

EXHIBIT "B" TO OFFERING CIRCULAR

FRANCHISE AGREEMENT

1. PARTIES

This Franchise Agreement ("**Agreement**") is between Snelling Services, LLC, a Delaware limited liability company ("**We**", "**Us**", "**Our**" or "**Snelling**") and Our other affiliates and successors in interest, and «Corporate» a [check one] Sole Proprietorship, Limited Liability Company, Partnership, or Corporation, organized under the laws of «State» (including Your owners and/or wholly-owned subsidiaries, if any,) ("**You**", "**Your**" or "**Franchisee**") and «FirstN1», and «FirstN2» (whether one or more are referred to as "**Principal Owners**"), for the operation of the full service staffing location from the respective premises identified in Attachment 2 to this Agreement (individually and collectively referred to as the "**Location**").

2. EXECUTION

The parties have each executed this Agreement as of the dates shown below, but effective for all purposes as of «Frch_Date_1» (the "**Effective Date**").

«Corporate»

«FirstN1»

By: _____
Name: «FirstN1»
Title: President

«FirstN1», an Individual
«Per1»%

Date: _____

Date: _____

«FirstN2»

«FirstN2»

By: _____
«FirstN2», an Individual
«Per2»%

«FirstN2», an Individual
«Per2»%

Date: _____

Date: _____

SNELLING SERVICES, LLC

By: _____
Name: _____
Title: _____
Date: _____

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ATTACHMENTS PERTAINING TO THE TERM FRANCHISE AGREEMENT:

Attachment 1 State Addendum (check each applicable box below)

- | | | |
|---|---------------------------------------|---------------------------------------|
| <input type="checkbox"/> Not Applicable | <input type="checkbox"/> California | <input type="checkbox"/> Illinois |
| <input type="checkbox"/> Indiana | <input type="checkbox"/> Maryland | <input type="checkbox"/> Minnesota |
| <input type="checkbox"/> New York | <input type="checkbox"/> North Dakota | <input type="checkbox"/> South Dakota |
| <input type="checkbox"/> Washington | <input type="checkbox"/> Wisconsin | |

Attachment 2 Approved Location, Confirmation of Fees Due, Scheduled Expiration Date, Minimum Performance Requirements and Granted Territory

Attachment 3.1 Personal Guaranty (if applicable)

Attachment 3.2 Corporate Guaranty (if applicable)

Attachment 4 Confidentiality Agreement

Attachment 5 Identification of all Owners and Controlling Owners

Attachment 6 Permitted Use of Proprietary Marks

Attachment 7 Royalty Bonus Chart

Attachment 8 Amended Royalty and Ad Fund Terms Rider (if applicable)

Attachment 9 Non-Pay/Bill Services Rider (if applicable)

3. THE SNELLING SYSTEM AND NETWORK

3(a) Snelling has developed a unique and distinctive “**System**” which includes the Materials, Proprietary Marks, Domain Names, Copyrighted Works, Confidential Information, as well as certain tools, methods, operational procedures and techniques, proprietary and other third-party software applications, advertising materials, promotional programs, recordkeeping and reporting procedures, training, and knowledge. All components of the System, existing today or developed by You or Us during the term of this Agreement, constitute valuable trade secrets that are proprietary to Us.

3(b) All components of the System are provided to You for the establishment, development, operation and management of each Snelling Personnel Services business licensed under this Agreement.

3(c) The System is Our undisputed property. Any component of the System may be changed, improved, developed or discontinued by Us from time to time. You must adhere to any changes to the System We may make over time.

3(d) Our ownership of the Confidential Information is derived from the fact that all business generated during the operation of any Snelling Personnel Services is done under the Proprietary Marks, the System, and the training designed and provided by Us.

3(e) The value of the System is enhanced by the “**Network**” which consists of all of the Snelling Personnel Services licensed or owned by Us. You may compete directly with any other Snelling Personnel Services business, and any other Snelling Personnel Services business may compete directly with You, including the solicitation of Clients, Job-seekers, and Field Employees.

3(f) For the purposes of this Agreement, the Snelling Personnel Service franchise (the “**Business**”) is licensed for the purpose of providing full staffing employment services. Without limitation, those services include, career placements, contract staffing, temp-to-hire placements, and temporary assignments, as well as all other similar or related staffing products, services, or activities.

3(g) Any use of the System, including the Confidential Information and the Proprietary Marks, other than for the operation of the Business, is a material breach of this Agreement.

4. AUTHORIZATION FOR PAY/BILL SERVICES BY SNELLING

4(a) Authorization: Your relationship is primarily with Us; however, certain duties and obligations contained in this Agreement will be performed by Snelling Employment, LLC, also referred to as Our “Payroll and Billings Operations”. We guarantee the performance of our Payroll and Billings Operations under this Agreement. We authorize our Payroll and Billings Operations to perform these duties and obligations in accordance with the terms of this Agreement. Generally our processing billing group will fund, process, administer and maintain the accounting of the monies on Your behalf (as detailed in Section 9), and employ Field Employees to be utilized by You.

4(b) Employment of Field Employees: You, we, and each “**Client**” (commonly identified as any individual or entity that uses, or desires to use, the services of Snelling Personnel Services) may under certain federal and state laws, contemporaneously incur certain employer responsibilities through their respective day-to-day activities and interaction with the Field Employee. These activities may result in the Co-employment of a Field Employee. “**Co-employment**” means the act of having direct contact with, or control of, a Field Employee. Therefore, as the facts and circumstances of each action performed by You, us, and/or the Client may warrant, each party may be required to undertake an employer’s legal duty to the Field Employee. Unless otherwise required by law, as a result of the affiliation with Us, the Field Employee services provided through the Business shall be provided by individuals who are generally our Field, and all Clients who receive services through the Business shall be our Clients.

4(c) Reasons to Refuse Services: We reserve the right, in Our sole discretion, to refuse to:

(1) employ any individual referred by You as a Field Employee who does not meet the qualifications and standards specified by Us in the Materials;

(2) allow You to dispatch a Field Employee to any job assignment due to any adverse economic or safety reasons, or any reason that would violate a Field Employee's rights under federal law,

(3) provide Field Employees to a Client who has not made timely payments to Us;

(4) enter into an agreement with a Client if the anticipated Gross Margin with respect to that agreement would not fairly compensate Us for providing Our related services; or

(5) allow You to provide Field Employees to a Client if You fail to perform credit checks in accordance with subsection 9(f)(4), or if We deem a Client to be a high credit risk and notify You accordingly.

5. THE SNELLING LICENSE RELATIONSHIP

5(a) Grant: In reliance on the representations, warrants, acknowledgements, promises and covenants You made in Your application and that You make in this Agreement, We grant You a nonexclusive license to use the Snelling Property solely for the purpose of operating each Business identified in Attachment 2. In turn, You accept the rights and obligations contained in this Agreement and You agree to comply with all terms and provisions contained in this Agreement.

5(b) Term: The initial term of this Agreement begins on the Effective Date and will not exceed 10 years. Unless terminated sooner under its terms, this Agreement will expire on the date identified in Attachment 2 as the "**Scheduled Expiration Date**".

5(c) Granted Territory and Minimum Performance Requirements:

(1) If the parties agreed to designate a "**Granted Territory**" (as detailed on Attachment 2), then You must establish Your first Location within that Granted Territory. If the parties agree not to identify a Granted Territory, then You must establish Your first Location at a site approved by Us in accordance with subsection 6(b) below.

(2) The terms of this Agreement provide for the possibility (but not the guarantee) of operating multiple Business locations over time. During the term of this Agreement, if You desire to expand Your existing operations, and You meet Our then-current criteria to expand, We will determine whether or not the new location must be established within the Granted Territory or elsewhere.

(3) It is agreed by the parties that the grant of the Granted Territory rights is specifically conditional on Your successful market penetration of the Granted Territory. It is understood that if during any given annual period during the term of this Agreement You fail to achieve the "**Minimum Performance Requirements**" set forth on Attachment 2, We will provide You with Our written notice that We elect to either:

(i) give You the opportunity to pay Us the amount equal to the shortfall between the Royalty payments actually paid by You and the then-required Minimum Performance Requirement figure thus enabling You to retain Your rights to the Granted Territory, or

(ii) rescind your Granted Territory rights, at which time We are no longer restricted from establishing other Snelling Personnel Services businesses (whether franchised or company-owned) within the Granted Territory, regardless of proximity to any Business already established within the Granted Territory.

(4) Further, except under the other specific circumstances described below, as long as You retain those rights, We will not establish, or authorize any other party to establish, a Snelling office within the Granted Territory. The Granted Territory does not in any way prohibit Us or other Snelling franchisees from selling into the Granted Territory. It only pertains to the physical establishment of a Snelling office within the Granted Territory, and if one or more of the following exceptions occur:

(i) Limited On-Site Services: We, or another of Our franchisees, may, from time to time, provide limited on-site services to a single on-site client within the Granted Territory. All on-site services are strictly limited to the needs of the specific on-site client and may not service other Clients in the granted Territory. Once the on-site services are no longer required, all on-site personnel must be removed from the on-site client's facility within the time period specified by the on-site client following the stop in services.

(ii) Snelling Acquisition: In the event We (whether directly or through Our subsidiaries or affiliates) acquire a multi-location staffing business from an unrelated third-party that happens to have one or more locations within the Granted Territory, We may at Our sole option either (a) operate the acquired businesses using the Proprietary Marks, (b) operate the acquired businesses under any other trade name or mark selected by Us, or (c) provide You the opportunity to purchase and operate one or more of the acquired businesses located within the Granted Territory.

(iii) Major Account Client: If during the term of this Agreement We initiate a major account program that requires servicing Clients located in the Granted Territory We may either (a) perform the services Ourselves, or (b) offer You the opportunity to perform the services as required by the related Major Account agreement, or (c) authorize another Snelling franchisee or third-party to perform the services.

(4) We are not restricted from developing within the Granted Territory if You do not retain Your rights (or in those instances that apply to the exceptions above). Further, We are not restricted from establishing Snelling Personnel Services businesses (or other similar staffing businesses) outside the Granted Territory. We may establish such businesses under the Proprietary Marks or any other marks We designate. The established businesses may be operated or franchised by Us from sites anywhere in the world, and regardless of proximity to a specific Snelling office.

5(d) Use of Snelling Property: You are hereby licensed to use the Snelling Property solely in accordance with this Agreement and in the manner prescribed by Us either in the Materials or by Our written instructions to You. We may change, modify, develop, or discontinue components of the Snelling Property from time to time. The "**Snelling Property**" includes the following:

(1) The System.

(2) The "**Proprietary Marks**" including the service marks *SNELLING®*, *SNELLINGSEARCH®*, the descriptive phrases *SNELLING Personnel Services*, *SNELLING Technical Services* and *SNELLING Information Services*, and such other trade names, trademarks, and service marks as We may designate (or substitute) for Your use in connection with the operation of the Business.

(3) The "**Domain Names**" including the Internet domain name *snelling.com* (and all other Domain Names registered by Us or Our affiliates) and any other domain names that may be utilized by Us. You must use the Domain Names in conjunction with the identifier We assign to You.

(4) The "**Materials**", (whether written or electronic) include without limitation manuals, written directives and policy statements, Copyrighted Works, forms, reports, audio or video tapes, all virtual classroom programs, forms of electronic storage media, software applications and Internet web pages (whether owned or licensed by Us). We may, at Our sole option, modify the Materials from time to time, and You must adhere to such changes.

(5) The **"Copyrighted Works"**, includes all Materials containing the copyright identification **SNELLING®**, as well as all other Materials entitled to the protection of the copyright laws.

(6) All Confidential Information owned, licensed or sublicensed by Us or delivered to You in confidence, including information developed by the parties during the term of this Agreement.

(7) All **"Service Files"** which consist of all the information concerning any Client or potential Client, any job opening from a Client or potential Client, and resumes, applications, and any other related information concerning the following individuals:

(i) any **"Job-seeker"** who is generally identified as an applicant who seeks out Snelling Personnel Services, with respect to self-employment, full time employment or temporary employment by others; and

(ii) any **"Field Employee"** who is generally identified as a Job-seeker who becomes a Field Employee at the time You sell his/her services to one or more Clients; and

(8) The goodwill associated with and symbolized by each component described in this subsection 5(d), and all improvements, enhancements, additions and modifications to any of them.

(9) All "accounts" resulting from the processing of Billings in accordance with Section 9 of this Agreement.

5(e) Ownership of the Snelling Property:

(1) Our ownership of the Snelling Property is undisputed. You shall not contest the validity of Our rights in the Snelling Property or take any action that would prejudice or interfere with the validity of Our rights with respect to the Snelling Property.

(2) Except with regard to Your right to use the Snelling Property in accordance with the terms and conditions of this Agreement, nothing in this Agreement shall give You (or any related party to You) any rights, title, or interest in or to the Snelling Property.

(3) Any unauthorized use of the Snelling Property by You shall constitute an infringement of Our rights in the Snelling Property and is a material default of this Agreement.

(4) You shall execute and provide to Us all documents and information We reasonably request to fully vest and protect Our right, title and interest in and to the Snelling Property.

5(f) Identifying the System:

(1) Snelling reserves the right to issue specifications and guidelines as are reasonably necessary to preserve Our rights in and to the Proprietary Marks and Domain Names. You must adhere to these specifications and guidelines.

(2) If the current Proprietary Marks or Domain Names can no longer be used We may discontinue, modify, substitute or add to the Proprietary Marks or Domain Names for the benefit of the System. Upon Your receipt of Our written notice, You must, at Your expense, comply with such change. You agree to consistently adhere to Our instructions concerning the use of the Proprietary Marks and Domain Names.

(3) We may inspect Your operations from time to time and will advise You of any deficiencies concerning Your non-compliance with the System identification at the Business. Upon notification of such deficiencies, You must conform Your operations accordingly. Your failure to comply with Our instructions is a material breach of this Agreement.

5(g) Identification for Advertising and Marketing Purposes: You must identify Yourself as a Snelling franchisee as We prescribe or approve. You may not use the Proprietary Marks with any prefix, suffix, or additional words, symbols, marks, or punctuation that have not been approved by Us. If the law requires different or additional identification, You may use the Proprietary Marks only with modifications that We designate in writing to You. You may not use any corporate, partnership, fictitious, trade, domain or other name without Our prior written approval.

5(h) Identification as an Independent Contractor:

(1) This Agreement does not create a fiduciary relationship between You and Us. Nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

(2) You must hold Yourself out to the public as an independent contractor operating according to a franchise license from Us. You must exhibit a notice in a conspicuous place at each Business to inform the public that You are operating independently as a franchisee of Ours. We reserve the right to specify in the Materials the content and form of Your notice.

(3) Nothing in this Agreement authorizes You to enter into any contract, agreement, lease, warranty or representation by using Our name, except as a doing business as (d/b/a) identifier (for example, John Doe Corporation, dba Snelling Personnel Services). You can not legally bind Us to incur any debt or obligations, and We shall not assume any liability, or be deemed liable under this Agreement as a result of any action by You to attempt to do so. You may not execute any written agreement with a Client that imposes an indemnification of any nature by Us. Should You enter into any such agreement, the agreement shall be void against Us and will constitute an event of default under this Agreement.

(4) We shall not be liable for any act or omission by You in operating the Business or for any claim or judgment arising from such acts or omissions.

5(i) Associated Goodwill: Any and all goodwill associated with, and identified by, the Proprietary Marks and Domain Names (including goodwill arising from Your use of them) inures directly and exclusively to Our benefit and is Our property. Upon expiration (without renewal) or termination of this Agreement, no monetary amount shall be attributable to the goodwill associated with Your use of the Snelling Property, or Your activities under the System.

5(j) Future Development of the Snelling Property: Any improvements, enhancements, advertising or public relations programs, marks, domain names, inventions, or modifications of the Snelling Property developed or adopted by You during the term of this Agreement (even if not authorized by Us) which relates in any way to the operation of the Business, shall be Our exclusive property. You hereby disclaim any right, title or interest therein. You must immediately disclose to Us any such future development designed by You. If We, at Our expense, elect to file for patent, copyright, domain name registration or similar protection concerning the future development, You must execute the documents and provide Us with any information We may reasonably request in order to perfect the filing.

5(k) Services Rendered: Any services You render using the Snelling Property must conform to the standards of quality specified or approved by Us.

5(l) Internet Services: You may either elect to utilize the Internet web site services that we provide, or you may independently establish an Internet presence after obtaining our prior written consent to do so. Should you elect our services you must enter into our then-current form of Internet services agreement and pay the related fees, if any.

5(m) Notice of Legal Action and Indemnification:

(1) YOU AGREE, AT ALL TIMES AND AT YOUR EXPENSE, TO DEFEND, INDEMNIFY AND HOLD HARMLESS US, OUR AFFILIATES, SUBSIDIARIES, SUCCESSORS, ASSIGNS, AND DESIGNEES, AND THEIR RESPECTIVE MANAGERS, MEMBERS, OFFICERS, AGENTS, AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "INDEMNITEES") FROM ALL LOSSES AND EXPENSES INCURRED IN CONNECTION WITH ANY ACTION, SUIT, ALTERNATIVE DISPUTE RESOLUTION, ARBITRATION, PROCEEDING, CLAIM, DEMAND, INVESTIGATION, FORMAL OR INFORMAL INQUIRY, OR ANY SETTLEMENT THEREOF (COLLECTIVELY REFERRED TO AS "ACTION") WHICH ARISES OUT OF OR IS BASED UPON YOUR OWNERSHIP OR OPERATION OF THE BUSINESS, INCLUDING CLAIMS RELATED TO THE EMPLOYMENT OF YOUR STAFF EMPLOYEES. THIS OBLIGATION TO INDEMNIFY AND DEFEND US SHALL APPLY EVEN IN THE EVENT OF THE NEGLIGENCE OF OR CLAIM OF NEGLIGENCE AGAINST INDEMNITEES.

(2) SPECIFICALLY EXCLUDED FROM THE INDEMNITY GIVEN ABOVE IS ANY LIABILITY ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF INDEMNITEES (EXCEPT TO THE EXTENT THAT SUCH GROSS NEGLIGENCE OR WILLFUL MISCONDUCT IS ATTRIBUTED OR IMPUTED BY REASON OF ANY ACT OR OMISSION BY YOU).

(3) For the purpose of this Agreement, the term "losses and expenses" shall, without limitation include, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorneys' fees, experts' fees, court costs, settlement amounts, judgments, arbitration awards, compensation for damages to Our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time or space, including costs of changing, substituting or replacing same, and all expenses for recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

(4) As soon as You are aware of any Action You must immediately give Us notice of such Action. At Your expense and risk, Indemnitees may elect to assume the defense of any Action; however, under no circumstance are Indemnitees obligated to undertake the defense of any Action. Such an undertaking by Indemnitees shall in no manner diminish Your obligation to indemnify Indemnitees and to hold them harmless. You acknowledge that You have no authority to accept any service of process on behalf of any of the Indemnitees.

(5) We may, at any time and with such notice as We deem appropriate, offer, order, consent or agree to settlements or take such other remedial or corrective actions We deem expedient with respect to any Action if, in Our sole judgment, there are reasonable grounds to believe that any of the acts or circumstances enumerated in this subsection 5(m) have occurred, or that any act, error, or omission of Yours may result directly or indirectly in damage, injury or harm to any person or any property. All losses and expenses incurred under this subsection 5(m) shall be chargeable to and paid by You regardless of any action, activity or defense undertaken by any Indemnitees or the subsequent success or failure of such actions, activity or defense.

(6) Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of those with whom You may contract, regardless of the purpose. You shall hold harmless and indemnify Indemnitees for all losses and expenses that may arise out of any acts, errors or omissions regarding such third parties.

(7) Under no circumstances shall Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against You. The failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by Indemnitees from You.

(8) Provisions of this subsection 5(m) shall continue in effect after the expiration or termination of this Agreement for any and all Actions that accrued during the term of this Agreement.

5(n) Infringement and Snelling's Related Indemnification:

(1) Should You become aware that a suspected unauthorized third party is using the Proprietary Marks (or any variant thereof), You must immediately notify Us of the facts relating to the alleged infringement. Upon receipt of Your notice, We shall, in Our sole discretion, determine whether or not We will take any action concerning the alleged infringement. You shall have no right to make any demand or prosecute any claim related to such infringement.

(2) You must notify Us immediately of any claim against You alleging that Your use of the Proprietary Marks constitutes an infringement of someone else's rights. So long as You have complied with the System, We agree to indemnify and hold You harmless against any liability assessed against You in favor of the claimant, including Your reasonable costs of defending the claim. We will not be liable for any other damages, costs, expenses or for any loss of profits or business opportunities or incidental or consequential damages of any kind relating to any such claim. We reserve the right to defend, compromise and settle any such action and if We do undertake Your defense, We will not be responsible for the cost of any independent counsel You retain. We shall have no obligation to defend or indemnify You pursuant to this subsection 5(n) if the claim, suit or demand against You arises out of or relates to Your use of the Proprietary Marks in violation of the terms of this Agreement.

6. START-UP AND TRAINING

6(a) Opening: You must open and begin to operate the Business identified in Attachment 2 as Location No. 1 within 120 days following the Effective Date of this Agreement (the "**Scheduled Opening Date**"). With regard to any subsequent Business Locations, You must open and begin operations by the respective dates identified on Attachment 2. You must obtain Our prior written approval for any extension to any Scheduled Opening Date timeline.

6(b) Location and Lease: No site may be used without Our prior written approval. Therefore, You must obtain Our prior written approval before acquiring a site for any Location, or any subsequent relocation. You are required to submit all the information concerning the site that We may require for Our approval. Once We receive all the required information, We will have 10 business days to inform You if We approve or disapprove the subject site. Once approved, the specific address of the Business in question will be identified by amendment to Attachment 2. Should We request it, you must submit to us a copy of the executed lease for the approved site. Under no circumstance may any Location be Your home, apartment, domicile, or personal residence.

6(c) Training: All persons that We identify, whether it be You, Your Manager, or a Staff Employee, must complete specific training to Our satisfaction. Training currently offered by Us without limitation includes the following:

(1) Pre-Opening Training: At least one Principal Owner must attend Our designated pre-opening training prior to opening Location 1. In addition, the individual responsible for the management and operation of each Business identified in this Agreement must complete the pre-opening training specified by Us before that individual can assume the role of Manager. "**Manager**" means the individual identified by You who has successfully completed Our training requirements to manage all or a portion of the Business on a full time basis. Any successor Manager employed by You must complete the pre-opening training within 3 months of assuming the Manager position unless the individual has successfully completed those training requirements within 3 years prior to assuming responsibility for managing the Business.

(2) **Opening Training:** Within approximately the first sixty (60) days of operations, or as We deem appropriate, We will provide on-the-job opening training for at least one Principal Owner, Your Manager and Your Staff Employees. "**Staff Employee**" means any individual who is employed by You for the purpose of assisting in the operation of the Business.

(3) **Post-Opening Training:** If We determine that it is necessary, We may provide post-opening training and general operational assistance during the first 6 months of operations. Each individual designated by Us must attend and successfully complete the post opening training. We will bear the cost of our support personnel, and You will bear Your related cost for Your attendees.

(4) **On-Going Training Requirements:**

(i) Within the first 12 months of operation of the Business, at least one Principal Owner must complete our required training regarding New Owner/Management Training for temporary staffing and/or New Owner/Management Training for career placement.

(ii) If You receive four (4) or more worker's compensation claims over any 12 month period during the term of this Agreement related to the operation of any Business identified in this Agreement, Your respective Manager must attend and successfully complete any training that We deem appropriate, including, if necessary, training courses previously completed by the Manager.

(iii) We may provide additional training and assistance through other training programs and/or seminars and each individual designated by Us must attend as We require from time to time. We reserve the right to charge a reasonable fee for such training programs and/or seminars, and You will bear Your related cost for Your attendees.

6(d) **Staff Employee Training:** You assume full responsibility to immediately and continually train Your Staff Employees and Field Employees according to the System.

6(e) **Materials:** We will license one complete set of the Materials to You for Your use in operating the Business. The Materials may be delivered to You in written and/or electronic form. You may request additional copies of the Materials at Your cost. All Materials that exist now and all future Materials that may be developed or licensed by Us shall remain our exclusive property. You may not use the Materials except in accordance with the terms of this Agreement. Upon expiration (without renewal) or termination of this Agreement, You must, at Your expense, immediately return all Materials and copies of all Materials in Your possession to Us.

7. TRADE SECRET/CONFIDENTIAL INFORMATION

7(a) **Trade Secret:** The Confidential Information is not a matter of common knowledge in the trade, is generally not available except through time consuming and costly processes, and gives You and Us an advantage over other staffing businesses. Therefore, You acknowledge and agree that the Confidential Information, whether currently in existence or hereafter acquired, constitutes a trade secret of Ours.

7(b) **Confidential Information:** The following information, without limitation, constitutes the "**Confidential Information**":

(1) the Snelling Property, the Materials; the System, Service Files content, Field Employee and/or Staff Employee information obtained through the operation of the Business (whether past, present or prospective);

(2) any information regarding any individual who has a reasonable expectation of privacy and/or which was disclosed to You, the Client, the Business and/or Us in confidence;

(3) any additional information regarding any Client, including, but not limited to, personal information on the various contact persons, contact telephone numbers, personnel needs, fringe benefits, hiring practices, time lines and budgets, policies, goals and plans, usage of Field Employees, Client pricing for various services and types of Field Employees, fees, profit margins, credit history, existing or prospective Job-orders and Client agreements and all other dealings with You, the Business and/or Us,

(4) any information regarding Your business operations and practices under the System, including pricing and cost codes, marketing techniques, strategic business plans and market research studies, promotional ideas, operating reports, placement registers, and accounts receivable;

(5) any information, including a formula, pattern, compilation, program, device, method, technique, or process that derives independent economic value, actual or potential, for which reasonable efforts are used to maintain its secrecy, and which is not generally known to the public or readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and

(6) any other information known by You or used in the Business that could give You an advantage over competitors that is not disclosed to the public by Us or that is not generally known to the public.

7(c) Non-Disclosure of Confidential Information: You and Your Principal Owners acknowledge that any use of the Confidential Information other than for the operation of the Business is a material breach of this Agreement and constitutes an unfair business practice. You each agree that during the term of this Agreement You will institute thorough and effective measures to protect and preserve the confidentiality of the Confidential Information. You each agree that You will not (1) disclose the contents of the Confidential Information to unauthorized persons; (2) allow any written Confidential Information to leave the Location; (3) copy or use the Confidential Information for any purpose other than as permitted by this Agreement; or (4) disclose, use or misappropriate the Confidential Information. You further agree to adhere to these terms after the expiration (without renewal) or termination of this Agreement.

7(d) Protection of Confidential Information:

(1) You will require Your Manager, Staff Employees and/or agents or other third parties who will have access to the Confidential Information to execute a "**Confidentiality Agreement**" in the same form as Attachment 4 to this Agreement. You must advise such persons that the Confidentiality Agreement contains covenants against unfair trade practices and that execution of the Confidentiality Agreement is a prior condition of employment and/or association with You.

(2) All officers, directors, spouses, and other third parties We designate who are not required by Us to execute this Agreement but whom We have a reasonable expectation will have access to Confidential Information must execute a Confidentiality Agreement.

(3) You must forward a copy of each executed Confidentiality Agreement to Us for Our records. You and Your Principal Owners may not reveal any Confidential Information to any individual in the absence of a written obligation from such person not to misuse or disclose the Confidential Information. You agree to consistently and uniformly enforce the Confidentiality Agreement.

8. OPERATION OF THE BUSINESS

8(a) Compliance With Law and System: You must strictly follow the System and comply with all applicable federal, state and local laws, regulations, ordinances, codes, and guidelines.

8(b) Initial Marketing Campaign: Within the first 90 days following the opening of the Business, You must, at Your cost, conduct an aggressive initial marketing campaign to promote the entrance of the Business into the local market. We will provide You with the basic components of advertising and promotional materials to assist You in this endeavor. If You desire to use Your own materials You may do so after obtaining Our written consent.

8(c) Treatment of Personnel: With respect to the operation of each Business, You agree to take all steps necessary to ensure that all Job-seekers, Field Employees, and Staff Employees are treated fairly, equally, and with dignity and respect, as required under the Materials and under applicable laws prohibiting discrimination and harassment, or any other illegal basis concerning the hiring, compensation, supervision, safety, training, discharge, dispatching, or referral for placement of such persons.

8(d) Required Insurance:

(1) Except for the insurance We charge You for that We provide through our processing billing group concerning the Field Employees and the services provided through the Business; You must procure and maintain the following coverage as required by the Materials: (i) crime/fidelity bond, (ii) commercial general liability, (iii) worker's compensation, (iv) errors and omission, (v) employment practices liability, (vi) medical malpractice liability (if You intend to provide certain medical services), (vii) professional liability (if You intend to provide certain professional services) and (viii) any other insurance We deem necessary (collectively the "**Insurance**") to protect You and the Indemnitees against any demand or claim with respect to personal injury, death or property damage, as well as any loss, liability or expense arising or occurring in connection with the Business.

(2) Except for the Employment Practices Liability coverage for which you may have a maximum deductible of \$5,000, the deductible on any other Insurance policy may not exceed \$2,500 without Our prior written approval. The Insurance shall be underwritten by insurance companies holding a Best's Rating of not less than B+: Class VI, and shall be in forms acceptable to Us. The insurance provider must name Us as an additional insured, and the coverage must conform to the minimum amounts and special provisions described in the Materials. We may modify these insurance requirements from time to time to meet current industry needs and/or governmental regulations, and You must comply with such change.

(3) At least 30 days prior to opening the Business, You shall provide to Us a certificate of insurance or other documents required by the Materials evidencing the required coverage. You must provide Us with a new certificate of insurance every year at least 30 days prior to the expiration of any required coverage. All Insurance shall expressly provide for no less than 30 days' advance written notice to Us to inform Us of any event of a material alteration to the Insurance, or cancellation of the Insurance.

(4) Should You, for any reason, fail to procure or maintain the Insurance, We have the right and authority (however not the obligation) to immediately procure the Insurance. We will charge Our related costs to You, together with Our reasonable incurred expenses and may deduct them from Your Distribution Account. If Your Distribution Account has a negative balance, upon receipt of Our notice to You, You shall immediately reimburse Us for Our costs. These remedies shall be in addition to any other remedies We may have at law or in equity.

(5) If You elect to enter into an arrangement to lease Your Staff Employees, You are responsible for obtaining a certificate of insurance from the leasing company evidencing the same level of coverage as would be held by You if You did not lease Your Staff Employees. The leasing company must also provide an indemnification of the Indemnitees.

(6) The insurance must contain an endorsement from the carrier waiving all rights of subrogation against Us, and Our affiliates and subsidiaries. All public liability and property damage policies shall contain a provision that We, Our agents, or Field Employees, are entitled to recover any loss by

reason of Your negligence or the negligence of Your agents, Your Staff Employees, or other Field Employees.

8(e) Insurance Programs: Although not required to do so, We may establish programs for the Network for any type of insurance coverage required at any time for the Business. If We do establish such programs We may, in Our sole discretion, require You to enroll and participate in the programs.

8(f) Full Time Management: You shall at all times have the Business managed by a Manager (whether a Principal Owner or otherwise) who will maintain a presence at the Location and who will devote full time, energy, and best efforts to the management, promotion, and growth of the Business.

8(g) Submission of Reports: You shall, at Your expense, provide to Us all documents and information We deem necessary to implement and maintain this Agreement. With respect to each Location developed under this Agreement, You must submit to Us the marketing, financial and/or other designated reports We require. Such information must be submitted in the manner, form, time frame and content prescribed by Us in the Materials. We have the right to electronically collect this information and/or in turn, require You to submit this information electronically to Us.

8(h) No Other Business Conducted at Location: You must ensure that no business other than the Business is conducted at the Location. You may not allow the impression of a physical or operational connection with any other business.

8(i) Compliance with Materials: You shall, at Your expense, comply with the standards and requirements stated in the Materials (as modified from time to time), including without limitation:

- (1) utilization of new technology in the operation of the Business,
- (2) office decor, furniture, fixtures, electronic, mechanical and communications equipment, business forms, and advertising materials from the sources We designate,
- (3) use of motivation and recognition programs, annual planning sessions, and formal marketing plans, including a grand opening campaign for each Business licensed under this Agreement,
- (4) levels and type of Staff Employees necessary to properly penetrate the market and grow market share, and the use of Staff Employee Confidential Agreements, training and improvement programs,
- (5) treatment of Job-seekers and the hiring and dispatching of Field Employees, and
- (6) compliance with national programs, such as Client satisfaction guarantees, special hours incentive pay, holiday pay, vacation pay, referral payments, and Co-op Splits.

8(j) Modernization: Except for the 12 month period immediately prior to the Scheduled Expiration Date, We may, during the term of this Agreement, require You to modernize, at Your expense, all or part of Your Business operations (including the assets at each Location) for the purpose of complying with Our then-current electronic hardware, software, and/or Internet standards and specifications. If any component of the up-dated modernization requires additional training, We will identify the individual(s) required to attend such training, and You will, at Your cost, insure that they attend the required training.

9. DISTRIBUTION ACCOUNT AND PROCESSING.

9(a) Distribution Account: Our processing billing group will maintain Your "**Distribution Account**", which includes without limitation the administration of Credits and Charges related to the Business in accordance with the Materials and the summary provided below. You are not entitled to any distribution payments on Billings processed after termination or expiration (without renewal) of this Agreement. You understand and agree that You are financially responsible for all Charges, each of which will be deducted

from the Distribution Account. The following summary of typical Credits (denoted with a "+") and Charges (denoted with a "-") is provided for demonstrative purposes:

Typical Items Credited to the Distribution Account Include:

+Career Billings	+Expense Reimbursements	+Temporary Help Billings
+Conversion Fees	+Miscellaneous Adjustments	+temp-to-hire Billings
+Credits	+Miscellaneous Billings	

Typical items charged to the Distribution Account include:

-Ad Fund contributions	-Co-op Splits	-Payroll
-Bad Debt Reserve	-Garnishments	-Payroll Costs
-Benefits	-Insurance Costs	-Royalties
-Chargebacks	-Interest	-Unemployment Costs
-Client Refunds	-Miscellaneous Adjustments	

(1) **"Credits"** include without limitation, Billings charged to Clients for Temporary Help Billings, Conversion Fees, Expense Reimbursements, temp-to-hire Billings, and Career Placement Billings as defined below:

(i) **"Billings"** individually and collectively refers to all charges to Clients which without limitation include:

(a) **"Temporary Help Billings"** means fees charged for (1) Field Employees and/or temporary contract workers services (whether on or off site from the Client's premises), (2) payroll services, and (3) temporary outsourcing,

(b) **"Conversion Fees"** means the fees charged to the Client for the conversion of the Field Employee to the Client's payroll or another staffing business;

(c) **"Expense Reimbursement"** means a Field Employee's job related costs (i.e., meals, parking, travel allowances, supplies, equipment, mileage, and other similar or related items);

(d) **"temp-to-hire Billings"** means the fees charged for the placement of a Field Employee with the intent to become an employee of the Client at a later date;

(e) **"Career Placement Billings"** means the fees charged for (1) helping Job-seekers obtain long term employment or self-employment, (2) Field Employee and Job-seeker testing, training, counseling and/or consulting services, (3) Client counseling and/or consulting services, (4) resume consultation, preparation, processing and distribution, (5) outsourcing, outplacement, or business opportunity services, (6) employment related software sales, (7) Client, Field Employee and/or Job-seeker promotional programs, (8) check cashing services for Clients, Field Employees and/or Job-seekers, (9) co-op activities, (10) employment related publications and/or book sales, and (11) all other similar or related products or services.

(2) **"Charges"** shall include amounts charged for:

(i) **"Payroll"** resulting from the Field Employees' gross wages, including bonuses, commissions and any other form of compensation;

(ii) **"Payroll Costs"** for (a) federal withholding, FICA, and state withholding, (b) state unemployment and unemployment consulting fees, (c) local taxes of any type or kind, and (d) amounts allocated or charged by Us for the unemployment claims experience of the Field Employees submitted by You for processing as well as the System in general;

(iii) **"Insurance Costs"** resulting from expenses incurred by Us for (a) obtaining commercial general liability, umbrella, errors and omissions, crime/bond, and employment practices liability insurance coverage or any other coverage We deem appropriate related to the Field Employees, (b) any retention assumed by Us for worker's compensation, (c) deductibles or defense costs, in connection with such policies or their administration, (d) obtaining insurance on Field Employees, including residual market loads and any fees or costs related to the number of claims and loss experience of the Field Employees submitted by You for processing, (e) the cost of administering and implementing the insurance program, including brokerage and consulting expenses, overhead, and travel expenses, (f) claims handling fees and legal fees related to such claims, (g) charges for misclassification of Field Employees for worker's compensation reporting and charge purposes, and (h) taxes and any other related fees or costs;

(iv) Royalty payments due Us with regard to Temporary Help Billings, temp-to-hire Billings, Career Placement Billings, Conversion Fees, and/or any related Receipts. For the purpose of this Agreement, **"Receipts"** means all money and other valuable consideration, including barter, received during or after the term of this Agreement by Us, You, Your Staff Employees, collection agents, or other assignees, as revenue generated by the operation of the Business. The parties further agree that any Receipt represented by consideration other than money shall be given their fair market value as We may reasonably determine;

(v) Ad Fund contributions due to the promotional fund established by Us to promote the Network;

(vi) **"Chargebacks"** which include without limitation Billings that (a) are repudiated in whole or in part by a Client; (b) produce a negative Gross Margin; (c) remain unpaid for 67 days after the respective invoice date, (d) are uncollected at the time of termination or expiration (without renewal) of this Agreement, and (e) are the result of the additional amounts due if the Client is classified as a high credit risk or the Client's unpaid Billings exceed Our credit limits;

(vii) **"Interest"** at the rate designated by Us from time to time, but in no event will such rate be lower than 12% per annum or higher than the maximum rate allowed by law;

(viii) **"Adjustments"** include without limitation amounts charged to the Distribution Account for items such as (a) bank wire transfer fees, (b) overnight courier packages, (c) stop payment check charges, (d) manual check charges, (e) non-sufficient fund charges, (f) Payroll error adjustments, (g) UCC recording fees or other similar filing fees, (h) credit reports and other credit or collection services We deem appropriate, (i) other collection costs, (j) any adjustments to Payroll Costs, (k) Electronic Data Interchange **"EDI"**, (l) any special program offered by Us in which You voluntarily participate, (m) garnishments, and (n) any other charges to the Distribution Account;

(ix) **"Client Refunds"** amounts related to service guarantees, billing errors, Client dissatisfaction, or items We may otherwise authorize by the Materials;

(x) **"Co-op Splits"** amounts related to Your agreement to co-operate with other franchised or company-owned Snelling offices or other third-party personnel companies where the parties agree to a split of the Receipts for services provided cooperatively to Clients;

(xi) **"Benefits"** include without limitation amounts represented by salaries and charges to the Distribution Account for (a) disability insurance, (b) health insurance, (c) special hours incentive pay, (d) holiday pay, (e) vacation pay, (f) 401k contributions, if applicable, and (g) any other benefits now or hereafter deemed mandatory or necessary by Us;

(xii) **"Unemployment Costs"** resulting from prior unemployment claims during the applicable state law base period assumed by Us including without limitation (a) Our costs related to the number of claims and the loss experience for the Field Employees submitted by You for processing; (b) Our

cost of administering and implementing the merit system, including consulting expenses and overhead, (c) claims handling fees and legal fees related to such claims; and (d) any other related fees or costs;

(xiii) **"Bad Debt Reserve"** is a reserve our Payroll and Billing Operations maintains in Your Distribution Account that is intended to assist You in covering un-collectable accounts that have a very high potential of never being collected, such as in the event a Client files for bankruptcy protection. They will deduct .2% of the Temporary Help Billings collected weekly and hold in Your Bad Debt Reserve. The Bad Debt Reserve will accrue over time to a maximum of 1.2% of Your trailing 52 weeks of Billings. In addition, within 90 days following the expiration (without renewal) or termination of this Agreement, We will remit to You the balance of Your Bad Debt Reserve (minus the negative balance, if any, of Your Distribution Account at that time);

(xiv) all sales taxes and any other taxes (other than Our income taxes);

(xv) amounts related to Your indemnification of the Indemnitees; and

(xvi) any other amounts due under this Agreement or any other agreement between Us and/or Our affiliates and You.

9(b) **Distribution Account Balance:** Each week, Our Payroll and Billings Operations shall pay You the net positive amount reflected in the Distribution Account. However, should the Distribution Account reflect a net negative balance, they will notify You of the shortfall. Within 5 days following Your receipt of Our written notice, You agree to pay the amount necessary to bring the Distribution Account to at least a zero balance. If You fail to do so, We may, at Our option, report Your failure to pay monies owed to all appropriate credit reporting agencies. In addition, if You continue to fail to pay, We may elect to terminate this Agreement.

9(c) **Set-Off by Snelling:** We may, at any time, set-off and make payment from the Distribution Account of any amounts (including penalties, interest, reasonable attorney's fees and costs of collection) owed by You or Your Principal Owners to Us or Our affiliates.

9(d) **Transmission of Information:** For each Location, You shall transmit all payroll/billing information, as well as any other operational or financial information required by Us, in the form, manner and time frame as prescribed in the Materials. In turn, Our Payroll and Billing Operations shall transmit information and funds to You as prescribed in the Materials.

9(e) **Processing by Our Payroll and Billing Operations:** Upon receipt of the information required of You, Our Payroll and Billings Operations shall: (1) process the Payroll/Billings, (2) pay Payroll, Payroll Costs, Insurance Costs, and Benefits for services rendered to Clients; (3) provide, when available, all required insurance on Field Employees; (4) receive payments from Clients; (5) calculate the distribution funds due You, (6) process and pay garnishments as required by court order, and (6) perform other similar functions related to the processing of the Distribution Account.

9(f) **Credit and Collections:** You agree to comply with Our credit and collections policy provided below and as it may be modified from time to time:

(1) You shall ensure that Clients submit payments directly and promptly to Us or Our Payroll and Billing Operations. You agree You will not interfere with such payments. We, in Our sole discretion, may also contact Clients regarding the collection of their Billings. All collection costs directly related to Your operation of the Business incurred by Us, internally or externally, shall be charged to You as an Adjustment to the Distribution Account.

(2) You agree You will not deposit or cash any Receipts inadvertently received by You, but will immediately forward such Receipts to Us. However, should You, Your Manager or Staff Employees inadvertently accept such payment You shall promptly turn over such payments to Us in the form received. Failure to immediately remit to Us any Client payments that may come into Your possession (including any amounts previously treated as Chargebacks), shall result in (i) the suspension of all further Distribution Account payments to You until We receives such payments, and (ii) Interest accrual from the date You received such payments until they are received by Us. Such action shall be viewed as a conversion of Our funds for which this Agreement and any other agreement with Us and Our affiliates may be immediately terminated. In addition, You and Your Principal Owners may be subject to appropriate legal remedies which may include criminal prosecution.

(3) You hereby authorize and grant to Us the power to accept, endorse, and negotiate any Client payments made inadvertently or improperly to You, Your agents, affiliates, or other persons associated with the Business.

(4) We may, at Your expense, conduct credit checks on all proposed Clients. We shall reserve the right to conduct credit checks on proposed Clients and charge the Distribution Account accordingly. Each Client must be approved by Us before You provide services to the Client.

9(g) Related Parties: You acknowledge that We have no obligation to pay Your Staff Employee payroll, and therefore, You may not, utilize or attempt to utilize Our payroll/billing services with respect to (1) processing payroll for Your Staff Employees or (2) any Client in which You or any Principal Owner has a financial or equity interest of 5% or more.

9(h) Accurate Classification of Field Employees for Worker's Compensation Insurance: You must classify each Field Employee in accordance with the Worker's Compensation Insurance Code Listings prescribed by Us. Misclassifications or excessive claims and loss experience can result in additional Adjustments to Your Distribution Account. If the misclassification is the result of any willful or negligent act by You, Your Principal Owners, or Staff Members, We may assess up to the first \$50,000 in related worker's compensation losses attributable to the injury of any misclassified Field Employee and charge Your Distribution Account accordingly. In addition, We may, in Our sole discretion, terminate this Agreement without an opportunity to cure.

9(i) Limitation of Liability: Except as expressly provided herein, and except for the indemnity and payment obligations outlined in this Agreement, neither We nor Our Payroll and Billing Operations shall be liable to You for any loss, damage, liability, claim or expense arising out of, or in relation to, the processing services described in this Agreement. Neither We nor Our Payroll and Billing Operations shall be liable for any indirect, incidental, exemplary, punitive or other consequential damages, including, but not limited to damages for the loss of data, goodwill or profits.

10. FEES AND FINANCIAL OBLIGATIONS

10(a) Franchise Fee: You shall pay Us the applicable franchise fee identified in Attachment 2 at the time You execute this Agreement. The initial franchise fee is nonrefundable.

10(b) Royalty:

(1) In partial consideration of the rights granted to You by Us under this Agreement, You shall pay Us a "**Royalty**" equal to 40% of Gross Margin of all Temporary Help Billings and 7.0% of all Career Placement Billings and Conversion Fees. "**Gross Margin**" shall mean the amount equal to the balance of net Billings less all related Field Employee Charges. Except for Career Placement Billings and Conversion Fees as noted below, Our Payroll and Billings Operations will deduct the Royalty weekly from the Distribution Account. However, with respect to Career Placement Billings and Conversion Fees you may elect one of the following options: