FRANCHISE DISCLOSURE DOCUMENT

PEO Franchising, LLC
A Texas limited liability company
7081 Heuermann Road,
San Antonio, Texas 78256
210-849-9638
franchise@thepeolink.com
www.ThePEOLink.com

You will operate a business providing professional employer organization services ("PEO" services) such as low-cost workers' compensation insurance, payroll processing, human resources management, tax/business law management, Group Health Benefits, and safety program management services.

The total investment necessary to begin operation of a The PEO Link franchise ranges from $29,800 to $38,500 for a Territory with a total of about 8,000 businesses within a about a 30 minute drive time. This includes $25,000 that must be paid to the franchisor or affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Lee Chapman, 7081 Heuermann Road, San Antonio, Texas 78256, 210-849-9638.

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

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

Date of Issuance: August 19, 2025

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to 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, which 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 A2.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Texas. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Texas than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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.

ADDITIONAL DISCLOSURES REQUIRED
BY THE STATE OF MICHIGAN

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

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

1. A prohibition of the right of a franchisee to join an association of franchisees.

2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials 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 subsection applies only if: (i) The term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

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

7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

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

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

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

d. 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.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchisee on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchisee 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 subdivision (c).

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

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

Any questions regarding this Notice shall be directed to the Attorney General's Office, Consumer Protection Division, G. Mennen Williams Building – 1st Floor, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 373-7117.

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

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, the words "we," "our," and/or "us" refer to PEO Franchising, LLC, the franchisor of this business. "You" and "your" refer to the person who buys the franchise, the franchisee, whether you are a corporation, limited liability company, or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this disclosure document also apply to your owners where noted.

The Franchisor, and any Parents, Predecessors and Affiliates

We were formed in Texas in March 2025 to offer The PEO Link franchises. Our principal business address is 0031 Terra Canyon, San Antonio, Texas 78255. We do business under our corporate name and the name "The PEO Link." Our agents for service of process are listed in Exhibit B to this disclosure document.

We have been offering The PEO Link franchises since August 19, 2025, and have never offered franchises in any other line of business. We do not engage in any other business activities.

We have never operated a business of the type being franchised, but our affiliate, The PEO Link, Inc. ("The PEO Link") has owned and operated a business of the type being franchised in San Antonio, Texas since 2005. The PEO Link started March 2005 and maintains its principal business address at 31320 IH 10 West Suite B, Boerne, Texas 78006.

Our affiliate LLMC, PLLC operates an affiliated insurance business and was started March 2018 in Frisco, Texas.

Our affiliate Payable HR, Inc. operates an affiliated payroll business and started August 2021 in Frisco, Texas.

Our affiliate SwipeWaive, LLC operates an affiliated merchant services business and started March 2023 in Frisco, Texas.

We do not have any parent companies or predecessors.

Our affiliate, The PEO Link, owns the service marks, trademarks, or logos (our "Marks") and licenses us the right to use them and to sub-license their use to franchisees.

The Franchised Business

We franchise the right to operate a business providing professional employer organization services ("PEO" services) such as low-cost workers' compensation insurance, payroll processing, human resources management, tax/business law management, Group Health Benefits, and safety program management services (the "Franchised Business").

Our franchisees conduct business under the trade name, The PEO Link, and also use our other related Marks and our standards, methods, procedures, and specifications (our "System"). You will operate the Franchised Business from a home office or a stand-alone office.

Market and Competition

The PEO Link businesses provide professional employer organization services ("PEO" services) such as low-cost workers' compensation insurance, payroll processing, human resources management, tax/business law management, Group Health Benefits, and safety program management services.

You will compete with businesses offering similar services, which may include franchised operations, national chains, and independently owned companies. Other The PEO Link franchisees also may perform services in your Territory.

Regulations Specific to the Industry

You must comply with all federal, state, and local laws and ordinances that apply to businesses generally. These include wage and hour and other employment laws, labor laws, occupational health and safety, environmental, licensing and permits, bonding, insurance. You also must comply with federal and state laws governing the advertising and marketing of your business, including the federal Truth in Advertising Act, state commercial bribery laws, and laws prohibiting public adjusters from accepting remuneration from service providers.

You must investigate and comply with all applicable federal, state, county and city laws and regulations. You alone are responsible for complying with all applicable laws and regulations .

ITEM 2

BUSINESS EXPERIENCE

Founder and Chief Executive Officer: Lee Chapman

Lee Chapman has served as our Chief Executive Officer in San Antonio, Texas since March, 2025. Additionally, he has served as Chief Executive Officer at The PEO Link, Inc. in San Antonio, Texas since December, 2005.

President: Charles Schattenberg

Charles Schattenberg has served as our President in San Antonio, Texas since March, 2025. Additionally, he has served as President at The PEO Link, Inc. in San Antonio, Texas since June, 2017.

Executive Vice President and Chief Operating Officer: Erik Bednarz

Erik Bednarz has served as our Executive Vice President and Chief Operating Officer in San Antonio, Texas since March, 2025. Additionally, he has served as Executive Vice President and Chief Operating Officer at The PEO Link, Inc. in San Antonio, Texas since June, 2017.

Executive Vice President and Chief Revenue Officer: Karlos Funes

Karlos Funes has served as our Executive Vice President and Chief Revenue Officer in San Antonio, Texas since March, 2025. Additionally, he has served as Executive Vice President and Chief Revenue Officer at The PEO Link, Inc. in Dallas, Texas since December, 2023. Mr. Funes also served as Vice President of Sales at ADP in San Antonio, Texas from August, 2022 to May, 2023. Mr. Funes also served as Sales Executive at ADP in San Antonio, Texas from July, 2021 to August, 2022. Mr. Funes also served as Consultant at Human Capital Management in San Antonio, Texas from September, 2019 to July, 2021.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

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

ITEM 5

INITIAL FEES

You will pay us an initial franchise fee of $25,000 for a Territory when you sign the Franchise Agreement. Qualifying franchisees may be awarded a subsequent Territory at a cost of 70% of the then-current initial franchise fee. The franchise fee is due when you sign the Franchise Agreement. The initial franchise fee generally is calculated uniformly for all franchisees. The initial franchise fee is nonrefundable.

ITEM 6

OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	40% of Collected Gross Revenue [1]	Monthly	We will receive all Collected Gross Revenue and then send a commission report and disbursement of earned commissions (60% of gross commissions), no later than 20 days after the close of the previous month
Marketing Fund Contribution	An amount we determine periodically; Currently, none – not to exceed 2%	Monthly	Paid to us. In addition to the Marketing Fund contribution, you must spend an amount We require on local advertising. We may require your expenditures be used in cooperative advertising.
Local Advertising	Currently no requirement but local marketing is recommended	Monthly	Local grassroots marketing
Technology Fee[2]	$290 per month and may increase for website and email hosting	Monthly	Paid to Us directly for services provided by vendors that bill Us directly.
Audit Expenses[3]	All costs and expenses associated with audit, approximately $1,500 - $5,000	Upon demand	Payable only if the audit shows you have not spent a minimum of 1% on local advertising or if you underreported amounts you owe us by 3% or more.
Interest Charges and Late Fees[4]	1.5% per month or the highest rate allowed by law, if less. For royalties, there is also a late fee of an additional 1.5 percentage points of Collected Gross Revenue	Upon demand	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit.
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	Upon demand	Payable to us only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Transfer Fee	The greater of $1,500, or Franchisor's cost in facilitating the	With transfer application	Payable if an Owner requests to transfer a non-controlling

Type of Fee	Amount	Due Date	Remarks
	transfer (including reasonable attorneys' fees)		ownership interest to another party.
Transfer Fee	40% of then-current initial franchise fee if transferring the business or transferring control of the franchisee entity to an existing THE PEO LINK franchisee; 70% of then-current initial franchise fee if transferring the business or transferring control of the franchisee entity to a new franchisee to the System	With transfer application	
Successor Term Fee	$0	When you sign the new franchise agreement	
Additional Training Fee for a Substitute or New Manager or Principal	$500 per day for additional training;	Time of training	Payable only if you have to repeat initial training, or if you retain a Designated Manager or bring new principals into your franchise.
Conference Registration Fee	Up to $500 per person per conference	Prior to conference	If you fail to attend any required conference you must pay a $500 conference registration fee for the missed conference. However, if you demonstrate good cause for your inability to attend, we may waive the fee.
Call Center Program	Reasonable set up and monthly fees imposed by the service provider, currently $0 as the program has not yet been implemented	Monthly or at such other time(s) as we specify	We reserve the right to require you to use our preferred service provider to receive call center services. We may pay a portion of the fees to third parties, such as the call service provider, and we may in the future have a third party collect all or a portion of the fees.

Type of Fee	Amount	Due Date	Remarks
Indemnification	All costs including reasonable attorneys' fees	Upon demand	
Final Payment	An amount calculated 70% of your total accounts receivable, multiplied by 9%	Within 30 days following expiration or termination of the Franchise Agreement	Payable in lieu of continuing Royalty Fee and Marketing Fund Contribution.

All fees are uniformly imposed by and are payable to us. All fees are non-refundable.

NOTES

Note 1. "Collected Gross Revenue" means all collected revenues from the Franchised Business. Collected Gross Revenue does not include: (i) the value of any allowance issued or granted to any customer of the Franchised Business that is credited by you in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business; or (ii) any rebate you receive from a manufacturer or supplier.

Note 2. We charge a $290/month technology fee to each franchisee to help support the cost of our company website and e-mail hosting.

Note 3. We assume costs vary depending on factors, including prevailing auditor's rates in your area, the business activity being audited, and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.

Note 4. Interest and late fees begin to accrue from the date payment was due, but not received, or date of underpayment.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Franchise Fee[1]	$25,000	Lump sum	When signing Franchise Agreement	Us
Service supplies and Equipment[2]	$0 to $1,500	As incurred	Before beginning operations	Approved and third party suppliers
Leasehold Improvements[3]	$0 to $1,000	Lump sum	Before beginning operations	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Computer, POS, and Software[4]	$1,000 to $2,500	As incurred	Before beginning operations	Us and third party suppliers
Training[5] (2 people while training)	$1,800 to $2,000	As incurred	During training	Airlines, hotels and restaurants
Insurance[6]	$500 to $1,000	Lump sum or monthly or quarterly payments	Before beginning operations	Insurance company
Professional fees[7]	$1,500 to $2,500	As arranged	Before beginning operations	Attorney and accountant
Additional Funds[8] (3 months)	$0 to $3,000	As incurred	As necessary	Employees, utilities, lessor, and suppliers
TOTAL[9]	$29,800 to $38,500			

*None of the fees paid to us in this chart are refundable. Whether such fees paid to third parties are refundable would depend upon the policies of the third parties.

Note 1. The initial franchise fee is $25,000 for a Territory. We offer a 30% discount for current franchisees.

Note 2. You must purchase general office supplies including stationery, business cards, and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers, and other factors.

Note 3. Leasehold costs vary widely, depending upon the location, design, configuration and condition of the premises. The cost of construction and leasehold improvements depends upon the size, condition, and location of the office and the local cost of labor.

Note 4. You must purchase hardware and software necessary for operating the Franchised Business. This includes a business computer and tablets. You must use Quickbooks Essential Online for accounting and bookkeeping. We estimate the cost of computer hardware devices at $1,000. The monthly cost for the software is estimated at $1,000. The cost for the initial hardware and three months of software access is about $2,000.

Note 5. Our charge for providing our initial training is included in the franchise fee, but you are responsible for travel, local transportation, meals, and lodging incurred to attend initial training. The total cost will vary depending on the number of people attending, how far you travel, and the type of accommodations you choose.

Note 6. You must purchase insurance as required by state law and of the type and with minimum limits as we specify. Factors that may affect your cost of insurance include the size and location of the Franchised Business, value of the renovations and improvements, equipment, inventory, number of employees, and other factors.

Note 7. You will need to employ an attorney, an accountant, and other consultants to assist you in setting up your business. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants.

Note 8. The figures in the chart reflect estimated working capital needs for a three-month period plus an extra month of pre-opening marketing. Based on our experience, however, some franchisees need working capital for a longer period, which may be seven months or longer. The figures in the chart, therefore, should be considered minimum amounts and you may wish to plan for additional cash reserves. We cannot promise if or when you will become cash flow positive or profitable. Additional funds are needed to cover operating expenses, including rent, utilities and employees' salaries. They do not include a salary for the owner, or costs of financing.

Note 9. In compiling this chart, we relied on our and our affiliates' industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the condition of your facility, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only.

ITEM 8

RESTRICTIONS ON SOURCES OF SERVICES AND PRODUCTS

Purchases or Leases from Approved and Designated Suppliers

You must purchase from our designated suppliers certain tools and supplies, and must purchase from designated or approved third-party suppliers certain supplies, brochures, and business cards. You must purchase digital marketing services from us or directly from a designated vendor. Without limiting the foregoing, we reserve the right to require you to use a designated service provider to provide call center, call routing, and scheduling services and we may be that designated supplier.

Except as described above, neither we nor any of our affiliates are designated or approved suppliers for any products or service. None of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers. Occasionally, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

We reserve the right to make changes to our System and these changes may require you to adapt your business to conform to the changes, which may incur additional expenses. Examples of these System changes include the purchase of new equipment, fixtures, software, or the use of new Marks.

If you would like to use any goods or services that we have not approved (for goods and services that must meet our standards, specifications or that require supplier approval), you must first send us sufficient information, specifications, and samples for us to determine whether the goods or services comply with our standards and specifications or the supplier meets our approved supplier criteria. You pay us the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase. We will decide within 30 days after receiving the required information whether you may purchase or lease the goods or services or from the supplier. Our criteria for approving or revoking approval of suppliers includes: the supplier's ability to provide sufficient quantity of goods, quality of goods or services at competitive prices, production and delivery capability, and dependability and general reputation.

Periodically, we may review our approval of any goods, services, or suppliers. We will notify you if we revoke our approval of goods, services, or suppliers, and you must immediately stop purchasing disapproved goods or services, and must immediately stop purchasing from a disapproved supplier.

Purchases According to our Specifications

If we have not identified an approved or designated supplier for a particular product or service, you may purchase the product or service from any supplier so long as the product or service meets our standards and specifications, which may include brand specifications. We developed our standards and specifications based on our principals' and affiliate's experience in operating a similar business, and will communicate them to you in writing.

Insurance

You must purchase insurance as required by state law and as we specify. Currently, we specify the following types and amounts of insurance:

- "All risk" property insurance coverage for assets of the Franchised Business;
- Workers' compensation insurance as required by state law and employer liability coverage with a minimum limit of $500,000 per incident and $500,000 for the policy limit;
- Comprehensive general liability insurance with a minimum liability coverage of $1,000,000 per occurrence and an aggregate limit of $1,000,000;
- Business interruption insurance with a minimum coverage of $100,000;
- Automobile liability insurance of at least $1,000,000;
- Errors and omissions coverage in the amount of $1,000,000; and
- Such insurance as necessary to provide coverage under the indemnity provisions in the franchise agreement.

You may purchase insurance from any vendor with a rating of "A" or better by the A.M. Best Company's rating guide. You must name PEO Franchising, LLC as an additional insured on insurance policies that you purchase and furnish proof to us. You and your insurers must agree to waive rights of subrogation against us and our affiliates.

Revenue Derived from Franchisee Purchases and Leases

During our fiscal year ended December 31, 2024, we derived no income on account of franchisee purchases and leases.

Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that required purchases and leases described above will range from 12% to 15% of the cost to establish the Franchised Business, and 41% of your operating costs.

Description of Purchasing Cooperatives; Purchasing Arrangements

There are no purchasing or distribution cooperatives in existence for the franchise system. We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. We do not provide you any material benefit (such as renewal rights or additional franchise rights) based on your purchase of particular products or services or use of particular suppliers.

