

Staffing recognizes industrial staffing services revenue over time as the temporary labor hours are incurred and transferred to the customers at transaction amounts expected to be collected.

Labor Finders recognizes a monthly sales-based royalty fee from its franchisees where the underlying sales occur at the transaction amounts expected to be collected. Shareholders of Labor Finders are also shareholders of certain franchisees.

#### ***Accounts Receivable***

Accounts receivable of Labor Finders consists of credit granted to franchisees throughout the United States for the franchise revenues earned. The ability of the franchisees to honor their obligations is dependent on the temporary staffing economic sector.

Accounts receivable of Staffing consists of credit granted for providing temporary staffing to its customers, which consist primarily of industrial sector businesses.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

All the Company's accounts receivable are customer obligations due under normal trade terms generally requiring payment within 30 to 60 days from the invoice date. No collateral or other security is required to support accounts receivable, which are stated at the amounts billed and due from customers less an allowance for expected credit losses. None of the Company's contracts have a significant financing component. Management estimates an allowance for expected credit losses based on the amount it expects to collect from customers, based on the length of time the receivables have been outstanding, historical collection experience, current market conditions and forecasted economic and business environments. Amounts that are deemed uncollectible are written off against the allowance for credit losses. The expense associated with the allowance for credit losses of \$140,035 and \$87,989 for the years ended December 31, 2023 and 2022, respectively, is recognized in operating expenses. The balance of accounts receivable at January 1, 2022 was \$9,594,146, net of allowance for expected credit losses of \$100,000.

#### *Property and Equipment, and Depreciation*

Property and equipment is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

#### *Leases*

The Company's lease arrangements primarily relate to real estate, including corporate and branch staffing offices, and, to a lesser extent, certain office equipment and other assets. The Company's leases generally have initial terms ranging from three to twenty years and may include renewal or early-termination options, rent escalation clauses, and/or lease incentives in the form of leasehold improvement allowances and rent abatements. The Company is required to make fixed minimum rent payments, variable rent payments, or a combination thereof, relating to its right to use an underlying leased asset. The Company is also often required to pay for certain other costs that do not relate specifically to its right to use an underlying leased asset, but that are associated with the asset, including common area maintenance fees and/or certain other costs (referred to collectively herein as "non-lease components"), which may be fixed or variable in amount, depending on the terms of the respective lease agreement.

The Company determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Company's use. The Company's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Company is not considered reasonably certain of exercising, as well as periods covered by renewal options for which it is considered reasonably certain of exercising. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the consolidated statements of income over the lease term.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

For leases with a lease term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed payment obligations over such term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. The Company includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as it elects to account for lease and non-lease components together as a single lease component. Variable lease payments are not included in the measurement of ROU assets and lease liabilities. ROU assets associated with finance leases, when held by the Company, are presented separate from those associated with operating leases, and are included within net property and equipment on the Company's consolidated balance sheet. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses the risk-free discount rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases, the initial ROU asset is depreciated on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments as they are made. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the consolidated balance sheet. Variable lease cost, if any, is recognized as incurred for all leases.

Management reviews these ROU assets for impairment whenever events or circumstances indicate that their carrying values may not be fully recoverable. The Company did not have any finance lease obligations as of and for the years ended December 31, 2023 and 2022.

#### ***Investments***

The Company carries investments in fixed income funds at fair values in the consolidated balance sheets. Fixed income mutual and exchange traded funds ("ETF") are equity securities with readily determinable fair value that are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded as other income (loss) through the consolidated statements of income. Realized gains and losses on the sale of investments are calculated using the specific identification method.

#### ***Company Owned Life Insurance***

The Company holds a life insurance policy purchased on the life of a key member of management. In the event of the death of this individual, the Company, as beneficiary of the policy, would receive a specified cash payment equal to the face value of the policy. Such policies are recorded at their cash surrender value, or the amount that can be currently realized as of the consolidated balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contract for the year and is included in the amount reported as operating expenses.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### *Software Development Costs*

Direct costs associated with the development of software are capitalized. Such capitalized costs, once placed in service, are amortized over the estimated product life using the straight-line method. Annual maintenance and functional enhancement efforts in connection with software development costs are expensed as incurred. Software development costs in progress at December 31, 2023 and 2022 were \$248,547 and \$236,547, respectively. See Note 6.

#### *Goodwill*

Goodwill arising from business acquisitions represents the excess of purchase consideration exchanged by the Company over the estimated fair value of the net assets acquired. The Company evaluates goodwill for impairment on an annual basis. The impairment loss, if any, is the amount by which the implied fair value of goodwill is less than its carrying value. Management has performed its annual assessments of its purchased goodwill and determined no impairment has occurred during 2023 or 2022.

#### *Income Taxes*

The shareholders have elected for the Company to be taxed as an "S" Corporation under the provisions of Internal Revenue Code Section 1362, whereby taxable income and certain tax credits are passed directly to the shareholders for inclusion in their personal income tax returns. Staffing operates in various states with varying income tax reporting requirements. Certain states allow corporations to pay state tax liabilities on behalf of their shareholders. The Company elects this provision on behalf of its shareholders, when permitted, and is reflected in these consolidated financial statements as distributions.

Management has analyzed the Company's income tax filings positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions. As of December 31, 2023, there are no uncertain income tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. While the Company is subject to routine audits by taxing jurisdictions, there are currently no audits for any tax periods in progress. Generally, the Company is no longer subject to income tax examinations for years prior to 2020.

#### *Fair Value Measurements*

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

- Level 1: This level is defined as observable inputs, such as quoted prices in active markets for identical assets and liabilities.
- Level 2: This level is defined as observable inputs other than Level 1 prices for similar assets or liabilities, such as quoted prices in active markets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: This level is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own valuation methodology and assumptions.

For a further discussion of fair value measurement, refer to Note 3 to the consolidated financial statements.

#### ***Change in Accounting Principle***

The Financial Accounting Standards Board issued Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. The standard replaced the incurred loss impairment methodology with a new methodology that reflects current expected credit losses ("CECL") on financial assets, including receivables, available-for-sale securities, and certain off-balance sheet commitments. The new methodology requires the measurement of all expected credit losses based on historical experience, current economic conditions, and reasonable and supportable forecasts. The standard also expands the required quantitative and qualitative disclosures for expected credit losses. On January 1, 2023, the Company adopted the standard using a modified retrospective method. The adoption of this standard did not have a material impact on the consolidated financial statements and disclosures.

#### ***Reclassification***

Certain amounts as reported in the 2022 consolidated financial statements have been reclassified to conform with the 2023 presentation.

#### ***Subsequent Events***

In preparing these consolidated financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2023, the most recent consolidated balance sheet presented herein, through April 1, 2024, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified.



## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### 2. BUSINESS ACQUISITION

##### *Related Labor Finders Franchisees*

On May 1, 2023, Staffing acquired certain assets of a Labor Finder's franchisee, LFI Fort Pierce, Inc. ("LFIFP"). Accordingly, the results of operations for LFIFP have been included in the accompanying consolidated financial statements from that date forward. The acquisition was made for the purpose of expanding the geographic market of Staffing's business operations.

Consideration exchanged for the acquisition consisted of the following amounts (at fair value):

Cash	\$ 12,346,053
Loan payable	<u>1,780,000</u>
Total	<u><b>\$ 14,126,053</b></u>

The following assets were recognized in the acquisition (at estimated fair value):

Current assets	\$ 336,053
Customer relationships	4,450,000
Non-compete agreements	<u>40,000</u>
Total identifiable net assets	4,826,053
Goodwill	<u>9,300,000</u>
Net assets acquired	<u><b>\$ 14,126,053</b></u>

The estimates of fair values recorded are Level 3 inputs which have been determined by management based on various market and income analyses and recent asset valuations.

