

**ITEM 1**  
**THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES**

To simplify the language in this Offering Circular, "LFI" means Labor Finders International, Inc., the franchisor. "You" means the person or entity who buys the franchise. If the franchisee is a partnership, corporation or other legal entity, "you" sometimes includes the franchisee's officers, directors, owners, shareholders or partners individually.

**LFI**

LFI is a Florida corporation. It commenced business on March 1, 1992, incorporated on June 15, 1992 under the name Temporary Solutions, Inc., and changed its name to Labor Finders International, Inc. on December 4, 1992. LFI maintains its principal place of business at 11426 North Jog Road, Palm Beach Gardens, Florida 33418. LFI does not do business under any other name. LFI does not have any predecessors that it is required to disclose.

LFI's agents for service of process are disclosed in Exhibit J to this Offering Circular.

**LFI's Business**

LFI offers temporary personnel services through its franchisees who provide skilled, semi-skilled and unskilled industrial personnel to the business community. LFI began offering LABOR FINDERS and OFFICE FORCE franchises in June 1992 and stopped offering OFFICE FORCE franchises in December 1997. LFI has never offered franchises in any other lines of business. LFI is not involved in any other business activities. LFI does not presently operate any businesses of the type being franchised.

**LFI's Affiliates**

LFI's affiliate, LF Staffing Services, Inc. ("LF Staffing"), a wholly owned subsidiary of LFI, was formed in July 1997. LF Staffing began operating LABOR FINDERS offices in September 1997, and now operates 20 LABOR FINDERS offices. The principal business address of LF Staffing is 11426 North Jog Road, Palm Beach Gardens, Florida 33418.

LFI's affiliate, L.F. Advertising and Supply, Inc. ("LF Advertising"), was formed in 1979 and sells certain supplies and equipment to LFI franchisees. See Item 8. The principal business address of LF Advertising is 1617 North Federal Highway, Suite B, Lake Worth, Florida 33460.

Another LFI affiliate, LFI Safety Management Services, Inc. ("Management Services"), was formed in 1993 and offers administrative services for workers' compensation and general liability insurance programs to LFI franchisees in certain states. See Item 8. The principal business address of Management Services is 1617 North Federal Highway, Suite B, Lake Worth, Florida 33460.

LFI's affiliate, Tax Management Systems, Inc. ("Tax Systems"), was formed in 1975 and supports Management Services in offering administrative services for workers' compensation and general liability insurance programs to LFI franchisees in certain states. See Item 8. The principal business address of Tax Systems is 1617 North Federal Highway, Suite B, Lake Worth, Florida 33460.

LFI's affiliate, B.V. Enterprises, Inc. doing business as Snodgrass Accounting Service ("Enterprises"), was formed in 1975 and provides consulting services to LFI and accounting services to LFI franchisees. See Item 8. The principal business address of Enterprises is 6165 10<sup>th</sup> Avenue North, Greenacres City, Florida 33463.

Except for LF Staffing, none of these affiliates has conducted the type of business to be conducted by franchisees. None of these affiliates has ever offered franchises in any line of business.

### **LABOR FINDERS® Franchises**

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

You must open the number of offices, in the general locations and by the times specified in the development schedule in Exhibit 1 to your Franchise Agreement. You must continue to open at least one office each year until you have one office for each 500,000 population in your territory. You will also be entitled to open additional offices within your territory if you wish to. See Items 11 and 12. All your offices will be operated under your existing Franchise Agreement. You will not have to pay an additional franchise fee to open any additional offices in your territory.

As an existing franchisee, you may also request an additional franchise for a different territory. If you are in good standing and LFI approves your request, you will execute a current standard form of Franchise Agreement for the new territory. There is no initial franchise fee for additional franchises. See Item 5.

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

## **ITEM 2 BUSINESS EXPERIENCE**

### **NEWTON C. BURNETT, Director and Chairman of the Board**

Mr. Burnett has been a Director and the Chairman of the Board of LFI since June 1992. He was the President of LFI from June 1992 to March 1999. He has also been a Director of LFI's subsidiary LF Staffing since July 1997, a Director and Vice President of LFI's affiliate LF Advertising since December 1986 and a Director and Vice President of LFI's affiliate Tax Systems since January 1996. Mr. Burnett also serves as an officer and director of several franchisees in which he has a minority interest.

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

Mr. Burnett has been a Director, President and Chief Executive Officer of LFI since March 1999. He was the Vice President of LFI from March 1996 to March 1999, and the Secretary and Treasurer of LFI from June 1992 to March 1999. He was also the Chief Financial Officer of LFI from June 1992 to March 1996. Mr. Burnett became a Director, President and Chief Executive Officer of LFI's subsidiary, LF Staffing in March 1999. He was the Vice President, Secretary and Treasurer of LF Staffing from July 1997 to March 1999. Mr. Burnett also was the Director and President of LFI's affiliate Management Services from February 1993 to December 1994. See Item 8. He held various positions at Action Temporary Services, Inc., a temporary personnel service firm in North Palm Beach, Florida, which merged into MedForce International, Inc. in 1991, beginning as a staff accountant from 1986 to 1991 and ending as the Director of Franchise Relations from 1991-1992, including serving as the Chief Financial Officer from 1988-1991. He is licensed as a Certified Public Accountant by the State of Florida.

**RICHARD B. VONDRAK, Director**

Mr. Vondrak has been a Director of LFI since June 1992. He has also been a Director and the President of LFI's affiliate LF Advertising since December 1986, and a Director of LFI's subsidiary LF Staffing since July 1997. Mr. Vondrak has also been the President and a Director of LFI's affiliates Enterprises and Tax Systems since 1975 and of Management Services since January 1995. In addition, Mr. Vondrak is a Director and the President of eight franchisees in which he is part owner: Labor Force of Nevada, Inc., based in Lake Worth, Florida, since January 1988; LFI Ft. Pierce, Inc., based in Lake Worth, Florida, since July 1992; Labor Finders of Nevada, Inc., based in Lake Worth, Florida, since April 1993; J.A.F., Inc., based in Lake Worth, Florida, since January 1994; NGRJ, Inc., based in Brandon, Florida, since January 1996; WRDV, Inc., based in Lake Worth, Florida, since June 1997, GCRL, Inc. based in Lake Worth, Florida, since March 2001 and MPD, Inc. based in Lake Worth, Florida since February 2003. Mr. Vondrak also serves as an officer and director of several other franchisees in which he has a minority interest.

**JANET SMITH, Director of Business Development**

Ms. Smith became the Director of Business Development of LFI in January 2006. From January 2003 to January 2006, she was President of 5th Dimension Marketing, Inc., a consulting firm in Jupiter, Florida. From September 2000 to January 2002 she was a Director of the Engineering Program Office of Siebel Systems, Inc., a customer relationship management software company in San Mateo, California. From February 2000 to September 2000 she was the President of her own firm, Janet Smith Consulting, a marketing consulting firm located Redwood City, California. From 1994 to 2000 she was Senior Director, Marketing & Business Development for Informix Software Inc. in Menlo Park, California.

**CHARLES WOOLWEAVER, Director of Franchise Development**

Mr. Woolweaver became LFI's Director of Franchise Development in November 2005. He was self-employed as a consultant in Delray Beach, Florida from March 2005 to September 2005. From February 2003 to March 2005, he was the Director of Franchise Development for Fastbucks Franchise Corp, a payday loan company in Dallas, Texas. He was self-employed as a consultant in Boca Raton, Florida from January 2001 until February 2003. From January 1999 until February 2003, Mr. Woolweaver was the Vice President of Franchise Development for MyCity.com, a provider of Internet city guides in Miami, Florida.

**KIMBERLY E. PHIPPS, Secretary, Treasurer and Controller**

Ms. Phipps became the Secretary and Treasurer of both LFI and LF Staffing in March 2000. She has also been the Controller of both LFI and LF Staffing since October 1998. She was the Controller for Como Oil Co. of Florida, a gasoline and oil wholesaler and retailer in Palm City, Florida, from February 1998 to October 1998.

**JONATHAN KLORFEIN, Director of Client Services**

Mr. Klorfein has been the Director of Client Services of LFI since December 1999.

**ITEM 3  
LITIGATION**

**Pending Actions**

Bucy v. Labor Finders International, Inc. (Circuit Court, McMinn County, Tennessee, Case No. 25700). In June 2004, Stephanie Bucy ("Bucy") filed a complaint against LFI alleging breach of contract, fraudulent inducement, negligent misrepresentation, promissory estoppel and quantum meruit arising out of Bucy's alleged employment by LFI for which Bucy was not paid any salary. Bucy seeks damages in the amount of \$300,000. LFI was not served with this complaint until September 2004. In October 2004, LFI filed an answer, denied the claims and asserted that the LFI employee who made the employment offer to Bucy was not acting as LFI's agent and had hired Bucy for an entity owned by that LFI employee. In February 2006, LFI obtained an affidavit from the LFI employee admitting that she was not authorized to hire employees on behalf of LFI or make promises to prospective employees on LFI's behalf. LFI intends to file the affidavit with its motion for summary judgment by April 2006 requesting that the case be dismissed.

**Concluded Actions**

Labor for Hire, Inc. v. MedForce International, Inc. (Circuit Court, 15th Judicial Circuit in and for Palm Beach County, Florida, Case No. CL 92-3060 AOLFI). On March 1, 1992, LFI (as the successor to MedForce) was sued by Labor for Hire for damages in excess of \$40,000, costs and attorneys' fees, for MedForce's alleged breach of contract for failing to provide certain services. LFI filed a counterclaim for unpaid fees. Labor for Hire also sought declaratory relief as to the unpaid fees and a non-competition clause. The parties entered into a settlement agreement approved by the Bankruptcy Court on December 16, 1993, pursuant to which Labor for Hire paid LFI a total of \$25,000 over a period of 50 months. Pursuant to the settlement agreement, LFI filed a notice of voluntary dismissal with the court on July 6, 1998 and the lawsuit was dismissed with prejudice.

Labor Force, Inc. v. Action Temporary Services, Inc. (United States District Court, Northern District of California, Civil Action No. C-90-20323-JW). This lawsuit, which was originally filed by Labor Force in 1990, alleged trademark infringement by LFI's predecessor ATS Florida for the use of the name LABOR FORCE. In October 1991, Labor Force and ATS Florida entered into a Settlement Agreement, and the Court entered a Final Judgment on Consent and Dismissal Under Seal, under which ATS Florida paid certain compensation to Labor Force, and the existing LABOR FORCE licensees of ATS Florida were permitted to use the mark during the remaining terms of their license agreements. ATS Florida, on behalf of

itself and its successors, agreed to refrain from the further licensing of the mark LABOR FORCE.

In June 1992, Labor Force filed a motion seeking to have ATS Florida (and its successors) held in contempt for violation of the Final Judgment. Labor Force alleged that ATS Florida used the LABOR FORCE mark in violation of the terms of the Final Judgment. ATS Florida also filed a motion seeking to hold Labor Force in violation of the Final Judgment for contacting ATS Florida licensees and interfering with the business relationships between ATS Florida and its licensees. In January 1993, the parties entered into a non-public settlement agreement pursuant to which LFI paid certain compensation to Labor Force and the parties stipulated to the dismissal of all pending contempt claims with prejudice.

In October 1994, Labor Force filed another motion seeking to have LFI's use of the "LF" design logo separately from the "LABOR FINDERS" name declared a breach of the Final Judgment, and to obtain a determination that Labor Force has the exclusive right to the mark comprised of the words "LABOR FORCE" together with the "LF" design logo. LFI filed a cross motion asking the Court to declare that Labor Force's use of the "LF" design logo, either alone or together with the "LABOR FORCE" name, is a breach of the Final Judgment. The Court granted LFI's motion, and subsequently ordered Labor Force to stop all use of the "LF" design logo by May 17, 1995.

On November 18, 1994, LFI filed a petition with the United States Patent and Trademark Office ("PTO") to cancel the Labor Force design and mark registered by Labor Force (Cancellation No. 23,450). In April 1996, Labor Force sought summary judgment against cancellation of its mark, which was denied on the merits by the Trademark Trial and Appeal Board in June 1997. At the same time, the Board granted LFI's motion to file an amended petition to cancel Labor Force's registration. In August 1997, LFI filed a motion for summary judgment to cancel Labor Force's Registration. LFI's motion was granted on April 10, 1998, and the PTO cancelled Labor Force's Registration in May 2000.

Other than these three matters, no litigation, arbitration or administrative proceeding is required to be disclosed in this Offering Circular.

#### **ITEM 4 BANKRUPTCY**

No person or entity previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

#### **ITEM 5 INITIAL FRANCHISE FEE**

##### **Franchise Fee**

You must pay LFI an initial lump sum franchise fee of \$10,000 when you execute your Franchise Agreement. This fee is not refundable under any circumstances. LFI uses this money for its general operating expenses. You do not have to pay an additional initial franchise fee when you open additional offices in the same territory.

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

**Software**

If you choose to install your computer software on more than one computer in any office, you must pay LFI a one-time charge of \$80 for each additional computer. LFI estimates that this additional fee could range from nothing if only one computer runs the computer software in a stand-alone situation to \$320 if the computer software is installed on one server computer and four additional computers utilize the software in a networking situation. See Items 8 and 11. These fees are not refundable under any circumstances.

**Supplies and Equipment Purchases**

You will also need to purchase supplies and equipment before your business opens. See Item 7. You may, at your option, purchase certain of these items from LFI or LFI's affiliate LF Advertising. See Item 8. The estimated amount you will pay LFI or LF Advertising for these pre-opening purchases ranges from nothing (if you purchase from third parties) to \$1,700. This amount is not refundable under any circumstances.

**ITEM 6  
OTHER FEES**

Type of Fee (Note 1)	Amount	Due Date	Remarks (Note 2)
Royalties FA § 4.2 (Note 3)	2.5% of Sales (Note 4)	45 days after end of month in which you invoiced customers	"Sales" are your gross customer billings excluding interest, taxes and certain bonuses and transportation costs paid to your employees.
Software FA § 4.3	\$125 per month per office; plus one-time \$80 for each additional on-line computer per office	1st day of each month	See Items 8 and 11.
Training FA § 6.1	LFI's expenses plus then current fee (estimated to be \$0 to \$2,500)	In advance	LFI provides free initial training for two people. See Item 11.
Insurance FA § 6.11	LFI's cost	Within 30 days after your receipt of LFI invoice	You must reimburse LFI if you fail to maintain required insurance and LFI at its option purchases insurance for you. See Item 8.
Temporary Management FA § 8.5.2	150% of manager's gross compensation, plus benefits, and costs of transportation, commuting and housing	As billed	For interim manager of your business furnished by LFI upon your death or permanent incapacity.
Audits FA § 6.6	LFI's costs, expenses and overhead for examining your records	On demand	Payable if you under report amounts owed to LFI by 5% or more.
Delinquent Interest FA § 4.4	Interest at maximum rate permitted by law, not to exceed 1.5% per month	Beginning on date of delinquency	Payable on any delinquent amount you owe LFI.

Type of Fee (Note 1)	Amount	Due Date	Remarks (Note 2)
Indemnification FA § 6.13	Amount of LFI's liabilities	As incurred	Covers claims and liabilities incurred by LFI relating to your business.
Attorneys' Fees FA §§ 6.13 and 11.5	Amount incurred by LFI	As incurred	Attorneys' fees and costs for indemnification or enforcing your Franchise Agreement.
Guaranty FA § 17	All your obligations	On demand	Your owners who are active in the business and their spouses must personally guaranty your obligations to LFI to the extent of their percentage ownership interests.

**Notes:**

1. Your initial franchise fee, and other initial payments to LFI and its affiliates before you commence business, are described in Item 5. The fees and charges shown in this chart are all payments you must make to LFI. They are not optional. See Item 8 for optional services and goods you may obtain from LFI and its affiliates, and Item 10 for financing that may be available from LFI or its affiliates.
2. Unless otherwise noted, all fees in this table are imposed by and payable to LFI. All fees are non-refundable. All fees are waived for LFI's subsidiary LF Staffing.
3. "FA" means the Franchise Agreement attached as Exhibit C to this Offering Circular. The more detailed provisions of your Franchise Agreement on each of these subjects determine your obligations.
4. The Royalty fee is uniform for all franchisees who are acquiring their first franchise from LFI. Some existing franchisees currently pay Royalties calculated as a percent of Sales, and some pay Royalties on a sliding scale based on billable hours invoiced. In both cases, some existing franchisees who have older franchises, or who have renewed their franchises or acquired additional franchises, pay reduced Royalties.

**ITEM 7  
INITIAL INVESTMENT**

**ESTIMATED INITIAL INVESTMENT\***

Expenses	Estimated Dollar Ranges		Method of Payment/ Financing (Note 1)	When Due	To Whom Paid	Refundable
	Low	High				
<b>PRE-OPENING EXPENSES:</b>						
Initial Franchise Fee (Note 2)	10,000	10,000	Lump sum	Upon execution of Franchise Agreement	LFI	No
Travel (Note 3)	1,000	2,000	Lump sums	As incurred	Airlines	No
Living Expenses While Training (Note 4)	1,600	2,500	As incurred	During training	Hotels & Restaurants	No
Office Rent Deposit (Note 5)	1,500	2,500	Lump sum	Upon signing lease	Landlord	Sometimes

Expenses	Estimated Dollar Ranges		Method of Payment/ Financing (Note 1)	When Due	To Whom Paid	Refundable
	Low	High				
Office Furniture and Fixtures (Note 6)	3,000	4,000	Lump sums	As incurred	Vendors	No
Signage (Note 7)	1,500	4,000	Lump sum	As incurred	Vendors &/or LFI's Affiliate	No
Telephones (Note 8)	200	400	Lump sums	As incurred	Vendors	No
Telephone Answering Machine or Service (Note 9)	200	300	Lump sums	As incurred	Vendors	No
FAX Machine	200	900	Lump sums	As incurred	Vendor	No
Copier (Note 6)	1,000	1,500	Lump sums	As incurred	Vendor	No
Supplies (Note 10)	1,500	2,000	Lump sums	As incurred	Vendors, LFI &/or LFI's Affiliate	No
Computer System & Software (Note 11)	1,800	3,520	Lump sums	As incurred & monthly	Vendors & LFI	No
Utility Deposits (Note 12)	500	800	Lump sums	As incurred	Utility Companies	Sometimes
Insurance (Note 13)	6,400	10,400	Lump sums	As incurred & annually	Insurance Carriers &/or LFI's Affiliate	No
Professional Services (legal/accounting) (Note 14)	600	3,000	Lump sums	As incurred	Attorney/ Accountant or LFI's Affiliate	No
Licenses & Permits (Note 15)	250	500	Lump sums	As incurred	Government Authorities	No
Advertising (Note 16)	750	1,250	Lump sums & monthly	As incurred	Telephone Company & Media	No
<b>ADDITIONAL OPERATING FUNDS FOR 3 MONTHS</b> (Note 17)	64,150	107,750	---	As incurred	Vendors, LFI &/or LFI's Affiliates	No
<b>TOTAL</b> (Note 18)	96,150	157,320	<b>Does not include: debt service, equipment/furniture lease payments or your salary</b>			

**Notes:**

- \* Your estimated initial investment before you begin operating your business and for your first 3 months of operations are shown on this chart.
- 1. LFI may provide payroll funding financing for your outside temporary employees. See the detailed discussion under the caption "Payroll Funding Financing" in Item 10. Neither LFI nor its affiliates offer any other direct or

indirect financing for any part of your initial investment. These estimates do not include debt service for any financing you may obtain from LFI or third parties.

2. The initial franchise fee is waived for the purchase of additional franchises by existing franchisees. See Item 5. You do not have to pay an additional initial franchise fee when you open additional office locations within your franchise territory.
3. This estimate is for two people. Transportation costs for training can vary significantly depending upon advance scheduling, your location and the number of people traveling.
4. Food and lodging expenses for two people for 10 to 14 days of training at LFI's principal place of business in Palm Beach Gardens or in a mutually acceptable location. No estimate is included for car rentals or other personal expenses. The estimates should be increased if more than two people will be attending training.
5. You are responsible for obtaining an office location suitable for the operation of your business. A typical office has 1,000 to 1,200 square feet, and is located in a single free-standing building. Whether you lease or purchase office space is solely your decision. Many variables, including region, neighborhood, condition and size, affect the cost of a location. See Item 11.
6. Assumes all office furniture, equipment and fixtures will be purchased and fully paid for immediately. If you lease instead, your initial investment will be reduced, but your working capital needs will increase to cover the lease payments.
7. Includes the costs of interior and exterior signs and their installation. You may elect to purchase certain interior signs from LFI's affiliate LF Advertising. See Item 8.
8. Includes two telephones.
9. The estimate for telephone answering services covers the first month of service.
10. Includes business forms, forms and specialty items, and safety equipment. You may elect to purchase some or all of these items from LFI or LFI's affiliate LF Advertising. See Item 8.
11. You must use software provided by LFI, and a specified computer system. See Items 8 and 11.
12. Includes deposits for telephone, other utilities and postage meter deposits.
13. These are estimates for (i) the deposit and three months premium for workers compensation insurance and (ii) the premium for three months of automobile and general liability insurance with a limit of \$1,000,000 and no deductible. If available in your state, you may elect to purchase your workers compensation and general liability insurance through LFI's affiliate Management Services. See Item 8. The estimate does not include any premium for property or other types of insurance.
14. Obtaining professional legal and accounting services is not mandatory, but LFI recommends that you obtain such advice in the course of verifying these initial investment estimates locally, entering into your Franchise Agreement, setting up your business and complying with legal requirements. You may elect to obtain certain accounting services from LFI's affiliate Enterprises. See Item 8.
15. Includes business licenses and permits.
16. Includes pre-opening direct mail and other advertising expenses of \$350 to \$500, and an estimated \$150 to \$450 for the first month of "yellow pages" telephone directory advertising.
17. The estimates for additional operating funds are based upon the average experience of new offices opening in the past. They include funds required to cover operating shortfalls and cash flow shortages during your first 3 months of operations. These estimates include:

Expense	Estimated Amounts	
	Low	High
Salaries (temporary personnel)	\$45,000	\$80,000
Salaries (office staff)	10,800	14,000
Office Rent	3,000	6,600

Expense	Estimated Amounts	
	Low	High
Telephone Service	750	1,100
Computer hardware and software rental	750	750
Utilities	750	1,000
Postage	1,200	1,600
Legal and accounting	450	600
Repairs and maintenance	450	600
Miscellaneous	1,000	1,500
<b>Total</b>	<b>\$64,150</b>	<b>\$107,750</b>

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

**LFI does not guarantee that you will not have greater start-up expenses than these estimates, or that you will not need more operating funds than these estimates. Your actual investment and expenses will vary according to region, the time of year, the number of customers being serviced, sales promotions, and other factors. LFI does not imply or guaranty that you will "break even" by any particular time.**

18. Unless otherwise stated, all expenses are applicable to each LABOR FINDERS office you open. This is only an estimate of the range of initial start-up expenses you may incur. The actual amount of additional funds you will need depends on a variety of factors, including the location of your business, whether you extend credit to your customers, the time of year when you start your business, your management skills, economic conditions, competition in your area, and other factors. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Required Purchases from LFI

You are required to pay LFI a monthly fee of \$125 per office for the use of LFI's proprietary computer software. If you choose to install LFI's proprietary computer software on more than one computer per office, then you must also pay LFI a one-time charge of \$80 for each additional computer. See Item 11. You must also pay LFI fees for new manager training and any temporary management services provided by LFI. See Item 6. There are no other goods or services that you must purchase from LFI or its affiliates to establish or operate your business.

### Optional Purchases from LFI and Its Affiliates

**Workers' Compensation and General Liability Insurance.** Eligible franchisees, at their option, may obtain workers' compensation insurance from an independent insurance company through LFI's affiliate, Management Services, where available. The independent insurance company may be changed from time to time to accommodate changes in the insurance market. Franchisees who are eligible and elect to participate in the workers' compensation insurance program are required to pay monthly premiums and assessed amounts to fund a claims escrow and pay administration fees, and they are at risk for the full amount of certain other assessments, charges and indemnities. General liability insurance may also be

obtained through Management Services, where available. Management Services, with support from LFI's affiliate, Tax Systems, administers the premium assessments and other charges collected for the present insurance programs.

Because of differing insurance and licensing requirements of state laws, these programs may not be available in all states. All policy terms and costs are subject to change by the carriers from time to time. If you are interested in either of these programs, you should carefully read the policy and all other agreements with the carrier, and consult with your attorney about them.

**Equipment and Supplies.** You may elect to purchase certain forms and advertising specialty items either from LFI or LFI's affiliate LF Advertising, as well as interior signs and safety equipment from LF Advertising, or from a third party supplier in accordance with LFI's specifications as described below.

**Accounting Services.** You may elect to obtain accounting services from LFI or its affiliate Enterprises, or from a third party supplier in accordance with LFI's specifications as described below. Subject to local requirements, LFI and Enterprises may provide franchisees with the following accounting services: Preparation of monthly or yearly financial statements, including cash flow projections, from bookkeeping information you provide; preparation of monthly and quarterly payroll reports; preparation of state and federal payroll tax returns; and preparation of yearly federal and state income tax returns.

### **Approved Suppliers**

Other than negotiating for its own bulk purchases of forms and specialty advertising items that you may purchase directly from LFI, LFI does not currently negotiate purchasing arrangements or price terms with suppliers for the benefit of franchisees. LFI has an approved national yellow pages supplier who is familiar with LFI's advertising layouts and requirements, but you may use any yellow pages vendor you wish. Except for the yellow pages supplier, LFI does not currently maintain a list of approved suppliers, and it has no criteria for approving suppliers.

LFI may in the future require you to purchase all your indoor and outdoor signs, stationary and forms from suppliers that LFI approves. At that time, a list of approved suppliers will be included in the Operations Manual. You may request that LFI approve a new supplier. Based on information and samples from the supplier which you must furnish, LFI will evaluate the vendor's products, financial capacity, business reputation, delivery performance, credit rating and other relevant criteria. LFI will notify you of its decision within a reasonable time after receipt of your request. LFI may charge a reviewed vendor a one-time fee to compensate LFI for the expense of the review process.

LFI does not provide any inducements or special benefits to you based on whether you make purchases from LFI, LFI's affiliates or other suppliers. Neither LFI nor its affiliates receive any payments or material consideration from your purchases or leases from third party suppliers.

### **Specifications for Goods and Services**

You must lease or purchase certain initial equipment and supplies, including signs, a computer, computer printer, telephone answering machine, copier and fax machine, all in accordance with specifications provided in the Operations Manual. You must provide your own

internet access to LFI's computer system server. You must obtain a new telephone number, a white pages telephone directory listing, and a yellow pages listing. See the detailed discussion about LFI's approval of your signs and advertising under the caption "Advertising" in Item 11. You must maintain workers' compensation and general liability insurance naming LFI as an additional insured from insurance companies rated at least B+ by Best's or otherwise acceptable to LFI, and comply with LFI's accounting and record keeping standards as specified in the Operations Manual.

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

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

LFI will loan you one copy of the Operations Manual at the beginning of your initial training. LFI may make periodic revisions to the Operations Manual by providing copies of changes to you, and you must comply with all such changes. See Items 11 and 14.

LFI will consider any request for the modification of specifications, or for the approval of equipment or supplies, upon submission of a written request. For a modification, your request must state the reason for the modification. For an approval, you must provide sufficient technical data to enable LFI to determine if the item meets specifications. LFI will notify you of its decision within a reasonable time after receipt of your request. LFI reserves the right to perform such tests as it deems necessary to determine if any item meets its specifications. LFI will approve a request if it determines that the item meets specifications then in effect.

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

In the year ended December 31, 2005, based on its audited financial statements (Exhibit I to this Offering Circular), LFI's revenues from required purchases and leases by franchisees for the licensing of computer software and from interest on working capital loans made to franchisees were \$325,076 or            % of LFI's total revenues of \$           . (Neither LFI nor any of its affiliates received revenues from providing new manager training, temporary management services or interest from payroll loans made to franchisees during the year ended December 31, 2005.)

In the year ended December 31, 2005, based on its unaudited financial statements, the estimated revenues of LFI's affiliate LF Advertising from optional purchases by LFI franchisees of signs, equipment and supplies were approximately \$1,500,000, or 50% of the total revenues of \$3,000,000 of LF Advertising.

In the year ended December 31, 2005, based on its unaudited financial statements, the estimated revenues of LFI's affiliate Enterprises from optional purchases of accounting services by LFI franchisees were \$271,590, or 38% of the total revenues of \$719,062 of Enterprises.

In the year ended December 31, 2005, based on unaudited information furnished by LFI's affiliates that administer insurance programs for LFI's franchisees, Management Services collected deposits of \$16,000,000 and Tax Systems collected deposits of \$640,000 from franchisees who elected to participate in the programs. All of these deposits were submitted to the companies that provide insurance coverage to the franchisees.

## Percentages of Franchisee Purchases

LFI currently has no approved suppliers. LFI estimates that the cost of the goods and services you will purchase from LFI and its affiliates, and in accordance with LFI's specifications, will be approximately the following percentages of your total purchases in connection with the establishment of your business, and of your total annual purchases thereafter in connection with the on-going operation of your business:

<b>Estimated Percentages of Franchisee Purchases</b>	<b>Percent of Total Purchases in Connection with the Establishment of Your Business</b>	<b>Percent of Total Annual Purchases in Connection with the On-Going Operation of Your Business</b>
Required Purchases from LFI and Its Affiliates	0.4%	0.1%
Optional Purchases from LFI and Its Affiliates (Note 1)	41.0%	6.0%
Purchases from Approved Suppliers	0.0%	0.0%
Purchases in Accordance with LFI's Specifications (Note 1)	22.0%	3.0%
Total Purchases in All Four Categories Above	63.4%	9.1%

### **Note:**

1. If you do not make these optional purchases from LFI and its affiliates, the percentage for optional purchases will be reduced and the percentage for purchases in accordance with LFI's specifications will be increased correspondingly.

## Purchasing Cooperatives

There are no purchasing or distribution cooperatives for the purchase of goods or services relating to your business.

## 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 OFFERING CIRCULAR.**

<b>Obligation</b>	<b>Section in Franchise Agreement (Notes 1 and 2)</b>	<b>Item in Offering Circular</b>
a. Site selection and acquisition/lease	2.3, 5.5, 6.4.1, 6.4.7	Items 11, 12
b. Pre-opening purchases/leases	4.3, 5.4, 6.4.2, 6.4.3, 6.4.4, 6.4.5, 6.11	Items 5, 6, 7, 8, 11
c. Site development and other pre-opening requirements	6.4.1, 6.4.4	Items 7, 11
d. Initial and ongoing training	5.1, 6.2	Items 6, 7, 11
e. Opening	6.4	Items 11, 12

Obligation	Section in Franchise Agreement (Notes 1 and 2)	Item in Offering Circular
f. Fees (Note 3)	4.1, 4.2, 4.3, 4.4, 6.2, 6.11, 8.1.2.G, 8.5.2, 11.5, 17; Ex. 1	Items 5, 6, 7, 8, 10
g. Compliance with standards and policies/Operations Manual	5.3, 5.4, 6.4, 6.5, 6.7, 6.8, 6.9, 6.10, 6.11, 6.12, 6.14, 11.3	Items 8, 11, 14
h. Trademarks and proprietary information (Note 4)	1, 6.8, 7.1, 7.2, 7.7; Ex's. 1, 2	Items 13, 14
i. Restrictions on products/services offered	2.3.2, 6.4.7; Ex. 1	Items 12, 13, 16
j. Warranty and customer service requirements	2.3.2, 6.4.7; Ex. 1	Items 12, 13, 16
k. Territorial development and sales quotas	2.1, 2.3.1, 6.2, 6.4.7	Items 1, 11, 12
l. Ongoing product/service purchases	4.3, 5.6, 6.11	Items 5, 6, 8, 11
m. Maintenance, appearance and remodeling requirements	6.4.1, 6.4.7	Items 7, 11
n. Insurance	6.11	Items 6, 8
o. Advertising	6.4.3, 6.10	Items 7, 8, 11
p. Indemnification (Note 3)	5.8, 6.6, 6.13	Items 6, 13, 14
q. Owner's participation/management/staffing	6.1, 6.2, 6.3, 6.4.4	Items 7, 11, 15
r. Records/reports	6.6, 6.12, 7.1	Items 6, 11
s. Inspections/audits (Note 3)	6.6	Items 6, 11
t. Transfer (Note 3)	8, 10.2	Items 6, 17
u. Renewal	3.2	Item 17
v. Post-termination obligations (Note 3)	7.2.6, 7.3, 7.4, 10; Ex. 2	Item 17
w. Non-competition covenants (Note 4)	7.3, 7.4, 7.7; Ex. 2	Items 14, 17
x. Dispute resolution	10.3, 11.4, 11.5, 11.6	Item 17
y. Guaranties (Note 3)	8.1.2.E, 8.3.4, 13, 17	Item 17

**Notes:**

1. The Franchise Agreement is attached as Exhibit C to this Offering Circular.
2. Federal bankruptcy laws and some states' statutes or court decisions may supersede the terms of your franchise agreement including choice of law, choice of forum, waivers, releases, periods of limitation, transfer, termination and renewal. See the State Law Addendum attached to this Offering Circular at Exhibit B.
3. If the franchisee is a corporation or other legal entity, the owners and their spouses are also individually responsible for these obligations (FA §§ 8.1.2.E, 8.3.4, 13, 17).
4. If the franchisee is a corporation or other legal entity, the officers, directors and owners, and their immediate family members are also individually obligated by these restrictions (FA §§ 7.7 and FA Ex. 2).