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 the Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Section 5	Items 11 and 12

Obligation		Section in the Franchise Agreement	Disclosure Document Item
b.	Pre-opening purchases/leases	Sections 5, 12, and 15	Items 7 and 8
c.	Site development and other pre-opening requirements	Sections 5 and 8	Items 7, 8, and 11
d.	Initial and ongoing training	Section 8	Items 6, 7, and 11
e.	Opening	Sections 5 and 8	Item 11
f.	Fees	Sections 3, 5, 8, 10, 11, 13, 15, 18, and 22	Items 5, 6, and 7
g.	Compliance with standards and policies/Confidential Operations Manual	Sections 5, 6, 7, 9, 10, and 13	Items 8, 14, and 16
h.	Trademarks and proprietary information	Sections 6, 7, and 9	Items 13 and 14
i.	Restrictions on products/services offered	Sections 5, 6, and 13	Items 8 and 16
j.	Warranty and customer service requirements	Section 13	Item 16
k.	Territorial development and sales quotas	Not Applicable	Item 12
l.	Ongoing product/service purchases	Section 13	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Sections 5, 10, and 13	Item 6
n.	Insurance	Section 15	Items 6, 7, and 8
o.	Advertising	Section 11	Items 6, 7, and 11
p.	Indemnification	Section 21	Item 6
q.	Owner's participation/management/ staffing	Section 13	Item 15
r.	Records and reports	Section 12	Item 11
s.	Inspections and audits	Sections 6 and 12	Items 6, 11, and 13
t.	Transfer	Section 18 and Exhibits 1 and 5	Items 6 and 17
u.	Renewal	Section 4 and Exhibits 1 and 5	Item 17
v.	Post-termination obligations	Section 17 and Exhibits 2 and 5	Item 17
w.	Non-competition covenants	Sections 7 and 17 and Exhibits 2 and 5	Item 17
x.	Dispute resolution	Section 23 and Exhibit 5	Item 17
y.	Unlimited Guaranty and Assumption of Obligations	Section 22.5	Item 15

ITEM 10

FINANCING

At our discretion, we may consider partially financing the Initial Franchise Fee. We do not guarantee your note, lease, or obligation. We may, but are not obligated to, finance 50% of the Initial Franchise Fee. In such case, you would pay Us an Initial Franchise Fee of $30,000 with $15,000 due immediately, and the remaining $15,000 paid monthly over 24 months ($625/month, which would be held back from your commissions).

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, PEO Franchising, LLC is not required to provide you with any assistance.

Before you begin operating the Franchised Business, we will:

1. Make available to you our specifications for the Franchised Business office, service supplies, and equipment and other equipment and supplies necessary for the establishment and development of the Franchised Business. (Franchise Agreement, Section 5.3.)

2. Make our initial training program available to your Designated Manager. (Franchise Agreement, Section 8.1.)

3. Make available to you one of our representatives for the purpose of familiarizing your staff with our techniques and for providing general assistance and guidance in connection with the opening of the Franchised Business. (Franchise Agreement, Section 8.2.)

4. Provide you on loan electronic access to The PEO Link Confidential Operations Manual. The approximate total number of pages in the Confidential Operations Manual as of the date of this disclosure document is 103. The Table of Contents of the Confidential Operations Manual, along with number of pages devoted to each section, is included as Exhibit E to this disclosure document. (Franchise Agreement, Section 9.1.)

After you begin operating the Franchised Business, we will:

1. Be available during normal business hours to render advice, discuss problems, and offer general guidance to you by video-conference, telephone, email, facsimile, newsletters, and other methods. (Franchise Agreement, Section 14.1.)

2. Provide you with modifications to the Confidential Operations Manual as they are made available to franchisees. (Franchise Agreement, Section 9.2.)

3. Hold periodic national or regional conferences to discuss business and operational issues affecting The PEO Link franchisees, including industry changes, new services and merchandise, and marketing strategies. (Franchise Agreement, Section 8.6)

Advertising and Promotion

You may be required to spend a minimum amount we specify on local advertising. Activities include on-line marketing, social media marketing, industry resources and traffic-generating listings, as well as dues for business organizations and other local networking activities. We determine the minimum amount with input from the designated marketing agency, and by assessing advertising costs in your area. We will provide you with guidance for conducting local (grassroots) advertising, and we will review and approve the materials you use in your advertising. At this time, local advertising is recommended but not required.

Each month, you must spend the required minimum per week on digital marketing and related advertising in the local area surrounding the Franchised Business. Currently, You will pay the designated agency

directly for some services, and you will pay the marketing providers (such as Google) directly for your media expenditures. We will provide you with general marketing guidelines and we will review and approve marketing you develop on your own to ensure it meets our brand standards.

We have created and administered a System-wide marketing, advertising, and promotion fund to assist in our regional and national advertising ("Marketing Fund"). You must contribute monthly to the fund an amount we specify periodically. In the last fiscal year ended December 31, 2024, we neither collected nor expended any advertising funds ("Marketing Fund Contribution"). We will administer the marketing fund as follows:

(a) We will control the creative concepts and the materials and media to be used, and we will determine the placement and allocation of advertisements. We may use print, television, radio, Internet or other media for advertisements and promotions. We may engage in local, regional, or national advertising. We are not required to spend any particular amount on advertising in your area or territory.

(b) We may use your contributions to meet or reimburse us for any cost of conducting market research, producing, maintaining, administering and directing customer advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations activities; hosting an Internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures and other marketing materials to franchisees). We will maintain your contributions in a separate account from our funds and we will not use them for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the marketing fund. We will not use marketing fund monies for creating or placing any advertisement that is principally a solicitation for new franchisees, but may include in all advertising prepared using marketing fund monies (including Internet advertising) information concerning franchise opportunities, and a portion of marketing fund monies may be used to create and maintain one or more pages on our web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates.

(c) We expect to use all contributions in the fiscal year they are made. We will use any interest or other earnings of the marketing fund before we use current contributions. We intend for the marketing fund to be perpetual, but we have the right to terminate it if necessary. We will not terminate the marketing fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned your *pro rata* share.

(d) Although not contractually required, we anticipate that all The PEO Link Businesses owned by us or an affiliate will make similar contributions to the marketing fund as required of franchisees.

(e) There is no requirement that the Marketing Fund be audited. We will have an accounting of the marketing fund prepared each year and we will provide you with a copy if you request it. We may require that the annual accounting be reviewed or audited and reported on by an independent certified public accountant at the marketing fund's expense.

(f) The marketing fund is not a trust and we assume no fiduciary duty in administering the marketing fund.

During our fiscal year ending December 31, 2024, there were no Marketing Fund contributions received or expenditures made.

Currently there is no franchisee advertising council that provides us with guidance or suggestions regarding advertising and marketing matters.

We also have the right to create advertising cooperatives for the benefit of all The PEO Link franchises located in a particular region. We will determine the geographic territory and market areas for each cooperative

advertising program. We have the right to collect and designate all or a portion of the local advertising for cooperative advertising. You must participate in any cooperative advertising program established in your region. If cooperative advertising is implemented in a particular region, we may establish an advertising council for franchisees in that region to self-administer the program. There are no limits on our right to change, dissolve or merge advertising cooperatives.

You are permitted market your Franchised Business through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At all times you must comply with any social media policy that we develop.

You may not establish a presence on, or market on the internet without our consent. Currently, we maintain a website at www.ThePEOLink.com, that provides information about the System and the products and services that Franchisor and its franchisees provide. We retain the sole right to market on the internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, and co-branding arrangements. We may request you provide content for our internet marketing and you must follow our intranet and internet usage rules, policies, and requirements. We retain the sole right to use the Marks on the internet, including on websites, as domain names, directory addresses, search terms, and meta-tags, and in connection with linking, marketing, co-branding, and other arrangements. We retain the sole right to approve any linking to, or other use of, The PEO Link website.

We may charge a technology fee to each franchisee to help support the cost of our company website and e-mail hosting.

Computer/Point-of-Sale System

You must purchase and use any hardware and software programs we designate. Presently, we require you to purchase a computer using any operating system, and a tablet. You must use Quickbooks Essential Online for accounting and bookkeeping and an industry-specific business management CRM to manage daily operations

We estimate the cost of computer hardware (not including the optional business management software) will cost $2,000 and software subscriptions are currently about $1,000 per month.

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of a computer or the various software programs, but you may find it advantageous to do so. The annual costs of entering into maintenance, update, upgrading, or support contracts may range from $200 to $350 per year. You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary. We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems. There are no limitations on our rights to do so, except as disclosed in Item16. We have the right to independently access all information you collect or compile at any time without first notifying you and there are no contractual limitations on our right to do so.

Call Center Program

We reserve the right to require you to participate in our call center program, if developed, pursuant to which you will receive, for a payment of corresponding fees, certain call center services, including call routing and scheduling services. We may, in our sole discretion, waive your participation in the program if your conversion and abandonment rates equal or exceed the current call center provider's metrics, for a minimum of 90 days. (As used herein, "conversion rate" means the total number of customer appointments set, compared to total number of customer calls made. As used herein, "abandonment rate" means the total number of customer calls not answered (including, but not limited to, no answers, voicemails, etc.), compared to total number of customer calls made.)

Training

After you obtain the technical certifications described in Item 8, we provide you with a checklist of steps to take to begin your training process and then provide you an initial training program that covers material aspects of the operation of the Franchised Business and the subjects described in the chart below. This training is offered on an as needed basis at our training location in San Antonio, Texas or another location we designate. You and/or a designated a manager must satisfactorily complete the initial training approximately three to four weeks before the opening of the Franchised Business. The time frames provided in the chart are an estimate of the time it will take to complete training. We do not charge for initial training. You must pay for all travel, local transportation, food, and lodging costs for yourself and any of your attendees. If you replace your Designated Manager, or bring new principals into your franchise, your new Designated Manager and principals must attend our training program. You are responsible for training your own employees and other personnel. This initial training is in addition to the on-site opening assistance we provide to you. Your Franchised Business must at all times be under the day-to-day supervision of a Designated Manager who has satisfactorily completed our training program. After the replacement of the Designated Manager, the new Designated Manager has 60 days to complete initial training.

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training*	Hours of On-The-Job Training*	Location*
Welcome, Intro to The PEO Link	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
PEO Broker 101	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Hubspot 101	6	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Using Jotform	0.5	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Using File Invite	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Security Dos and Don’ts	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Using Quote and Connect	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Gen Link	6	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Ideal Customer Profile	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)

Subject	Hours of Classroom Training*	Hours of On-The-Job Training*	Location*
Territory Management	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
PEO Partner Overview	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Prospecting 101	4	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Acquiring Referral Partners 101	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Business Planning 101	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Executive Overview 101	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Credentials - Licensing	0.5	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Ancillary Services 101	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Analysis Meetings	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Proposals 101	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Business 101	4	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Health Insurance 101	4	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Workers Comp 101	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Deal Strategies	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)

Subject	Hours of Classroom Training*	Hours of On-The-Job Training*	Location*
Client Service and Account Management	4	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Health Insurance 102	4	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Ancillary Services 102	1	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Business Planning 102	3	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Hubspot 102	4	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Acquiring Referral Partners 102	2	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Prospecting 102	3	0	7081 Heuermann Road, San Antonio, Texas 78256 (local venue or virtually)
Total	73	0	

*These times and topics are estimates only. We will send you on actual jobs. We cannot predict precisely the types and volumes of jobs that the San Antonio, Texas area will have while you are in training. Classroom training occurs in between jobs and so those times are estimates as well.

You and your Designated Manager must complete initial training to our satisfaction, including the passing of tests at the end of initial training.

Our initial training program is conducted by Charles Schattenberg who has been with us for 8 years and has approximately 14 years of experience in the professional employer organization services industry serving in franchise support, training, sales and operations.

The training will be conducted using The PEO Link Confidential Operations Manual. The dates and location of the training will be communicated to you by e-mail or telephone.

Certain segments of the training may vary from the chart shown above based on schedule changes due to business requirements and other factors. We will attempt to give you advance notice when this occurs.

Periodically, you, your managers, or employees must attend refresher-training programs to be conducted at our headquarters or another location we designate. We do not charge a fee for this additional training; However, you are responsible for all training-related expenses, including travel and lodging expenses and salaries for your employees during training. You do not have to attend more than one of these programs in any calendar year, and these programs will not exceed three days during any calendar year.

Site Selection and Opening

You are expected to operate the Franchised Business from a home office. We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise is 30 days. Factors

that may affect your beginning operations include ability to attend and obtain third party technical certifications, secure permits, zoning and local ordinances, weather conditions, and delays in installation of equipment and fixtures. You must open your Franchised Business and be operational within 45 days after signing the Franchise Agreement. If you fail to meet this opening deadline we may terminate your franchise.

ITEM 12

TERRITORY

When you sign the Franchise Agreement, or shortly thereafter, we will mutually agree on a defined territory ("Territory"), which you will concentrate your marketing efforts. The Territory will be defined by ZIP codes, political boundaries, geographic boundaries, roads, or MSA, and will have total of about 8,000 businesses within a about a 30 minute drive time. During the franchise term, you will concentrate your marketing efforts inside your Territory.

You will not receive an exclusive service territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Other franchisees are restricted from soliciting business, directly marketing their services, and providing services at customer locations within your Territory. But, they may service customers and clients in their territory even if they originate from within your Territory. We also have the right to offer and sell products and services identified by our Marks and other trademarks through other channels of distribution, including online sales and solicitation. We are not required to pay you any compensation relating to these sales.

Although there are currently no Minimum Performance Criteria, Franchisor reserves the right to implement such requirements in the future. So long as you, according to the reasonably good judgment of Franchisor, apply your full-time attention to developing and growing The PEO Link business in your Territory, to the exclusion of any other business ownership or employment, Franchisor will endeavor not to implement the Minimum Performance Criteria.

If you do not meet and maintain the Minimum Performance Criteria, you will be in default, and, after providing you with notice of default, we may allow you an opportunity to cure the default, require you to attend additional training, and/or allow Franchisor the right to unilaterally reduce the size, and population, of your Territory, and if you then fail to achieve the Minimum Performance Criteria, this shall result in an automatic forfeiture of the Territory, and, after termination of the Franchise Agreement.

Neither we, nor an affiliate, operates, franchises, or has plans to operate or franchise a business under a different trademark that will sell similar goods or services to those that you will offer.

ITEM 13

TRADEMARKS

Our affiliate, The PEO Link, owns our principal trademarks and has registered the following mark on the Principal Register of the U.S. Patent and Trademark Office. All required affidavits have been filed.

Mark	Registration Number	Date of Registration	International Class
The PEO Link	7283909	January 23, 2024	035, 036
	7283908	January 23, 2024	035, 036

The PEO Link has granted us a license to use the Marks and to sublicense their use to our franchisees. The license agreement may be terminated if we are insolvent, if a trustee is appointed to administer our business, if we wind-up or sell our business, or if we breach any of our duties or obligations under the license agreement.

Currently, we know of no effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator or any court, pending infringement, opposition or cancellation, or pending material litigation involving the Marks. The franchisor has filed all required affidavits.

Other than the above, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

We know of no infringing or prior superior uses that could materially affect the use of the Marks.

You do not receive any rights to the Marks other than the exclusive right to use them in the operation of your Franchised Business. You must follow our rules when you use the Marks. You must use the Marks as the sole trade identification of the Franchised Business. You cannot use a name or Mark as part of a corporate name or with modifying words, designs, or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized services or products, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges, or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We will take such action as we deem appropriate in these situations, and we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

While we are not required to defend you against a claim arising from your use of our Marks, we will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel and for expenses in removing signage or discontinuing your use of any Mark. We will not reimburse you for disputes where we challenge your use of a Mark.

If we require, you must modify or discontinue the use of any Mark and use other trademarks or service marks we designate. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your Franchised Business for the new or modified Marks. You do not have to spend an amount unreasonably disproportionate to your initial investment during the initial term of the Franchise Agreement to conform your Franchised Business to changes to the Marks and other System modifications. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the internet using, or establish, create, or operate an internet site or website using any domain name containing, the words "The PEO Link" or any variation of "The PEO Link" without our prior written consent.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise. We own copyrights in the Confidential Operations Manual, our website, our marketing materials, and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

We know of no effective determinations of the U.S. Copyright Office or any court regarding any of our copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in operating a The PEO Link Business. We will provide our trade secrets and other confidential information to you during training, in the Confidential Operations Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the trade secrets and other confidential information for the purpose of operating your Franchised Business. You may only divulge trade secrets and other confidential information to employees who must have access to it to operate the Franchised Business. You are responsible for enforcing the confidentiality provisions as to your employees.

Certain individuals with access to trade secrets or other confidential information, including your shareholders (and members of their immediate families and households), officers, directors, partners, members, if you are a corporation, limited liability company, or other business entity, and your managers, executives, employees, and staff may be required to sign nondisclosure and non-competition agreements in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the right to enforce those agreements.

All ideas, concepts, techniques, or materials concerning the Franchised Business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title, and interest in any intellectual property so developed without any additional compensation due to you. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

Your use of the Confidential Operations Manual, trade secrets, or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

This is not a passive investment. The Franchised Business must always be under the direct, full-time, day-to-day supervision of a "Designated Manager." We expect the designated manager to be you.

You must attend and satisfactorily complete our initial training program before opening the Franchised Business.

You must obtain prior approval from us if you wish to retain a designated manager, and you must keep us informed at all times of the identity of your Designated Manager. The designated manager must successfully complete our initial training program, and have the authority to make day-to-day decisions.

If you replace the Designated Manager, your replacement Designated Manager has 60 days to attend and satisfactorily complete our initial training program. We neither require nor recommend that the Designated Manager have an equity interest in the franchise.

We may require certain individuals associated with your Franchised Business, including your owners (and members of their immediate families and households), officers, directors, partners, and your managers, executives, employees, and staff may be required to sign nondisclosure and non-competition agreements the same as or similar to the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

If you are a corporation or other business entity, anyone with an ownership interest must personally guarantee the performance of all of your obligations under the Franchise Agreement and agree to be personally liable for your breach of the Franchise Agreement by signing the Unlimited Guaranty and Personal Undertaking attached as Exhibit 2 to the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the services and products we specify. You may not sell any services or products that we have not authorized and you must discontinue offering any services or products that we may disapprove. We may take action, including terminating your franchise, if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized services or products. There are no limits on our right to do so, except that your investment required to change required or authorized products or services will not be unreasonably disproportionate to your initial investment.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

In some situations, we may approve a franchisee to operate a shop, in addition to their roadside assistance services. We do not expect a start-up franchisee to evaluate adding a shop for at least 18 months after starting operations. The PEO Link will assist a franchisee to evaluate this option, and will provide training (no tuition fee) should the opportunity be approved.

We do not place restrictions on you with respect to who may be a customer of your Franchised Business.

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 agreement attached to this disclosure document.

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	Section 4.1	The initial term is 5 years.
b. Renewal or extension of the term	Section 4.2	You have the right to renew for three additional 5-year terms.
c. Requirements for franchisee to renew or extend	Section 4.2	You must have: substantially complied with the Franchise Agreement; updated and refurbished your business and supplies; satisfied all monetary obligations owed to us or our affiliates; not been in default of any provision of the Franchise Agreement or any other agreement between you and us; timely notified us of your intent to renew; signed a current Franchise Agreement, which may have materially different terms and conditions (including higher royalty fees and higher marketing fund contributions and a different or modified territory); complied with current qualifications, complied with any training requirements; paid successor term fee, and signed a general release.
d. Termination by Franchisee	Section 16.3	You can terminate by selling your franchise, or if you are in full compliance with all of the terms of this Agreement and we materially breach this Agreement and fail to commence reasonable efforts to cure such breach within 30 days after receiving written notice.
e. Termination by franchisor without cause	No provision	We may not terminate the Franchise Agreement without cause.
f. Termination by franchisor with cause	Section 16.2	We may terminate the Franchise Agreement only if you default.

Provision	Section in Franchise or Other Agreement	Summary
g. "Cause" defined – curable defaults	Section 16.2	The Franchise Agreement will terminate automatically without notice upon the happening of certain bankruptcy or insolvency-related events. We can terminate the Franchise Agreement, after allowing you a five-day cure period, if you fail to pay any monies due under the Franchise Agreement. We can terminate the Franchise Agreement, after allowing you a 10-day cure period, if you fail to comply with applicable laws or any other provision of the Franchise Agreement or Confidential Operations Manual.
h. "Cause" defined – non-curable defaults	Section 16.2	Failure to begin operations; to have your Designated Manager satisfactorily complete training; to maintain required professional licenses, permits, etc. for more than five business days; made a material misrepresentation or omission in the franchise application; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Business; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect either party or the Franchised Business; use the Confidential Operations Manual, trade secrets or other confidential information in an unauthorized manner; if required, fail to have required individuals sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the Franchised Business; surrender or transfer control of the Franchised Business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of a Designated Manager following your death or disability; submit reports on two or more separate occasions

Provision	Section in Franchise or Other Agreement	Summary
		understating any amounts due by more than 3%; are insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on two or more occasions within any 12 months to submit reports or records or to pay any fees due us or any affiliate; violate on two or more occasions any health, safety, or other laws or operate in a manner creating a health or safety hazard; take any action reserved to us; repeatedly breach the franchise agreement or comply with specifications; violate confidentiality or noncompetition obligations; or default under any other agreement with us (or an affiliate) so that we (or the affiliate) have the right to terminate the agreement.
i. Franchisee's obligations on termination/non-renewal	Sections 16.4 and 17	Stop operating the Franchised Business; stop using any trade secrets, confidential information, the System and the Marks; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Confidential Operations Manual, trade secrets, and all other confidential information; assign your email addresses, any websites, and telephone and facsimile numbers to us; and comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement. If the Franchise Agreement terminates because you have closed or abandoned the Franchised Business or expires, you must pay us liquidated damages.
j. Assignment of contract by franchisor	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.

Provision	Section in Franchise or Other Agreement	Summary
k. "Transfer" by franchisee-definition	Section 18.2	"Transfer" includes transfer of an interest in the franchise, the Franchise Agreement, or the Franchised Business's assets.
l. Franchisor's approval of transfer by franchisee	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for franchisor approval of transfer	Section 18.2	We decline to exercise our right of first refusal; all monetary obligations owed to us are paid; you and the transferee have signed a general release in the form that we prescribe; the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then-current Franchise Agreement for the existing territory; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your owners have signed a confidentiality and non-competition agreement; and the transferee has agreed that its Designated Manager will complete initial training before assuming management of the Franchised Business.
n. Franchisor's right of first refusal to acquire franchisee's Franchised Business	Section 19	We may match an offer for your Franchised Business or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's Franchised Business	None	Not applicable.
p. Death or disability of franchisee	Section 18.6	After the death or incapacity of an owner of the franchise, his or her representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the franchise within 180 days of

Provision	Section in Franchise or Other Agreement	Summary
		death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners, and your officers, governing persons, executive personnel and each individual's immediate family members are prohibited from: attempting to divert any business or customer of the Franchised Business to a competitive business; causing injury or prejudice to the Marks or the System; or owning or working for a competitive business.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.3	For two years after the termination or expiration of the Franchise Agreement, you, your owners, and your officers, governing persons, executive personnel and each individual's immediate family members are prohibited from: owning or working for a competitive business within the Territory, within 25 miles from the perimeter of the Territory, or within the territory of any other The PEO Link business; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us.
s. Modification of the agreement	Sections 9.2, 22.7, and 22.8	The Franchise Agreement can be modified only by written agreement between you and us.
t. Integration/merger clause	Section 22.7	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 23.7	Claims, controversies, or disputes relating to or relating to the Franchise Agreement must be mediated, except for actions seeking injunctive relief and actions we bring which are related to or based on our Marks or Confidential Information.

Provision	Section in Franchise or Other Agreement	Summary
v. Choice of forum	Section 23.2	Mediation at the AAA offices in the city in which we maintain our principal business address, currently San Antonio, Texas. Venue for any other proceeding is exclusively the courts located in the county in which we maintain our principal business address, currently Bexar County, Texas (subject to applicable state law). See the State Specific Addenda attached to this disclosure document.
w. Choice of law	Section 23.1	Texas law applies (subject to applicable state law). See the State Specific Addenda attached to this disclosure document.

ITEM 18

PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

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 any reasonable basis for the information, and if the information is included in the disclosure document. Financial information that differs from that included in Item 19 may only be given 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.

As of December 31, 2024, there were 0 The PEO Link franchised businesses in operation, but our affiliate, The PEO Link, operates a substantially similar business. The following chart reflects revenue information about the affiliate business in operation for the full 2023, and 2024 calendar years

Business	Gross Revenue[1] 2023	Gross Revenue[1] 2024
The PEO Link	$2,219,183.00	$3,071,584.00

NOTES

Note 1. "Gross Revenue" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance.

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

Written substantiation of the data used in preparing this information will be made available upon reasonable request.

You should make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state, and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

Other than the preceding financial performance representation, PEO Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lee Chapman, Chief Executive Officer, PEO Franchising, LLC, 7081 Heuermann Road, San Antonio, Texas 78256, 210-849-9638; the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2022 TO 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year[1]	Net Change[1]
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company Owned	2022	1	1	0
	2023	1	1	0
	2024	1	1	0
Total Outlets	2022	1	1	0
	2023	1	1	0
	2024	1	1	0

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR)
FOR YEARS 2022 TO 2024

State	Year	Number of Transfers
Totals	2022	0
	2023	0
	2024	0

Table No. 3

STATUS OF FRANCHISE OUTLETS
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table No. 4

STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Texas	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Total	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1

Table No. 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Colorado	0	2	0
Florida	0	2	0
New York	0	2	0
Texas	0	7	0
TOTALS	0	15	0

Exhibit G contains a list of the names of all current franchisees and the address and telephone number of each of their outlets as of December 31, 2024.

Exhibit G also contains a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year ending December 31, 2024, or who have not communicated with us within 10 weeks of the Issuance Date of this disclosure document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

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

We are not aware of: (i) any trademark-specific franchisee organizations associated with the franchise system being offered; or (ii) independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21

FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit F is our unaudited opening balance sheet as of March 12, 2025.

Our fiscal year ends on December 31. We have not been in business for three years and, therefore, cannot include all required financials statements required in this Item 21.

ITEM 22

CONTRACTS

Exhibit C – Franchise Agreement
- Exhibit 1 – Nondisclosure and Non-Competition Agreement
- Exhibit 2 – Unlimited Guaranty and Assumption of Obligations
- Exhibit 3 – Holders of Legal or Beneficial Interest in Franchisee; Governing Persons
- Exhibit 4 – Electronic Funds Transfer Authorization
- Exhibit 5 – State Franchise Agreement Addenda

Exhibit D – Telephone Number and Website URL Assignment Agreement

Exhibit I – General Release (Sample Form)

ITEM 23

RECEIPTS

Two copies of a receipt of this disclosure document appear as the last two pages of this disclosure document. Please return one copy to us and retain the other for your records.

EXHIBIT A-1

STATE APPENDIX

STATE APPENDIX TO THE FRANCHISE DISCLOSURE DOCUMENT

FOR THE STATE OF CALIFORNIA

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

2. 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.

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

Neither we nor any person identified in ITEM 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in the association or exchange.

3. ITEM 17 of the disclosure document is amended to add the following:

- The California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
- The Franchise Agreement contains a covenant not to compete that extends beyond the term of the agreement. This provision might not be enforceable under California law.
- The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
- 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.
- The following URL address is for the franchisor's website: www.thepeolink.com
- 4. FRANCHISOR'S WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV.

FOR THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR

SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order or any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor nor its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of this Franchise Disclosure Document: (a) filed as a debtor (or had filed against it) a petition to star an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

   The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17 (m), entitled "**Conditions for franchisor approval of transfer**".

   However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**".

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

7. The following is added the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**".

   However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**".

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

EXHIBIT A-2 TO THE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

California
Department of Business Oversight
320 W. 4th Street, Suite 750
Los Angeles, California 90013
(866) 275-2677

Hawaii
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

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

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

Maryland
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202
(410) 576-7042

Michigan
Consumer Protection Division
Antitrust and Franchise Unit
Department of the Attorney General
525 Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913
(517) 373-7117

Minnesota
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

New York
NYS Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
212-416-8236

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

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

South Dakota
Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

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

Washington
Administrator
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

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

EXHIBIT B TO THE DISCLOSURE DOCUMENT

LIST OF STATE AGENTS FOR SERVICE OF PROCESS

California
Department of Business Oversight
320 W. 4th Street, Suite 750
Los Angeles, California 90013

Illinois
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

Indiana
Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

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

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

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

New York
New York Secretary of State
One Commerce Plaza
99 Washington Avenue
Albany, New York 12231

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

Rhode Island
Director, Department of Business Regulation
1511 Pontiac Avenue , Bldg. 69-1
Cranston, Rhode Island 02920

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

Virginia
Clerk of the State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219

Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

Wisconsin
Administrator, Division of Securities
Department of Financial Institutions
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703

EXHIBIT C TO THE DISCLOSURE DOCUMENT

PEO FRANCHISING, LLC

FRANCHISE AGREEMENT

PEO FRANCHISING, LLC

FRANCHISE AGREEMENT

V.1

FRANCHISE AGREEMENT
SUMMARY PAGE

EFFECTIVE DATE:	_____
EXPIRATION DATE:	5th anniversary of the Effective Date
FRANCHISEE(S):	_____
TYPE OF BUSINESS ENTITY:	_____
STATE OF FORMATION:	_____
FRANCHISED BUSINESS OFFICE:	_____
TELEPHONE NUMBER:	_____
FACSIMILE NUMBER:	_____
E-MAIL ADDRESS:	_____
TERRITORY:	Franchise's authorized non-exclusive Territory is the area identified within the boundaries shown on the attached map.
FRANCHISE FEE:	_____
SUCCESSOR TERM FEE:	$0
ROYALTY FEE:	40% of Collected Gross Revenue for the previous month.
MARKETING FUND CONTRIBUTION:	An amount specified by Franchisor from time to time, currently none (refer to Section 11.2.)
LOCAL ADVERTISING:	Local Advertising: currently none - recommended
TRANSFER FEE:	Greater of $1,500, or Franchisor's cost in facilitating the transfer (including reasonable attorneys' fees) (Non-Controlling Interest, Section 18.2.) 40% of our then-current Initial Franchise Fee for transfers of the franchised business or controlling interest in the franchisee entity to existing THE PEO LINK franchisees (Section 18.3.), or 70% of our then-current Initial Franchise Fee for transfers of the franchised business or controlling interest in the franchisee entity to new franchisee (Section 18.3.)
FRANCHISOR ADDRESS FOR NOTICES:	PEO Franchising, LLC Attn: Chief Executive Officer 7081 Heuermann Road, San Antonio, Texas 78256

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5. STATE SPECIFIC FRANCHISE AGREEMENT ADDENDA

PEO FRANCHISING, LLC
FRANCHISE AGREEMENT

This Franchise Agreement is entered into on the Effective Date by and between PEO Franchising, LLC a Texas limited liability company, having its principal place of business at 7081 Heuermann Road, San Antonio, Texas 78256 ("**Franchisor**" or "**we**"), and the Franchisee identified in the Summary Page ("**Franchisee**" or "**you**").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate have developed, and are in the process of further developing, a System identified by the service mark "The PEO Link" and relating to the establishment and operation of a business providing professional employer organization services ("PEO" services) such as low-cost workers' compensation insurance, payroll processing, human resources management, tax/business law management, Group Health Benefits, and safety program management services, referred to as "The PEO Link Businesses;" and

WHEREAS, in addition to the service mark "The PEO Link" and certain other Marks, the distinguishing characteristics of the System include standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; other strategies and techniques; and Trade Secrets and other Confidential Information; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a The PEO Link Business using the System and the Marks; and

WHEREAS, Franchisee desires to operate a The PEO Link Business, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor's System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. DEFINITIONS

Whenever used in this Agreement, the following words and terms have the following meanings:

"Affiliate" means any business entity that controls, is controlled by, or is under common control with Franchisor;

"Agreement" means this franchise agreement and all exhibits hereto and amendments hereof;

"Approved Supplier(s)" has the meaning given to such term in Section 13.1;

"**Business Entity**" means a corporation, limited liability company, limited partnership or other entity created pursuant to statutory authority.

