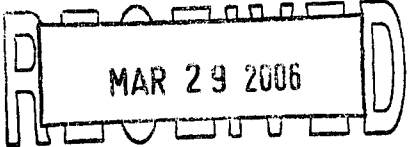
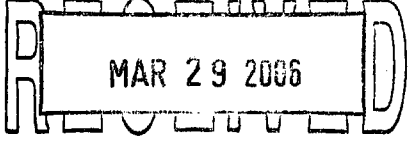


**ACE DURAFLO SYSTEMS, LLC**

---

**EXHIBIT A  
LICENSE AGREEMENT**

DEPARTMENT OF CORPORATIONS  
  
SACRAMENTO OFFICE

DEPARTMENT OF CORPORATIONS  
  
SACRAMENTO OFFICE

**ACE DURAFLO SYSTEMS, LLC  
LICENSE AGREEMENT**

This License Agreement ("Agreement") is made and entered into as of \_\_\_\_\_, 20\_\_ (the "Signing Date"), by and between ACE DURAFLO SYSTEMS, LLC, a Nevada limited liability company, doing business as "ACE DuraFlo®" ("Licensor"), \_\_\_\_\_

\_\_\_\_\_ ("Licensee"), and each person owning 25% or more of Licensee who will be a party to this Agreement (in such context, "Principal") with reference to the following facts:

As a result of its expenditure of time, skill, effort and investments, Licensor has acquired the rights to and has developed a proprietary system for the cleaning and reconditioning of pipe lines and for their coating against corrosion, together with related repair and other authorized and approved services. Licensor has developed a marketing plan for the marketing of these and other services under the trade name and service mark ACE DuraFlo® and associated logos (the Names and Marks) and desires to grant to qualified persons licenses to use its concepts, programs, and methods of marketing in the operation of a pipe repair and reconditioning business utilizing the Names and Marks selected, used, and promoted by Licensor, and the techniques authorized by Licensor.

Licensee has made application to Licensor for a license to operate a residential ACE DuraFlo® business and Licensor has approved the application in reliance upon the representations made in the application. Licensee acknowledges that it has read and understands this Agreement, and that all questions raised by Licensee with regard to this Agreement or the Licensed Business have been answered satisfactorily by Licensor, but that Licensee is not relying upon any representations of Licensor other than as set forth in this Agreement and in the Offering Circular Licensee acknowledges receiving at least 10 days before signing this Agreement. In signing this Agreement, Licensee acknowledges: (i) the importance of operating the Licensed Business in strict conformity with Licensor's standards, as modified from time to time; (ii) the Licensed Business cannot be successful without significant marketing and other efforts of Licensee; and (iii) like any other business, there are risks inherent in operating the business and there is no guarantee, regardless of the efforts of Licensee, that the Licensed Business will be successful.

**I.  
DEFINITIONS**

In addition to definitions incorporated in the body of this Agreement, the following capitalized terms in this Agreement are defined as follows:

**1.01 Applicable Law.** The term "Applicable Law" shall mean the applicable common law and all statutes, laws, rules, regulations, ordinances, polices and procedures established by any governmental authority with jurisdiction over the operation of the

Licensed Business that are in effect on or after the Signing Date, as amended from time to time.

**1.02 Authorized Services.** The term "Authorized Services" shall mean the use of the Process and System of Operation in accordance with the requirements of this Agreement and the Confidential Manuals for (i) residential applications involving the restoration, repair or replacement of pipes in single family homes and multi-family (up to 4 units) residential structures; and (ii) limited commercial applications involving the restoration, repair or replacement of pipes no larger than two inches in diameter in small commercial structures, like apartment buildings, strip centers, and schools, that have no more than 3 stories. The Authorized Services shall include any other applications or services as the parties may mutually agree upon in writing during the Term by addendum to this Agreement. The parties specifically exclude from the term "Authorized Services" the use of the Process and System of Operation in the restoration of fire sprinkler systems.

**1.03 Business Office.** The term "Business Office" refers to the Licensed Business' principal place of business where Licensee shall receive and conduct business and keep all of the books and records of the Licensed Business.

**1.04 Calendar Month.** The term "Calendar Month" means "Calendar Month" means any one of the 12 months of the Calendar Year starting on the first day of the Calendar Month.

**1.05 Calendar Quarter.** The term "Calendar Quarter" means the 3-month period ending on March 31, June 30, September 30 or December 31 of each year.

**1.06 Calendar Year.** The term "Calendar Year" means each 12-month period starting on January 1 and ending on December 31.

**1.07 Competitive Business.** The term "Competitive Business" shall mean any business offering, or awarding franchises or licenses to others to offer, services involving the restoration, repair or replacement of pipes in all types of residential, commercial and other applications, including applications outside the scope of the definition of Authorized Services.

**1.08 Confidential Information.** The term "Confidential Information" shall mean the following: (i) all information, manuals, materials, expertise, intellectual property (regardless of form), techniques and details pertaining to the Process; (ii) sales, profit performance or other results of operation of other ACE DuraFlo® businesses, including the Licensed Business; (iii) the results of surveys and promotional programs; and (iv) in general, methods, specifications, customer data, pricing and cost data, procedures, information systems and knowledge about the System of Operation or the Names and Marks, whether it is now known or exists or is acquired or created in the future, and whether or not the information is included in the Confidential Manuals, and any information which Licensor expressly designates as Confidential Information.

Confidential Information does not include (i) information which Licensee can demonstrate came to its attention independent of the purchasing the license that is the subject of this Agreement and before Licensor's disclosure of the information in the Confidential Manuals or otherwise, and (ii) information that Licensor agrees is, or has become, generally known in the public domain, except where public knowledge is the result of Licensee's wrongful disclosure whether or not deliberate or inadvertent.

**1.09 Confidential Manuals.** The term "Confidential Manuals" shall mean, collectively, the manuals and other guides that Licensor may develop and revise from time to time and loan to Licensee to assist Licensee in the establishment and operation of the Licensed Business.

**1.10 Epoxy.** The term "Epoxy" shall mean the epoxy formulae approved by Licensor for use in the Process.

**1.11 Field Training.** Licensor's technical training program which Licensor agrees to provide on the site of Licensee's first two residential jobs for an aggregate period not to exceed 10 days (subject to Licensor's right to modify the Initial Training Program at any time without notice), and may provide at other times during the Term in connection with the Authorized Services, upon Licensee's request, and by mutual arrangement of the parties for the additional fees described in this Agreement.