## ITEM 10 FINANCING

Neither LFI nor any of its affiliates has any obligation to provide financing to you, either directly or indirectly through third parties. Neither LFI nor its affiliates receive any direct or indirect payments for any financing you may receive from third parties. Payments for any signs, equipment and supplies you may purchase from LF Advertising are due upon then current terms, but in no event longer than 90 days. See Item 8.

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

LFI or one of its affiliates may also, at their discretion, provide working capital loans to established franchisees. Such loans are repaid in fixed monthly installments over one to five years. See the detailed discussion under the caption "Working Capital Financing" below.

### **Payroll Funding Financing**

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

Copies of the forms of Payroll Funding and Support Services Agreement, Security Agreement (Payroll Funding Loan), Guaranty (Payroll Funding Loan) and Financing Statement currently used by LFI when making payroll funding loans to franchisees are attached to this Offering Circular as Exhibit D. These forms, and the loan terms, may be changed from time to time by LFI.

Interest on payroll loans will be a floating rate of three percent above the annual prime rate published in the Wall Street Journal at the end of each month, payable monthly on the average daily principal balance of loans outstanding. (Exhibit D, Payroll Funding Agreement § 6.1.) The monthly interest rate as of March 1, 2006 was 0.85% (Wall Street Journal annual prime rate of 7.5% + 3% ÷ 12). You must also pay LFI a weekly service fee of 5% of the principal amount of loans made the previous week. (Exhibit D, Payroll Funding Agreement § 6.2.)

All of your client accounts receivable will be pledged to LFI to secure repayment of the payroll funding loans made to you by LFI. (Exhibit D, Payroll Funding Agreement § 8.1, Security Agreement §§ 1 and 2, and Financing Statement.) You must invoice all of your clients for your services and direct them to send their payments to LFI. (Exhibit D, Payroll Funding Agreement § 8.1.2.) LFI will apply 65% of the payments it receives from your clients to the charges and

interest you owe, and to the repayment of the principal of your loans, and 35% of the amounts collected will be paid to you on a weekly basis so long as you are not in default. (Exhibit D, Payroll Funding Agreement §§ 5.3, 6.3 and 7.1.1.) LFI can charge any receivable back to you if your client fails to pay within 60 days or LFI determines that the client is not creditworthy. (Exhibit D, Payroll Funding Agreement § 7.2.) The loans can be prepaid at any time, in whole or in part, without penalty. (Exhibit D, Payroll Funding Agreement § 7.3.)

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

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

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

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

### **Working Capital Financing**

Either LFI, Tax Systems or LF Advertising may, at their discretion, provide working capital financing to you for up to 100% of your increased costs for outside temporary payroll expenses during growth periods. Such working capital financing normally is provided only to franchisees who have been operating for at least six months.

Copies of the forms of Loan Agreement and Release, Promissory Note, Security Agreement, Guaranty and Financing Statement currently used by LFI, Tax Systems and LF Advertising when making working capital loans to franchisees are attached to this Offering Circular as Exhibit E. These forms, and the loan terms, may be changed from time to time by LFI, Tax Systems or LF Advertising.

Any working capital loan made by LFI, Tax Systems or LF Advertising must be repaid in equal monthly installments of principal and interest over a period of one to five years. Interest will be a fixed annual rate established at the time the loan is made, at the then current "prime rate" plus 2%. For a loan made on March 1, 2006, the annual rate of interest would have been

9.5% (Wall Street Journal Prime Rate of 7.5% plus 2%). The loan can be prepaid at any time, in whole or in part, without penalty. (Exhibit E, Promissory Note.)

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

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

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

The Note and security interests are fully transferable, although neither LFI, Tax Systems nor LF Advertising has transferred such notes in the past, and none of them has any present intention to do so in the future.

## ITEM 11 FRANCHISOR'S OBLIGATIONS

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

Except as listed below, LFI need not provide any assistance to you.

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

- Provide initial training for you and one other employee at no charge (if you are a new LFI franchisee), in Palm Beach Gardens, Florida, or another mutually acceptable location. (Franchise Agreement § 5.1.) See the detailed discussion under the caption "Training" below.
- Provide you with a set-up package including master artwork for use on stationery, forms and advertising. (Franchise Agreement § 5.2.)
- Loan you one copy of the LFI Operations Manual. (Franchise Agreement § 5.3.) See Item 8.
- Loan and license you to use LFI's proprietary computer software and user's manual ("Software Manual"), and host a computer system server you must access by Internet to replicate your employee and customer information. (Franchise

Agreement § 5.4.) See the detailed discussion under the caption "Computer System and Software" below, and also Item 14.

- Assist you, at your request, in evaluating possible locations for your first office. (Franchise Agreement § 5.5.) See the detailed discussion under the caption "Site Selection" below, and also Item 12.
- Offer forms and promotional supplies which you may purchase from LFI or LFI's affiliate LF Advertising at a reasonable profit, plus handling and shipping charges. (Franchise Agreement § 5.6.) See Item 8.

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

During the operation of your business, LFI will:

- Provide you by telephone during business hours with reasonable software support and consultation concerning the operation of your business. (Franchise Agreement §§ 5.4.8 and 5.7.1(i).)
- Notify you periodically of new developments and techniques. (Franchise Agreement § 5.7.1(ii).)
- Cooperate with you in obtaining account leads and contracts for temporary personnel services. (Franchise Agreement § 5.7.1(iii).)
- Assist you in the development of promotional campaigns and materials. (Franchise Agreement § 5.7.1(iv).)
- Provide you with periodic analyses of your promotional programs, financial status and other aspects of your business (based upon data you submit). (Franchise Agreement § 5.7.1(v).)
- Provide you with reasonable counseling and assistance regarding insurance, payroll taxes and unemployment claims (based upon information you submit). (Franchise Agreement § 5.7.1(vi).)
- Make periodic visits to your office. (Franchise Agreement § 5.7.1(vii).)
- Provide any other support which LFI deems, in its sole discretion, to be advisable or necessary. (Franchise Agreement § 5.7.1(viii).)
- Loan you one copy of updates to the LFI Operations Manual, and any additional manuals LFI may develop. (Franchise Agreement § 5.3.)
- Provide you access by Internet to updates to the LFI Software Manual. (Franchise Agreement § 5.4.7.)
- Offer forms and promotional supplies which you may purchase from LFI or LFI's affiliate LF Advertising at a reasonable profit, plus handling and shipping charges. (Franchise Agreement § 5.6.) See Item 8.

- Assist you, at your request, in evaluating possible locations for additional offices. (Franchise Agreement § 5.5.) See the detailed discussion under the caption "Site Selection" below, and also Item 12.
- Review the specifications you provide for your signs. (Franchise Agreement § 6.4.6.) See the detailed discussion under the caption "Advertising" below.
- At LFI's option, provide a temporary manager for the operation of your business upon your death or incapacity. (Franchise Agreement § 8.5.2.) See Item 6.

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

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

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

### **Advertising**

LFI does not maintain any advertising fund, and it has no advertising councils or cooperatives.

You must submit the specifications for your signs to LFI. Standard signs are deemed approved if LFI fails to disapprove them within 15 days. Modified signs cannot be used without LFI's actual approval. LFI must respond to your request for approval of a modified sign within 15 days. (Franchise Agreement § 6.4.6.) You may develop other advertising for your own use at your own cost. Advertising (other than signs) is not subject to LFI's prior approval, but LFI can require you to cease using any such advertising at any time. (Franchise Agreement § 6.10.)

### **Computer System and Software**

You must have or obtain any brand of IBM compatible personal computer system for your business. You must also have access by Internet to LFI's computer server. (Franchise Agreement § 5.4.1.) The minimum specifications for your computer system, and LFI's recommended upgrades, are listed in the following chart:

<b>Computer Hardware Requirements</b>		
<b>Equipment</b>	<b>Minimum Specifications</b>	<b>Recommended Specifications</b>
Operating System	Windows XP® Professional or Windows® 2000	ACT! 2000 or higher Microsoft Map Point™ 2002 or higher
Processor Type	Pentium 2.0 Ghz	Pentium 2.5 Ghz or higher
Hard Drive Size/Capacity	40 GB	60 GB or more
Virtual Memory	1 GB	1 GB or more
Monitor Size and Resolution	17" Super VGA, 1024 x 768, 16 bit color	17" Super VGA, 1024 x 768, 32 bit color

<b>Computer Hardware Requirements</b>		
<b>Equipment</b>	<b>Minimum Specifications</b>	<b>Recommended Specifications</b>
Communications	56K modem	High speed connection to the Internet (DSL, Cable Modem)
Back-up Device	Portable hard drive with 20 GB capacity and USB connection	Portable hard drive with 20 GB capacity and USB connection
Peripheral Ports	1 Parallel Port 2 USB Ports	2 Parallel Ports 2 USB Ports or more
Printers	2 Okidata Micro-Line 320 turbo printers	1 Okidata Micro-Line 320 turbo printer 1 Source Technologies ST-9325 MICR Laser Printer 1 Additional Tray for the Source Technologies Printer
Miscellaneous Peripheral and I/O Devices	1 Standard Keyboard 1 Standard Mouse 1 Standard Floppy Drive (3.5 inch high density) 1 Standard CD-ROM	1 Standard Keyboard 1 Standard Mouse 1 Standard Floppy Drive (3.5 inch high density) 1 48x CD-ROM
Uninterrupted Power Supply	Any generic UPS unit	APC back-up unit

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

The computer system will be used to maintain your payroll and customer records, and collect information regarding employee earnings, and customer sales, billings and payments. LFI has access to this information through its server where your data will be replicated, and also through any additional reports, electronic data transfer and diskette backups you are required to provide to LFI. (Franchise Agreement § 6.12.1.) Although LFI has the right to make consolidated information about its franchisees public, it is contractually required to keep specific information about your business confidential except as required in litigation, upon your transfer of the franchise, or by law. (Franchise Agreement § 6.12.2.)

### **Manuals**

Copies of the tables of contents of LFI's current Operations Manual and Software Manual are attached as Exhibit F to this Offering Circular. The Operations Manual has a total of 229 pages and the Software Manual has approximately 227 pages. The tables of contents show the number of pages devoted to each subject.

## **Site Selection**

LFI grants you a territory within which you must establish all your offices for your franchised business. For a description of the offices you must open, and your option to open additional offices, see Item 12. You are responsible for locating an appropriate site for each of your offices. LFI does not own or lease sites and then lease or sublease them to franchisees. You should select the sites for your offices based on factors such as neighborhood, area demographics, traffic patterns, access, parking, size, layout, length of availability, and the terms and conditions of any proposed lease or purchase contract. At your request, LFI will assist you in evaluating possible locations for your offices. You must notify LFI in advance of the location for any office you open or relocate, and of any office closing. (Franchise Agreement §§ 2.1, 5.5 and 6.4.1.)

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

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

## **Opening**

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

## **Training**

LFI's initial training program as of the date of this Offering Circular is described in the following chart:

## INITIAL TRAINING

Subject	When Offered	Location Offered	Completion Deadline	Materials	Class-room Hours	On-the-Job Hours	Instructor Experience
Sales, marketing & operations	As needed	LFI's or your office	End of first week of business	Advertising & sales materials; Operations Manual	8	32	At least 10 years
Information systems	As needed	LFI's or your office	Prior to opening	Operations Manual; Software Manual	16-24	0	At least 5 years
Corporate administration	As needed	LFI's office	Prior to opening	None	16-24	0	At least 10 years
Risk management	As needed	Your office	Prior to opening	Operations Manual & forms	8	8	At least 10 years
<b>TOTAL HOURS</b>					<b>48-64</b>	<b>40</b>	

If you are a new franchisee, you must complete LFI's initial training program to LFI's satisfaction. LFI provides this initial training to you and one other employee at no charge. For any additional person trained in the future, LFI may charge you fees and expenses. See Item 6. Initial training is not provided free of charge when you open additional offices within your franchise territory or when existing franchisees purchase additional franchises. (Franchise Agreement §§ 5.1 and 6.2.)

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

LFI is not obligated to offer you additional training. If LFI offers such training, you are not required to take it.

## ITEM 12 TERRITORY

### Territory

LFI will grant you a territory, usually consisting of one or more contiguous counties within a state or states. Prior to the execution of your Franchise Agreement, a description of the territory will be inserted in Exhibit 1 to your Franchise Agreement. You may locate and relocate your offices, and establish any number of additional offices, at locations within your territory. You must notify LFI of the locations for your offices, but the locations are not subject to LFI's approval. See Items 1 and 11.

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

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

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

### **Additional Territory**

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

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

### **Solicitation of Customers**

You are prohibited from soliciting sales or accepting orders from customers for work sites outside of your territory unless you obtain the prior written consent of LFI. So long as you are not in default under your Franchise Agreement, LFI will not solicit sales or accept orders from customers for work sites inside your territory, and LFI will use its best efforts to prohibit any of its affiliates or franchisees from soliciting sales or accepting orders from customers for work sites in your territory.

### **Office Locations**

So long as you are not in default under your Franchise Agreement, LFI will not itself establish, and it will not authorize its subsidiary LF Staffing or any other franchisee to establish, an office in your territory under the LABOR FINDERS trademarks or any other trademark for the purpose of providing skilled, semi-skilled or unskilled industrial workers. LFI does have the right, however, to establish, and license others to establish, temporary personnel offices outside your territory under the LABOR FINDERS trademark or any other trademark. Neither LFI nor its

affiliates LF Advertising, Management Services and Enterprises currently operate any temporary personnel offices, and none of them has any current plans to do so. LFI's subsidiary LF Staffing does operate LABOR FINDERS temporary personnel offices located outside of franchisees' territories.

**Other Businesses**

LFI has the right to operate, and license others to operate, other types of businesses (i.e., businesses other than those operating temporary personnel offices that provide skilled, semi-skilled or unskilled industrial workers) under the LABOR FINDERS trademark or different trademarks both within and outside your territory. LFI has no current plans to engage in any other type of business. LFI's affiliates LF Advertising, Management Services and Enterprises do conduct other types of businesses. See Item 1. You have no right to a license from LFI or any of its affiliates for any such businesses.

**ITEM 13  
TRADEMARKS**

**Licensed Trademarks**

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

All rights and good will arising from your use of LFI's names and trademarks accrue solely to LFI. Marks currently being licensed by LFI are LABOR FINDERS used together with LF and design, to be used solely in connection with supplying skilled, semi-skilled and unskilled industrial workers.

**Registrations**

LFI owns the following registrations on the principal register of the United States Patent and Trademark Office for its principal trademarks:

Trademark	Registration Number	Registration Date
LABOR FINDERS and design (shown on the cover of this Offering Circular)	2,029,717	01/14/1997
LABOR FINDERS	1,736,960	12/01/1992 [renewed]
LF and design	1,601,318	06/12/1990 [renewed]

Affidavits of use and incontestability have been filed for each of the trademarks listed above, and those marks are now incontestable. Two of the registrations have been renewed, as shown in the chart above. LFI anticipates that it will file a renewal of No. 2,209,717 before January 2007. As of the date of this Offering Circular, no other affidavits of use or renewals were required to be filed. LFI anticipates that it will redesign the mark shown on the cover of this Offering Circular in 2006 but any new design will still have the LABOR FINDERS name in the design. Once the new

design is finalized, LFI plans to file for registration of the new design on the principal register of the USPTO.

### **Proceedings, Agreements and Infringements**

There are no currently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, any court, or the trademark administrator of any state, no pending infringement, opposition or cancellation proceedings, no pending material lawsuits, and no agreements currently in effect, concerning the trademarks that could materially affect your rights. LFI is not aware of any superior prior rights to, or infringing uses of, the LFI name or marks which could materially affect your rights.

### **Protection of the Marks**

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

### **Change of Marks**

LFI has the right to adopt a new or modified name or trademarks. You must make any such change required by LFI at your expense.

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

### **Patents**

There are no patents material to your franchise.

### **Copyrights**

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

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

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

**Protection of the Copyrights.** You are not required to notify LFI of any infringing use of LFI's copyrights although you are encouraged to do so. LFI must indemnify you against all claims for copyright infringement based on your authorized use of LFI's copyrighted materials in accordance with your Franchise Agreement and the Operations Manual. You must give LFI written notice of any claim against you within ten days, or any shorter period necessary to avoid prejudice. LFI may take whatever action it deems appropriate regarding any infringement, and has the right to control any proceedings relating to any such claim.

### **Confidential Information**

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

You will be entitled to use LFI's confidential and proprietary Operations Manual and Software Manual, and you will have access to other confidential information, including employee and customer lists, in the conduct of your business. See Items 8 and 11. You are obligated to protect the confidentiality of these materials, and to prevent the wrongful disclosure or duplication of these materials and the information in them. You, and your officers, directors, owners, managers and any employee with access to confidential information, must each sign the Confidentiality and Unfair Competition Agreement attached to this Offering Circular as Exhibit 2 to the Franchise Agreement.

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

LFI strongly believes that the success of your business will depend on your personal and continued efforts, supervision and attention. If you are a corporation or other form of legal entity, you must appoint a designated representative for the entity. The designated representative must satisfactorily complete LFI's initial training, and will be responsible for training your employees. See Item 11.

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

The designated representative and each office manager must execute a Confidentiality and Unfair Competition Agreement which prohibits them and their immediate family members from having any interest in any temporary unskilled, semi-skilled or skilled industrial personnel business that is located anywhere in the United States while they work for you, or that is located within your territory or within 20 miles of a temporary unskilled, semi-skilled or skilled industrial personnel business franchised or operated by LFI for two years after they no longer work for you. The Confidentiality and Unfair Competition Agreement is attached to this Offering Circular as Exhibit 2 to the Franchise Agreement. See Items 14 and 17.

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

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

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

You are prohibited from dealing with any customer whose worksite is located outside your territory unless you obtain the prior written consent of LFI. If your territory is reduced because you fail to open required offices on time, you may be prohibited from continuing to deal with former customers who are located outside of your reduced territory. See Item 12.

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

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

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this Offering Circular.

Provision	Section in Franchise Agreement (Note 1)	Summary
a. Term of franchise	3.1; Ex. 1	10 years.
b. Renewal or extension of the term	3.2	An unlimited number of successive 10-year terms.
c. Requirements for you to renew or extend	3.2	You must be in good standing, not have been repeatedly in default during the past year, give 4-6 months' notice, and sign a general release and a new agreement. (Note 3)
d. Termination by you	9.2; 9.6	You may terminate without cause upon 4 months' notice if you are in good standing, have not been repeatedly in default during the past year, LFI is fully paid, and you sign a general release and cooperate in transferring your business; you may terminate with notice for LFI's default after 30 days (or longer in some cases).
e. Termination by LFI without cause	None	LFI cannot terminate without cause.

Provision	Section in Franchise Agreement (Note 1)	Summary
f. Termination by LFI with cause	9.3, 9.4, 9.5	Subject to state law, LFI can terminate after 10 days' notice for non-payment and after one month for any other material default. (Note 3)
g. "Cause" defined – defaults which can be cured	9.3 (Note 2)	Subject to state law: non-payment; failure to submit reports; failure to maintain standards, licenses or insurance; misuse of confidential information or LFI trademarks; conduct jeopardizing the reputation of the system; or breaches of third party agreements. (Note 3)
h. "Cause" defined – defaults which cannot be cured	8.1.1, 9.4, 9.5	Subject to applicable law: breach of confidentiality or noncompetition, insufficient funds check, unapproved transfer, bankruptcy, abandonment, misrepresentation, 3 breaches within 12 months, criminal acts, and uncured defaults under other agreements with LFI or its affiliates. (Note 3)
i. Your obligations on termination/nonrenewal	6.4.3.E, 7.3, 7.4, 9.5, 10.1 (Note 2)	Cease use of trademarks; assign telephone numbers; pay money owed to LFI; return manuals, software, forms, and trademarked and confidential materials; permit LFI on your premises to operate the business; turn over customer and employee records; non-competition; certain FA obligations continue. (Note 4) LFI will automatically own employee and customer data, and will have an option to acquire your assets and assume your office leases (if LFI does not, you must de-identify your offices). (See o below.) LFI may also terminate any other agreements with you or your affiliates.
j. Assignment of contract by LFI	8.7 (Note 2)	LFI may assign to any person or entity LFI believes capable.
k. "Transfer" by you – definition	8.1, 8.5	Any transfer or pledge of FA or substantially all your business assets, or an ownership change. (Note 4)
l. LFI's approval of your transfer	8.1, 8.2, 8.3	Transfer to a legal entity you control pre-approved subject to certain conditions; approval of other transfers cannot be unreasonably withheld.
m. Conditions for LFI approval of transfer	8.1.2, 8.2, 8.3, 8.4	The new franchisee must be qualified, sign a new agreement, successfully complete training, and provide Guaranties and Confidentiality and Unfair Competition Agreements; you must be in good standing, pay all amounts owed to LFI and its affiliates, and sign a general release (also see n below). (Notes 3 & 4)
n. LFI's right of first refusal to acquire your business	8.4	LFI has one month to match any offer you receive. (Note 4)
o. LFI's option to purchase your business	6.4.1, 10.1.8	Upon expiration or termination of your franchise, LFI has an option to assume your office leases, and to acquire your assets for their fair market value (determined by appraisal if the parties cannot agree) less setoffs for amounts owed to LFI and its affiliates.

Provision	Section in Franchise Agreement (Note 1)	Summary
p. Your death or disability	8.5	Subject to acceptable temporary operating conditions, your heirs have 6 months to transfer the business (subject to the conditions in m above).
q. Non-competition covenants during the term of the franchise	7.2, 7.3, 7.4	Subject to state law, no involvement with any temporary unskilled, semi-skilled or skilled industrial personnel business located in the U.S; no unauthorized use of confidential information; and no solicitation of employees of LFI, its affiliates or other franchisees. (Note 4)
r. Non-competition covenants after the franchise is terminated or expires	7.2, 7.3, 7.4	Subject to state law, no involvement with any temporary unskilled, semi-skilled or skilled industrial personnel business located in your Territory or within 20 miles of any temporary unskilled, semi-skilled or skilled industrial personnel business operated by LFI or its franchisees, for 2 years; no use of confidential information; and no solicitation of customers or employees of LFI, its affiliates or other franchisees, for 1 year. (Notes 3 & 4)
s. Modification of the Agreement	1, 5.3, 6.7, 7.2.2, 11.6.1, 11.8, 11.9 (Note 2)	Automatic conformance to state law; otherwise only by signed document except that LFI may unilaterally revise Manuals, change its marks, and reduce the scope of non-competition covenants. (Note 3)
t. Integration/merger clause	11.7	Only the FA is binding; with limited exceptions, any other promises are unenforceable.
u. Dispute resolution by arbitration or mediation	11.4	Mandatory binding arbitration except for injunctive relief. (Note 4)
v. Choice of forum	11.6.2 (Note 2)	Arbitration must be held in Florida; LFI may seek injunctive relief anywhere. (Notes 3 & 4)
w. Choice of law	11.6.1 (Note 2)	Federal and Florida law apply. (Notes 3 & 4)
x. Waivers	11.10.1	Mutual waiver of punitive damages. (Note 3)

**Notes:**

1. The Franchise Agreement is attached as Exhibit C to this Offering Circular. The more detailed provisions of your Franchise Agreement on each of these subjects determine each party's rights and obligations.
2. See Item 10 for a summary of the terms of the loan documents used by LFI and its affiliates when making payroll funding or working capital loans to franchisees.
3. Federal bankruptcy laws and some states' statutes or court decisions may supersede the terms of your Franchise Agreement including choice of law, choice of forum, waivers, releases, periods of limitation, transfer, termination and renewal. The choice of law in your Franchise Agreement is not a waiver of any rights that you may have under your state law. See the State Law Addendum attached to this Offering Circular at Exhibit B.
4. If the franchisee is a corporation or other form of legal entity, the officers, directors and owners, and their immediate family members are also individually subject to this obligation.

**ITEM 18  
PUBLIC FIGURES**

LFI is in the process of negotiating one-year contracts with various sports figures to promote the LABOR FINDERS franchise system. These sports figures will not be involved in the actual management or control of LFI or own an interest in LFI. As of the date of this Offering Circular, LFI has not entered into any contracts and does not know what the compensation will be but LFI will reimburse actual travel expenses in addition to compensation paid.

**ITEM 19  
EARNINGS CLAIMS**

LFI DOES NOT FURNISH OR AUTHORIZE ITS SALESPERSONS TO FURNISH ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF THE FRANCHISED TEMPORARY SERVICES BUSINESS. ACTUAL RESULTS VARY FROM OFFICE TO OFFICE AND LFI CANNOT ESTIMATE THE RESULTS OF ANY PARTICULAR FRANCHISED OFFICE.

**ITEM 20  
LIST OF OUTLETS**

**FRANCHISED OFFICE STATUS SUMMARY FOR YEARS 2005-2004-2003 (Note 1)**

State	Number of Franchised Offices						Total Franchisees Operating at Year End (Note 2)	
	Ownership Transferred	Cancelled or Terminated by LFI	Not Renewed by LFI	Reacquired by LFI	Otherwise Left the System	Totals from 5 Columns at Left		
Alabama	0-0-1				0-0-0	0-0-1	12[10]-12[10]-11[9]	4[3]-4[3]-4[3]
Arizona							6-2-1	1-1-1
Arkansas							7[7]-6-[6]-6[6]	1[1]-1[1]-1[1]
California	0-0-1					0-0-1	29[12]-21[9]-19[8]	2[1]-2[1]-2[1]
Colorado							6[6]-6[6]-6[6]	1[1]-1[1]-1[1]
Florida					0-0-1	0-0-1	54[36]-47[33]-45[31]	10[4]-10[4]-10[4]
Georgia							22[8]-19[8]-18[7]	5[4]-5[4]-5[4]
Idaho							2-1-0	1-1-0
Illinois							3[1]-3[1]-2[1]	2[1]-2[1]-2[1]
Indiana							4[3]-2[2]-2[2]	2[1]-1[1]-1[1]
Iowa							2[2]-2[2]-2[2]	1[1]-1[1]-1[1]
Kansas					0-0-1	0-0-1	1-1-1	1-1-1
Kentucky							5-5-4	1-1-1
Louisiana							10[10]-10[10]-10[10]	1[1]-1[1]-1[1]
Maryland (Note 4)					1-0-1	1-0-1	4-5-3	1-2-1

State	Number of Franchised Offices						Total Franchisees Operating at Year End (Note 2)	
	Ownership Transferred	Cancelled or Terminated by LFI	Not Renewed by LFI	Reacquired by LFI	Otherwise Left the System	Totals from 5 Columns at Left		Total Offices Operating at Year End (Notes 2 & 3)
Mississippi					0-0-1	0-0-1	6[6]-6[6]-5[5]	1[1]-1[1]-1[1]
Missouri					0-0-1	0-0-1	4[2]-4[2]-4[2]	2[1]-2[1]-2[1]
Nevada					0-1-0	0-1-0	4[4]-3[3]-4[4]	2[2]-2[2]-2[2]
New Mexico							1-1-1	1-1-1
N. Carolina							10[10]-10[10]-9[9]	1[1]-1[1]-1[1]
Ohio							1-1-1	1-1-1
Oklahoma					0-0-1	0-0-1	5-4-4	1-1-1
Pennsylvania							1-1-0	1-1-0
S. Carolina							7-7-6	1-1-1
Tennessee							9-8-7	1-1-1
Texas							8-8-7	2-2-2
Wisconsin							1[1]-0-0	1-0-0
Virginia							7-7-6	1-1-1
<b>TOTALS</b>	0-0-2				1-1-6	1-1-8	232[119]-202[108]-184[102]	37[14]-38[14]-35[14] (Notes 5 & 6)

**Notes:**

- Numbers for each of the three years are as of December 31, 2005, December 31, 2004 and December 31, 2003, respectively.
- Of the total number of franchisees and offices shown, those operated by franchisees who are affiliates of LFI are shown in brackets. These franchisees are affiliates of LFI because they have controlling owners, officers and/or directors in common with LFI.
- The number of offices exceeds the number of franchisees because most franchisees have multiple offices. See Item 12 and Exhibit G to this Offering Circular.
- The 2003 numbers were revised to reflect that Maryland franchisee with one office left the system in 2003. This franchisee was inadvertently not included in the above chart. The contact information for this franchisee is included in Exhibit H.
- After December 31, 2005, the following offices were opened: one in Arizona (by Labor Finders of Arizona Corporation); two in California (one by Flex Temp Corporation and one by L.F. Staffing Services, Inc.) three in Georgia (two by Judiciary, Inc., one by M.K.S. Enterprises, Inc.); one in Illinois (by Cheetah Staffing, LLC); one in Nevada (by Labor Force of Nevada, Inc.) two in Oregon (by L.F. Staffing Services, Inc.); two in Washington (one by L.F. Staffing Services, Inc., one by Labor Finders of the Greater Northwest, Inc.); and one in Virginia (by Labor Finders of Virginia, Inc.). In addition, two offices in Missouri were transferred between affiliated entities (from DSLM, Inc. to DMD, Inc.), one franchisee (LF Staffing) moved one office in Illinois (Granite City) to Missouri (St. Louis) and two offices were closed, one in El Cajon, California (Flex Temp Corporation) and one in North Charleston, South Carolina (Labor Finders of South Carolina, Inc.).
- The total is not the sum of the data in the column because some franchisees operate in multiple states.

A list of the names, addresses and telephone numbers of LFI's franchisees and their office locations as of March 17, 2006, is attached to this Offering Circular as Exhibit G.

During the one year period ended December 31, 2005, there were no franchisees whose franchises were terminated, cancelled or not renewed, or who otherwise voluntarily or involuntarily ceased doing business pursuant to their agreements or have not communicated with LFI since January 15, 2006. After December 31, 2005, two offices were transferred by a franchisee to an affiliated franchisee, one office was moved and two offices were closed but the three franchisees remain in the system. The names, addresses and telephone numbers of these franchisees and the addresses of the affected offices are provided in Exhibit H to this Offering Circular, even though the closings may be temporary.

### ESTIMATED OPENINGS AND FRANCHISE SALES FOR 2006

State	Franchise Agreement Signed But Office Not Opened (Note 1)	Estimated New Franchise Agreements To Be Signed in the Next Fiscal Year		Estimated Franchised Offices To Be Opened in the Next Fiscal Year		Estimated Offices To Be Opened by LFI and its Subsidiary in the Next Fiscal Year (Note 2)
		New Franchises	Renewal of Existing Franchises	New Franchises	Renewal of Existing Franchises	
California					6	5
Florida						
Illinois		1				
Indiana				1		
Maryland				1	1	
Michigan		1		1		
Minnesota		1		1		
New Jersey		1		1		
New York		1		1		
Ohio		1		1	2	
North Dakota		1		1		
Rhode Island		1		1		
South Dakota		1		1		
Texas		1		3		
Virginia					1	
Washington		1		1		
Wisconsin		1		1	1	
<b>TOTALS</b>		<b>12</b>		<b>15</b>	<b>11</b>	<b>5</b>

**Notes:**

1. As of December 31, 2005.
2. LFI itself does not operate temporary personnel offices, although its subsidiary, LF Staffing, does.

**ITEM 21  
FINANCIAL STATEMENTS**

Attached to this Offering Circular as Exhibit I are the comparative audited consolidated financial statements of LFI and its subsidiary LF Staffing for the years ended December 31, 2005 and 2004 and for the years ended December 31, 2004 and 2003.

**ITEM 22  
CONTRACTS**

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

- Exhibit 1 - Terms
- Exhibit 2 - Confidentiality and Unfair Competition Agreement

Copies of the following payroll funding loan documents described in Item 10 are attached as Exhibit D to this Offering Circular:

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

Copies of the following working capital loan documents described in Item 10 are attached as Exhibit E to this Offering Circular:

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

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

**ITEM 23  
RECEIPT**

The last page of this Offering Circular is a Receipt acknowledging your receipt of this Offering Circular, to be signed by you and returned to LFI. A duplicate copy of the Receipt is also attached for you to keep.