"Collected Gross Revenue" means the aggregate of all revenue from the sale of services and products from all sources in connection with the Franchised Business, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding (a) all refunds made in good faith, (b) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, (c) the value of any allowance issued or granted to any customer of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business, and (d) any rebate received by Franchisee from a manufacturer or supplier; v.1

"Collected Gross Revenue Reports" has the meaning give to such term in Section 12.2;

"Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) Competitive Services; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a 5% legal or beneficial interest;

"Competitive Services" means services the same as or similar to those provided by The PEO Link Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees. "Competitive Services" include, without limitation (1) providing professional employer organization services.

"Confidential Information" means technical and non-technical information used in or related to The PEO Link Businesses and not commonly known by or available to the public, including, without limitation, Trade Secrets, repair methods and products, customer service techniques and other techniques and methodologies not generally known to the industry or public, and any other information identified or labeled as confidential when delivered by Franchisor. Confidential Information does not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

"Covered Person" means and includes each of Franchisee's Owners, officers, governing persons, and executive management personnel (including the Designated Manager) and the members of each such individual's households.

"Confidential Operations Manual" means Franchisor's confidential operations manual (which may be in paper or electronic form) and includes other publications, materials, drawings, memoranda, videos, CDs, DVDs, MP3s and other electronic media containing proprietary information about the System that Franchisor from time to time may loan to Franchisee. The Confidential Operations Manual may be supplemented or amended from time to time online or by letter, electronic mail, bulletin, videotape, CD, DVD, MP3 or other communications concerning the System to reflect changes in the image, specifications and standards relating to the management, operation and promotion of a Franchised Business.

"Cooperative Advertising" means the combined advertising program of two or more franchisees established within a common market that Franchisor may require for The PEO Link Businesses within a particular region;

"Designated Manager" means the individual designated by Franchisee as having primary responsibility for managing the day-to-day affairs of the Franchised Business;

"Effective Date" means the effective reflected on the Summary Page;

"Electronic Depository Transfer Account" means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

"Franchise" means the right granted to Franchisee by Franchisor to use the System and the Marks;

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"Franchise Fee" has the meaning given to such term in 3.1;

"Franchised Business" means The PEO Link Business to be established and operated by Franchisee pursuant to this Agreement;

"Franchised Business Office" means the site for the operation of the Franchised Business;

"Franchisee" means the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement;

"Franchisor" means PEO Franchising, LLC and its successors and assigns;

"Franchisor Indemnities" has the meaning given to such term in Section 21.3;

"GAAP" means the generally accepted accounting principles, standards, conventions and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements;

"Incapacity" means the inability of Franchisee, or any Owner, to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

"Internet" means any one or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

"Internet Advertising Program" has the meaning given to such term in Section 11.4;

"Local Advertising" has the meaning given to such term in Section 11.1;

"Marketing Fund" has the meaning given to such term in Section 11.2;

"Marketing Fund Contribution" has the meaning given to such term in Section 11.2;

"Marks" means the service mark "The PEO Link" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings, and other commercial symbols as Franchisor may designate to be used in connection with The PEO Link Businesses;

"Owner" means (a) each person who signs this Agreement as "Franchisee", if the franchisee is a sole proprietorship; (b) each person who holds voting securities, if the franchisee is a corporation; (c) each member and manager, if the franchisee is a limited liability company; (d) each general and limited partner, if the franchisee is a partnership; and (e) each trustee and trust beneficiary, if the franchisee is a trust. If any Owner is a "Business Entity," the term "Owner" also includes the Owners of the Business Entity.

"Royalty Fee" has the meaning given to such term in Section 3.2;

"System" means the standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn, or otherwise revised by Franchisor for the operation of The PEO Link Businesses; and

"Trade Secrets" means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in The PEO Link Businesses that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. GRANT OF FRANCHISE; APPROVED LOCATION

2.1. Grant

Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, a revocable, limited and non-exclusive license to operate one The PEO Link Business using the System and Marks. V.1

2.2. Franchised Business Office

2.2.1. Franchisee's authorized non-exclusive territory is described, or if not yet identified as of the Effective Date, will be described on the Franchise Agreement Summary Page (The "Summary Page").

If not yet identified, Franchisee's territory shall include a total of approximately 25,000 businesses within a about a 60-minute drive time. Boundary and boundary line references refer to the center point of such boundary lines unless otherwise stated above. When a boundary line continues until it reaches another boundary line, this means that the center point of the first boundary line continues to the center point of the next boundary line.

2.2.2. The street address (or detailed description of the premises) of the location for the Franchised Business Office is described, or if not yet identified as of the Effective Date, will be described on the Summary Page. The Franchised Business Office shall be located within either commercial office/light warehouse facility or Franchisee's or its Designated Manager's principal residence. The service supplies and equipment for the Franchised Business shall be stored at the place described on the Summary Page.

2.3. Sub-franchising/Agents

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in Section 18, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

2.4. Non-Exclusive License

You are not permitted to locate in or market in another territory, except as to group, regional, or other marketing which we approve.

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

We reserve the right to use other channels of distribution, including the internet, to solicit and accept orders from consumers inside your territory using our principal trademarks.

You may not solicit orders from consumers outside your territory but you may accept orders from consumers outside your territory.

3. FEES

3.1. Franchise Fee

Upon execution of this Agreement, Franchisee shall to Franchisor pay an initial fee ("Franchise Fee") in the amount stated on the Summary Page. At Franchisor's option, Franchisee may add adjacent zip codes to Franchisee's Territory at a cost of $2.00 per citizen in the population of that zip code. The Franchise Fee is deemed fully earned upon execution of this Agreement and is non-refundable.

3.2. Royalty Fee

On or before 5:00PM CST on the 7th day of each month (unless this day is a weekend or holiday, then on the business day before), Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, a fee ("**Royalty Fee**") in the amount stated on the Summary Page. Each Royalty Fee payment shall accompany a Collected Gross Revenue Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.4, such reports shall instead be submitted to Franchisor via facsimile transmission, e-mail or intranet system.

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3.3. Taxes

If any taxes, fees, or assessments are imposed on Franchisee's payment of any fees (except taxes imposed on Franchisor's net taxable income), Franchisee shall also pay the amount of those taxes, fees, or assessments within 15 days after receipt of Franchisor's written notice to Franchisee.

3.4. Electronic Transfer

Franchisor require all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts due to Franchisor to be paid through an Electronic Depository Transfer Authorization. See Exhibit 4. Franchisee shall open and maintain a single bank account for all its Franchised Business, and none other without Franchisor's written consent, and shall provide Franchisor with continuous access via electronic transfer to such account for the purpose of receiving any payments due to Franchisor. Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Franchisee shall execute any documents Franchisor's or Franchisee's bank requires to establish and implement the Electronic Depository Transfer Account. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's written consent.

3.5. Late Fees

All Royalty Fees, Marketing Fund Contributions, and any other amounts not received by Franchisor on the due date, will be subject to a 1.5% late fee per month, (or the maximum rate permitted by law, if less), from the date payment is due to the date payment is received by Franchisor.

3.6. Application of Payments

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor, or any other amount owed to Franchisor in any proportion or priority.

4. TERM AND RENEWAL

4.1. Initial Term

This Agreement shall begin on the Effective Date stated on the Summary Page, and shall expire on the Expiration Date stated on the Summary Page.

4.2. Successor Term

Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of the term of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to a successor franchise is limited to three successive terms of 5 years. To qualify for a successor franchise, each of the following pre-conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

4.2.1. Franchisee has, during the entire term of this Agreement, substantially complied with all material provisions of this Agreement;

4.2.2. Franchisee has updated and refurbished the Franchised Business Office, and supplies, to reflect Franchisor's then-current standards and specifications applicable to new franchisees;

4.2.3. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.4. Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

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4.2.5. Franchisee has given written notice of its intent to operate a successor franchise to Franchisor not less than nine months nor more than twelve months prior to the end of the term of this Agreement;

4.2.6. Franchisee has executed Franchisor's then-current form of franchise agreement, which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee, or

Marketing Fund Contribution, or a different or modified territory; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee;

4.2.7. Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

4.2.8. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities), except to the extent prohibited by the laws of the state where the Franchised Business is located.

4.2.9. Franchisee has paid the successor term fee.

5. FRANCHISED BUSINESS OFFICE

5.1. Franchised Business Office

Franchisee shall operate the Franchised Business Office from commercial office/light warehouse combination in a commercial area or from either Franchisee's or its Designated Manager's principal residence. Franchisee shall manage and administer the Franchised Business from the Franchised Business Office, and shall maintain the books and records of the Franchised Business at the Franchised Business Office.

5.2. Storage Space

If there is insufficient storage space on-site at the location of the Franchised Business Office to store the Franchised Business' service supplies and equipment, then Franchisee may be permitted to store the same off-site within a leased storage unit, provided that Franchisee informs Franchisor in writing of the location of the storage unit. The storage unit may not display any signage reflecting the Marks.

5.3. Development of Franchised Business Office

Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the Franchised Business Office, service supplies and equipment and other equipment and supplies necessary for the establishment and development of a The PEO Link Business. As set forth in Section 5.1, Franchisee shall operate the Franchised Business Office from within Franchisee's or its Designated Manager's principal residence. Within 45 days after the Effective Date, Franchisee shall have (a) obtained all certifications, permits and licenses required for the operation of the Franchised Business, and provided to Franchisor documentation thereof, (b) established the Franchised Business Office, (c) acquired and set-up all required office equipment including broadband or high-speed Internet service (d) acquired and set up at least one telephone number and one facsimile number dedicated to the Franchised Business, (e) acquired service supplies meeting Franchisor's specifications, (f) acquired the service supplies and equipment required for the operation of the Franchised Business, and (g) if necessary, secure off-site storage space. If Franchisee is diligently attempting to meet these requirements within the 45-day period, but circumstances outside of Franchisee's control prevent Franchisee from meeting the deadline, Franchisor will give Franchisee extra time (not to exceed an additional 30 days) to meet these requirements.

5.4. Failure to Develop Franchised Business Office

If Franchisee fails meet its development obligations within 45 days of the Effective Date, as described in Section 5.3., above, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.4, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

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5.5. Opening

5.5.1. Within 150 days after the Effective Date, but before commencing business, Franchisee must:

5.5.1.1. Fulfill all of the obligations of Franchisee pursuant to the other provisions of this Section 5;

5.5.1.2. Furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.5.1.3. Complete initial training to the satisfaction of Franchisor;

5.5.1.4. Hire and train the personnel necessary or required for the operation of the Franchised Business;

5.5.1.5. Possess all required professional licenses and certifications.

5.5.1.6. Obtain all necessary permits and licenses, including any zoning permits needed to operate the Franchised Business Office from the principal residence of either Franchisee or the Designated Manager;

5.5.1.7. Each share certificate (or other certificate reflecting an ownership interest) shall have conspicuously endorsed on it a statement, in a form satisfactory to Franchisor, that the certificate is held subject to the transfer restrictions contained in the Franchise Agreement;

5.5.1.8. Pay in full all amounts due to Franchisor.

5.5.2. Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within 150 days after the Effective Date. Franchisee shall not commence operations, however, until Franchisor has delivered written permission; Franchisor shall not unreasonably withhold permission to begin operations. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate the Franchised Business.

5.6. Failure to Open

If Franchisee fails to commence operation of the Franchised Business within 150 days after the Effective Date, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section 5.6, Franchisor shall retain the entire Franchise Fee paid by Franchisee. The Franchise Fee retained shall be specifically understood and agreed by the parties to be in consideration of the services provided, time expended, work performed, and other efforts of Franchisor up to the date of Franchisee's failure to timely commence operations of the Franchised Business and shall not be construed as nor considered to be a penalty.

5.7. Relocation

Franchisee shall not relocate the Franchised Business Office or storage facility without the prior written consent of Franchisor. Any such relocation shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.6. If Franchisee loses the right to possess the Franchised Business Office and the parties do not agree upon a substitute site within 90 days after such event, this Agreement shall terminate as provided in Section 16.2.1.1.

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6. PROPRIETARY MARKS

6.1. Ownership

Franchisee is permitted and required to use the Marks to conduct the business granted pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks.

Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

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6.2. Limitations on Use

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Franchised Business. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated The PEO Link Franchise" of Franchisee.

6.3. Notification of Infringements and Claims

Franchisee shall immediately notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action as it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, are necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4. Indemnification for Use of Marks

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of Section 6.3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5. Discontinuance of Use

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within 10 business days after notice to Franchisee by Franchisor and subject to the limitations in Section 10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

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6.6. Right to Inspect

To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor reserves the right to inspect the Franchised Business Office. This will be done through reasonable terms and will not permit franchisor to enter the office or home of franchisee unless granted

permission by franchisee.

6.7. Franchisor's Sole Right to Domain Name

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "The PEO Link" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of a right, title and interest in and to such domain names as Franchisor shall designate in the Confidential Operations Manual.

7. TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1. Confidentiality of Trade Secrets and Other Confidential Information

Franchisee acknowledges that Franchisor shall disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Confidential Operations Manual, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to use it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee and all Owners and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information. Franchisee and each Owner shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

7.2. Additional Developments

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its Owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee hereby agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign, and by this Agreement, does hereby assign to Franchisor, all right, title, and interest in that item. Franchisee shall sign any documents required by Franchisor to memorialize such assignment. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

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7.3. Exclusive Relationship

Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among The PEO Link franchisees if Franchisee or its Owners or Covered Persons were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, Franchisee, its Owners and each Covered Person shall refrain from,

either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other Business Entity:

7.3.1. diverting or attempting to divert any business or customer of the Franchised Business to any Competitive Business, directly or indirectly, or performing, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System;

7.3.2. soliciting or otherwise attempting to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or its franchisees or to compete against Franchisor or its franchisees; or

7.3.3. owning, maintaining, advising, operating, engaging in, being employed by, making loans to, investing in, providing any assistance to, or having any interest in (as owner or otherwise) or relationship or association with, any Competitive Business that performs services in the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others the right to operate a business under the Marks or similar marks.

7.4. Nondisclosure and Non-Competition Agreements with Certain Individuals

Franchisor shall cause each Owner to execute and deliver to Franchisor a guaranty and personal undertaking substantially in the form of Exhibit 2, and shall cause each Covered Person and employee requested by Franchisor to execute a nondisclosure and non-competition agreement substantially in the form of Exhibit 2. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all such executed nondisclosure and non-competition agreements. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third party beneficiary with the right to enforce covenants contained in such agreements.

7.5. Non-Solicitation of Employees

During the term of this Agreement, in the United States, Franchisee agrees not to solicit another The PEO Link franchisee's employees to work for Franchisee, except with the consent of the other franchisee.

7.6. Reasonableness of Restrictions

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion; Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. The parties acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 7, or any portion thereof, without Franchisee's consent or the consent of any Owner or Covered Person, effective immediately upon delivery of written notice to the affected party; and Franchisee and each Owner and Covered Person shall comply with the covenant as so modified.

8. TRAINING AND ASSISTANCE

8.1. Initial Training V.1

Franchisor shall make an initial training program available to the Designated Manager and up to three assistants. Approximately three to four weeks prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete initial training to Franchisor's satisfaction, including the passing of tests at the end of initial training. Franchisor shall conduct the initial training program at its headquarters, designated regional office, or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee in

attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisee shall be responsible for training its management and other employees. You must complete initial training to our satisfaction, including the passing of tests at the end of initial training.

8.2. Opening Assistance

In conjunction with the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, one of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with The PEO Link techniques and for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3. Additional Training

If Franchisor determines that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to terminate this Agreement. If Franchisee is a Business Entity and the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute manager and such substitute manager must complete the initial training to Franchisor's satisfaction. Franchisee will be required to pay Franchisor's then-current rates for additional training, presently $500 per day.

8.4. New Designated Manager

After beginning operations, should Franchisee name a new Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager and the new Designated Manager must complete the initial training program to Franchisor's satisfaction within 60 days of being named. The new Designated Manager may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager changes are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance at such training.

8.5. Ongoing Training

From time to time, Franchisor may provide and if it does, has the right to require that the Owner or Designated Manager attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not charge a fee for any mandatory ongoing training. Franchisor shall not require the Designated Manager to attend more than one session in any calendar year and not more than three days in any calendar year. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

If your Territory is in an Area Representative area, we reserve the right to delegate some portion of the initial and ongoing training duties, and operational support duties, to the Area Representative.

8.6. Conferences

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Franchisor may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting The PEO Link franchisees. Attendance at these conferences is mandatory. Franchisor shall not require attendance at more than one conference during any calendar year. Franchisee shall pay Franchisor a conference registration fee for each person that attends, or is required to attend (despite failure to attend), a mandatory conference. The amount of the conference registration fee will not exceed $500 per person per conference. If Franchisee demonstrates good cause for inability to attend a mandatory conference, Franchisor may in its discretion waive the conference

registration fee.

9. CONFIDENTIAL OPERATIONS MANUAL

9.1. Loan by Franchisor

While this Agreement is in effect, Franchisor shall lend to Franchisee one copy of the Confidential Operations Manual or grant Franchisee access to an electronic copy of the Confidential Operations Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Confidential Operations Manual. The Confidential Operations Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement.

9.2. Revisions

Franchisor has the right to add to or otherwise modify the Confidential Operations Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor. Franchisor shall make such additions or modifications available to you on the same basis that they are made available to other franchisees. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Confidential Operations Manual is up-to-date at all times. If a dispute as to the contents of the Confidential Operations Manual arises, the terms of the master copy of the Confidential Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3. Confidentiality

The Confidential Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Confidential Operations Manual is available at the Franchised Business Office in a current and up-to-date manner. If the Confidential Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Confidential Operations Manual in a secure manner at the Franchised Business Office; if the Confidential Operations Manual is in electronic form, Franchisee shall maintain the Confidential Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Confidential Operations Manual, access to the Confidential Operations Manual or any key, combination or passwords needed for access to the Confidential Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Confidential Operations Manual in an unauthorized manner.

10. FRANCHISE SYSTEM

10.1. Compliance with Standards

Franchisee shall strictly comply, and shall cause the Franchised Business and its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Confidential Operations Manual or other communications supplied to Franchisee by Franchisor.

10.2. Modification of the System

Franchisee recognizes that from time to time, Franchisor may introduce, as part of the System, other methods or technology which require certain System modifications including, without limitation, the adoption and use of modified or substitute Marks, new computer hardware and software, equipment or signs. Franchisee agrees to make all required upgrades and modifications at its expense as may be required by Franchisor; provided, however, that Franchisee shall not be required to make any expenditures during the first year of the initial term or any expenditures which are unreasonably disproportionate to Franchisee's initial investment to establish the Franchised Business during the initial term. If such additional investment is required to be made in the last year of the initial term, Franchisee may avoid making the investment by

providing notice of intent not to renew the Franchise unless the investment is in connection with a modification to the System required by law or court order. Franchisee acknowledges that any required expenditures for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in Section 13.2 of this Agreement. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

10.3. Refurbishment

Franchisee shall refurbish and update its office and supplies during the fifth year of the franchise term, but will not be required to spend more than $5,000 for such purpose. Franchisor shall provide Franchisee with specifications and assistance in such refurbishment. The obligations described herein are exclusive of the obligations described in Section 10.2.

10.4. Variance

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular The PEO Link Business. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

11. ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1. Local Advertising

11.1.1. Franchisee shall continuously promote the Franchised Business. Every month, Franchisee shall spend a minimum a minimum amount as specified in the Summary Page above on advertising, promotions and public relations within the immediate locality surrounding the Franchised Business ("**Local Advertising**"). Such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within 30 days after the end of each year, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding year.

11.1.2. Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts and direct mail. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within 20 days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such 20-day period, such materials shall be deemed to have not received the required approval. Franchisee shall not use any marketing or promotional material prior to written approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

11.2. Marketing Fund

Franchisor has the right to establish and administer a System-wide marketing, advertising and promotion fund to facilitate regional and national advertising and marketing efforts ("**Marketing Fund**"). Franchisee shall contribute monthly to the Marketing Fund an amount specified by Franchisor from time to time ("**Marketing Fund Contribution**"). The Marketing Fund Contribution shall be due at the same time as the Royalty Fee. At present the Marketing Fund contribution is $0. This may be set at up to 2%. Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in Section 3.2. Franchisor shall notify Franchisee at least 30 days before changing Marketing Fund Contribution requirements. The Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

V.1

11.2.1. Franchisor shall oversee all marketing programs, with sole control over creative concepts,

materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide. Franchisor does not warrant the success or effectiveness of any particular marketing program.

11.2.2. Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, any cost of conducting market research, producing, maintaining, administering and directing customer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, intranet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet and/or intranet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund. Marketing Fund Contributions shall not be used for creating or placing any advertisement that is principally a solicitation for new franchisees, but may include in all advertising prepared using marketing fund monies (including Internet advertising) information concerning franchise opportunities, and a portion of marketing fund monies may be used to create and maintain one or more pages on Franchisor's web site devoted to advertising franchise opportunities and identifying and screening inquiries and applications submitted by franchise candidates.

11.2.3. Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

11.2.4. Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

11.2.5. An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.2.6. Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

11.3. Cooperative Advertising

Franchisor has the right, but not the obligation, to create a Cooperative Advertising program for the benefit of The PEO Link Businesses located within a particular region. Franchisor has the right to collect and designate all or a portion of the Local Advertising to payments or contributions to Franchisor for the funding of a Cooperative Advertising program. Franchisor has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that Franchisee participate in such Cooperative Advertising programs when established within Franchisee's region. If a Cooperative Advertising program is implemented in a particular region, Franchisor has the right to establish an advertising council to self-administer the Cooperative Advertising program. Franchisee shall participate in the council according to the council's rules and procedures and

Franchisee shall abide by the council's decisions. Should Franchisor establish a Cooperative Advertising program or programs with or without an advertising council, Franchisor has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

11.4. Internet Advertising Program

Franchisee may market its Franchised Business through approved social media channels in accordance with Franchisor's social media policy. Franchisor may require that Franchisee utilize Franchisor's designated supplier for social media marketing services. Franchisee may not otherwise establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website, presently at the uniform resource locator www.ThePEOLink.com, that provides information about the System and the products and services that Franchisor and its franchisees provide. Franchisor currently has an Internet Advertising Program which it uses to design a webpage for your Franchised Business, link it to The PEO Link website, and promote Franchisee's webpage on the Internet. Franchisor reserves the right to modify or discontinue this program. Franchisee agrees to pay Franchisor $290/month as a technology fee to help support the cost of the website, e-mail set up, and e-mail hosting. The technology fee is due at the same time as the Royalty Fee.

11.5. Telephone/Internet Directory Advertising

If we so require, Franchisee must list the telephone number(s) for the Franchised Business in a local telephone or internet directory in its trade area. We may require the franchisee to place the listing(s) together with other The PEO Link Businesses operating within the distribution area of the directories. If a joint listing is obtained, all The PEO Link Businesses listed together shall pay a *pro rata* share of the cost of the listings. Directory advertising expenditures are part of Franchisee's Local Advertising obligations.

12. ACCOUNTING, RECORDS AND REPORTING OBLIGATIONS

12.1. Records

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three years thereafter, all books and records related to the Franchised Business including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2. Collected Gross Revenue Reports

Franchisor shall maintain an accurate record of Collected Gross Revenue and shall deliver to Franchisee a statement of Collected Gross Revenue ("**Collected Gross Revenue Report**") along with the disbursement of earned commissions (60% of gross commissions) no later than 20 days after the close of the previous month.

12.3. Financial Statements

Franchisee shall supply to Franchisor on or before the fifteenth day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within 90 days after the end of each calendar year, an income statement for the calendar year just ended and a balance sheet as of the last day of the calendar year. Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to

Franchisor such other periodic reports in the manner and at the time specified in the Confidential Operations Manual or otherwise in writing.

By April 30 of each year, Franchisee shall provide to Franchisor all tax returns which contain income and expenses of Franchisee's The PEO Link Franchised Business.

12.4. Other Reports

Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Confidential Operations Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5. Software and Technology

Franchisee shall purchase, install, and use all computer hardware and software applications that Franchisor may require from time to time. This may include, without limitation, accounting software, estimating software, and business management software providing customer relationship management, scheduling, inventory, and data management services. Franchisor may modify its requirements at any time, and Franchisee shall promptly implement required changes. If required by Franchisor, Franchisee shall enter into license agreements for proprietary or nonproprietary software with Franchisor, its Affiliates, or third parties, and shall pay all licensing, support, maintenance, and similar fees imposed thereunder. Franchisor shall have full access to all of Franchisee's computer, data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

12.6. Right to Inspect

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 1.5% per month (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower). If the audit or any other inspection should reveal that Franchisee has not spent the periodic required amount on Local Advertising, or if the inspection discloses an underpayment of 3% or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7. Release of Records

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Collected Gross Revenue, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

13. STANDARDS OF OPERATION

13.1. Authorized Products, Services and Suppliers

13.1.1. Franchisee shall provide or offer for sale or use at the Franchised Business only those services, with the greatest diligence and care by Franchisee, professional employer organization services and other products, supplies, equipment and other items that Franchisor from time to time approves (and which are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. Additionally, Franchisee shall permit qualified engineers and inspectors to inspect all work Franchisee performs at any time such engineers and inspectors may so request. Franchisee shall not offer, sell, or use in the operation of the Franchised Business any products or services that Franchisor has not approved.

13.1.2. If required by Franchisor, any such items or services shall be purchased only from a supplier designed or approved by Franchisor (each an "**Approved Supplier**"). An Approved Supplier may be a third party vendor or supplier, or may be Franchisor or an Affiliate of Franchisor. These items or services may include, without limitation, service supplies, business cards, stationery and pre-printed forms.

13.1.3. Franchisor shall provide Franchisee, in the Confidential Operations Manual or other written or electronic form, with a list of specifications and, if applicable, a list of Approved Suppliers for some or all of the supplies, furniture, fixtures, inventory, equipment and other approved or specified items and services, and Franchisor may from time to time revise such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or its Affiliate. If Franchisee desires to utilize any products, services or new technology that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually 30 days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.1.4. Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee and/or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor.

13.1.5. Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same products or services.

13.1.6. Franchisee acknowledges and agrees that Franchisor and/or its affiliate may derive compensation or other benefits based on Franchisee's purchases or leases from designated or approved suppliers, and that Franchisor has the right to retain such compensation or benefits in consideration of the

valuable services provided by Franchisor and/or its affiliate. Franchisee shall have no interest in or claim to such compensation or benefit.

13.2. Appearance and Condition of the Franchised Business

Franchisee shall maintain the service supplies, signage of the Franchised Business in "like new" condition, and shall repair or replace service supplies and equipment, signage as necessary to comply with the health and safety standards and specifications of Franchisor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.2.

13.3. Ownership and Management

The Franchised Business shall, at all times, be under the direct supervision of Franchisee's Designated manager. The Designated Manager shall devote sufficient efforts to the management of the day-to-day operation of the Franchised Business, but not less than 35 hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

Franchisee shall maintain a competent, conscientious, and trained staff (who shall have been adequately trained by Franchisee) in numbers sufficient to service customers promptly and properly, including at least a manager or shift leader on duty at all times at which the Franchised Business is open, and shall take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may prescribe. In addition, Franchisee and its employees shall handle all customer complaints, refunds, returns or other adjustments in accordance with Franchisor's policies as set forth in the Confidential Operations Manual or otherwise in writing. The parties acknowledge and agree that these requirements are necessary to preserve the goodwill identified by the Marks. The parties further acknowledge and agree that Franchisor neither dictates nor controls labor or employment matters for Franchisee or Franchisee's employees. Franchisee is exclusively responsible for hiring personnel, for determining the number of jobs offered or job vacancies to be filled, for determining and changing employee wages and benefits and work hours, and for disciplining and discharging Franchisee's employees. Franchisee is exclusively responsible for labor relations with your employees.

13.4. Days of Operation

Franchisee shall keep the Franchised Business open for business 24 hours per day seven days per week as specified in the Confidential Operations Manual.

13.5. Certifications

Before attending our initial training, to be the primary owner of one of our franchises you must obtain all licenses and certifications as we may specify.

13.6. Licenses and Permits

Franchisee shall secure and maintain in force all required operational and professional licenses, permits and certificates necessary for the operation of the Franchised Business, including all zoning and local permits necessary to operate the Franchised Business from the principal residence of Franchisee or its Designated Manager, and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.7. Notification of Proceedings

Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, judgment, award or decree which may affect the operation or financial condition of the Franchised Business not more than five days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than five days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule, or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

13.8. Compliance with Good Business Practices

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business, including operating in strict compliance with all applicable rules and regulations. Franchisee shall at all times give prompt, courteous and efficient service to customers of the Franchised Business. The Franchised Business shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint or has operated outside of applicable rules and regulations, Franchisor has the right to intervene and satisfy the customer. Franchisor has the right to terminate this Agreement for violation of this Section.

13.9. Uniforms

Franchisee shall abide by all uniform and dress code requirements stated in the Confidential Operations Manual or otherwise. Uniforms must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10. Credit Cards

Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its customers.

Franchisee shall accept debit cards, credit cards, stored value cards, and other non-cash systems (including, for example, APPLE PAY and/or GOOGLE WALLET) that Franchisor specifies periodically to enable customers to purchase authorized products, and to acquire and install all necessary hardware and/or software used in connection with these non-cash systems. The parties acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of businesses operating under the Marks and System. Accordingly, Franchisee shall cause the Franchised Business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor and other regulations and industry standards applicable to the protection of customer privacy and credit card information. Franchisee is solely responsible for its own education concerning these regulations and standards and for achieving and maintaining applicable compliance certifications. Franchisee shall defend, indemnify, and hold Franchisor harmless from and against all claims arising out of or related to Franchisee's violation of the provisions of this Section 13.10. V.1

13.11. E-Mail

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor, per Franchisor's specifications.

13.12. Call Center Program

If Franchisor requires, Franchisee will participate in the Call Center Program, as it exists from time to time. Participation in the program may include, without limitation, using and publishing a telephone number Franchisor designates, engaging a designated service provider (which may be Franchisor, its Affiliate, or a third party) to answer calls, set customer appointments, and provide other related services, and acquiring, installing, and using related technology, and using designated service providers. Franchisee shall pay all reasonable fees imposed by the service provider for these services and to enter into any related user or service agreements.

Until a Call Center Program is implemented, Franchisee shall arrange for the answering of all incoming phone calls during regular business hours. Failure to comply with this requirement is a material breach of this Agreement. If Franchisee fails to comply with this requirement on two or more occasions during the term hereof, then upon delivery of the second notice to Franchisee, Franchisee shall, at Franchisee's expense, engage the services of a professional call center services provider approved in advance by Franchisor.

13.13. Best Efforts and Minimum Performance Criteria

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Although there are currently no Minimum Performance Criteria, Franchisor reserves the right to implement such requirements in the future. So long as Franchisee, according to the reasonably good judgment of Franchisor, applies full-time attention to developing and growing The PEO Link business in the Territory, to the exclusion of any other business ownership or employment, Franchisor will endeavor not to implement the Minimum Performance Criteria.

If Franchisee does not meet and maintain the Minimum Performance Criteria, Franchisee will be in default, and, after providing Franchisee with notice of default, Franchisor may allow Franchisee an opportunity to cure the default, require Franchisee to attend additional training, and/or allow Franchisor the right to unilaterally reduce the size, and population, of Franchisee's Territory, and if Franchisee then fails to achieve the Minimum Performance Criteria, this shall result in an automatic forfeiture of the Territory, and, after termination of the Franchise Agreement.

14. FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1. General Advice and Guidance

Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee during normal business hours by telephone, e-mail, facsimile, newsletters, and other methods. Franchisor shall not charge for this service; however, Franchisor retains the right to refuse or charge a fee for this service should Franchisee be deemed by Franchisor to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating The PEO Link Businesses and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business; provided, however, that Franchisor shall have the sole right to determine the prices to be charged for products sold through The PEO Link Internet site, including products sold to persons identified as customers of the Franchised Business. V.1

14.2. Periodic Visits

Franchisor or Franchisor's representative shall make periodic visits, which may be announced or unannounced, to the Franchised Business for the purposes of consultation, assistance, and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisor may also accompany Franchisee and/or Franchisee's employees along any job site visits, in order to monitor all business practices and better render any advice or opinions. Franchisor and Franchisor's representatives

who visit the Franchised Business or accompany Franchisee and/or Franchisee's employees along job site visits may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements as required by Franchisor with time being of the essence.

15. INSURANCE

15.1. Types and Amounts of Coverage

At its sole expense, Franchisee shall procure within sixty days of the Effective Date, and maintain in full force and effect during the term of this Agreement, insurance as required by state law and as we specify below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured or loss payee and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

15.1.1. "All risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

15.1.2. Workers' compensation insurance as required by state law and employer liability coverage with a minimum limit of $500,000 per incident and $500,000 for the policy limit;

15.1.3. Comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of $1,000,000 per occurrence and an aggregate limit of $2,000,000;

15.1.4. Business interruption insurance in with a minimum coverage of $100,000;

15.1.5. Automobile liability insurance for owned or hired vehicles, with a combined single limit of at least $1,000,000;

15.1.6. Damage and pollution coverage with a minimum liability coverage of $1,000,000 per occurrence and an aggregate limit of $2,000,000;

15.1.7. Errors and omissions coverage in the amount of $1,000,000; and

15.1.8. Such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 21.3.

Franchisee acknowledges that the foregoing minimum insurance requirements do not constitute advice or a representation that such coverages are necessary or adequate to protect Franchisee from losses in connection with the Center. Nothing in this Agreement prevents or restricts Franchisee from acquiring and maintaining insurance with higher policy limits or lower deductibles than Franchisor requires.

15.2. Future Increases

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances. V.1

15.3. Carrier Standards

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key

Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

15.4. Evidence of Coverage

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 21.3. Upon issuance of a policy and renewal of said policy, Franchisee shall provide to Franchisor, certificates of insurance showing compliance with the foregoing requirements within fifteen days of Franchisee's receipt of such certificates. Such certificates shall state that said policy or policies shall not be canceled or altered without at least 30 days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5. Failure to Maintain Coverage

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

16. DEFAULT AND TERMINATION

16.1. Automatic Termination

The Franchise Agreement will terminate automatically, without notice, if Franchisee becomes insolvent (meaning unable to pay bills in the ordinary course of business as they become due); if a receiver of Franchisee's property or any part thereof is appointed by a court; if Franchisee makes a general assignment for the benefit of its creditors; if a final judgment against Franchisee remains unsatisfied of record for 30 days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; or if a suit to foreclose any lien or mortgage against Franchisee's Franchised Business Office or equipment is instituted against Franchisee and not dismissed within 30 days or is not in the process of being dismissed.

16.2. Termination by Franchisor

16.2.1. The following constitute incurable defaults under the Franchise Agreement. If any of the following occur, Franchisor shall have the right to terminate this Agreement, without providing Franchisee an opportunity to cure. Termination shall be effective upon delivery of notice of termination.

16.2.1.1. Franchisee fails to timely establish, equip and commence operations of the Franchised Business pursuant to Section 5;

16.2.1.2. Franchisee fails to have its Designated Manager satisfactorily complete any training program pursuant to Section 8;

16.2.1.3. Franchisee fails to maintain all required professional licenses, permits and certifications for a period exceeding five business days;

16.2.1.4. Franchisee made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement; V.1

16.2.1.5. Franchisee is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.6. Franchisee, after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

16.2.1.7. Franchisee discloses, duplicates or otherwise uses in an unauthorized manner any

portion of the Confidential Operations Manual, Trade Secrets or any other Confidential Information;

16.2.1.8. If required by Franchisor, Franchisee fails to have any Covered Person execute a nondisclosure and non-competition agreement in substantially the form of Exhibit 1, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to Section 7.4;

16.2.1.9. Franchisee or any Owner or Covered Person violates any applicable confidentiality or noncompete obligations, including, without limitation, improperly disclosing the Manuals or other Proprietary Information;

16.2.1.10. Franchisee abandons, fails or refuses to actively operate the Franchised Business for five or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor);

16.2.1.11. Franchisee surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

16.2.1.12. Franchisee fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the 180 days following the death or Incapacity of Franchisee or any Owner pursuant to Section 18.6;

16.2.1.13. Franchisee submits to Franchisor on two or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than 3% for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

16.2.1.14. Franchisee misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

16.2.1.15. Franchisee fails on two or more separate occasions within any period of 12 consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

16.2.1.16. Franchisee violates on two or more occasions any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to its customers, employees or the public;

16.2.1.17. Franchisee fails to comply with any provision of this Agreement three or more times in a 12-month period, whether or not cured; or

16.2.1.18. Franchisee defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

16.2.2. The following constitute curable defaults under the Franchise Agreement. If any[V.1] of the following occur, Franchisor shall have the right to terminate this Agreement, if Franchisee fails to cure during the requisite cure period after receiving notice. Termination shall be effective upon delivery of notice of termination.

16.2.2.1. Franchisee engages in any activity exclusively reserved to Franchisor, and fails to cure such offending activity within five days after delivery of written notice;

16.2.2.2. Franchisee fails to comply with any applicable law or regulation, and fails to cure such failure within 10 days after delivery of written notice;

16.2.2.3. Franchisee fails to pay any amounts due under this Agreement, and fails to cure such default within five days after delivery of written notice default;

16.2.2.4. Franchisee fails to procure or maintain insurance as specified in Article 15 of this Agreement, and fails to cure such default within 10 days after delivery of written notice of default; or

16.2.2.5. Franchisee materially breaches any other provision of this Agreement, and fails to cure such default within 30 days after delivery of written notice of default.

16.2.3. If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.3. Termination by Franchisee

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach within 30 days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such 30 days. If the breach cannot reasonably be cured in such 30 days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

16.4. Alternate Remedies

16.4.1. If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to Section 16.2.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

16.4.2. If, prior to the Expiration Date, Franchisee terminates this Agreement without good cause, or if Franchisor terminates this Agreement on account of Franchisee's material default hereof, the parties acknowledge and agree that Franchisor will suffer damages for the loss of the benefit bargained for in this Agreement and irreparable damage to the integrity of the franchise system. As compensation for these damages Franchisor shall be entitled to collect from Franchisee, in addition to all other amounts due Franchisor (including, without limitation, the Final Payment described in Section 17.2.), liquidated damages calculated as an amount equal to (a) the product of Franchisee's average Collected Gross Revenue, multiplied by 9%, multiplied by the lesser of (i) 12 months, or (ii) the number of full months remaining in the franchise term (b) discounted to present value using a 7% discount factor. For purposes of this calculation, "**Average Collected Gross Revenue**" means total Collected Gross Revenue for the twelve-month period immediately preceding termination, divided by 12. If the Franchised Business has been operating for less than 12 months at the time of termination, "Average Collected Gross Revenue" means total Collected Gross Revenue for the period of operation divided by the number of months in operation. The parties acknowledge and agree that foregoing calculation represents reasonable compensation for the harm.

17. RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1. Actions to be Taken

Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights

granted hereunder to Franchisee shall terminate and Franchisee shall:

17.1.1. Immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

17.1.2. Cease to use the Trade Secrets or other Confidential Information, the System and the Marks including, without limitation, all slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

17.1.3. Take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "The PEO Link" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within 30 days after termination or expiration of this Agreement;

17.1.4. Pay all sums owing to Franchisor and any Affiliate, including amounts due under Section 17.2., below. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, with respect to litigation, arbitration, appellate or bankruptcy proceedings, unpaid Royalty Fees, and any other amounts due to Franchisor or any Affiliate;

17.1.5. Pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

17.1.6. Immediately return to Franchisor the Confidential Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, referral contact list, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

17.1.7. Assign all of Franchisee's email addresses, any websites, and telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks and shall authorize transfer of same to or at the direction of Franchisor;

17.1.8. Ensure compliance with the post-term covenant not to compete as described in Section 17.3., below; and

17.1.9. Comply with all other applicable provisions of this Agreement.

17.2. Final Payment; Remedies

17.2.1. Within 30 days following expiration or termination of this Agreement, Franchisee shall pay to Franchisor a final payment ("Final Payment") in an amount calculated as the product of Franchisee's Accounts Receivable (defined below), multiplied by 70%, multiplied by 9%. Such amount is payable in lieu of the Royalty Fees and Marketing Fund Contributions that would otherwise be payable on Collected Gross Revenue after the date of expiration or termination. The parties acknowledge and agree that the Final Payment represents a reasonable estimation of future Collected Gross Revenue on Franchisee's accounts receivable, and is not a penalty. "**Accounts Receivable**" for purposes of this provision means amounts due Franchisee for services performed prior to expiration or termination.

17.2.2. To secure payment of the Final Payment and all other amounts due under this Agreement, Franchisee hereby grants to Franchisor a security interest in, and collaterally assigns to Franchisor all of its rights and interests to, Franchisee's Accounts Receivable and the proceeds thereof. If Franchisor exercises its rights under this Section 17.2.2., Franchisor shall have the exclusive right to contact Franchisee's customers for collection purposes, and do all other things appropriate or necessary to collect

the Accounts Receivable. Franchisor shall have the right to retain from collected amounts 9% of the Collected Gross Revenue, representing Royalty fees and Marketing Fund contributions due and owing thereon, and to reimburse itself all collection costs including, without limitation, collection agency fees, attorneys' fees, and court costs. Collection costs will be determined in the aggregate, without allocation to specific collected amounts.

17.3. Post-Termination Covenant Not to Compete

17.3.1. Franchisee acknowledges that the restrictive covenants contained in this Section 17.3. and in Article 7 are fair and reasonable and are justifiably required to protect Franchisor's legitimate business interests, including protection of the integrity of the franchise system and protection of Franchisor's Trade Secrets and other Confidential Information. Except as otherwise approved in writing by Franchisor, therefore, during the Restricted Period, Franchisee, each Owner, and each Covered Person shall refrain from, directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity:

17.3.1.1. soliciting or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or its franchisees or to compete against Franchisor or its franchisees; or

17.3.1.1. owning, maintaining, advising, operating, engaging in, being employed by, making loans to, investing in, providing any assistance to, or having any interest in (as owner or otherwise) or relationship or association with, any Competitive Business that performs services in the former Territory, within 25 miles from the perimeter of the former Territory, or within the territory of any other The PEO Link business;

17.3.2. For purposes of this Section 17.3., the "**Restricted Period**" for Franchisee means the two-year period commencing upon termination or expiration of the Franchise Agreement. The "**Restricted Period**" for each Owner and Covered Person means the two-year period commencing upon termination or expiration of the Franchise Agreement or, if earlier, the date such individual ceases to fall within the definition of an "Owner" or "Covered Person," as applicable. The duration of the Restricted Period shall be tolled during any period of noncompliance. At Franchisor's request, Franchisee shall cause each Covered Person to execute a nondisclosure and non-competition agreement substantially in the form attached as Exhibit 1.

17.3.3. The parties acknowledge that Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 17.3., or any portion thereof, without Franchisee's consent or the consent of any Owner or Covered Person, effective immediately upon delivery of written notice to the affected party; and Franchisee and each Owner and Covered Person shall comply with the covenant as so modified.

17.4. Unfair Competition

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Sections 7, 17.1, or 17.3. Franchisee shall make such modifications or alterations to the Franchised Business Office (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Franchised Business Office. Franchisee shall make such specific additional changes to the Franchised Business Office as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features

identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Franchised Business Office for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.5. Franchisor's Option to Purchase Certain Business Assets

Franchisor has the right (but not the obligation), for a period of 30 days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including improvements, service supplies and equipment, supplies and other inventory or equipment. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.6. Survival of Certain Provisions

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

18. TRANSFERABILITY OF INTEREST

18.1. Transfer by Franchisor

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

18.2. Transfer by Franchisee to a Third Party

The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any Owner may sell, assign, convey, give away, pledge, mortgage, sublicense, or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the assets of the Franchised Business or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.2.1. Franchisee has complied with the requirements set forth in Section 19;

18.2.2. All obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;

18.2.3. Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;

18.2.4. The prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business;

18.2.5. The transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the form of franchise agreement then being offered to new franchisees, which may be substantially different from this Agreement, and may include a different Royalty Fee, Marketing Fund Contribution rates and other material provisions; the initial term of the franchise agreement shall be the initial term provided for in the then-current franchise agreement, and all renewal terms shall be governed by the then-current franchise agreement, and the territory shall be the same as the territory granted pursuant to this Agreement;

18.2.6. The transferee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners, employees, and agents (in their corporate and individual capacities), with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

18.2.7. Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

18.2.8. Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount stated in the Summary Page;

18.2.9. The transferee has obtained all necessary consents and approvals by third parties and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

18.2.10. If Franchisee is a Business Entity, each Owner has executed and delivered to Franchisor a guaranty and personal undertaking substantially in the form attached as Exhibit 2;

18.2.11. The transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business; and

18.2.12. In the event of a transfer among a single Franchisee entity or group of purchasers comprising a single Franchisee, Franchisor reserves the right for the continuing Franchisee or owners to sign a new Franchise Agreement.

18.3. Transfer to a Controlled Entity

18.3.1. If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

18.3.1.1. The Controlled Entity is newly organized and its charter or articles of formation provides that its activities are confined exclusively to the operation of the Franchised Business;

18.3.1.2. Franchisee owns all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

18.3.1.3. All obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to Section 18.2.8;

18.3.1.4. The Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

18.3.1.5. All Owners of the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

18.3.1.6. Each share certificate (or other certificate reflecting an ownership interest) shall have conspicuously endorsed on it a statement, in a form satisfactory to Franchisor, that the certificate is held subject to the transfer restrictions contained in the Franchise Agreement; and

18.3.1.7. Copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

18.3.2. The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

18.3.3. Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4. Franchisor's Disclosure to Transferee

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5. For-Sale Advertising

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6. Transfer by Death or Incapacity

Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any Owner (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding 180 days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section 18.6. During such 180-day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

19. RIGHT OF FIRST REFUSAL

19.1. Submission of Offer

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to Section 18.6) the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2. Franchisor's Right to Purchase

Franchisor shall, for 30 days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3. Non-Exercise of Right of First Refusal

If Franchisor does not exercise its right of first refusal within 30 days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

19.4. Sales or Transfers to Family Excepted

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section 19 shall be inapplicable. Nothing in this Section 19.4 shall be construed to relieve Franchisee from full compliance with the terms and conditions of Section 18.2 prior to a sale or transfer to family pursuant to this Section.

20. BENEFICIAL OWNERS OF FRANCHISEE

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 4 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

21. RELATIONSHIP AND INDEMNIFICATION

21.1. Relationship

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

21.2. Standard of Care

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

21.3. Indemnification

Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "**Franchisor Indemnities**") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the Franchised Business; or (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. Franchisee's indemnification obligations shall not apply to the extent that the damages are caused by Franchisor's negligence or breach of this Agreement. The obligations of this Section 21.3 shall expressly survive the termination of this Agreement.

21.4. Right to Retain Counsel V.1

Franchisee shall give Franchisor immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnity. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or

proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee. Franchise agrees to not be a party to class action suit against The PEO Link under any circumstances.

22. GENERAL CONDITIONS AND PROVISIONS

22.1. No Waiver

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

22.2. Injunctive Relief

As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same.

22.3. Notices

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director, or partner of the recipient party); (b) on the next business day after transmission by e-mail or other reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 22.3. All notices, payments, and reports required by this Agreement shall be sent to Franchisor at the address reflected on the Summary Page.

22.4. Cost of Enforcement or Defense

If either party is required to enforce this Agreement, the substantially prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and attorneys' fees.

V.1

22.5. Unlimited Guaranty and Assumption of Obligations

All Owners shall execute and deliver to Franchisor a guaranty and personal undertaking substantially in the form of Exhibit 2.

22.6. Approvals

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein,

any approval or consent granted shall be effective only if in writing. Franchisor shall not unreasonably withhold its approval or consent. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

22.7. Entire Agreement

This Agreement, including its exhibits, constitutes the entire, complete, and fully integrated agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersedes all prior representations, promises, and agreements. No amendment, change or variance from this Agreement shall be binding on either party unless memorialized in a writing executed by both parties. Nothing in this or any related agreement, however, is intended to disclaim any representations we made in the franchise disclosure document that we furnished to you.

22.8. Severability

22.8.1. Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

22.8.2. Notwithstanding the above, each of the covenants contained in Articles 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

22.9. Additional services

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or additional services of any provision hereof.

22.10. Force Majeure

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

22.11. Timing

Time is of the essence with respect to all obligations under this Agreement. Except as set forth in Section 22.10, failure to perform any act within the time required or permitted by this Agreement shall be a material breach. V.1

22.12. Withholding Payments

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such

payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

22.13. Further Assurances

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

22.14. Third-Party Beneficiaries

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

22.15. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.

23. DISPUTE RESOLUTION

23.1. Choice of Law

Except to the extent this Agreement or any particular dispute is governed by federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Texas (without reference to its conflict of laws principles).

23.2. Consent to Jurisdiction

Any action brought by either party against the other, except those claims subject to being resolved by mediation, shall only be brought and maintained exclusively in the Federal or state courts situated in the judicial district in which Franchisor maintains its principal business address at the time the action is commenced. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Notwithstanding the foregoing, claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

23.3. Cumulative Rights and Remedies

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

23.4. Limitations of Claims

To the extent permitted by law, with respect to any claim which arises out of or relates to this agreement or the dealings of the parties ("**Claim**"), such Claim must be brought within two years and a day after the cause of action accrues. In addition, to the extent permitted by law, Franchisee agrees to bring no Claim until meeting personally with the Chief Executive Officer of Franchisor in the county in which Franchisor maintains its principal business address (currently Bexar County, Texas) to conduct settlement negotiations in person. Both parties agree to reasonably cooperate to schedule any requested settlement conference within 30 days of request.

23.5. Limitation of Damages

Franchisee waives, to the extent permitted by law, any claim for punitive damages against the Franchisor in any Claim. Further, in any Claim, Franchisee agrees, to the extent permitted by law, that its maximum damages recoverable shall be limited to a refund of Franchisee's Franchise Fee and Royalty Fees paid to Franchisor.

23.6. Waiver of Jury Trial and Punitive Damages

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER AND ALSO WAIVE THE RIGHT TO SEEK OR RECOVER PUNITIVE DAMAGES IN ANY SUCH ACTION.

23.7. Mediation

23.7.1 The parties acknowledge that during the term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, The PEO Link, you, and each Owner agree to submit to mediation any claim, controversy, or dispute between The PEO Link or its Affiliates (and The PEO Link and its Affiliate's respective owners, officers, directors, agents, representatives, and/or employees) and you or your Affiliates (and your Owners, agents, representatives, and/or employees) arising out of or related to ***(a)*** this Agreement or any other agreement between The PEO Link and you, ***(b)*** The PEO Link's relationship with you, or ***(c)*** the validity of this Agreement or any other agreement between The PEO Link and you, before bringing such claim, controversy, or dispute in a court or before any other tribunal.

23.7.2 The mediation shall be conducted by a mediator agreed upon by The PEO Link and you and, failing such agreement within not more than 15 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization ("**AAA**") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city in which The PEO Link maintains its principal business address at the time of mediation. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

23.7.3 If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding pursuant to Section 23.2. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

23.7.4 Notwithstanding the foregoing provisions of this Section 23.7, the parties' agreement to mediate shall not apply to controversies, disputes, or claims related to or based on amounts owed to The PEO Link pursuant to this Agreement, the Marks, Copyrighted Works, or The PEO Link's Confidential Information. Moreover, regardless of this mediation agreement, Franchisor and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief in any court of competent jurisdiction. Neither party is required to await the outcome of any mediation before seeking provisional remedies.

23.8. Class Action Waiver V.1

To the extent permitted by law, in any Claim brought by Franchisee, Franchisee agrees to bring such claim individually and not bring or join in a class action.

24. ACKNOWLEDGMENTS

24.1. Receipt of this Agreement and the Franchise Disclosure Document

Franchisee represents and acknowledges that it has received, read and understands this Agreement;

and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least 14 calendar days prior to the date on which this Agreement was executed, the franchise disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

24.2. Consultation by Franchisee

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

24.3. True and Accurate Information

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

24.4. Risk

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a The PEO Link Business involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

24.5. No Financial Representations or Guarantee of Success

Except for representations contained in Franchisor's franchise disclosure document provided to Franchisee in conjunction with this franchise offering, Franchisee represents and warrants to Franchisor that neither Franchisor nor its agents or representatives have made any representations, and Franchisee has not relied on any representations made by Franchisor or its agents or representatives, concerning actual or potential revenues, expenses or profit, or the likelihood of success of a THE PEO LINK franchised business. Franchisee represents and acknowledges that no representations have been made by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the franchise disclosure document delivered to Franchisee in connection with the grant of the franchise memorialized by this Agreement.

24.6. No Violation of Other Agreements

Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any Owner is a party.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

FRANCHISOR:
PEO Franchising, LLC

By: _____
Lee Chapman, Chief Executive Officer

FRANCHISEE:

V.1

By: _____
Its:

EXHIBIT 1 TO THE FRANCHISE AGREEMENT
NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This "Agreement" made as of the ____ day of _____, 20___, is by and between _____, ("**Franchisee**") (d/b/a as The PEO Link Franchise) and _____ ("**Individual**").

W I T N E S E T H:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20__ ("**Franchise Agreement**") by and between Franchisee and the PEO Franchising, LLC ("**Franchisor**"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said Trade Secrets and other Confidential Information; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to unfairly compete against Franchisor, Franchisee, or any other The PEO Link franchisee.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "**Trade Secret**" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in The PEO Link Businesses that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "**Confidential Information**" means technical and non-technical information used in or related to The PEO Link Businesses that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Confidential Operations Manual and training guides and materials. In addition, any other information identified as confidential when delivered by Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Individual; (ii) Individual can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Franchisor or Franchisee as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee's

providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisor or Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisor or Franchisee has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination or expiration of the Franchise Agreement or after termination of Individual's relationship with Franchisee (whichever occurs first), regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a The PEO Link Business.

3. Non-Competition

a) During the term of Individual's relationship with Franchisee and for a period of two years after the termination or expiration of the Franchise Agreement or termination of Individual's relationship with Franchisee (whichever occurs first), regardless of the cause of termination, Individual shall not, directly or indirectly, for himself or herself or through, on behalf of or in conjunction with any person or entity, divert or attempt to divert any business or customer of Franchisee for any competitive business purpose, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the service mark "The PEO Link" or other trademarks or service marks as Franchisor designates to be used in connection with The PEO Link Businesses or Franchisor's uniform standards, methods, procedures and specifications for the establishment and operation of The PEO Link Businesses.

b) During the term of Individual's relationship with Franchisee, Individual shall refrain from owning, maintaining, advising, operating, engaging in, being employed by, making loans to, investing in, providing any assistance to, or having any interest in (as owner or otherwise) or relationship or association with, any Competitive Business that performs services in the United States, its territories or commonwealths, or any other country, province, state, or geographic area in which Franchisor or its Affiliates have used, sought registration of, or registered the Marks or similar marks or operate or license others the right to operate a business under the Marks or similar marks.

c) Except as otherwise approved in writing by Franchisor, for a period of two years after the termination or expiration of the Franchise Agreement or termination of Individual's relationship with Franchisee (whichever occurs first), Individual (i) shall refrain from owning an interest in, managing, or operating any Competitive Business in the Franchisee's Territory (as defined in the Franchise Agreement), within 25 miles from the perimeter of Franchisee's Territory, and within the territory of any other The PEO Link business, and (ii) shall refrain from performing Competitive Services in the Franchisee's Territory, within 25 miles from the perimeter of the Franchisee's Territory, and within the territory of any other The PEO Link business, directly or indirectly.

d) For purposes of this Agreement, "Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) Competitive Services; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Individual under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Individual owns less than a five percent legal or beneficial interest. "Competitive Services" mean services the same as or similar to those provided by The PEO Link Businesses or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees. "Competitive Services" include, without limitation providing professional employer organization services ("PEO" services) such as low-cost workers' compensation insurance, payroll processing, human resources management, tax/business law management, Group Health Benefits, and safety program management services.

e) During the term of Individual's relationship with Franchisee and for a period of two years thereafter, Individual shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Franchisor or any other The PEO Link Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Franchisor or any other The PEO Link Business.

4. Reasonableness of Restrictions

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Franchisor, and Franchisor's Trade Secrets and other Confidential Information, the Franchisor's business system, network of franchises and trade and service marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Franchisor shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Franchisor may have at law or in equity.

6. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

b) Except to the extent this Agreement or any particular dispute is governed by the V.1 U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Texas (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Bexar County, Texas. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.

d) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorney's fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns.

f) The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Individual, Franchisee and Franchisor.

j) The existence of any claim or cause of action Individual might have against Franchisee or Franchisor will not constitute a defense to the enforcement by Franchisee or Franchisor of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Franchisor pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

THE PARTIES ACKNOWLEDGE THAT THE FRANCHISOR IS AN INTENDED THIRD PARTY BENEFICIARY TO THIS AGREEMENT WITH INDEPENDENT RIGHTS TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE FRANCHISOR.

V.1

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one original being delivered to each party as of the day and year first above written.

FRANCHISEE:

By: _____
Its: _____

INDIVIDUAL:

Signature: _____
Name Printed: _____

V.1

EXHIBIT 2 TO THE FRANCHISE AGREEMENT
UNLIMITED GUARANTY AND PERSONAL UNDERTAKING

THIS UNLIMITED GUARANTY AND PERSONAL UNDERTAKING (this "**Guaranty**") is executed and delivered to Franchisor on this _____ day of _____, 20_____, by each of the undersigned.

Each of the undersigned make the following representations and warranties to Franchisor, and agree to the following:

1. I have read the franchise agreement ("**Franchise Agreement**") between PEO Franchising, LLC ("**Franchisor**") and _____ (the "**Franchisee**") and am familiar with its terms.

2. I own a beneficial interest in the Franchisee, and would be considered an "Owner" within the definition contained in the Franchise Agreement.

3. I understand that, were it not for this Guaranty, Franchisor would not have agreed to enter into the Franchise Agreement with the Franchisee.

4. I will comply with all of the provisions contained in Article 7 of the Franchise Agreement concerning the use of the Confidential Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except ***(a)*** to the Franchisee's employees on a need to know basis, ***(b)*** to the Franchisee's and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and ***(c)*** as otherwise may be required by law.

5. I will comply with all of the provisions contained in Articles 18 and 19 of the Franchise Agreement concerning the transfer of the franchise, assignment of my interests in the Franchisee, and Franchisor's right of first refusal.

6. While I am an "Owner" of the Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first), I will not:

6.1 solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her, or its business relationship with Franchisor or its franchisees or to compete against Franchisor or its franchisees; or

6.3 own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any "Competitive Business" as that term is defined in the Franchise Agreement. This restriction shall apply, while I am an Owner, to any Competitive Business that performs services in the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Marks or similar marks or operate or license others to operate a business under the Marks or similar marks. It will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first) to any Competitive Business that performs services in the Franchisee's Territory (as defined in the Franchise Agreement), within 25 miles from the perimeter of the Territory, or within the territory of any other THE PEO LINK business. The parties acknowledge and agree that Franchisor shall have the right to reduce the scope or duration of this covenant in its sole discretion, and that Franchisee shall comply with the covenant as modified. This two-year restriction will be tolled during any period of my noncompliance.

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7. I agree that the provisions contained in Article 23 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

8. I hereby personally and unconditionally guarantee to Franchisor and its successors and assigns the punctual and full payment of all amounts owed by the Franchisee under the Franchise Agreement.

9. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee before

seeking recovery from me under this Guaranty.

10. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will neither affect my liability under this Guaranty nor be asserted as a defense to enforcement of this Guaranty.

11. I hereby waive: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; (d) any right I may have to require that an action be brought against Franchisee or any other person as a condition of my liability; and (e) any and all other notices and legal or equitable defenses to which I may be entitled.

12. My liability under this Guaranty shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee 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.

13. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT AND/OR THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT**.

14. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

15. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after electronically confirmed transmission by facsimile or other electronic system; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

16. If more than one person has personally guaranteed Franchisee's performance under the Franchise Agreement, my liability with such person shall be joint and several.

17. This Guaranty shall be binding on me and my heirs, executors, administrators, and assigns and shall inure to the benefit of Franchisor and its successors, endorsees, transferees and assigns. Without limiting any other provision hereof, I warrant and agree that my death shall not serve as a revocation of or otherwise affect the guaranty made hereunder and that my estate and heirs shall continue to be liable hereunder with respect to any obligations guaranteed hereunder.

18. The validity, interpretation and enforcement of this Guaranty and any dispute arising out of the relationship between Guarantor and Franchisor, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of Texas (without giving effect to principles of conflicts of law).

19. I irrevocably consent and submit to the personal jurisdiction of the federal and state courts serving the judicial district in which Franchisor's principal headquarters are located at the time legal action is commenced (currently Bexar County, Texas) and waive any objection based on venue or forum non convenience with respect to any action instituted therein arising under this Guaranty.

IN WITNESS WHEREOF, this Guaranty has been entered into the day and year first before written.

GUARANTOR

_____
Personally, and Individually (Printed Name)

_____
Personally, and Individually (Signature)

HOME ADDRESS (USE FOR NOTICES)

_____
_____
_____

TELEPHONE NO.:_____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

GUARANTOR

_____
Personally and Individually (Printed Name)

_____
Personally and Individually (Signature)

HOME ADDRESS (USE FOR NOTICES)

_____
_____
_____

TELEPHONE NO.: _____
PERCENTAGE OF OWNERSHIP
IN FRANCHISEE: _____%

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EXHIBIT 3 TO THE FRANCHISE AGREEMENT
HOLDERS OF LEGAL OR BENEFICIAL INTEREST
IN FRANCHISEE; GOVERNING PERSONS

If the Franchisee operates the business other than as a sole proprietorship, please complete the following:

(a) The following are the "Owners" of Franchisee:

Name	Home Address	Telephone Number	Email Address	% of Ownership

(b) The following individuals are the Franchisee's governing persons:

Name	Home Address	Telephone Number	Email Address	Title

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EXHIBIT 4 TO THE FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO
PEO FRANCHISING, LLC ("PAYEE")

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by Depositor. It is further agreed that if any such debt is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least 30 days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Name of Depository (Bank Name):_____ Bank Account Name: _____

Bank Acct #.: _____ Routing # _____

(Please attach one voided check for the above account)

Franchise Location Name:_____

By: _____

Title of Authorized Representative (Depositor): _____

Date: _____

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PEO FRANCHISING, LLC

EXHIBIT 5 TO FRANCHISE AGREEMENT

RIDER TO THE PEO FRANCHISING, LLC

FRANCHISE AGREEMENT FOR USE IN CALIFORNIA

THIS AMENDMENT TO FRANCHISE AGREEMENT ("**Amendment**") dated _____, 20___ is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _____, 20____, by and between PEO Franchising, LLC (or "**Franchisor**"), and _____ ("**you**" or "**Franchisee**"). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.
2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Corporations Code, Section 31125 are met independently without reference to this Amendment.
3. The franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages.
4. Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as vertical price-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisor may be unenforceable.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRANCHISOR: **PEO Franchising, LLC**	**FRANCHISEE:**
By: _____ Lee Chapman, Chief Executive Officer	By: _____ Its:

RIDER TO THE PEO FRANCHISING, LLC

FRANCHISE AGREEMENT FOR USE IN NEW YORK

THIS AMENDMENT TO FRANCHISE AGREEMENT ("**Amendment**") dated _____, 20___ is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the "**Franchise Agreement**") dated _____, 20____, by and between PEO Franchising, LLC (or "**Franchisor**"), and _____ ("**you**" or "**Franchisee**"). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.
2. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Corporations Code, Section 31125 are met independently without reference to this Amendment.
3. The franchisee must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages.

4. Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as vertical price-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisor may be unenforceable.

IN WITNESS WHEREOF, the parties have executed this Amendment on the date first shown above.

FRANCHISOR: **PEO Franchising, LLC**	**FRANCHISEE:**
By: _____ Lee Chapman, Chief Executive Officer	By: _____ Its:

EXHIBIT D TO DISCLOSURE DOCUMENT
TELEPHONE NUMBER AND WEBSITE
URL ASSIGNMENT AGREEMENT

THIS TELEPHONE NUMBER AND WEBSITE URL ASSIGNMENT AGREEMENT is made this _____ day of 20____, between PEO Franchising, LLC d/b/a The PEO Link, ("**we**," "**us**", or "**our**") and the franchisee named below ("**you**" or "**your**").

BACKGROUND

A. The parties are entering into one or more The PEO Link Franchise Agreements.

B. As a condition to signing the Franchise Agreement(s), we have required that you assign all of your right, title and interest in the telephone numbers and website urls relating to The PEO Link Franchise(s) to us upon the expiration or termination of any of the Franchise Agreements.

The parties agree as follows:

TERMS

1. **Assignment**. In order to secure continuity and stability of our operation of The PEO Link System, immediately upon the expiration or termination of any of your The PEO Link Franchise Agreement(s), this Agreement constitutes your automatic assignment to us all of your right, title and interest in and to certain telephone numbers, telephone listings, and website urls pursuant to the expired or terminated The PEO Link Franchise Agreement(s) without further action on your part. Your "website urls" refers to any internet domain names you register, adopt, or use to promote your The PEO Link franchise, including any urls listed on Exhibit A here.

2. **Assumption**. We, in consideration of the transfer of telephone numbers and website urls, assume, as of this date, all future obligations of the present subscriber for the telephone numbers and website urls.

3. **Your Representation and Warranties**. You represent, warrant and covenant to us that:

(a) As of the effective date of the Assignment, all of your obligations and indebtedness for telephone and url hosting services must be paid and current.

(b) As of the date of this Agreement, you have full power and legal right to enter into, sign, deliver and perform this Agreement.

(c) This Agreement is your legal and binding obligation enforceable in accordance with its terms.

(d) The signing, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which you are a party or by which you are bound, and no consent of nor approval by any third party is required.

(e) You have the specific power to assign and transfer your right, title and interest in your telephone numbers and website urls and you have obtained all necessary consents to this Assignment. V.1

4. **Further Actions**. You agree to take any other steps and execute any other documents required by the telephone service provider and domain name hosting company to make the assignments contemplated by this Agreement.

5. **Miscellaneous**. The validity, construction, and performance of this Assignment is governed by the laws of the State of Texas. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

FRANCHISOR:
PEO Franchising, LLC

By: _____
Lee Chapman, Chief Executive Officer

FRANCHISEE:

By: _____
Its:

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EXHIBIT D

TO

TELEPHONE NUMBER AND WEBSITE URL ASSIGNMENT AGREEMENT

[list web urls here]

EXHIBIT E
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FINANCIAL STATEMENTS

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A&G LLP
CERTIFIED PUBLIC ACCOUNTANTS

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2425 N Central Expy.
Suite 200
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Phone 972 238 5900
Fax 972 692 5357

www.agllp-cpa.com

CONSENT

August 19, 2025

To the Member
PEO Franchising, LLC
San Antonio, Texas

A&G LLP hereby consents to the use in the 2025 Franchise Disclosure Document issued by PEO Franchising, LLC ("Franchisor") on August 19, 2025, as it may be amended, of our report dated August 19, 2025, relating to the financial statement of the Franchisor as of July 31, 2025.

Signature Line: A+G LLP
A&G LLP

PEO Franchising, LLC

Financial Statement

As of July 31, 2025

PEO Franchising, LLC

Financial Statement

As of July 31, 2025

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A&G LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Suite 200
Richardson, TX 75080
Phone 972 238 5900
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Independent Auditor's Report

To the Member
PEO Franchising, LLC
San Antonio, Texas

Report on the Financial Statement

Opinion
We have audited the financial statement of PEO Franchising, LLC (the "Company"), which comprises the balance sheet as of July 31, 2025 and related notes to the financial statement.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of PEO Franchising, LLC as of July 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of PEO Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PEO Franchising, LLC's ability to continue as a going concern within one year from the date the financial statement is issued.

Auditor's Responsibilities for the Audit of the Financial Statement
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of this financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PEO Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of, significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PEO Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

A+G LLP

Dallas, Texas
August 19, 2025

Balance Sheet

As of July 31,		2025
Assets		
Current assets:		
Cash and cash equivalents	**$**	**25,100**
Total current assets		**25,100**
Total assets	**$**	**25,100**
Member's Equity		
Member's equity		**25,100**
Member's equity	**$**	**25,100**

1. Organization and Operations

Description of Business

PEO Franchising, LLC, a Texas limited liability company, was formed on March 11, 2025 ("Inception"). References in the financial statement footnotes to "Company", "we", "us" and "our" refer to the business of PEO Franchising, LLC.

The Company is a limited liability company, and therefore, the member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the member has signed a specific guarantee.

The Company was formed for the purpose of granting franchises the right to operate a business providing professional employer organization services such as low-cost workers' compensation insurance, payroll processing, human resources management, tax/business law management, Group Health Benefits, and safety program management services (the "Franchised Business") under the trade name "The PEO Link".

THE PEO LINK, INC. ("The PEO Link"), our affiliate, owns the trademarks and other intellectual property related to the PEO Link franchise system. The PEO Link has licensed the trademarks and other intellectual property to the Company under a license agreement, which remains in effect until terminated by the mutual agreement of the Company and The PEO Link (the "License"). The License grants the Company the right to use these trademarks and other intellectual property to sublicense them to franchisees of the Company.

As of July 31, 2025, there were 0 franchised outlets, and 1 affiliate-owned outlet in operation.

Going Concern

The accompanying financial statement has been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is in the start-up phase of its business plan and has sustained losses from operations for the period from Inception to July 31, 2025 and may be dependent upon additional funding from its member and affiliates. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's member and its affiliates have committed to providing the necessary funding to ensure the Company has sufficient liquidity to satisfy its obligations for at least twelve months following the issuance of the financial statement.

After considering the financial wherewithal of its member and affiliates to provide financial support to the Company to ensure the continued financial viability of the Company for at least twelve months following the issuance of the financial statement, management concluded that substantial doubt about the Company's ability to continue as a going concern has been alleviated. Accordingly, this financial statement does not include any adjustments that would be required were the Company not be able to continue as a going concern.

2. Significant Accounting Policies

Basis of Accounting

The Company uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Under this method, revenue is recognized when earned and expenses are recognized as incurred.

Use of Estimates

The preparation of the financial statement and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reported period. Estimates are used for the revenue recognition, among other. Actual results could differ from those estimates.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents
For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered cash equivalents.

Fair Value Measurements
Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instrument consists of cash and cash equivalents. The carrying value of cash and cash equivalents is considered to be representative of its respective fair value due to the short-term nature of this instrument.

Assets and liabilities that are carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets and liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Income Taxes
The Company is a single member limited liability company and as such is considered a disregarded entity under the provisions of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income. Instead, the member is taxed on the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statement. The company recognizes income tax related interest and penalties in interest expense and other general and administrative expenses, respectively.

The Company's sole member files income tax returns in the U.S. federal jurisdiction and the state jurisdictions in which the Company operates. The Company is subject to routine audits by taxing jurisdictions from the inception, March 11, 2025, however, there are currently no audits for any tax periods in progress.

In accordance with FASB ASC 740-10, *Income Taxes*, the Company is required to disclose uncertain tax positions. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at July 31, 2025.

Recent Accounting Pronouncements
We reviewed significant newly-issued accounting pronouncements and concluded that they either are not applicable to our operations or that no material effect is expected on our financial statements as a result of future adoption.

Subsequent Events
In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated subsequent events through August 19, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in the financial statement.

3. Certain Significant Risks and Uncertainties

The Company maintains its cash in a bank deposit account that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash or cash equivalents. The Company maintains its deposits in one financial institution.

4. Commitments and Contingencies

Litigation

The Company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of the management, all matters are of such nature, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

THE FOLLOWING PAGE CONTAINS AN UNAUDITED, UPDATED BALANCE SHEET.

PEO Franchising LLC

Balance Sheet

As of September 4, 2025

Assets

Current Assets	Previous Year	Current Year
Cash	-	35,539.86
Investments	-	-
Inventories	-	-
Accounts receivable	-	-
Pre-paid expenses	-	-
Other	-	-
Total current assets	**-**	**35,539.86**

Fixed Assets:	Previous Year	Current Year
Property and equipment	-	-
Leasehold improvements	-	-
Equity and other investments	-	-
Less accumulated depreciation	-	-
Total fixed assets	**-**	**-**

Other assets:	Previous Year	Current Year
Goodwill	-	-
Total assets	**-**	35,539.86

Liabilities and owner's equity

Current Liabilities	Previous Year	Current Year
Accounts payable	-	-
Accrued wages	-	-
Accrued compensation	-	-
Income taxes payable	-	-
Unearned revenue	-	-
Other	-	-
Total current liabilities	**-**	**-**

Long Term Liabilities	Previous Year	Current Year
Mortgage payable	-	-
Total long-term liabilities	**-**	**-**

Current Equity	Previous Year	Current Year
Investment capital	-	35,539.86
Accumulated retained earnings	-	-
Total owner's equity	**-**	**35,539.86**

Updated September 4, 2025

35,539.86

Balance Sheet

Total liabilities and owner's equity	**35,539.86**

EXHIBIT G TO
THE DISCLOSURE DOCUMENT

LIST OF CURRENT FRANCHISEES AND LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

List of Current Franchisees as of December 31, 2024

Franchisee	Address	City	State	ZIP	Telephone

Franchise Agreement Signed But Outlet Not Yet Open as of December 31, 2024

Franchisee	Address	City	ST	ZIP	Telephone No.

Franchisees Who Had An Outlet Terminated, Cancelled, Not Renewed or Otherwise Ceased To Do Business

The following is a list of the names, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise ceased to do business under the Franchise Agreement during the most recently completed fiscal year ending December 31, 2024, or who had not communicated with us within ten weeks of the date of the disclosure document issuance date.

Transfer of Interest:

Franchisee	City	State	Telephone or E-Mail

Terminations:

Franchisee	City	State	Telephone or E-Mail

Ceased Operations/ Other:

Franchisee	City	State	Telephone or E-Mail

EXHIBIT H
TO THE DISCLOSURE DOCUMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, PEO Franchising, LLC and you are preparing to enter into a Franchise Agreement for the operation of a Franchised Business. In this Franchisee Disclosure Questionnaire, PEO Franchising, LLC will be referred to as "we" or "us." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed PEO Franchising, LLC Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes ☐ No ☐

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes ☐ No ☐

If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

_____

_____

3. Have you received and personally reviewed our Disclosure Document we provided to you?

Yes ☐ No ☐

4. Do you understand all of the information contained in the Disclosure Document?

Yes ☐ No ☐

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

_____

_____

5. Have you discussed the benefits and risks of operating the Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes ☐ No ☐

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes ☐ No ☐

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues or profits of the Franchised Business that we or our franchisees operate?

Yes ☐ No ☐

8. Has any employee or other person speaking on our behalf made any statement or promise concerning a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ☐ No ☐

9. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes ☐ No ☐

10. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ☐ No ☐

11. If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of these questions, please leave the following lines blank.

_____

_____

12. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between you and us?

Yes ☐ No ☐

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant:

Date: _____ _____

_____, Individually

Date: _____ _____

_____, Individually

EXHIBIT I
TO THE DISCLOSURE DOCUMENT

GENERAL RELEASE (SAMPLE FORM)

v.1

GENERAL RELEASE

(SAMPLE FORM)

THIS GENERAL RELEASE is made and given on this ____ day of _____, 20____ by _____, ("RELEASOR") an individual/corporation/ limited liability company/partnership with a principal address of _____ _____, in consideration of:

_____ the execution by PEO Franchising, LLC, a Texas limited liability company ("RELEASEE"), of a successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise") granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise Agreement") between RELEASOR and RELEASEE; or

_____ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the Franchise Agreement; or

_____ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the Franchise Agreement; or

_____ _____ [insert description]

and other good and valuable consideration, the adequacy of which is hereby acknowledged, and accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

THIS IS A SPECIFIC RELEASE GIVING UP ALL RIGHTS WITH RESPECT TO THE TRANSACTIONS OR OCCURRENCES THAT ARE BEING RELEASED UNDER THIS AGREEMENT.

California Releasor:

You represent and warrant that YOU EXPRESSLY WAIVE ANY AND ALL RIGHTS AND BENEFITS UNDER CALIFORNIA CIVIL CODE §1542, which provides as follows:

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

The above Release shall not apply to any liabilities arising under the California Franchise Investment Law or the California Franchise Relations Act.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

v.1

EXHIBIT J
TO THE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

V.1

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

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.

State	Effective Date
California	
Florida	
New York	

EXHIBIT K
TO THE DISCLOSURE DOCUMENT

RECEIPTS

Receipt

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 PEO Franchising, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York and Rhode Island require that PEO Franchising, LLC 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 PEO Franchising, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If PEO Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A. PEO Franchising, LLC's agents for service of process are listed in Exhibit B.

Date of Issuance: August 19, 2025

The Franchise Seller(s) for this offering are:

Lee Chapman, 7081 Heuermann Road, San Antonio, Texas 78256, 800-993-0803 and/or _____

_____ .

I have received a disclosure document dated August 19, 2025. State registration effective dates are listed on the State Effective Dates page. The disclosure document included the following Exhibits:

Exhibit A1 State Appendices
Exhibit A2 List of State Administrators
Exhibit B Agents for Service of Process
Exhibit C Franchise Agreement and Attachments
Exhibit D Telephone Number and Website URL Assignment Agreement
Exhibit E Table of Contents of Manual
Exhibit F Financial Statements
Exhibit G List of Current Franchisees and List of Former Franchisees
Exhibit H Questionnaire
Exhibit I General Release (Sample Form Only)
Exhibit J State Effective Dates Page
Exhibit K Receipts

Please sign and print your name below, date and return one copy of this receipt to PEO Franchising, LLC and keep the other for your records.

_____ _____

Date of Receipt

Print Name

_____

Signature

(individually and as an officer of)

_____

(Name of corporation, LLC, or partnership)

_____ A corporation
_____ A Limited Liability Company
_____ A Partnership

[KEEP THIS RECEIPT FOR YOUR RECORDS]

Receipt

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_____ _____

Date of Receipt

Print Name

_____

Signature

(individually and as an officer of)

_____

(Name of corporation, LLC, or partnership)

_____ A corporation
_____ A Limited Liability Company
_____ A Partnership

[RETURN THIS COMPLETED FORM]