**1.12 Gross Receipts.** The term "Gross Receipts" shall mean the total amount of revenues, whether payment is actually received or promised in the future (whether or not memorialized by a promissory note or other type of financing instrument) from the sale of products or services in connection with the performance of Authorized Services, including (without limitation) revenues from the replacement of tub and shower valves, angle stops and supply lines, and any other revenues as a result of the application of Epoxy, use of equipment purchased or leased from Licensor to operate the Licensed Business or use of the Names and Marks. The parties agree that:

(a) With respect to Authorized Services performed in limited commercial applications as described in this Agreement, Gross Receipts shall include all revenues from any source (including from the contemporaneous sale of other types of products or services outside the scope of the Authorized Services) in the same transaction with the same customer as the transaction involving the Authorized Services.

(b) With respect to Authorized Services performed in residential applications, Gross Receipts shall exclude revenues from the sale of hot water heaters, humidifiers, water softeners, sink or tub fixtures and any other types of products or services that are outside the scope of the Authorized Services.

(c) Gross Receipts shall exclude bona fide refunds (as permitted by the Confidential Manuals) and amounts collected from customers and remitted by Licensee to any governmental taxing authority in satisfaction of sales taxes.

(d) If one ACE DuraFlo® licensee (the "general contractor licensee") subcontracts work to another licensee (the "subcontracting licensee"), revenues from that project shall be included in the Gross Receipts of the general contractor licensee, and not the subcontracting licensee.

**1.13 Initial Training Program.** Licensor's one-week training program covering pipe restoration basics and theory; the performance of Authorized Services; sales and marketing; and other key aspects of the Process and System of Operation, subject to Licensor's right to modify the Initial Training Program at any time without notice.

**1.14 License.** The term "License" shall mean the right granted to Licensee by Licensor to use the System of Operation and to use the Names and Marks selected, used, and promoted by Licensor.

**1.15 Licensed Business.** The term "Licensed Business" shall mean the business licensed under this Agreement to perform the Authorized Services under the Names and Marks.

**1.16 Local Advertising.** The term "Local Advertising" means, without limitation, all communications in all formats which Licensee creates or adapts and intends to use, directly or indirectly, to advertise and promote the Licensed Business, Licensee's status as an authorized licensee, or which display the Names and Marks. Local Advertising includes, without limitation: (i) written, printed and electronic communications; (ii) communications by website and equivalent electronic technology; (iii) communications by means of a recorded telephone message, spoken on radio, television or similar communication media; (iv) promotional items or promotional or publicity events; (v) listings in telephone or business directories; and (vi) the use of the Names and Marks on stationery, business cards, invoices and purchase orders, signs, merchandise, brochures, uniforms, and other tangible personal property.

**1.17 Manager.** The term "Manager" identifies one or more full-time employees of Licensee each of whom has successfully completed Licensor's Initial Training Program and dedicates full-time to supervising the day-to-day management of the Licensed Business.

**1.18 Names and Marks.** The term "Names and Marks" shall mean the commercial trade names, trademarks, service marks and other commercial symbols, including associated logos, and patents (if any), now or hereafter selected, used or promoted by Licensor in connection with the Authorized Services and designated by Licensor in writing to Licensee .

**1.19 Operating Territory.** The term "Operating Territory" shall mean the non-exclusive geographic area described in Exhibit 1 to this Agreement.

**1.20 Process.** The term "Process" shall mean the technology used and licensed by Licensor for the repair and restoration of pipe lines and their coating against corrosion

for residential, commercial and industrial applications, all of which may be changed, improved and further developed from time to time by Licensor.

**1.21 Provisional Remedies.** The term "Provisional Remedies" shall mean any form of interim relief, including, without limitation, requests for temporary restraining orders, preliminary injunctions, writs of attachment, appointment of a receiver, for claim and delivery, or any other orders which a court may issue when deemed necessary in its discretion to preserve the status quo or prevent irreparable injury, including the claim of either party for injunctive relief to preserve the status quo pending the completion of a mediation or arbitration proceeding.

**1.22 Sales Manager.** The term "Sales Manager" identifies one or more full-time employees of Licensee each of whom has successfully completed Licensor's Initial Training Program and dedicates at least 50% of their time to selling and marketing the Authorized Services for Licensee and the Licensed Business.

**1.23 System of Operation.** The term "System of Operation" shall mean the business methods licensed by Licensor to be used in connection with the operation of the Licensed Business and the performance of the Authorized Services. The "System of Operation" includes standards, specifications, methods, patents, procedures, techniques, management systems, identification schemes and information, all of which may be changed, improved and further developed from time to time by Licensor.

**1.24 Term.** The 10 year period beginning on the Signing Date.

## II.

### GRANT OF LICENSE AND RENEWAL OF LICENSE

#### 2.01 Grant of License.

(a) Subject to the provisions of this Agreement, Licensor grants to Licensee a License to utilize the Process, the Epoxy, the System of Operation and Names and Marks during the Term to perform and promote the Authorized Services in the Operating Territory and for no other purpose.

(b) Licensee agrees that it has no right to (i) use or sell the Epoxy except incidental to the performance of Authorized Services; (ii) market or solicit customers for Authorized Services by, among other activities, placing Local Advertising in media that circulates or broadcasts outside of the Operating Territory; (iii) market, solicit or advertise for restoration jobs that are outside the scope of the Authorized Services; or (iv) perform Authorized Services outside of the Operating Territory.

(c) If Licensee wishes to perform Authorized Services outside of the Operating Territory, it may seek prior written permission from Licensor to do so on a job-by-job basis. Licensor shall have discretion in deciding whether or not to grant such approval and may impose any reasonable conditions upon any approval that Licensor grants. Any approval given to one request shall not obligate Licensor to approve Licensee's

subsequent requests to perform Authorized Services outside of the Operating Territory for other jobs.

**2.02 Area and Scope of Operation.** The license granted hereby is non-exclusive. Licensor shall not be restricted from engaging in, or authorizing others to engage in, any activity within or outside of the Operating Territory including (without limitation) granting licenses to other persons, including its affiliates, to use the System of Operation, the Names and Marks and the Process and Epoxy within or outside of the Operating Territory in Licensor's discretion.

**2.03 Expiration or Renewal.** Licensor hereby grants Licensee the right and option to renew the License for an additional term of 5 years (the "Renewal Term") to the following conditions

(a) Licensor must be granting new licenses in the state where the Operating Territory is located at the time when Licensee is permitted to exercise the renewal option.

(b) Licensee must give Licensor written notice of Licensee's election to renew (the "Renewal Notice") at least 9 months, but not more than 12 months, before the expiration of the Term. The Renewal Term shall begin on the day immediately following the expiration of the Term. The Renewal Notice must be accompanied by payment of a non-refundable renewal fee of \$1,000.

(c) Licensee must not be in default under this Agreement at the time it gives its Renewal Notice. Further, Licensee must not have received more than 3 notices of default during any 24 month period during the Term, whether or not the notices relate to the same or to different defaults, and whether or not the defaults have each been timely cured by Licensee.