Costs related to the acquisition, which include legal, accounting, and valuation fees, of approximately \$120,000 have been charged directly to operations and are included in operating expenses in the 2023 consolidated statement of income.

#### 3. FAIR VALUE MEASUREMENTS

The Company utilizes fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### *Investments*

Fixed income mutual and ETF funds are recorded at fair value on a recurring basis. Fair value measurement is based upon the last quoted price on the primary exchange where the security is traded. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### *Assets Recorded at Fair Value on a Recurring Basis*

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of December 31:

2023	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Fixed income - ETF	\$ 3,518,947	\$ -	\$ -	\$ 3,518,947
Fixed income - mutual fund	520,325	-	-	520,325
<b>Total investments at fair value</b>	<b>\$ 4,039,272</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,039,272</b>

2022	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Fixed income - ETF	\$ 3,492,866	\$ -	\$ -	\$ 3,492,866
Fixed income - mutual fund	500,124	-	-	500,124
<b>Total investments at fair value</b>	<b>\$ 3,992,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,992,990</b>



## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### 4. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following amounts at December 31:

	2023	2022
<b>Property and equipment</b>		
Leasehold improvements	\$ 1,760,722	\$ 1,713,293
Computer equipment and software	462,563	450,414
Buildings	387,509	387,509
Furniture and fixtures	250,816	250,816
Vehicles	231,041	242,583
Office equipment	113,889	113,889
Land	96,876	96,876
	<hr/>	<hr/>
Total	3,303,416	3,255,380
Less accumulated depreciation	1,812,117	1,659,380
	<hr/>	<hr/>
<b>Net property and equipment</b>	<b><u>\$ 1,491,299</u></b>	<b><u>\$ 1,596,000</u></b>

Depreciation expense was \$168,168 in 2023 and \$144,930 in 2022.

#### 5. GOODWILL AND OTHER INTANGIBLES

The following schedule displays the initial amounts assigned to goodwill and other intangible assets and the related accumulated amortization as of December 31:

	2023	2022
<b>Goodwill (total intangible assets not subject to amortization)</b>	<b><u>\$ 17,333,899</u></b>	<b><u>\$ 8,033,899</u></b>
<b>Intangible assets subject to amortization</b>		
Customer relationships	\$ 4,450,000	\$ -
Non-compete agreements	40,000	-
	<hr/>	<hr/>
<b>Total intangible assets subject to amortization</b>	<b><u>4,490,000</u></b>	<b><u>-</u></b>
Total intangible assets	21,823,899	8,033,899
Less accumulated amortization	599,649	-
	<hr/>	<hr/>
<b>Net intangible assets</b>	<b><u>\$ 21,224,250</u></b>	<b><u>\$ 8,033,899</u></b>

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The estimated amortization expense for each of the five years succeeding December 31, 2023 is as follows:

Year	Amount
2024	\$ 899,474
2025	899,474
2026	899,474
2027	894,561
2028	297,368
<b>Total</b>	<b>\$ 3,890,351</b>

Amortization expense was \$599,649 in 2023 and \$-0- in 2022.

### 6. SOFTWARE DEVELOPMENT COSTS

Net software development and other deferred costs consist of the following amounts at December 31:

	2023	2022
Software development costs	\$ 984,528	\$ 984,528
Software development cost in progress	248,547	236,547
Total software development costs	1,233,075	1,221,075
Less accumulated amortization	984,528	984,528
<b>Net software development costs</b>	<b>\$ 248,547</b>	<b>\$ 236,547</b>

There was no amortization expense in 2023 or 2022.

Software development costs in progress represents costs associated with a mobile application platform that is under development. Management estimates the application to be placed in service during 2024.

### 7. DEBT (INCLUDING RELATED PARTY)

#### *Short-term Bank Borrowings*

The Company has an available revolving line of credit that provides for maximum borrowing amount of \$10,000,000 to support working capital needs, which expires April 26, 2026. Monthly interest only payments are due on outstanding balances, if any, based on the Daily Simple Secured Overnight Financing rate ("SOFR") plus 2.10% (effective rate of 7.49% at December 31, 2023). Borrowings are collateralized by all assets of the Company and the line requires the Company to maintain certain financial covenants, which include a fixed charge coverage ratio of at least 1.2 to 1 and a funded debt to EBITDA ratio of less than 2.5 to 1.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The Company is required to maintain irrevocable standby letters-of-credit for the benefit of anticipated workers' compensation claims as it relates to the temporary employees provided by an affiliated management company (Note 11), for a total of \$6,350,297, which expire between July and December 2024. The line of credit is earmarked to meet these requirements and no balances were drawn on the letters-of-credit at December 31, 2023 and 2022. As such, there are no outstanding balances on the line of credit at December 31, 2023 and 2022.

#### *Long-term Debt*

Long-term debt consists of the following obligations at December 31:

	2023	2022
Note payable to bank, cross-collateralized with the revolving line of credit, due April 26, 2026, in monthly principal installments of \$138,889, plus interest based on SOFR plus 2.10% (effective rate of 7.49% at December 31, 2023).	\$ 3,888,889	\$ -
Unsecured loan payable to a shareholder of LFIFP from the acquisition of LFIFP (Note 2), due April 30, 2027, in monthly installments of \$41,667, including interest at 5.84%.	1,511,256	-
Unsecured note payable to the Company shareholders which is subordinate to the line of credit and note payable to the bank. The unsecured note bears interest at 5% per annum for the first year; thereafter, at the shareholders' option, a rate of 5% per annum, or a variable rate equal to the Wall Street Journal prime rate plus 5%. Monthly interest only payments until the note payable to the bank is paid in full. Monthly payments of \$262,316, including interest at 5%, will begin on May 1, 2026 and continue through the note's maturity of April 26, 2028.	6,000,000	-
Total long-term debt	11,400,145	-
Less current portion	2,089,669	-
<b>Long-term debt, less current portion</b>	<b>\$ 9,310,476</b>	<b>\$ -</b>

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Scheduled annual principal maturities of long-term debt for each of the five years succeeding December 31, 2023 are summarized as follows:

Year	Unaffiliated Party	Related Party	Shareholders	Subtotal
2024	\$ 1,666,667	\$ 423,002	\$ -	\$ 2,089,669
2025	1,666,667	448,359	-	
2026	555,555	475,235	1,947,951	
2027	-	164,660	3,013,626	
2028	-	-	1,038,423	<u>9,310,476</u>
<b>Total</b>				<b><u>\$ 11,400,145</u></b>

Interest expense was \$494,309 in 2023, of which, \$64,589 and \$204,658 was for the related party and shareholder loans, respectively. There was no interest expense in 2022.

#### 8. EXECUTIVE COMPENSATION AGREEMENT

In March 2023, the Company and a key member of management ("key member") entered into a compensation agreement ("the agreement") that outlines various payment components the key member would receive upon their termination of employment if the conditions for such payment are met in accordance with the terms of the agreement. As of and for the year ended December 31, 2023, the estimated amount of the vested compensation accrued to the key member amounted to \$486,554 and is included in accrued expenses and operating expenses in the 2023 consolidated balance sheet and consolidated statement of income, respectively.

#### 9. RETIREMENT PLAN

The Company sponsors a defined contribution 401(k) profit sharing plan for the benefit of its full-time employees and its temporary employees who meet the full-time employment criteria. The Company may make discretionary matching and profit sharing contributions to the plan which is determined annually by management. The Company provided a discretionary matching contribution of 50% of the employees deferral contributions for 2023 and 2022. The Company did not make a discretionary profit sharing contribution to the plan in 2023 or 2022. Related contributions charged to operating expenses were \$438,026 and \$352,296 in 2023 and 2022, respectively.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### 10. LEASES (INCLUDING RELATED PARTY)

In October 2005, the Company loaned \$601,524 to a party related through common ownership and management control, to finance certain construction costs associated with the affiliate's construction of a corporate office to be occupied by the Company. The loan to affiliate is reimbursable in 240 monthly installments, including annual interest of 5%, which commenced January 2006 and matures December 2025. The Company then entered into a 20-year operating lease with the affiliate for the Company's use for its corporate office space that expires December 2025, concurrently with the maturity of the note receivable from the related party. Net leasehold improvements associated with the related party lease are not material.

The Company also leases certain office equipment and other assets and Staffing rents and occupies space for its staffing offices under various operating lease agreements with outside third parties.

The following table summarizes ROU assets recorded on the Company's consolidated balance sheets as of December 31:

	2023	2022	Location Recorded on Consolidated Balance Sheets
<b>Assets</b>			
<b>Operating leases (equals total lease assets)</b>	<u>\$ 2,550,086</u>	<u>\$ 2,217,081</u>	Net right-of-use assets

The following table summarizes the composition of net lease cost during the year ended December 31, 2023:

	Related Party	Unaffiliated Parties	Total
Operating lease cost	\$ 240,000	\$ 1,451,980	\$ 1,691,980
Variable lease cost	15,400	154,483	169,883
Short-term lease cost	-	286,890	286,890
<b>Total lease cost</b>	<u>\$ 255,400</u>	<u>\$ 1,893,353</u>	<u>\$ 2,148,753</u>

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The following table summarizes the composition of net lease cost during the year ended December 31, 2022:

	Related Party	Unaffiliated Parties	Total
Operating lease cost	\$ 240,000	\$ 792,962	\$ 1,032,962
Variable lease cost	57,105	118,673	175,778
Short-term lease cost	-	233,338	233,338
<b>Total lease cost</b>	<b>\$ 297,105</b>	<b>\$ 1,144,973</b>	<b>\$ 1,442,078</b>

The following table summarizes other information related to the Company's leases during the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease obligations		
Operating cash flows from operating leases	\$ 1,702,452	\$ 1,008,329
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 1,898,227	\$ 3,210,773
Weighted-average remaining lease term - operating leases (in years)	1.85	2.61
Weighted-average discount rate - operating leases	2.80%	1.64%

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The following table presents a maturity analysis summary of the Company's lease obligations recorded on the consolidated balance sheet as of December 31, 2023:

Year	Operating Leases
2024	\$ 1,506,030
2025	860,292
2026	223,457
2027	35,684
2028	1,786
Total lease payments	2,627,249
Less discount to present value	66,691
Total lease obligations	2,560,558
Less current portion	1,460,049
<b>Long-term lease obligations</b>	<b>\$ 1,100,509</b>

### 11. OTHER RELATED PARTY TRANSACTIONS

Shareholders of Labor Finders are also shareholders of certain Company franchisees. Revenues recognized from these affiliated franchisees approximated \$2,648,000 and \$4,149,000 in 2023 and 2022, respectively. Resulting accounts receivable due from these affiliated franchisees approximated \$256,000 and \$401,000 as of December 31, 2023 and 2022, respectively, and is included in accounts receivable on the consolidated balance sheets.

Staffing is a party to a management agreement with an affiliated management company (the "management company") for the purposes of leasing the management company's temporary employees for all of the Company's staffing locations and securing workers' compensation insurance on all of the temporary employees provided. Under the terms of the agreement, the Company is to perform any service necessary for the management and administration of the temporary employees provided. While neither the Company nor its shareholders have any equity or voting interests in the ownership of the management company, Company officers serve as executive officers of the management company for the limited purpose of facilitating the day-to-day management and administration functions as defined in the agreement. In carrying out its responsibilities under this agreement, the Company incurs recurring expenses to cover all temporary employee related expenses and operating costs, inclusive of employment and handling fees charged by the management company. Such operating expenses totaled approximately \$95,903,000 and \$70,426,000 in 2023 and 2022, respectively. In accordance with the agreement, the Company routinely prepays (makes deposits of) gross payroll costs and anticipated workers' compensation collateral and expenses, which are included in deposits with affiliated management company and prepaid workers' compensation collateral and expenses, respectively, on the consolidated balance sheets. Additionally, the Company has an ongoing open account with the management company for outstanding payroll taxes and workers' compensation expenses, which are included in accounts payable to affiliated management company on the consolidated balance sheets.

**LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**12. CONTINGENCIES**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters are adequately covered by insurance, are without merit, or involve such amounts that would not have a significant effect on the consolidated financial position or results of operations of the Company if disposed of unfavorably.





Labor Finders  
International,  
Inc. and  
Subsidiary



Years Ended  
December 31,  
2022 and 2021

Consolidated  
Financial  
Statements

**Rehmann**

# LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

March 27, 2023

Board of Directors  
Labor Finders International, Inc. and Subsidiary  
Palm Beach Gardens, Florida

### **Opinion**

We have audited the accompanying consolidated financial statements of **Labor Finders International, Inc. and Subsidiary** (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the "financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Labor Finders International, Inc. and Subsidiary** as of December 31, 2022 and 2021, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As described in Note 1 to the consolidated financial statements, effective January 1, 2022, the Company adopted Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Rehman Robson LLC*

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Balance Sheets

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,625,547	\$ 4,235,491
Short-term investments	2,120,227	-
Accounts receivable, less allowance for doubtful accounts of \$100,000 for 2022 and 2021	8,860,555	9,594,146
Current portion of loan to affiliate	41,968	39,925
Deposits with affiliated management company (Note 8)	1,678,876	1,681,380
Prepaid workers' compensation collateral and expenses (Note 8)	2,923,668	2,619,262
Prepaid expenses	1,822,902	1,492,741
<b>Total current assets</b>	<b>24,073,743</b>	<b>19,662,945</b>
Net property and equipment	1,596,000	1,520,558
Right-of-use assets	2,217,081	-
Investments	3,992,990	6,825,629
Loan to affiliate, less current portion	90,487	132,455
Deposits	103,402	95,441
Net software development and other deferred costs	236,547	135,746
Goodwill	8,033,899	8,033,899
<b>Total assets</b>	<b>\$ 40,344,149</b>	<b>\$ 36,406,673</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable to affiliated management company (Note 8)	\$ 1,197,428	\$ 534,445
Current portion of operating lease obligations	967,229	-
Accounts payable	1,153,034	1,189,886
Accrued expenses	1,155,404	1,509,387
<b>Total current liabilities</b>	<b>4,473,095</b>	<b>3,233,718</b>
Operating lease obligations, net of current portion	1,274,485	-
<b>Total liabilities</b>	<b>5,747,580</b>	<b>3,233,718</b>
Commitments and contingencies (Notes 5, 7 and 9)		
<b>Shareholders' equity</b>		
Common stock, \$1 par value; 991,704 shares authorized, 74,659 shares issued outstanding in 2022 and 2021	74,659	74,659
Additional paid-in capital	8,700,533	8,700,533
Retained earnings	25,821,377	24,397,763
<b>Total shareholders' equity</b>	<b>34,596,569</b>	<b>33,172,955</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 40,344,149</b>	<b>\$ 36,406,673</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Income

	Year Ended December 31	
	2022	2021
<b>Revenues</b>		
Industrial staffing services	\$ 96,161,523	\$ 95,141,135
Franchise revenues	5,939,887	5,144,454
<b>Total revenues</b>	<b>102,101,410</b>	<b>100,285,589</b>
Operating expenses	98,684,925	95,037,503
<b>Operating income</b>	<b>3,416,485</b>	<b>5,248,086</b>
<b>Other income</b>		
Federal grant revenue - Paycheck Protection Program (Note 1)	-	1,995,000
Other income	1,245,711	402,259
<b>Total other income, net</b>	<b>1,245,711</b>	<b>2,397,259</b>
<b>Net income</b>	<b>\$ 4,662,196</b>	<b>\$ 7,645,345</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Shareholders' Equity

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Total Shareholders' Equity
	Shares	Amount		Shares	Amount		
<b>Balances, January 1, 2021</b>	<b>74,659</b>	<b>\$ 82,955</b>	<b>\$ 8,952,237</b>	<b>8,296</b>	<b>\$ (260,000)</b>	<b>\$ 19,752,418</b>	<b>\$ 28,527,610</b>
Net income	-	-	-	-	-	7,645,345	7,645,345
Distributions	-	-	-	-	-	(3,000,000)	(3,000,000)
Retirement of treasury stock	-	(8,296)	(251,704)	(8,296)	260,000	-	-
<b>Balances, December 31, 2021</b>	<b>74,659</b>	<b>74,659</b>	<b>8,700,533</b>	<b>-</b>	<b>-</b>	<b>24,397,763</b>	<b>33,172,955</b>
Net Income	-	-	-	-	-	4,662,196	4,662,196
Distributions	-	-	-	-	-	(3,238,582)	(3,238,582)
<b>Balances, December 31, 2022</b>	<b>74,659</b>	<b>\$ 74,659</b>	<b>\$ 8,700,533</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 25,821,377</b>	<b>\$ 34,596,569</b>

The accompanying notes are an integral part of these consolidated financial statements.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Cash Flows

	Year Ended December 31	
	2022	2021
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 102,747,012	\$ 100,754,588
Cash received from government grant	-	1,995,000
Other income received	1,488,474	499,266
Cash paid out for operating expenses	(98,768,332)	(97,366,709)
State income taxes paid	(26,917)	-
<b>Net cash provided by operating activities</b>	<b>5,440,237</b>	<b>5,882,145</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	7,252,445	2,049,653
Purchases of short-term investments	(2,120,227)	-
Purchases of investments	(4,687,441)	(8,945,365)
Reimbursements of loan made to affiliate	39,925	37,982
Purchases of property and equipment	(195,500)	(76,432)
Proceeds from sale of property and equipment	-	179,332
Purchases of software development costs	(100,801)	(16,026)
<b>Net cash provided by (used in) investing activities</b>	<b>188,401</b>	<b>(6,770,856)</b>
<b>Cash flows used in financing activities</b>		
Distributions	(3,238,582)	(3,000,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,390,056</b>	<b>(3,888,711)</b>
Cash and cash equivalents, beginning of year	4,235,491	8,124,202
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,625,547</b>	<b>\$ 4,235,491</b>
<b>Supplemental disclosures of non-cash investing and financing activities</b>		
Retirement of treasury stock		
Common stock	\$ -	\$ (8,296)
Additional paid-in-capital	-	(251,704)
<b>Total</b>	<b>\$ -</b>	<b>\$ (260,000)</b>

The accompanying notes are an integral part of these consolidated financial statements.



## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Consolidated Statements of Cash Flows

	Year Ended December 31	
	2022	2021
<b>Cash flows from operating activities</b>		
Net income	\$ 4,662,196	\$ 7,645,345
Adjustments to reconcile net income to net cash provided by operating activities		
Bad debts	87,989	71,175
Depreciation	144,930	158,676
Amortization of right-of-use assets	993,692	-
Net (gain) loss on disposals of equipment	(24,872)	26,924
Unrealized loss on investments	53,091	50,269
Realized loss on sale of investments	214,544	19,814
Changes in operating assets and liabilities which provided (used) cash		
Accounts receivable	645,602	468,999
Deposits with affiliated management company	2,504	(210,374)
Prepaid workers' compensation collateral and expenses	(304,406)	(306,264)
Prepaid expenses	(330,161)	(193,216)
Deposits	(7,961)	(5,509)
Accounts payable to affiliated management company	662,983	(1,852,428)
Accounts payable	(36,852)	(76,536)
Accrued expenses	(353,983)	85,270
Operating lease obligations	(969,059)	-
<b>Net cash provided by operating activities</b>	<b>\$ 5,440,237</b>	<b>\$ 5,882,145</b>

The accompanying notes are an integral part of these consolidated financial statements.

# LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

## Notes to Consolidated Financial Statements

### 1. NATURE OF BUSINESS, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

**Labor Finders International, Inc.** ("Labor Finders"), a Florida corporation, grants franchises to operate temporary employment and staffing offices in exclusive territories, usually consisting of one or more counties within a state or states, located throughout the United States. These franchised offices provide temporary employment staffing personnel services on a short and long-term basis to a variety of businesses, principally in the industrial sector.

Labor Finders International, Inc.'s wholly-owned subsidiary, LF Staffing Services, Inc. ("Staffing"), is organized as a qualified subchapter S subsidiary under the Internal Revenue Code. Staffing principally operates Company-owned temporary staffing locations in various states.

The Company is obligated under its franchise agreements to keep franchisees apprised of new developments in conducting their operations, assisting in promotional campaigns, supporting new business development, and providing counseling that includes periodic on-site visits at the Company's expense. The Company is also obligated to render technical support, software updates, and training assistance.

#### *Risks and Economic Uncertainties*

The Company has experienced impacts in its expense procurement of products, supplies, and labor costs given the continual spread of COVID-19 and the related global inflation and tightened labor markets. The Company responded timely to these economic impacts by increasing customer bill rates where possible and modified recruiting support and compensation plans for retention of its labor force. The extent of the ultimate impacts of these global events on the Company's operational and financial performance will depend on various developments, including the duration and impact on the Company's customers, suppliers, and employees, all of which cannot be reasonably predicted at this time. While management reasonably expects the global events to continue to impact the Company's consolidated financial position, operating results, and the timing and amounts of cash flows, the related financial consequences and duration continue to be uncertain.

#### *Paycheck Protection Program*

The Company secured a second draw borrowing in the amount of \$1,995,000 on March 29, 2021 through the Paycheck Protection Program ("PPP"), obtained through the Consolidated Appropriations Act ("CAA") which was signed into law on December 27, 2020. The PPP loan is administered by the U.S. Small Business Administration ("SBA").

Under the provisions of the CAA, borrowers are eligible for forgiveness of principal and accrued interest on the loan to the extent that the proceeds are used to cover eligible payroll costs, mortgagor interest costs, and rent and utility costs, which are otherwise described as qualified expenses. During the respective eligible periods, the Company used all of the PPP loan proceeds to pay for qualified expenses, 100% of which were used for payroll related costs.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The Company expected to meet the PPP's eligibility criteria and elected to analogize to FASB ASC 958-605, *Not-for Profit Entities: Revenue Recognition*, to account for the PPP loan as a conditional federal grant. The Company recognized the PPP loan as "other income" in the consolidated statement of income for the year ended December 31, 2021, as the Company had substantially met all the conditions of forgiveness as of that date. The Company received full forgiveness of the PPP loan from the SBA on January 20, 2022.

#### ***Consolidation***

The accompanying consolidated financial statements include the accounts of Labor Finders and Staffing (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

#### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, determining the allowance for bad debts and the carrying value of goodwill.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of demand deposits in banks and deposits in a money market mutual fund with original maturities when purchased of less than three months. The Company maintains its deposits in amounts which, at times, may exceed federally insured limits, in multiple national financial institutions. Management does not believe the Company is exposed to any significant interest rate or other financial risk as a result of these deposits.

#### ***Short-term Investments***

Short-term investments, comprised of readily marketable debt securities with original maturities of less than 180 days at the time of purchase, are carried at cost which approximates market value.

#### ***Revenue from Contracts with Customers***

Staffing recognizes industrial staffing services revenue over time as the temporary staffing services are transferred to the customers at transaction amounts expected to be collected.

Labor Finders recognizes a monthly sales-based royalty fee from its franchisees where the underlying sales occur at the transaction amounts expected to be collected. Shareholders of Labor Finders are also shareholders of certain franchisees.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Labor Finders also provides software on a rental basis to its franchisees under non-cancellable, ten-year lease agreements. These software rental agreements are accounted for as operating leases, with rental revenue recognized monthly in accordance with the terms of the lease. See Note 7.

#### *Accounts Receivable*

Accounts receivable of Labor Finders consists of credit granted to franchisees throughout the United States for the franchise revenues earned. The ability of the franchisees to honor their obligations is dependent on the temporary staffing economic sector.

Accounts receivable of Staffing consists of credit granted for providing temporary staffing to its customers, which consist primarily of industrial sector businesses.

All the Company's accounts receivable are customer obligations due under normal trade terms generally requiring payment within 30 to 60 days from the invoice date. No collateral or other security is required to support accounts receivable, which are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The balance of accounts receivable at January 1, 2021 was \$10,134,320, net of allowance for doubtful accounts of \$100,000.

#### *Property and Equipment, and Depreciation*

Property and equipment is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

#### *Leases*

The Company's lease arrangements primarily relate to real estate, including corporate and branch staffing offices, and, to a lesser extent, certain office equipment and other assets. The Company's leases generally have initial terms ranging from three to twenty years and may include renewal or early-termination options, rent escalation clauses, and/or lease incentives in the form of construction allowances and rent abatements. The Company is typically required to make fixed minimum rent payments, variable rent payments, or a combination thereof, relating to its right to use an underlying leased asset. The Company is also often required to pay for certain other costs that do not relate specifically to its right to use an underlying leased asset, but that are associated with the asset, including common area maintenance fees and/or certain other costs (referred to collectively herein as "non-lease components"), which may be fixed or variable in amount, depending on the terms of the respective lease agreement.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The Company determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Company's use. The Company's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Company is not considered reasonably certain of exercising, as well as periods covered by renewal options for which it is considered reasonably certain of exercising. The Company also determines lease classification as either operating or finance (formerly referred to as "capital") at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the consolidated statements of income over the lease term.

For leases with a lease term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed payment obligations over such term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. The Company includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as it elects to account for lease and non-lease components together as a single lease component. Variable lease payments are not included in the measurement of ROU assets and lease liabilities. ROU assets associated with finance leases, when held by the Company, are presented separate from those associated with operating leases, and are included within property and equipment, net on the Company's consolidated balance sheet. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses the risk-free discount rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases, the initial ROU asset is depreciated on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments as they are made. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the consolidated balance sheet. Variable lease cost, if any, is recognized as incurred for all leases.

Management annually reviews these ROU assets for impairment whenever events or circumstances indicate that their carrying values may not be fully recoverable. The Company did not have any finance lease obligations as of and for the years ended December 31, 2022 and 2021.

#### ***Investments***

The Company carries investments in fixed income funds at fair values in the consolidated balance sheets. Fixed income funds are equity securities with readily determinable fair value that are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded as other income (loss) through the consolidated statements of income. Realized gains and losses on the sale of investments are calculated based on cost, using the specific identification method.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### *Software Development and Other Deferred Costs*

Direct costs associated with the development of the software the Company provides on a rental basis to its franchisees are capitalized. Such capitalized costs, once placed in service, are amortized over the estimated product life using the straight-line method. Annual maintenance and functional enhancement efforts in connection with software development costs are expensed as incurred. Software development costs in progress at December 31, 2022 and 2021 were \$236,547 and \$135,746, respectively. See Note 4.

Identifiable intangible costs allocated through business acquisitions are amortized over their estimated useful lives of two to five years at the date of acquisition.

#### *Goodwill*

Goodwill arising from business acquisitions represents the excess of purchase consideration exchanged by the Company over the estimated fair value of the net assets acquired. The Company evaluates goodwill for impairment on an annual basis. The impairment loss, if any, is the amount by which the implied fair value of goodwill is less than its carrying value. Management has performed its annual assessments of its purchased goodwill and determined no impairment has occurred during 2022 or 2021.

#### *Income Taxes*

The shareholders have elected for the Company to be taxed as an "S" Corporation under the provisions of Internal Revenue Code Section 1362, whereby taxable income and certain tax credits are passed directly to the shareholders for inclusion in their personal income tax returns. Staffing operates in various states with varying income tax reporting requirements. Certain states allow corporations to pay state tax liabilities on behalf of their shareholders. The Company elects this provision on behalf of its shareholders, when permitted, and is reflected in these consolidated financial statements as the liabilities are incurred.

Company management analyzes its income tax filings positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions. As of December 31, 2022, there are no uncertain income tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. While the Company is subject to routine audits by taxing jurisdictions, there are currently no audits for any tax periods in progress. Generally, the Company is no longer subject to income tax examinations for years prior to 2019.

#### *Fair Value Measurements*

The Company utilizes fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For a further discussion of fair value measurement, refer to Note 2 to the financial statements.

#### ***Recent Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), by issuing Accounting Standards Update ("ASU") No. 2016-02 ("ASU 2016-02"). The standard, as amended, establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the consolidated balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of income.

The Company adopted ASU 2016-02, as amended, effective January 1, 2022. Financial information has not been updated and the disclosures required under the new standard have not been provided for dates and periods before January 1, 2022. The Company elected the new standard's package of practical expedients, which permits the Company to maintain prior conclusions about lease identification, lease classification, and initial direct costs. The Company elected to use the go-forward practical expedient to not separate lease and non-lease components for all of the leases. The Company also elected to use the short-term lease recognition exemption for all leases that qualify.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Upon adoption, the Company recognized operating lease liabilities and operating lease ROU assets of \$2,804,744 for the present value of the remaining minimum rental payments on existing operating leases (including consideration related to non-lease components due to the related practical expedient). Corresponding amounts were not reclassified in prior periods as those prior periods are presented under ASC 840, *Leases*. Refer to Note 7 to the consolidated financial statements for information regarding leases.

#### *Subsequent Events*

In preparing these consolidated financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2022, the most recent consolidated balance sheet presented herein, through March 27, 2023, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified, other than the matter described in Note 10.

### 2. FAIR VALUE MEASUREMENTS

The Company utilizes fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

#### *Investments*

Fixed income funds are recorded at fair value on a recurring basis. Fair value measurement is based upon the last quoted price on the primary exchange where the security is traded. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### Assets Recorded at Fair Value on a Recurring Basis

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of December 31:

2022	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Fixed income - ETF	\$ 3,492,866	\$ -	\$ -	\$ 3,492,866
Fixed income - mutual fund	500,124	-	-	500,124
<b>Total investments at fair value</b>	<b>\$ 3,992,990</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,992,990</b>

2021	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Fixed income - ETF	\$ 4,205,561	\$ -	\$ -	\$ 4,205,561
Fixed income - mutual fund	2,620,068	-	-	2,620,068
<b>Total investments at fair value</b>	<b>\$ 6,825,629</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,825,629</b>

### 3. PROPERTY AND EQUIPMENT

Net property and equipment consists of the following amounts at December 31:

	2022	2021
<b>Property and equipment</b>		
Leasehold improvements	\$ 1,713,293	\$ 1,650,112
Computer equipment and software	450,414	438,264
Buildings	387,509	387,509
Furniture and fixtures	250,816	250,816
Vehicles	242,583	199,043
Land	96,876	96,876
Office equipment	113,889	113,889
<b>Total</b>	<b>3,255,380</b>	<b>3,136,509</b>
Less accumulated depreciation	1,659,380	1,615,951
<b>Net property and equipment</b>	<b>\$ 1,596,000</b>	<b>\$ 1,520,558</b>

Depreciation expense was \$144,930 in 2022 and \$158,676 in 2021.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### 4. SOFTWARE DEVELOPMENT AND OTHER DEFERRED COSTS

Net software development and other deferred costs consist of the following amounts at December 31:

	2022	2021
Software development costs	\$ 984,528	\$ 984,528
Software development cost in progress	236,547	135,746
Non-compete agreement	105,000	105,000
Customer list	5,000	5,000
	<hr/>	<hr/>
Total software development and other deferred costs	1,331,075	1,230,274
Less accumulated amortization	1,094,528	1,094,528
	<hr/>	<hr/>
<b>Net software development and other deferred costs</b>	<b>\$ 236,547</b>	<b>\$ 135,746</b>

There was no amortization expense in 2022 or 2021.

Software development costs in progress represents costs associated with a mobile application platform for use by the Company's franchisees that is under development. Management estimates the application to be placed in service during 2023.

#### 5. BORROWED DEBT

The Company has an available line of credit that provides for a maximum borrowing amount of \$2,500,000, which is to be repaid in consecutive monthly payments of interest at the daily Bloomberg Short-Term Bank Yield rate plus 2.5%, with the principal due on demand. The line of credit is collateralized by all the Company's assets and matures May 29, 2023.

The Company is required, by a prior workers' compensation insurance carrier, to maintain a \$25,000 irrevocable standby letter-of-credit for the benefit of the insurers to guarantee the \$250,000 deductible per workers' compensation claim insurance program, until all such claims have been settled, which expires December 21, 2023. Additionally, the Company is required to maintain a \$1,500,000 and a \$500,000 irrevocable standby letter-of-credit for the benefit of anticipated workers' compensation claims as it relates to the temporary employees provided by an affiliated management company, which expires December 1, 2023 and July 21, 2023, respectively (Note 8). The line of credit is earmarked to meet these requirements and no balances were drawn on the letters-of-credit at December 31, 2022 and 2021. As such, there are no outstanding balances on the line of credit at December 31, 2022 and 2021.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

#### 6. RETIREMENT PLAN

The Company sponsors a defined contribution 401(k) profit sharing plan for the benefit of its full-time employees and its temporary employees who meet the full-time employment criteria. The Company may make discretionary matching and profit sharing contributions to the plan which is determined annually by management. The Company provided a discretionary matching contribution of 50% of the employees deferral contributions for 2022 and 2021. The Company did not make a discretionary profit sharing contribution to the plan in 2022 or 2021. Related contributions charged to operating expenses were \$352,296 and \$215,669 in 2022 and 2021, respectively.

#### 7. LEASES (INCLUDING RELATED PARTY)

In October 2005, the Company loaned \$601,524 to a party related through common ownership and management control, to finance certain construction costs associated with the affiliate's construction of a corporate office to be occupied by the Company. The resulting note receivable is reimbursable in 240 monthly installments, including annual interest of 5%, which commenced January 2006 and matures December 2025. The Company then entered into a 20-year operating lease with the affiliate for the Company's use for its corporate office space that expires December 2025, concurrently with the maturity of the note receivable from the related party.

The Company also leases certain office equipment and other assets and Staffing rents and occupies space for its staffing offices under various operating lease agreements with outside third parties.

The following table summarizes ROU assets recorded on the Company's consolidated balance sheet as of December 31, 2022:

	Amount	Location Recorded on Balance Sheet
<b>Assets:</b>		
Operating leases (equals total lease assets)	<u>\$ 2,217,081</u>	Right-of-use assets

The following table summarizes the composition of net lease cost during the year ended December 31, 2022:

	Related Party	Unaffiliated Parties
Operating lease cost	\$ 240,000	\$ 792,962
Variable lease cost	57,105	118,673
Short-term lease cost	-	233,338
<b>Total lease cost</b>	<u>\$ 297,105</u>	<u>\$ 1,144,973</u>

In accordance with lease accounting guidance in effect prior to its adoption of ASU 2016-02, the Company recognized operating rent expense of approximately \$1,455,000 in 2021 of which approximately \$256,000 was attributable to the related party lease. Such amounts do not include expense recognized related to non-lease components.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

The following table summarizes other information related to the Company's leases during the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease obligations	
Operating cash flows from operating leases	\$ 1,008,329
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 3,210,773
Weighted-average remaining lease term - operating leases (in years)	2.61
Weighted-average discount rate - operating leases	1.64%

The following table presents a maturity analysis summary of the Company's lease obligations recorded on the consolidated balance sheet as of December 31, 2022:

Year	Operating Leases
2023	\$ 995,534
2024	692,791
2025	488,172
2026	92,139
2027	<u>24,062</u>
Total lease payments	2,292,698
Less interest	<u>50,984</u>
Total lease obligations	2,241,714
Less current portion	<u>967,229</u>
<b>Long-term lease obligations</b>	<b><u><u>\$ 1,274,485</u></u></b>

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Labor Finders also leases software to its franchisees under non-cancellable, ten-year operating lease agreements. The Company's income from these leases for the year ended December 31, 2022 was as follows:

	Related Party Franchisees	Unaffiliated Parties Franchisees
<b>Minimum lease payments (equals total lease income)</b>	<u>\$ 158,125</u>	<u>\$ 46,500</u>

The following table presents a summary by year of scheduled of annual future minimum remittances relating to software leases anticipated to be received in accordance with franchise contracts existing as of December 31, 2022:

Year	Related Party Franchisees	Unaffiliated Franchisees
2023	\$ 148,125	\$ 44,000
2024	133,500	43,500
2025	124,500	43,500
2026	117,875	42,125
2027	69,000	42,000
Thereafter	<u>50,125</u>	<u>72,750</u>
<b>Total</b>	<u><b>\$ 643,125</b></u>	<u><b>\$ 287,875</b></u>

The following disclosures for the year ended December 31, 2021, were made in accordance with the accounting guidance for leases in effect at that time.

The following is a schedule of the Company's investment in property held for lease as of December 31, 2021:

Franchisee software	\$ 1,120,274
Less accumulated amortization	<u>984,528</u>
<b>Total</b>	<u><b>\$ 135,746</b></u>

### 8. OTHER RELATED PARTY TRANSACTIONS

Shareholders of Labor Finders are also shareholders of certain Company franchisees. Revenues recognized from these affiliated franchisees approximated \$4,149,000 and \$3,528,000 in 2022 and 2021, respectively. Resulting accounts receivable due from these affiliated franchisees approximated \$401,000 and \$489,000 as of December 31, 2022 and 2021, respectively, and is included in accounts receivable on the consolidated balance sheets.

## LABOR FINDERS INTERNATIONAL, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements

Staffing is a party to a management agreement with an affiliated management company (the "management company") for the purposes of leasing the management company's temporary employees for all of the Company's staffing locations and securing workers' compensation insurance on all of the temporary employees provided. Under the terms of the agreement, the Company is to perform any service necessary for the management and administration of the temporary employees provided. While neither the Company nor its shareholders have any equity or voting interests in the ownership of the management company, Company officers serve as executive officers of the management company for the limited purpose of facilitating the day-to-day management and administration functions as defined in the agreement. In carrying out its responsibilities under this agreement, the Company incurs recurring expenses to cover all temporary employee related expenses and operating costs, inclusive of employment and handling fees charged by the management company. Such operating expenses totaled approximately \$70,426,000 and \$68,329,000 in 2022 and 2021, respectively. In accordance with the agreement, the Company routinely prepays (makes deposits of) gross payroll costs and anticipated workers' compensation collateral and expenses, which are included in deposits with affiliated management company and prepaid workers' compensation collateral and expenses, respectively, on the consolidated balance sheets. Additionally, the Company has an ongoing open account with the management company for outstanding payroll taxes and workers' compensation expenses, which are included in accounts payable to affiliated management company on the consolidated balance sheets.

#### 9. CONTINGENCIES

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters are adequately covered by insurance, are without merit, or involve such amounts that would not have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably.

#### 10. SUBSEQUENT EVENT

In January 2023, the Company purchased an insurance policy on the life of a key member of management ("key member") which requires an annual premium outlay of \$500,000. In addition, in March 2023, the Company and the key member entered into a compensation agreement ("the agreement") that outlines various payment components the key member would receive upon their termination of employment if the conditions for such payment are met in accordance with the terms of the agreement.



**EXHIBIT J**  
**AGENTS FOR SERVICE OF PROCESS**

**FRANCHISOR'S** statutory agent for service of process in **STATE**, its state of incorporation is:

Jeffrey S. Burnett  
11426 North Jog Road  
Palm Beach Gardens, Florida 33418

In addition, we have a statutory agent for service of process in the following states:

California	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 W. 4 <sup>th</sup> Street, Suite 750 Los Angeles, California 90013-2344 (866) 275/2677
Connecticut	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, Connecticut 06103-1800 (860) 240-8230
Hawaii	Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722
Illinois	Illinois Attorney General, Franchise Division 500 South Second Street Springfield, Illinois 62701 (217) 782-4465 or (217) 782-4462
Indiana	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6681
Maryland	Maryland Securities Commissioner Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-7786

Minnesota	Minnesota Department of Commerce Securities Section 85 <sup>th</sup> 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600
New York	Secretary of State NYS Department of State 28 Liberty Street New York, New York 10005 (518) 474-0050
North Dakota	North Dakota Securities Department State Capitol, 14 <sup>th</sup> Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 382-4712
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue, Building 69-1 Cranston, Rhode Island 02920 (401) 462-9527
South Dakota	Department of Labor and Regulation Division of Securities 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
Virginia	The Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
Washington	Department of Financial Institutions 150 Israel Road SW Tumwater, Washington 98501-6456 (360) 902-8760
Wisconsin	Division of Securities State of Wisconsin Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-0448



**EXHIBIT K**

**AMENDMENT TO LEASE**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

This Amendment to Lease ("**Amendment**") is entered into as of this \_\_\_\_ day of \_\_\_\_\_, by and between \_\_\_\_\_, a \_\_\_\_\_, ("**Landlord**"), and \_\_\_\_\_, a \_\_\_\_\_, ("**Tenant**") (collectively, the "**Parties**").

**RECITALS**

A. The Parties entered into a lease dated \_\_\_\_\_, \_\_\_\_\_, (the "**Lease**"), by which Tenant leased certain real property legally described in Exhibit A and commonly known to be located at \_\_\_\_\_.

B. Tenant and Labor Finders International, Inc., a Florida corporation ("**Franchisor**") have entered into a Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Franchise Agreement**").

C. The Parties have agreed that the Lease should be amended to be consistent with provisions in the Franchise Agreement.

**AGREEMENTS**

In consideration of the Recitals and mutual agreements contained under this Agreement, the parties agree as follows:

1. **Notification.** In the event that Tenant is in default in the performance of any terms of the Lease, Landlord agrees to give the written notice required of Tenant's default to Franchisor at the same time and in the same manner as Landlord gives notice to Tenant.

2. **Cure of Default.** Franchisor has the right, but not the obligation, to cure Tenant's default in the performance of any terms of the Lease and to assume the lease upon default.

3. **Third Party Beneficiary.** Lessor acknowledges that the Franchisor is a third party beneficiary of the Lease and is entitled to enforce the Lease as though the Franchisor was a signatory.

4. **Assumption of Lease.** Lessor acknowledges that the Franchisor may immediately assume the Lease, at Franchisor's option, upon the termination or expiration and nonrenewal of the Franchise Agreement, without further authorization or consent of Lessor.

5. **No Further Modification.** Except as expressly provided in this Amendment to Lease, the Lease is not amended or modified in any respect whatever, and the Lease shall remain in full force and effect, and the Lease as amended is approved, ratified and confirmed.

IN WITNESS WHEREOF, the parties have signed this Amendment to Lease as of the date first above written.

**LANDLORD**

\_\_\_\_\_,  
a \_\_\_\_\_,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**TENANT**

\_\_\_\_\_,  
a \_\_\_\_\_,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**Legal Description**



## ADDITIONAL TERRITORY AMENDMENT TO FRANCHISE AGREEMENT

This Additional Territory Amendment (this "**Territory Amendment**") is made to be effective as of the date specified in Section 2 below (the "**Amendment Date**"), by and between LABOR FINDERS INTERNATIONAL, INC., a Florida corporation ("**LFI**"), and the Franchisee identified in Section 1 below, as an amendment to the Franchise Agreement dated as stated in Section 2 below, between LFI and Franchisee (collectively the "**Parties**"), and if applicable, as may have been otherwise previously amended by the Parties (as amended, the "**Franchise Agreement**").

1. **Franchisee.**

[full legal name]	[state where formed]	[type of business entity]
-------------------	----------------------	---------------------------

2. **Dates.**

[Date of original Franchise Agreement]	[Effective date of this Territory Amendment]
--	--

3. **Additional Territory.** Effective as of the Amendment Date, Franchisee's Territory shall be increased to include the following additional Territory (the "**New Territory**"): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4. **Population of New Territory and Development Schedule.** Franchisee and LFI agree that as of the most recent available information, which is for the year 20\_\_, the population of the New Territory is: \_\_\_\_\_. Franchisee agrees to open and continuously operate Offices in the New Territory that actively service customers as required by the following chart:

General Location of Office(s) To Be Opened	Date(s) by Which Office(s) Must Be Opened & Operating	Cumulative No. of Open & Operating Offices Required
		1
		2
		3
		4
		5
		6
		7
		8
		9
		10

**5. Future Development.** Beginning one year after the completion of the development and opening of Offices as specified in Section 4 above, if necessary because of population growth in the New Territory, Franchisee agrees to establish additional Offices at a rate of at least one additional Office each year so as to have one Office for each five hundred thousand (500,000) persons residing in the New Territory based on the then current population of the New Territory (as found in the latest published edition of the Business Control Atlas, or if the Business Control Atlas is no longer published, then any comparable publication). Franchisee's minimum market penetration goals for the New Territory as described in Sections 4 and 5 of this Territory Amendment are collectively referred to as the "**New Territory Penetration Goals.**" If Franchisee closes a Franchise office, then to meet Franchisee's New Territory Penetration Goals, Franchisee must open another Franchise office that actively services customers as a replacement office as well as opening the additional Franchise offices that Franchisee is required to open under this Territory Amendment. Franchisee may, at its option, without paying any additional Initial Fee, also open one or more additional Offices in the New Territory beyond the minimum required number of Offices.

**6. Failure to Meet New Territory Penetration Goals.**

- A. Franchisee's New Territory Penetration Goals under this Territory Amendment shall be a separate obligation. If Franchisee fails to meet its development obligations for the New Territory (and is not otherwise in default under the Franchise Agreement), LFI's rights and remedies shall be limited to the New Territory as provided in this Section 6. A failure by Franchisee to meet its New Territory Penetration Goals for the New Territory will not be deemed a general default under the Franchise Agreement, nor will it give rise to any remedies other than as described in this Section 6.
- B. If Franchisee fails to meet its New Territory Penetration Goals, LFI may reduce the New Territory thirty (30) days after giving Franchisee notice of the proposed reduction if Franchisee does not meet the New Territory Penetration Goals within the thirty (30) day period. Upon this reduction, Franchisee's New Territory shall be reduced to an area within a 20 mile radius around each of Franchisee's operating Labor Finders Offices in the New Territory, but in any event not beyond or outside of the original boundaries of the New Territory (the "**Reduced New Territory**"), within which (1) Franchisee may establish additional Labor Finders Offices, and (2) neither LFI nor any other LFI franchisee may open a Labor Finders Office or service customers. After any reduction of the New Territory as provided in this Paragraph, all references to "**New Territory**" shall be deemed to refer to the "**Reduced New Territory.**"
- C. If Franchisee fails to meet its New Territory Penetration Goals and LFI has reduced Franchisee's New Territory as provided in Paragraph 6.B above, Franchisee may continue to serve customers located outside the Reduced New Territory and within Franchisee's former New Territory (the "**Relinquished New Area**") provided that they are customers to whom Franchisee provided services within the 30 day period immediately before the date of the notice from LFI of the proposed New Territory reduction according to Paragraph 6.B above. Franchisee may not otherwise service customers outside of the Reduced New Territory.
- D. If Franchisee fails to meet its New Territory Penetration Goals and LFI has reduced Franchisee's New Territory as provided in Paragraph 6.B above, LFI may at any time, grant franchises to LFI Affiliates (as defined below) or other existing or new franchisees, to establish one or more additional Labor Finders Offices with exclusive territories to be located in the Relinquished New Area (but not within the Reduced New Territory), subject to the right of first refusal granted to Franchisee under Section 7 below. "**LFI Affiliate**" means any entity controlling, controlled by, or under common control with LFI.

**7. Franchisee's Right of First Refusal for Relinquished New Area.** If Franchisee fails to meet its New Territory Penetration Goals and LFI has reduced Franchisee's New Territory as provided in Paragraph 6.B above, and if Franchisee is not then in material default under the Franchise Agreement, Franchisee shall have a right of first refusal as provided in this Section 7 for any Labor Finders Office to be located in the Relinquished New Area. The terms of the right of first refusal for the Relinquished New Area, and the conditions, manner and timing of how the right of first refusal may be exercised, shall be as follows:

- A. If LFI has a bona-fide offer (from an LFI Affiliate, another existing Labor Finders franchisee or an independent prospective franchisee) to open one or more Labor Finders Offices to be located within the Relinquished Area, LFI shall provide Franchisee with notice of the offer, and a copy of LFI's then current form of Disclosure Document, together with completed forms of the agreements (which shall include LFI's then current form of franchise agreement), to be signed by Franchisee if Franchisee wishes to exercise its right of first refusal.
- B. Franchisee may, at its option, accept the franchise (in its entirety and not partially) by signing and returning all of the franchise documents to LFI, together with all required fees and other payments; provided, however, that Franchisee's right of first refusal shall expire thirty (30) days after LFI's Disclosure Document and the completed copies of the documents to be signed are delivered to Franchisee. If Franchisee fails to respond to LFI within the thirty (30) day period, Franchisee shall be deemed to have rejected the right of first refusal.
- C. If Franchisee exercises its right of first refusal and enters into the franchise agreement as described in Paragraph 7.A above, then: (1) Franchisee must open the first Labor Finders Office under the new franchise agreement within ninety (90) days after LFI's Disclosure Document and the completed copies of the documents to be signed were delivered to Franchisee; and (2) Franchisee's right of first refusal as described in this Section 7 shall continue for any portion of the Relinquished Area not covered by the new franchise agreement.
- D. If Franchisee rejects any right of first refusal (either directly or by failure to respond), Franchisee's rights of first refusal under this Section 7 shall automatically terminate entirely, and LFI may, at any time, grant franchises to LFI Affiliates or other existing or new franchisees, to establish one or more additional Labor Finders Offices with exclusive territories to be located in the Relinquished Area (but not within the Reduced Territory), without providing Franchisee with any right of first refusal.

**8. Representations and Warranties.** As an inducement to LFI to enter into this Territory Amendment, Franchisee represents and warrants to LFI as follows: (1) Franchisee is currently in good standing under the laws of the State specified in Section 1 above; (2) there has been no material adverse change in the information previously provided to LFI regarding Franchisee and its owners, officers, directors, managing partners and/or managing members; (3) each of the Confidentiality and Noncompetition Agreements and Guarantees signed by the owners, officers, directors, managing partners and/or managing members of Franchisee remain valid, binding, and in full force and effect and will automatically apply to this Territory Amendment; and (4) no default has occurred under the Franchise Agreement, nor under any other agreement between LFI and Franchisee, and no event has occurred which, with the passage of time, or the giving of notice, or both, would constitute a default.

**9. Interpretation.** All capitalized terms used in this Territory Amendment shall have the meanings defined in the Franchise Agreement unless otherwise expressly defined in this Territory Amendment where they appear in quotation marks and bold face type. In the event of any conflict between the express provisions of this Territory Amendment and the Franchise Agreement, the terms of this Territory Amendment shall control. This Renewal Amendment is incorporated by reference into the Franchise Agreement. All of the provisions of the Franchise Agreement shall remain in full force and effect, excepting only those particular terms that are expressly amended by this Territory Amendment.

IN WITNESS WHEREOF the Parties have signed this Territory Amendment to be effective as of the Amendment Date stated in Section 2 of this Territory Amendment.

**"FRANCHISEE":**  
 \_\_\_\_\_,  
 a \_\_\_\_\_

By: \_\_\_\_\_  
 Its: \_\_\_\_\_

**"LFI":**  
 LABOR FINDERS INTERNATIONAL, INC.,  
 a Florida Corporation

By: \_\_\_\_\_  
 Its: \_\_\_\_\_

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

California	November 28, 2023
Hawaii	PENDING
Illinois	PENDING
Indiana	PENDING
Maryland	PENDING
Michigan	PENDING
Minnesota	PENDING
New York	PENDING
North Dakota	PENDING
Rhode Island	PENDING
South Dakota	PENDING
Virginia	PENDING
Washington	PENDING
Wisconsin	PENDING

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.

RECEIPTS

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE PAYMENT TO US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

NEW YORK REQUIRES 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 REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS BEFORE THE EXECUTION OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OF THE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR 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 YOUR STATE AGENCY LISTED IN THE STATE AGENCIES EXHIBIT.

THE NAME, PRINCIPAL BUSINESS ADDRESS AND TELEPHONE NUMBER OF EACH FRANCHISE SELLER OFFERING THE FRANCHISE IS: \_\_\_\_\_.

Issuance Date: April 1, 2024

See Exhibit J for our registered agents authorized to receive service of process. On \_\_\_\_\_, 2024, I received a disclosure document dated April 1, 2024, that included the following Exhibits:

- Exhibit A - State Agencies
Exhibit B - State Law Addendum
Exhibit C - Franchise Agreement and Attached
1 - Terms
2 - Confidentiality and Unfair Competition Agreement
2A - State-Specific Terms for Individuals
2B - State Required Notices Regarding Assignment of Intellectual Property
3 - State-Specific Terms for Franchisees regarding Section 7 Data, Confidentiality and Unfair Competition
4 - UCC1 Financing Statement
5 - Ohio Notice of Cancellation
Exhibit D - Payroll Funding Loan Documents
Exhibit E - Working Capital Loan Documents
Exhibit F - Tables of Contents of Manuals
Exhibit G - Franchisees
Exhibit H - Former Franchisees
Exhibit I - Financial Statements
Exhibit J - Agents for Service of Process
Exhibit K - Amendment to Lease
Exhibit L - Additional Territory Amendment
STATE EFFECTIVE DATE PAGE
RECEIPTS

Individually and, if applicable, as an officer, partner, member or manager of, and on behalf of

a \_\_\_\_\_ corporation

a \_\_\_\_\_ partnership

a \_\_\_\_\_ limited liability company

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

My commission expires:

Notary Public



RECEIPTS

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE PAYMENT TO US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

NEW YORK REQUIRES 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 REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS BEFORE THE EXECUTION OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OF THE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR 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 YOUR STATE AGENCY LISTED IN THE STATE AGENCIES EXHIBIT.

THE NAME, PRINCIPAL BUSINESS ADDRESS AND TELEPHONE NUMBER OF EACH FRANCHISE SELLER OFFERING THE FRANCHISE IS: \_\_\_\_\_.

Issuance Date: April 1, 2024

See Exhibit J for our registered agents authorized to receive service of process. On \_\_\_\_\_, 2024, I received a disclosure document dated April 1, 2024, that included the following Exhibits:

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Individually and, if applicable, as an officer, partner, member or manager of, and on behalf of

a \_\_\_\_\_ corporation

a \_\_\_\_\_ partnership

a \_\_\_\_\_ limited liability company

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

My commission expires:

Notary Public