(d) To exercise the renewal option, Licensee shall execute Licensor's then-current form of License Agreement, which contract shall supersede this Agreement in all respects; provided, however, Licensee shall (i) have no further renewal rights even if Licensor's then-current form of License Agreement provides for a renewal option; (ii) the term of the then-current License Agreement shall be 5 years even if it specifies a longer or shorter term; and (iii) Licensee shall not be required to pay the Initial License Fee stated in the then-current License Agreement, but shall instead pay the renewal fee described in this Section. Licensee understands that other provisions of the then-current License Agreement may be materially different than this Agreement, including, without limitation, requiring payment of additional or different fees to Licensor. Licensee shall additionally execute and deliver a general release in a form satisfactory to Licensor releasing any and all claims that Licensee may then have against Licensor, Licensor's affiliates and their respective officers, directors, shareholders, employees and agents. Licensee's failure to execute and deliver the then-current License Agreement and general release within 30 days after delivery of the documents shall constitute Licensee's election not to exercise the renewal option.

(e) At Licensee's expense, Licensee shall satisfy Licensor's then-current training requirements, if any, applicable to renewing licensees and upgraded the equipment that it uses to perform the Authorized Services to meet Licensor's then-current standards.

(f) If Licensor is in the process of revising, amending or renewing its franchise disclosure documents or registration to sell franchises in the state where the Operating Territory is located, or, under Applicable Law, cannot lawfully offer Licensee its then-current form of License Agreement at the time Licensee delivers a Renewal Notice, Licensor may, in its discretion, offer to extend the terms and conditions of this Agreement on a day-to-day basis following the expiration of the Term for as long as Licensor deems necessary so that Licensor may lawfully offer its then-current form of License Agreement; provided, however, nothing in this paragraph shall require Licensor to extend this Agreement if, at the time Licensee delivers the Renewal Notice (i) Licensor is not granting new franchises, or (ii) Licensee is in default under this Agreement.

### III. INITIAL PAYMENTS

**3.01 License Fee.** Licensee shall pay to Licensor an Initial License Fee equal to the amount shown on **Exhibit 1**, computed as the sum of (i) \$24,900 for an Operating Territory with a population of up to 1 Million population; and (ii) \$5,000 for each increment of up to 250,000 of population. For example, if the population in the Operating Territory is 2,500,000, the Initial License Fee shall be \$54,900, and if the population in the Operating Territory is 2,500,100, the Initial License Fee shall be \$59,900. The Initial License Fee shall be due in full on the Signing Date and is non-refundable.

(b) If Licensee is in compliance with this Agreement, Licensee may apply to Licensor in writing to expand the Operating Territory to include a specifically-described geographic area contiguous to the Operating Territory for an additional License Fee of \$5,000 for each population increment of up to 250,000 of population. For example, if the population in the contiguous geographic area is 650,000, the additional License Fee would be \$15,000, and if the population in the contiguous geographic area is 750,100, the additional License Fee would be \$20,000. Licensor shall have sole discretion to approve Licensee's request and designate the new boundaries of the Operating Territory, which may vary from the boundaries in Licensee's written request. If Licensor approves Licensee's request and Licensee accepts the boundaries that Licensor approves for annexation, the parties shall amend this Agreement in writing to identify the new boundaries of the Operating Territory determined by Licensor. The additional License Fee shall be due and payable in full upon Licensee's execution of the written amendment and is non-refundable.

(c) Licensor shall determine the population of the Operating Territory and any contiguous geographic area that it has agreed to annex to the Operating Territory by reference to available U.S. census data compiled by the federal Office of Management



and Budget or comparable statistical information as Licensor shall deem appropriate in its sole discretion.

**3.02 Equipment Package.** On or before the date that Licensee (or Licensee's principal owner) completes the Initial Training Program, Licensee shall order approved equipment from Licensor on the terms of Licensor's standard purchase order, which Licensee shall use to perform the Authorized Services. Payment for the equipment shall be due prior to shipping. In addition to paying the cost of the equipment, Licensee shall pay all sales, use and value added taxes with respect to the sale of the equipment, and all applicable shipping charges.

#### IV. ROYALTY FEES

**4.01 Royalty Fees.** From and after the Signing Date, Licensee shall pay to Licensor a nonrefundable fee equal to 8% of the first \$1,000,000 of Gross Receipts of the Licensed Business, and 6% of the Gross Receipts of the Licensed Business exceeding \$1,000,000 ("Royalty Fees"). The calculation of the applicable Royalty Fee rate shall be made on the cumulative Gross Receipts of the Licensed Business during the Term.

**4.02 Royalty Fees Payment Due Date.** Royalty Fees payable hereunder shall be due weekly on or before Wednesday of each week, based upon the Gross Receipts of the Licensed Business for products and services sold by Licensee during 7-day period ending on the Sunday preceding the day payment is due. Royalty Fees shall be paid, without offset, credit or deduction of any nature, by check or by such other method, including automatic bank debit, as Licensor may from time to time direct. Upon at least 14 days written notice, Licensor may (i) change the method of payment (including, without limitation, directing that payments be accomplished using a payment system that Licensor designates requiring pre-authorized transfers from Licensee's designated bank account and electronic fund transfers to Licensor's account, special checks or comparable methods) or the payment period; or (ii) require that payment be made more, or less, frequently than weekly. Royalty Fees not received on the date due may be subject to a late fee of \$25, plus interest at the lesser of 1.5% per month or the maximum rate permitted by Applicable Law.

**4.03 Taxes.** If any sales, income, excise, use or privilege taxes is imposed or levied by any government or governmental agency on account of the payment of Royalty Fees by Licensee under this Agreement, Licensee shall pay to Licensor a sum equal to the amount of such tax as an additional earned service fee (but this provision shall not apply to any Licensor's liability for income taxes imposed under Applicable Law).

**4.04 Receipts from Subcontract Work.** If Licensee performs any services as a subcontractor to another licensee or franchisee of Licensor, Licensee shall notify Licensor within the earlier of 10 days after executing a contract for a new project, or 5 days after commencing work on the project. If Licensee fails to timely report such subcontract work, then any revenues from such contract work shall be included in the

Gross Receipts of the Licensed Business, notwithstanding any other provision of this Agreement.

V.  
**ADVERTISING AND PROMOTION**

**5.01 Advertising Contributions.** From and after the Signing Date, Licensee shall pay to Licensor an advertising contribution equal to 1.5% of the Gross Receipts of the Licensed Business ("Advertising Contribution"). Advertising Contributions shall be calculated in the same manner as Royalty Fees and due and payable on the same day, and for the same period, as Royalty Fees.

**5.02 Use of Advertising Contributions.**

(a) Reasonable disbursements from the Advertising Fund shall be made solely for the payment of expenses incurred in connection with the general promotion of the Names and Marks and the ACE DuraFlo® license system, including: (i) costs associated with formulating, developing and implementing media advertising, public relations campaigns and promotional programs to develop brand awareness of the Names and Marks; (ii) costs to establish and maintain the Ace DuraFlo® web site; (iii) costs associated with implementing and maintaining a National Account Program should Licensor choose to implement one; (iv) reimbursement of certain expenses which ACE DuraFlo® licensees incur for approved Local Advertising pursuant to the terms of Licensor's Local Advertising rebate program set forth in the Confidential Manuals, which Licensor may discontinue at any time effective upon 30 days prior written notice; and (v) the reasonable cost of administering the Advertising Fund not to exceed 15% of the aggregate Advertising Contributions in any Calendar Year, including direct overhead costs, accounting expenses and costs to collect Advertising Contributions from delinquent licensees. There shall be no requirement that all or any part of the Advertising Fund be disbursed within any in the year, or other accounting period, that Advertising Contributions are contributed. Losses sustained, or gains accrued, in the Advertising Fund shall carry over to subsequent years. All interest, if any, earned by the Advertising Fund shall be retained as revenues of the Advertising Fund.

(b) Methods of advertising, selection of media, locale of advertising, and contents, terms and conditions of advertising campaigns and promotional programs shall be within the discretion of Licensor. While Licensor may from time to time petition its licensees, individually or as an advisory group, for input on expenditures from the Advertising Fund, and may agree from time to time to be bound by the decisions of an advisory group of licensees, Licensor shall not be bound to solicit such input, or be bound by decisions of such groups. Licensee understands that such advertising is intended to maximize the public's awareness of the Process, System of Operations, Authorized Services and Names and Marks generally, and Licensor accordingly undertakes no obligation to ensure that any individual licensee benefits directly or on a pro rata basis from the placement, if any, of such advertising in its local market. If

requested by Licensee, Licensor shall provide Licensee an annual statement of the financial condition of the Advertising Fund.

(c) Disbursements from the Advertising Fund shall not be made for the payment of expenses incurred in connection with Licensor's direct marketing of licenses.

(d) Licensor shall have the right to photograph the Licensed Business, and to use these photographs in any advertising or promotional material without compensation to Licensee. Licensee shall cooperate in securing photographs and the consent of persons photographed.

(e) Licensor reserves the right to engage the professional services of an advertising agency that is owned by, or is an affiliate of, Licensor or any of its principals.

(f) Advertising materials, forms, samples, supplies, products and services that are created through the application of Advertising Contributions may be made available to Licensee at scheduled prices. The purchase price for products, supplies and services purchased by Licensee from Licensor shall be payable upon receipt of an invoice.

**5.03 Ace DuraFlo® Web Site.** Licensor shall establish a web site to promote the Process, System of Operations, Authorized Services and Names and Marks, generate brand awareness, and identify all ACE DuraFlo® businesses. Licensor will create and maintain a separate web page for the Licensed Business on Licensor's web site using Licensor's web page template. Licensor shall include information on Licensee's web page specifically relating to the Licensed Business that Licensee provides to Licensor.

(b) Licensee shall not use the Names and Marks in any domain name or as a keyword in any type of search engine or comparable technology used to locate web sites on the Internet. If Licensee maintains a separate web site with respect to other business activities that it is permitted to conduct during the Term, the parties shall observe the cross-linking policies set forth in the Confidential Manuals with respect to hyperlinks between Licensee's web page on Licensor's web site and Licensee's separate web site. Licensee may not include any type of hyperlink or comparable feature on Licensee's separate web site to Licensor's web site without Licensor's prior written consent.

**5.04 Telephone Directory Advertising.** At its own expense, Licensee shall maintain white and yellow page listings for the Licensed Business in the form approved by Licensor, in the primary telephone directories servicing the Operating Territory. All telephone directory advertising shall conform to the requirements in the Confidential Manuals and shall be considered Local Advertising subject to Licensor's prior written approval.

**5.05 Local Advertising.**

(a) Beginning with the first Calendar Month after Licensee, or a principal owner of Licensee, complete the Initial Training Program, Licensee shall spend at least the

greater of (i) \$1,000, or (ii) 2% of the prior Calendar Month's Gross Receipts on Local Advertising. For example, if Licensee, or Licensee's principal owner, complete the Initial Training Program on August 10, 2008, during the month of September, 2008, Licensee must spend the greater of (i) \$1,000 on Local Advertising, or (ii) 2% of the Licensed Business' August Gross Receipts.

(b) Within 30 days after the end of each Calendar Quarter, Licensee shall submit a quarterly report substantiating expenditures on Local Advertising during the most recent Calendar Quarter. Payments that Licensee makes for Advertising Contributions, telephone directory advertising and grand opening promotion shall not be credited towards Licensee's minimum obligation for Local Advertising. Licensee may not carry forward to future Calendar Months any excess Local Advertising expenditures that Licensee may make in a prior Calendar Month.

(c) Licensor includes written guidelines for Local Advertising in the Confidential Manuals. Licensee shall not use, disseminate, broadcast or publish any Local Advertising without first obtaining Licensor's written approval of the copy, proposed media, method of distribution and marketing plan for the proposed Local Advertising. To apply for Licensor's approval of proposed Local Advertising, Licensee shall submit a true and correct copy, sample or transcript of the proposed Local Advertising, together with a written business plan which explains the proposed media plan, promotional event or other intended use of the proposed Local Advertising. Licensor shall have 10 days from the date of receipt in which to approve or disapprove of the submitted materials for the intended use. If written approval is not received by the end of 10 days, Licensor shall be deemed to have rejected the proposed Local Advertising. If written approval is given on or before the end of 10 days, Licensee may use the proposed Local Advertising, but only in the exact form and manner submitted to Licensor.

(d) Licensee shall have the right to determine the prices at which Licensee sells all authorized products and services. Submission of a proposed Local Advertising to Licensor for approval shall not be for purposes of allowing Licensor to approve Licensee's prices, over which Licensor shall have no control.

(e) At Licensee's expense, Licensee shall immediately remove from circulation and cease using any previously approved Local Advertising if Licensor determines, in its reasonable business judgment, that continued circulation or use may, or will, damage the integrity or reputation of the Names and Marks, is otherwise necessary to protect Licensor's reasonable business interests, or otherwise violates this Agreement or Applicable Law.

**5.06 Grand Opening Promotion.** Licensee shall spend a minimum of \$2,500 on grand opening promotional activities that publicize the opening of the Licensed Business and availability of Authorized Services. Licensor shall count towards this minimum obligation the sums that Licensee documents that it spends on promotional activities that take place before, and within the first 30 days after, Licensee begins performing the Authorized Services. Within 60 days after Licensee begins performing the Authorized

Services, Licensee shall submit a report substantiating expenditures on grand opening advertising. Licensee shall comply with the requirements set forth in this Agreement and the Confidential Manuals for obtaining Licensor's prior written consent to the use of materials that constitute Local Advertising.

## VI.

### SITE SELECTION AND ESTABLISHMENT OF BUSINESS OFFICE

**6.01 Business Office.** If the parties have not designated the street address of Licensee's Business Office on **Exhibit 1** on the Signing Date when they execute this Agreement, Licensee agrees that, within 90 days of the Signing Date, Licensee shall (i) identify and obtain Licensor's prior written approval of the street address of the Business Office within the Operating Territory for the Licensed Business meeting the requirements of this Agreement, and (ii) set up the Business Office to receive and conduct business. Upon receiving Licensor's approval, the parties shall execute **Exhibit 1**. The Business Office must be ready to conduct and receive business before Licensee performs the Authorized Services at its first job. Licensee shall retain all of the original books, records, customer files, computer data, financial records and comparable data of the Licensed Business at the Business Office. With Licensor's prior written approval, Licensee may locate the Business Office for the Licensed Business within the same office already established by Licensee for a related business.

**6.02 Design, Maintenance and Signage.** While Licensor does not prescribe specific standards for the interior or exterior of the Licensee's Business Office, the Business Office must be clean, tastefully decorated, and maintained in a manner designed to enhance the goodwill associated with the Names and Marks. Licensee shall place an exterior sign at its Business Office identifying the Licensed Business meeting the criteria established from time to time by Licensor.

**6.03 Permission to Relocate.** Once established, the Business Office may not be moved without the prior written approval of Licensor, which approval shall not be unreasonably withheld.

**6.04 No Office Outside Operating Territory.** Licensee shall not be allowed to maintain or use an office, branch office, referral office, or any other permanent or temporary office or location outside the Operating Territory.

## VII.

### TRAINING AND ASSISTANCE

**7.01 Initial Training Program.**

(a) The parties shall mutually schedule the Initial Training Program to begin at the earliest possible opportunity after the Signing Date. Licensee or a principal owner of Licensee, and each person who is then employed by Licensee and who will perform

Authorized Services on Licensee's behalf, must complete the Initial Training Program before Licensee may perform, or commit to perform, Authorized Services.

(b) Each additional restoration technician whom Licensee hires to perform Authorized Services and who does not complete the session of the Initial Training Program with Licensee or Licensee's principal owner before Licensee begins performing Authorized Services must complete another session of the Initial Training Program within 60 days of their hiring date. Licensee shall notify Licensor in the manner prescribed in the Confidential Manuals of the identification of each person whom Licensee hires to perform Authorized Services on its behalf.

(c) No person may assume the respective functions of Manager or Sales Manager of the Licensed Business unless and until he or she completes the Initial Training Program.

(d) Enrollment of replacement or new personnel in Licensor's training programs shall be by mutual arrangement of the parties and subject to the terms and conditions of this Agreement. Licensee is solely responsible for the acts of its employees and independent contractors regardless of whether they have completed Licensor's initial training program or not.

(e) Licensor may modify the duration, location, content and method for delivering the Initial Training Program at any time without notice.

**7.02 Additional Training.** From time to time, Licensor may establish additional, ongoing training programs, which Licensee may be required to attend. Such programs may, at Licensor's discretion, be provided at Licensor's offices or at another location designated by Licensor, or by telecommunications, Internet, or mail. Licensor reserves the right to require that designated personnel of Licensee attend specific additional training programs; provided, however, Licensor shall not require that more than 2 persons whom Licensor shall designate each complete more than 2 days of additional training program during any 12 month period. As a condition to completing mandatory additional training, Licensee shall pay Licensor's then-current tuition or training fee set forth in the Confidential Manuals, which shall not exceed \$500/person in any 12 month period. Licensor shall determine the location of any additional training that it offers and, at Licensor's discretion, may offer additional training in conjunction with an annual meeting of licensees or separately.

**7.03 Annual Meeting.** Licensor may conduct an annual meeting for all ACE DuraFlo® licensees at a location that Licensor selects to address recently-implemented changes in the Process, System of Operation or other topics of common interest to ACE DuraFlo® licensees. Licensor will establish the agenda and length of the annual meeting, which shall not exceed 3 days in any 12 month period. Licensor may require the attendance of designated personnel, but in no event shall Licensor require Licensee to send more than 2 persons to any annual meeting. Licensor may charge a registration fee to attend the annual meeting, which shall not exceed \$500/person. If

Licensors conduct additional training at the annual meeting, Licensors shall not charge Licensee an additional training fee in addition to the registration fee.

#### **7.04 Field Training.**

(a) Within 60 days after Licensee, or Licensee's principal owner, completes the Initial Training Program, and at a mutually scheduled time, Licensors shall send one of its technicians to the Operating Territory to provide Field Training to Licensee and its personnel on site at the location of Licensee's first two residential jobs for an aggregate period not to exceed 10 days. If Licensee completes Field Training within 60 days after Licensee, or Licensee's principal owner, completes the Initial Training Program, Licensors shall provide Field Training without charging any fee for Field Training. Otherwise, Licensee shall pay a fee for Field Training equal to Licensors's then-current daily rate set forth in the Confidential Manuals. Licensee understands that scheduling Field Training to be completed within the first 60 days after Licensee, or Licensee's principal owner, completes the Initial Training Program, is by mutual arrangement and subject to Licensors's prior commitments. The parties agree to cooperate with each other in order to accommodate each other's schedules during this time period.

(b) With respect to all Field Training that Licensors provides any time during the Term, Licensee shall reimburse Licensors, upon presentation of an invoice, for all of Licensors's actual direct costs for transportation, lodging, meals, and incidental expenses associated with Field Training. Licensee understands that, if it is not able to schedule the first two residential jobs within consecutive weeks Licensors's actual direct costs associated with providing Field Training may be higher than if Licensee is able to schedule the first two residential jobs within consecutive weeks as Licensors may incur extra transportation costs in connection with providing Field Training.

(c) Licensee shall not be entitled to any type of credit for future Field Training if Licensee is unable, for any reason, to schedule the first two residential jobs within the first 60 days after Licensee, or Licensee's principal owner, completes the Initial Training Program, or if Licensee otherwise fails to complete Field Training within that 60-day time period, due to no fault of Licensee.

(d) Should Licensee require additional Field Training during the Term, Licensee shall submit a written request to Licensors outlining the specific onsite support services sought. If Licensors has personnel available to provide additional Field Training, Licensors agrees to send a technician to the job site to provide the requested Field Training for the period agreed upon by the parties, for a fee equal to Licensors's then-current daily rate set forth in the Confidential Manuals, plus reimbursement of Licensors's actual direct costs for transportation, lodging, meals, and incidental expenses associated with Field Training.

**7.05 Training Fees; Travel, Living and Salary Expenses during Training.** During the Term, Licensee may enroll a total of 6 employees without any additional charge, in a session of Licensors's Initial Training Program, which Licensors shall periodically repeat.

For each additional person over 6 that Licensee desires to enroll in a session of the Initial Training Program during the Term, Licensee shall pay Licensor's then-current per person training fee set forth in the Confidential Manuals. For purposes of this Section, a person shall be counted as being enrolled in the Initial Training Program regardless of whether the person attends all, or only specific segments, of the Initial Training Program. Licensee shall be responsible for all travel, living and salary expenses for its personnel to attend any of Licensor's training programs, whether it be a session of the Initial Training Program, Field Training, additional training, training provided at conventions or seminars, mandatory additional programs or otherwise. Licensee understands that in order to obtain Field Training after the first 60 days following the date when Licensee, or Licensee's principal owner, complete the Initial Training Program, Licensee must, among other conditions, pay a fee equal to Licensor's then-current daily rate set forth in the Confidential Manuals.

#### VIII.

### SERVICING CUSTOMERS; APPLICATION OF THE PROCESS

**8.01 Process Applications.** Licensee may use the Process only to perform the Authorized Services and for no other purpose whatsoever. In using the Process and performing the Authorized Services, Licensee shall comply with the specifications, instructions, requirements and policies of Licensor as set forth in the Confidential Manuals or otherwise communicated to Licensee, which Licensor may revise at any time in Licensor's discretion without prior notice.

**8.02 Epoxy.** Licensee shall purchase the quantities of the Epoxy that Licensee requires to perform the Authorized Services only from Licensor or the supplier that Licensor designates and at the price and other terms of sale, shipment and delivery which Licensor or the supplier establish as stated on the invoice or purchase forms; provided, however, the price that Licensee shall pay shall be the same as the price charged to similarly situated licensees. Neither Licensor nor the supplier shall be liable to Licensee or Licensee's customers for delays or shortages in the supply of the Epoxy due to causes beyond their control. Licensee's use of any substitute material for the Epoxy shall constitute a material breach of this Agreement.

**8.03 Samples and Records.** Licensee shall maintain records of all jobs with details regarding the application of the Epoxy in the manner directed by Licensor. In addition, Licensee shall draw a sample of the Epoxy used on each job site in accordance with the guidelines and directions provided by Licensor from time to time with regard to sampling the Epoxy mixtures at job sites. All samples and documentation shall be available to Licensor for inspection at any time upon reasonable notice and shall be maintained for the longer of (i) the length of any warranty period that Licensee gives to its customer with respect to the Epoxy or the job in which the Epoxy is used; or (ii) the Term and any renewal term. Licensee acknowledges that strict compliance with the provisions of this section is required to preserve the manufacturer warranties on the Epoxy. Licensee shall notify Licensor immediately of any breach in the requirements of this section, but such notification shall not relieve Licensee of the consequences of such breach.



**8.04 Service Truck Requirements.** Licensee will maintain a sufficient number of service trucks to enable Licensee to respond promptly to customers and transport equipment to job sites. Licensee shall maintain the service trucks in good condition and repair and in accordance with Licensor's specifications and display Licensor's Names and Marks in the style and manner identified in the Confidential Manuals. If Licensee uses the same service trucks in another business during the Term, Licensee shall obtain Licensor's prior written consent to the size, placement and appearance of the Names and Marks on the exterior of Licensor's service vehicles in conjunction with the other business names that Licensor uses in its other business.

**8.05 Uniforms and Identification.** All of Licensee's personnel performing Authorized Services or otherwise interacting with existing or prospective customers shall wear uniforms and identification badges specified by Licensor in the Confidential Manuals.

IX.  
**OPERATION OF THE LICENSED BUSINESS**

**9.01 Manager; Sales Manager.**

(a) From the time that Licensee, or Licensee's principal owner, complete the Initial Training Program and for the remainder of the Term, at least one person designated by Licensee shall qualify for and perform the duties of Manager of the Licensed Business. Any one of Licensee's owners may be designated as a Manager. Licensee shall keep Licensor informed of the identity of each of its Managers. Regardless of whether Licensee designates one or more of its employees as a Manager of the Licensed Business, Licensee will at all times be held responsible for the day-to-day management of the Licensed Business. Each person whom Licensee designates as a Manager shall sign Licensor's then-current form of Confidentiality Agreement.

(b) From the time that Licensee, or Licensee's principal owner, complete the Initial Training Program and for the remainder of the Term, at least one person designated by Licensee shall qualify for and perform the duties of Sales Manager of the Licensed Business. Any one of Licensee's owners may be designated as the Sales Manager. Licensee shall keep Licensor informed of the identity of each of its Sales Managers. Regardless of whether Licensee designates one or more of its employees as a Sales Manager of the Licensed Business, Licensee will at all times be held responsible for all marketing and lead generation activities undertaken by its Sales Manager or other employees. Each person whom Licensee designates as a Sales Manager shall sign Licensor's then-current form of Confidentiality Agreement.

**9.02 Conduct of Licensed Business.** Licensee agrees at all times to faithfully, honestly and diligently perform its obligations under this Agreement and continuously use its best efforts to promote and enhance the Licensed Business and the goodwill associated with the Names and Marks. Licensee shall establish and maintain the highest standards of service to customers.

**9.03 Staffing.** Licensee shall employ or retain the services of a sufficient number of competent employees or independent contractors and cause each of them to receive appropriate training to perform their job in accordance with the Standards of Operation. Licensee is solely responsible for hiring, firing and establishing employment policies applicable to its employees and retaining, terminating and establishing the duties of any independent contractors that Licensee retains. Licensee is solely responsible for determining all compensation and benefits programs offered to its employees and independent contractors. This Agreement does not impose any controls, or otherwise impinge, on Licensee's discretion with respect to the forgoing subject matters. Licensee shall be responsible for the acts and omissions of its employees, independent contractors and agents, including, without limitation, its Managers and Sales Managers. Licensee shall cause the Business Office to be staffed and open during regular business hours.

**9.04 Compliance with Agreement, Confidential Manuals.** Licensee shall comply with (i) all rules, regulations, and directives contained in this Agreement or in the Confidential Manuals, as amended from time to time and adopt the merchandising, promotion, and advertising policies of Licensor; and (ii) all Applicable Laws pertaining to the operation of the Licensed Business. Licensor specifically reserves the right to modify or change such policies, procedures and directives including, but not by way of limitation, by changing or adding to the Confidential Manuals, by changing the Process and the equipment used in the Process.

**9.05 Internet Access.** Licensee shall install and maintain, at its expense, a high speed Internet access account to maintain sales and marketing information, to transmit and receive marketing leads, to transmit and receive accounting information, to promote communication between Licensee and Licensor.

**9.06 Right to Inspect and Corrective Actions.** Licensor and its designated representatives shall, during normal business hours, and without prior notice to Licensee, inspect Licensee's methods of operation, including, without limitation, observing and conducting discussions with Licensee's employees and customers and performing customer surveys and conducting mystery shopping reviews, in order to verify Licensee's compliance with this Agreement and the Confidential Manuals. Licensee shall cooperate fully with Licensor's inspections and promptly cure all deviations from Licensor's standards, specifications and operating procedures which Licensee is notified of either orally or in writing. If Licensor's inspection reveal Licensee's noncompliance with Licensor's standards of quality or service, Licensor may, without waiving its right to declare Licensee in breach of this Agreement, require that Licensee or designated employees complete specified additional training classes at a location designated by Licensor. Licensee shall pay the training fees and all of Licensor's actual direct costs for providing additional training as provided in this Agreement.

**9.07 Confidential Manuals.** Licensor will loan Licensee one set of the current Confidential Manuals for as long as this Agreement is in effect. The Confidential

Manuals are, and at all times shall remain, Licensor's sole property and Licensee shall promptly return its set of the Confidential Manuals to Licensor upon expiration, termination or an assignment of this Agreement. Licensee shall treat all information contained in the Confidential Manuals as confidential, and keep the Confidential Manuals in a secure place at the Business Office of the Licensed Business. Licensee shall not, without Licensor's prior written consent, copy, duplicate, record or otherwise reproduce the Confidential Manuals, in whole or in part, or otherwise make the contents available to any person not requiring access in order to carry out his or her employment duties to Licensee, with the exception that Licensee may copy the forms in the Confidential Manuals that bear a legend indicating they may be copied by Licensee. The Confidential Manuals contain both mandatory and recommended specifications, standards, procedures, rules and other information pertinent to Licensee's obligations under this Agreement. Licensor may modify the Confidential Manuals from time to time through written supplements to the Confidential Manuals or through other written or electronic communications delivered to Licensee, and each supplement or communication shall become effective upon receipt or on the later date specified in the writing. The Confidential Manuals, as modified by Licensor from time to time, are an integral part of this Agreement and all provisions now or hereafter contained in the Confidential Manuals or otherwise communicated to Licensee in writing are expressly incorporated in this Agreement by this reference and made a part hereof. Licensee shall fully comply with all mandatory requirements now or hereafter included in the Confidential Manuals, and understands and agrees that a breach of any mandatory requirement shall constitute a breach of this Agreement and grounds for termination.

**9.08 Maintenance Contracts.** At all times during the Term, Licensee shall maintain service contracts with one or more reputable service companies designated or approved by Licensor for all air compressors and Epoxy mixers that Licensee uses in the Licensed Business. The service contract for each air compressor shall (i) provide for remote monitoring and tracking of mechanical components and the geographic location of the air compressor by the designated or approved service provider, and (ii) grant Licensor the right to access the monitoring service and to access and copy all of the service company's service records for the air compressor.

X.

**NATIONAL ACCOUNTS AND REFERRAL PROGRAMS**

**10.01 National Accounts Program.** Licensor may establish and maintain a National Accounts Program, wherein Licensor will attempt to create interest in, and develop relationships with, regional or nationally focused companies that make or influence decisions with respect to pipe maintenance and restoration. Licensor shall have discretion to determine the referral policies of the National Accounts Program, which shall be set forth in the Confidential Manuals. As long as Licensee is not in default under this Agreement and, in Licensor's reasonable business judgment, has the appropriate equipment, personnel, resources and training, Licensee will be given the opportunity to accept jobs within its Operating Territory requiring the performance of Authorized Services pursuant to the rules of any National Accounts Program that

Licensor may implement. If Licensee's Operating Territory includes more than one licensee or if Licensor or any of its affiliates also operate in the same Operating Territory as Licensee, Licensor shall adhere to the referral policies set forth in the Confidential Manuals and refer jobs from national accounts in accordance with that policy to either Licensee, or another licensee or Licensor's affiliate according to who Licensor believes, in Licensor's reasonable business judgment, is best suited to perform the particular project in view of the project's size, technical requirements, deadlines for completion and other specifications. Licensor will attempt to allocate referrals requiring the performance of Authorized Services in the Operating Territory an orderly manner so that Licensee and each other licensee or affiliate of Licensor equally qualified to perform the Authorized Services in the Operating Territory will receive a comparable number of referrals. However, Licensee understands and agrees that Licensor does not represent or guaranty that, if Licensor implements a National Accounts Program, either the number of jobs referred to Licensee, or the aggregate Gross Receipts of those jobs, will be equal to each other licensee or affiliate of Licensor also doing business in the Operating Territory. Licensor shall have discretion to determine the referral policies of the National Accounts Program and shall not be liable to Licensee for allocation decisions that Licensor makes in the exercise of its reasonable business judgment.

**10.02 Acceptance of National Account Project.** Licensee shall not be required to accept any project referred to it under Section 10.01; provided, however, that if Licensee refuses a project, it is not entitled to be referred a replacement project. If Licensee accepts a project referred by Licensor, it shall abide by all published policies and procedures with respect to such account, including the pricing of such account, or any fees related thereto.

## XI. WARRANTIES

### **11.01 Licensee's Warranty.**

(a) In selling the Epoxy and equipment to Licensee, Licensor shall provide to Licensee a limited warranty that the Epoxy and equipment each are free from all known manufacturing defects. The terms of Licensor's limited warranty shall be as set forth on the container or packaging containing the Epoxy and/or equipment. Licensee understands that the warranty runs only to Licensee and that Licensee's customers are not beneficiaries of the Licensor's warranty. Licensee understands that Licensor makes no other warranties with respect to the Epoxy and no warranties shall be implied.

(b) Licensee is not authorized to make any warranties to its customers about the Process, the Epoxy or Licensee's work in the name of Licensor. Licensee is responsible for all warranties that it chooses to give to its customers with respect to Licensee's work, the Process, and Licensee's application of the Process, but understands and agrees that it does so in its name only. Licensee shall at all times, at its expense, take corrective action necessary to fulfill its warranty obligations to its customers and to reasonably satisfy its customers. If Licensee does not respond in a

timely and satisfactory manner to customer warranty claims, Licensor may, without waiving its right to declare Licensee in breach of this Agreement, take corrective action, including completing the warranty work, and charge Licensee for Licensor's costs in taking such corrective actions.

(c) If Licensee believes that it has a claim under the limited warranty given by Licensor on the Epoxy or the equipment, Licensee's sole remedy shall be to present the claim to Licensor in writing following the claim procedures set forth in the Confidential Manuals together with documentation supporting its claim and the expenses that Licensee has incurred based on the alleged breach of Licensor's limited warranty. If Licensor agrees, in its reasonable business judgment, that Licensee's claim demonstrates a breach of Licensor's limited warranty, Licensor shall reimburse Licensee for its direct expenses on account of the breach of limited warranty. If Licensor establishes that the failure of the Epoxy or equipment is due to Licensee's failure to follow Licensor's instructions regarding application and/or use, or if Licensee fails to take or maintain a sample of the Epoxy as required by this Agreement, then Licensor's limited warranty to Licensee shall be void and Licensee shall, have no claim against Licensor with respect to the corrective action taken to satisfy Licensee's customer.

## XII. NAMES AND MARKS

**12.01 Use of Names and Marks.** Licensee shall operate under, and prominently display, the Names and Marks in the operation of the Licensed Business. Licensee must adopt a trade name for the operation of the Licensed Business; provided, however, that if the trade name includes any of the Names and Marks, Licensor shall have the right to approve the trade name prior to its use by Licensee and shall have the right to require Licensee to modify that trade name if Licensor, in its discretion, determines the trade name is inappropriate or not reflective of Licensee's position in the market vis à vis other ACE DuraFlo® businesses. Licensee shall use no commercial trade names, service marks, or other commercial symbols, including associated logos that do not satisfy the criteria established by Licensor. Licensee shall not use any of the Names and Marks in combination with other words, letters, prefixes, suffixes, logos or designs, other than in the manner authorized by Licensor.

**12.02 No Use of Names and Marks in Legal Name.** If Licensee is a corporation, limited liability company or partnership, Licensee may not use any of the Names and Marks as part of the name of the corporation, limited liability company or partnership. Licensee shall file for and maintain a "Certificate of Trade Name" in the county, or other appropriate jurisdiction, in which the Licensed Business is located.

**12.03 Modification of Names and Marks.** From time to time, upon reasonable notice to Licensee, Licensor may elect to discontinue the use of certain Names and Marks and to commence use of new Names and Marks. Licensee shall pay all expenses incurred in connection with discontinuing the use of existing Names and Marks in the Licensed

timely and satisfactory manner to customer warranty claims, Licensor may, without waiving its right to declare Licensee in breach of this Agreement, take corrective action, including completing the warranty work, and charge Licensee for Licensor's costs in taking such corrective actions.

(c) If Licensee believes that it has a claim under the limited warranty given by Licensor on the Epoxy or the equipment, Licensee's sole remedy shall be to present the claim to Licensor in writing following the claim procedures set forth in the Confidential Manuals together with documentation supporting its claim and the expenses that Licensee has incurred based on the alleged breach of Licensor's limited warranty. If Licensor agrees, in its reasonable business judgment, that Licensee's claim demonstrates a breach of Licensor's limited warranty, Licensor shall reimburse Licensee for its direct expenses on account of the breach of limited warranty. If Licensor establishes that the failure of the Epoxy or equipment is due to Licensee's failure to follow Licensor's instructions regarding application and/or use, or if Licensee fails to take or maintain a sample of the Epoxy as required by this Agreement, then Licensor's limited warranty to Licensee shall be void and Licensee shall, have no claim against Licensor with respect to the corrective action taken to satisfy Licensee's customer.

## XII. NAMES AND MARKS

**12.01 Use of Names and Marks.** Licensee shall operate under, and prominently display, the Names and Marks in the operation of the Licensed Business. Licensee must adopt a trade name for the operation of the Licensed Business; provided, however, that if the trade name includes any of the Names and Marks, Licensor shall have the right to approve the trade name prior to its use by Licensee and shall have the right to require Licensee to modify that trade name if Licensor, in its discretion, determines the trade name is inappropriate or not reflective of Licensee's position in the market vis à vis other ACE DuraFlo® businesses. Licensee shall use no commercial trade names, service marks, or other commercial symbols, including associated logos that do not satisfy the criteria established by Licensor. Licensee shall not use any of the Names and Marks in combination with other words, letters, prefixes, suffixes, logos or designs, other than in the manner authorized by Licensor.

**12.02 No Use of Names and Marks in Legal Name.** If Licensee is a corporation, limited liability company or partnership, Licensee may not use any of the Names and Marks as part of the name of the corporation, limited liability company or partnership. Licensee shall file for and maintain a "Certificate of Trade Name" in the county, or other appropriate jurisdiction, in which the Licensed Business is located.

**12.03 Modification of Names and Marks.** From time to time, upon reasonable notice to Licensee, Licensor may elect to discontinue the use of certain Names and Marks and to commence use of new Names and Marks. Licensee shall pay all expenses incurred in connection with discontinuing the use of existing Names and Marks in the Licensed

Business and commencing the use of new Names and Marks therein; provided, however if Licensor does not give Licensee notice to allow for use of any trademarked stationary or marketing materials purchased by Licensee within 90 days preceding the date of the notice that will become obsolete, Licensor will purchase from Licensee, at Licensee's cost, such of those materials as were originally purchased from Licensor.

**12.04 Prohibition Against Disputing Licensor's Rights.** Licensee acknowledges that its right to use the Names and Marks is derived solely from this Agreement and that all such usage and any goodwill established thereby shall inure to the exclusive benefit of Licensor. Licensee shall not at any time challenge the Names and Marks, or Licensor's ownership of or right to use or license the Names and Marks.

**12.05 Termination or Expiration.** Licensee agrees that, upon the termination or expiration of the License for any reason whatsoever, Licensee shall forthwith discontinue the use of the Names and Marks, and thereafter shall no longer use, or have the right to use, the Names and Marks.

**12.06 Infringement Claims.**

(a) Licensee shall immediately notify Licensor of any infringement of or challenge to Licensee's use of present and future Names and Marks and shall not communicate with any other person in connection with any such infringement, challenge or claim. Licensor shall have discretion to take such action as it deems appropriate, including the exclusive control of any litigation or any Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim relating to any of the Names and Marks.

(b) Unless it is established that a claim asserted against Licensee is based, directly or indirectly, upon Licensee's misuse of the Names and Marks, the Process or the System of Operation, Licensor agrees to defend Licensee against the claim, provided Licensee has notified Licensor immediately after learning of the claim and fully cooperates in the defense of the claim. Because Licensor will defend the claim, Licensee is not entitled to be reimbursed for legal or other professional fees or costs paid to independent legal counsel or others in connection with the matter. Notwithstanding Licensor's agreement to defend Licensee under the conditions stated in this paragraph, Licensee understands and agrees that Licensor is not liable to indemnify or reimburse Licensee for any liability, costs, expenses, damages or losses that Licensee may sustain as a result of the claim, including, without limitation, for lost profits or consequential damages of any kind, with the exception that Licensor shall reimburse Licensee for Licensee's actual direct costs to change any signs, uniforms or other materials that bear the Names and Marks upon Licensor's request.

**12.07 Requirement to Protect Integrity and Goodwill of Names and Marks.** Licensee shall take all actions reasonably necessary to maintain the integrity of the Names and Marks and preserve and protect the goodwill associated with the Names and Marks. These actions shall include, without limitation, the following: