
EXHIBIT C
FRANCHISE AGREEMENT

CLUTTERBUSTERS FRANCHISING, INC. FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

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CLUTTERBUSTERS FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into as of this ___ day of _____, 20___, by and between CLUTTERBUSTERS FRANCHISING, INC., a Delaware FRANCHISOR whose principal business address is 15521 Grinnell Terrace, Derwood, Maryland 20855 ("FRANCHISOR") and _____, whose principal business address is _____ ("FRANCHISEE").

ARTICLE 1 PREAMBLES AND GRANT OF FRANCHISE

A. PREAMBLES.

(1) FRANCHISOR has designed and developed a method of developing and operating a mobile concept that services clients by organizing homes, either on an hourly basis or by project, like the garage, bedroom, home office or den as well as corporate offices (the "Services"). The businesses ("FRANCHISOR Businesses") have distinctive business formats, methods, procedures, designs, layouts, standards and specifications, all of which FRANCHISOR may improve, further develop and otherwise modify from time to time.

(2) FRANCHISOR has developed and uses, promotes and licenses certain trademarks, service marks and other commercial symbols in operating FRANCHISOR Businesses, including "Clutterbusters," which have gained and will continue to gain public acceptance and goodwill, and FRANCHISOR may create, use and license other trademarks, service marks and commercial symbols for use in operating FRANCHISOR Businesses (collectively, the "Marks").

(3) FRANCHISOR grants to persons who meet FRANCHISOR'S qualifications, and who are willing to undertake the investment and effort, a franchise to own and operate a Clutterbusters Business offering the products and services FRANCHISOR authorizes (and only the products and services FRANCHISOR authorizes) and using FRANCHISOR'S business system, business formats, methods, procedures, signs, designs, layouts, standards, specifications and Marks, all of which FRANCHISOR may improve, further develop and otherwise modify from time to time (collectively, the "Franchise System").

(4) FRANCHISEE has applied for a franchise to own and operate a Clutterbusters Business, and FRANCHISOR has approved FRANCHISEE'S application relying on all of FRANCHISEE'S representations, warranties and acknowledgments contained in such application and this Agreement.

B. GRANT OF FRANCHISE; TERM.

Subject to the terms of this Agreement, FRANCHISOR grants FRANCHISEE a franchise (the "Franchise") to operate as a Clutterbusters Business at the "Site" identified on Exhibit B (the "BUSINESS"), and to use the Marks and the Franchise System in its operation, for a term beginning on the date of this Agreement and expiring five (5) years from that date, unless sooner terminated as provided herein. FRANCHISEE may not relocate the BUSINESS without FRANCHISOR'S prior written consent. FRANCHISEE shall only offer its services to clients from within the territory, as defined below. FRANCHISEE shall not offer or sell any products or services by catalog, direct mail, telephone order, by use of electronic means (e.g., the Internet), or in any other medium not approved in writing by FRANCHISOR.

FRANCHISEE agrees that FRANCHISEE will at all times faithfully, honestly and diligently

perform FRANCHISEE'S obligations under this Agreement. The individual listed as the "OPERATOR" on this Agreement's signature page (the "Operator") agrees to act as the BUSINESS' on-premises general manager, supervise the day-to-day operations of the BUSINESS and continuously exert his or her best efforts to promote and enhance the BUSINESS. FRANCHISEE (or if FRANCHISEE is a business entity, its Principal Owners listed on Exhibit A) is required to work full-time at the BUSINESS.

C. EXCLUSIVE TERRITORIAL RIGHTS.

Before this Agreement is executed, FRANCHISOR will describe the Territory in Exhibit B. The size of the Territory shall be determined in the sole discretion of FRANCHISOR. Except as limited by Subsection D below, and provided that FRANCHISEE is in full compliance with this Agreement, FRANCHISOR and its affiliates will not operate or grant a franchise for the operation of another Clutterbusters Business at a location within the Territory during the term of this Agreement.

D. RIGHTS FRANCHISOR RESERVES.

Except as expressly limited by Subsection C above, FRANCHISOR and its affiliates retain all rights with respect to FRANCHISOR Businesses, the Marks, the sale of similar or dissimilar products and services, and any other activities FRANCHISOR deems appropriate whenever and wherever FRANCHISOR desires, including, but not limited to:

(1) the right to establish and operate, and to grant to others the right to establish and operate organizer businesses or any other businesses offering similar or dissimilar products and services through similar or dissimilar channels of distribution, at any locations outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions FRANCHISOR deems appropriate;

(2) the right to provide, offer and sell and to grant others the right to provide, offer and sell goods and service similar to and/or competitive with those provided at FRANCHISOR Businesses, whether identified by the Marks or other trademarks or service marks, through dissimilar distribution channels (including, without limitation, the internet or similar electronic media) both inside and outside the Territory and on any terms and conditions FRANCHISOR deems appropriate;

(3) the right to establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside the Territory under the Marks and on any terms and conditions FRANCHISOR deems appropriate;

(4) the right to operate, and to grant others the right to operate FRANCHISOR Businesses located anywhere outside the Territory under any terms and conditions FRANCHISOR deems appropriate and regardless of proximity to the BUSINESS;

(5) the right to acquire the assets or ownership interests of one or more businesses offering products and services similar to those provided at Clutterbusters Business, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Territory); and

(6) the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at FRANCHISOR Businesses, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory.

(7) National or Regional Account. Except as provided below, and subject to other policies and procedures set forth in FRANCHISOR'S Confidential Operations Manual, FRANCHISEE may not solicit or service the locations of a National or Regional Account (as defined below) without FRANCHISOR'S prior written consent. FRANCHISOR has the right to condition its consent (although it is not obligated to grant its consent) on FRANCHISEE'S agreement to comply with certain requirements and has the right to withdraw its consent for any or no reason as it deems appropriate. If FRANCHISOR withdraws its consent to FRANCHISEE'S soliciting and/or servicing one (1) or more National or Regional Accounts, FRANCHISEE must cease all solicitation and servicing activity with respect to that National or Regional Account(s) immediately.

FRANCHISOR retains the right under all circumstances to provide any services to any National or Regional Account location, wherever operated, provided, however, that where FRANCHISEE has exclusive authority under this Agreement to offer and sell through his/her BUSINESS the services that FRANCHISOR would like to provide to the National or Regional Account's locations, FRANCHISOR first will offer FRANCHISEE the opportunity to provide those services to the locations of the National or Regional Account on the terms and conditions that FRANCHISOR has established with the National or Regional Account. If FRANCHISEE fails to accept the offer in the manner FRANCHISOR specifies, FRANCHISOR has the right, or may authorize other franchisees or third parties, to provide those services to the locations of the National or Regional Account. The term "National or Regional Account" means any customer that has employees or clients in two (2) or more locations. Nothing in this paragraph is intended to require FRANCHISEE to participate in any National or Regional Account program. FRANCHISEE is not permitted to negotiate cost of any services to be provided to the National or Regional Account without FRANCHISOR'S prior consent.

E. WEB SITES.

1. Definitions: For the purpose of this Agreement, the following words and phrases shall have the meaning set forth in this Paragraph E.1:

1.1 "**Content**" means all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through FRANCHISOR'S Web site.

1.2 "**Deep Link**" means a link to content of a Web site. Typically, a deep link to an interior page of a Web site (i.e., bypassing the front page of the Web site).

1.3 "**Electronic Commerce**" means offering and selling merchandise and services associated with the Proprietary Marks, and receiving and accepting orders and payment for that merchandise and services, directly or indirectly, through any means of electronic communication, including receiving and accepting orders over the Internet.

1.4 "**Frame**" refers to a feature which, when used in conjunction with certain browsers, allows visitors of a Web site to view content from other Web sites without actually leaving the first page.

1.5 "**FRANCHISEE'S Web Page**" means one or more interior pages of FRANCHISOR'S Web site dedicated in whole or in part to the BUSINESS.

1.6 "**FRANCHISOR'S Web site**" means one or more Internet Web sites that may, among other things, facilitate orders, provide information about the BUSINESS and the products and services that are offered on the Web site and at BUSINESSES operated under the Proprietary Marks;

FRANCHISEE'S Web Page may be part of the FRANCHISOR'S Web site.

1.7 **"Internet"** means any means of electronic communication that employs inter-connected computer networks to communicate information (of any kind) by fiber optics, wire, radio or other methods of transmission, including the myriad of computers, telecommunications facilities and similar means (both equipment and software) that comprise the interconnected worldwide network of networks that employ the TCP/IP (Transmission Control Protocol/Internet Protocol) or any predecessor or successor protocols to that protocol.

1.8 **"Intranet"** means a private method of communication for use only by employees, independent contractors, and franchisees of FRANCHISOR; the FRANCHISOR'S Intranet may be either a "True" intranet (a series of inter-connected computers that use the same type of software as the Internet, but that are not technically part of the Internet and do not use the Internet to transmit material to one another) or an extranet (which will actually transmit information over the Internet, but require a password to access data on the servers used by FRANCHISOR).

1.9 **"Link"** means a cross-reference which, with the aid of an interactive browser program, allows the end-user to move or connect easily from one document (including, another Web site or page on a Web site) to another.

1.10 **"Software"** means all computer programs and computer code (e.g., HTML, Java) used for or on the Web site, excluding any software owned by third parties.

1.11 **"URL"** means uniform resource locator, the unique address assigned to each page of a Web site.

1.12 **"Web site"** means a series of inter-connected "pages" on the World Wide Web section of the Internet (the "World Wide Web" is the portion of the Internet that features graphic-rich pages using the HTTP and HTML protocols);

2. **Use of Proprietary Marks on Internet:** FRANCHISEE shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, any Internet home page, e-mail address, Web site, bulletin board, newsgroup or other Internet-related medium) which in any way uses or displays, in whole or part, the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar thereto without FRANCHISOR'S express prior written consent, and then only in such manner and in accordance with this Agreement, such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time and only so long as FRANCHISEE is not in default of this Agreement or any other Agreement between FRANCHISOR or its affiliates and FRANCHISEE. Without limiting the generality of the foregoing, FRANCHISEE shall not cause, permit or allow the Proprietary Marks, or any of them, or any words, symbols or terms confusingly similar thereto, be used or displayed in whole or part; (a) as, or as a part of, an Internet domain name; (b) as, or as a part of, a URL (at any level or address); or (c) on or in connection with any Internet home page, Web site, bulletin board, newsgroup, chat-group, buddy list, instant messenger, meta-tag or the comparable identifier in any future technology) or other internet-related activity, without FRANCHISOR'S express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time. FRANCHISEE shall not link to or frame FRANCHISOR'S Web site (including FRANCHISEE'S Web Page, if any) to any other Web site or authorize any third party to Link to or frame the Web site (including FRANCHISEE'S Web Page, if any) without FRANCHISOR'S express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals

from time to time.

2.1 Except as provided in Paragraph E.4 of this Agreement FRANCHISEE shall not use, nor authorize any third party to use, the Proprietary Marks to advertise, promote, offer or sell any goods or services through the Internet, if those goods or services are the same as or similar to those (a) which are offered at or from the BUSINESS, (b) which bear any of the Proprietary Marks, or (c) which are otherwise offered or sold under the Proprietary Marks. FRANCHISEE may, however, use the Proprietary Marks to sell such goods or services through the Internet in compliance with Paragraph 4.3 of this Agreement or with FRANCHISOR'S prior written consent, but then only in such manner and in accordance with such procedures, policies, standards and specifications as FRANCHISOR may establish in the Manuals from time to time.

2.2 FRANCHISOR will own and will retain all right, title and interest in and to the Proprietary Marks and the use thereof in any and all manners and to all existing and future domain names, URLs, future addresses and sub addresses established by FRANCHISOR (including FRANCHISEE'S Web Page sub addresses) which may or may not include the Proprietary Marks; all Software; all Content prepared for, or use on, FRANCHISOR'S Web site; and all intellectual proprietary rights in or to any of them.

3 **FRANCHISOR'S Web Site:** FRANCHISOR may, but shall not be obligated to, establish and maintain from time to time FRANCHISOR'S Web site to provide information about the BUSINESS and the goods and services the BUSINESSES provide, even through FRANCHISOR'S Web site is accessible by person in FRANCHISEE'S trade area. FRANCHISOR has sole discretion and control over design and content of FRANCHISOR'S Web site, except the FRANCHISOR may configure the site to accommodate FRANCHISEE'S Web Page as described in Paragraph 3.2 of this Agreement. FRANCHISOR may, at its sole option, from time to time, without prior notice to FRANCHISEE: (a) change, revise, or eliminate the design, content and functionality of FRANCHISOR'S Web site; (b) make operational changes to FRANCHISOR'S Web site; (c) change or modify, or modify the URL and/or domain name of FRANCHISOR'S Web site; (d) substitute, modify, or rearrange FRANCHISOR'S Web site, at FRANCHISOR'S sole option, including in any manner that FRANCHISOR considers necessary or desirable to, among to other things, (1) comply with applicable laws, (2) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (3) limit or restrict end-user access (in whole or in part) to FRANCHISOR'S Web site; and (e) disable or terminate FRANCHISOR'S Web site without any liability to FRANCHISEE.

3.1 FRANCHISOR'S Web site may include a series of interior pages that may identify participating BUSINESSES by among other things, name, geographic region, address, telephone number and/or e-mail address. FRANCHISOR may permit FRANCHISEE to customize or post certain information to FRANCHISEE'S Web Page, subject to FRANCHISEE'S compliance with the procedures, policies, standards and specifications that FRANCHISOR may establish in the Manuals from time to time which may require the FRANCHISEE to pay a reasonable fee for the privilege of having FRANCHISEE'S Web Page, and may include, without limitation, specifications and limitations for the data or information to be posted to FRANCHISEE'S Web Page, customization specifications, the basic template for design of FRANCHISEE'S Web Page, parameters and deadlines specified by FRANCHISOR, disclaimers, and such other standards and specifications and rights and obligations of the parties as FRANCHISOR may establish from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by FRANCHISEE for any purpose will be deemed to be a "work made for hire" under the copyright laws, and therefore, FRANCHISOR shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, FRANCHISEE hereby assigns those modifications to FRANCHISOR for no additional consideration and with no further action required and shall execute such

further assignments(s) as FRANCHISOR may request. FRANCHISEE may not modify FRANCHISEE'S Web Page except in coordination with FRANCHISOR'S webmaster and in compliance with FRANCHISOR'S policies and procedures. FRANCHISEE shall contribute a reasonable fee toward the cost of the Web site's maintenance, which may vary from year to year during the term of this Agreement and shall pay the same to FRANCHISOR in the manner and at the times that FRANCHISOR may establish in the Manuals from time to time. If FRANCHISEE fails to pay when due any fees or other amount payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates, FRANCHISOR may disable FRANCHISEE'S Web Page until such time as FRANCHISEE pays its outstanding obligations in full. FRANCHISEE hereby appoints FRANCHISOR as FRANCHISEE'S attorney-in-fact with full power and authority for the sole purpose of disabling FRANCHISEE'S Web Page. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

3.2 FRANCHISOR may Link FRANCHISOR'S Web site to the Web sites of third parties, including, electronic service providers, FRANCHISOR'S affiliates and other providers of goods and services. FRANCHISOR may also permit third parties to Link (including Deep Links to any interior page of FRANCHISOR'S Web site, including FRANCHISEE'S Web Page) and frame FRANCHISOR'S Web site (including FRANCHISEE'S Web Page). FRANCHISOR may place legal notices, disclaimers, FRANCHISOR'S corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on FRANCHISOR'S Web site, all of which may be modified, expanded, or eliminated at FRANCHISOR'S option. Further, FRANCHISOR may establish or participate in programs whereby FRANCHISOR refers end-users to other Web sites, or FRANCHISOR receives referrals from other Web sites. All consideration (monetary and non-monetary) received by FRANCHISOR on account of the placement or date of advertisements, endorsements, and sponsorships on FRANCHISOR'S Web site (including any FRANCHISEE Page), and all consideration (monetary and non-monetary) received by FRANCHISOR on account of affiliate programs, will belong only to FRANCHISOR. FRANCHISOR may also establish programs which encourage repeat business by end-users.

3.3 Without limiting FRANCHISOR'S general unrestricted right to permit, deny and regulate FRANCHISEE'S participation on FRANCHISOR'S Web site in FRANCHISOR'S sole discretion, if FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR OR FRANCHISOR'S affiliates, FRANCHISOR may disable or terminate FRANCHISEE'S Web Page and remove all references to the BUSINESS on FRANCHISOR'S Web site until the breach is cured.

3.4 FRANCHISOR has no control over the stability or maintenance of the Internet generally; as a result, FRANCHISOR is not responsible or damage or loss caused by errors or malfunctions of the Internet. Furthermore, FRANCHISOR is not liable for any direct or indirect, special, incidental, exemplary or consequential damages arising out of the use of, or the inability to use, FRANCHISOR'S Web site or the Internet, including loss of profits, goodwill, or savings; downtime; or damage to or replacement of programs and data, whether claimed in contract, tort, product liability, or otherwise.

4 **Electronic Commerce**. FRANCHISEE will not use the Proprietary Marks to advertise, promote or sell any services or merchandise through the Internet, nor will FRANCHISEE offer or sell any service that is identified with the Proprietary Marks or any memorabilia or other merchandise that bears the Proprietary Marks through the Internet, except in compliance with Paragraph 2 of this Agreement and this Paragraph 4. FRANCHISEE'S breach of this restriction will constitute willful trademark infringement and a material breach of this Agreement.

4.1 FRANCHISOR may, at its discretion, use the Web site described in Paragraph 3 of this Agreement or may establish another facility on the Internet for the purpose of engaging in Electronic Commerce with respect to products and services that are identified with the Proprietary Marks.

4.2 If FRANCHISOR decides to engage in Electronic Commerce, it will (a) establish uniform procedures, policies and protocols to govern electronic communications between FRANCHISOR and its customers and the use and dissemination of information that FRANCHISOR obtains with respect to customers' identities, purchasing habits and other commercially relevant matters; (b) develop a secure site on the facility through which FRANCHISOR can accept credit card and other confidential information from its customers; (c) establish a central administration center through which customer orders are processed, customer complaints are handled, sales taxes (if any) are remitted, and records of sales transactions are created and maintained; (d) establish a central fulfillment center through which all customer orders are filled; and (e) establish the terms and conditions under which members of the System may participate in FRANCHISOR'S Electronic Commerce program.

4.3 In the event that FRANCHISOR initiates FRANCHISOR'S Electronic Commerce program, FRANCHISEE will have the opportunity to participate in the program provided the FRANCHISEE is in good standing under this Agreement and any other agreement with FRANCHISOR or FRANCHISOR'S affiliates. The Electronic Commerce program set forth in the Manuals may (a) state the terms on which FRANCHISOR and participating franchisee of FRANCHISOR may share program revenues and expenses, (b) obligate FRANCHISEE to adhere to FRANCHISOR'S procedures, policies and protocols that govern electronic communications and the use and dissemination of customer information, (c) authorize FRANCHISOR from time to time to modify the procedures, policies and protocols that govern the Electronic Commerce program; and (d) release FRANCHISOR from liability to FRANCHISEE and its customers for theft or disclosure of confidential customer information or breach of FRANCHISOR'S privacy standards unless the proximate cause of such theft, disclosure or breach is FRANCHISOR'S gross negligence or willful misconduct.

4.4 If FRANCHISEE declines to participate in the Electronic Commerce program on the terms stated in the Manuals, FRANCHISEE will have no right to share in the program revenues, nor will FRANCHISEE have any responsibility to bear or pay any program expenses.

4.5 If FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates, FRANCHISEE hereby authorizes FRANCHISOR to disable or terminate the end-user's ability to place orders or schedule jobs with FRANCHISEE until the breach is cured.

5 **FRANCHISOR'S Intranet.** FRANCHISOR may, at its option, establish and maintain, an Intranet through which FRANCHISOR, franchisees of FRANCHISOR and FRANCHISOR'S employees and independent contractors may communicate with each other, and through which FRANCHISOR may disseminate the Manuals, updates thereto and other confidential information. FRANCHISOR shall have sole discretion and control over all aspects of the Intranet, including the content and functionality thereof. FRANCHISOR will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to FRANCHISEE.

5.1 If FRANCHISOR establishes an Intranet, FRANCHISEE shall have the privilege to use the Intranet, subject to FRANCHISEE'S strict compliance with the standards and specifications, protocols and restrictions that FRANCHISOR may establish from time to time. Such standards are specifications, protocols and restrictions may relate to, among other things, (a) the use of abusive, slanderous or otherwise offensive language in electronic communications; (b) communications between

or among franchisees that endorse or encourage breach of any franchisee's Franchise Agreement; (c) confidential treatment of materials that FRANCHISOR transmits via the Intranet; (d) password protocols and other security precautions; (e) grounds and procedures for FRANCHISOR'S suspending or revoking a franchisee's access to the Intranet; and (f) a privacy policy governing FRANCHISOR'S access to use of electronic communications that franchisees post to the Intranet. FRANCHISEE further acknowledges that, as administrator of the Intranet, FRANCHISOR can technically access and view any communication that any person posts on the Intranet. FRANCHISEE further acknowledges that the Intranet facility and all communications that are posted to it will become FRANCHISOR'S property, free of any claims of privacy or privilege that FRANCHISEE or any other person may assert.

5.2 Upon receipt of notice from FRANCHISOR that FRANCHISOR has established the Intranet, FRANCHISEE shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows FRANCHISOR to send message to and receive messages from FRANCHISEE, subject to the standards and specifications. FRANCHISEE shall contribute a reasonable amount toward the cost of the Intranet's maintenance which may vary from year to year during the term of this Agreement and shall pay the same to FRANCHISOR in the manner and at the times that FRANCHISOR may establish in the Manuals from time to time.

5.3 If FRANCHISEE fails to pay when due any fees or other amounts payable to FRANCHISOR under this Agreement, or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates or otherwise breaches this Agreement or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates, FRANCHISOR may temporarily disable or terminate FRANCHISEE'S access to the Intranet until such time as FRANCHISEE pays its outstanding obligation in full without FRANCHISOR having any liability to FRANCHISEE, in which case FRANCHISOR shall only be required to provide FRANCHISEE a paper copy of the Manuals and any updates thereto, if none have been previously provided to FRANCHISEE, unless FRANCHISEE is not otherwise entitled to the Manuals.

6. **Assignment Upon Termination or Expiration.** FRANCHISEE shall, at the option and request of FRANCHISOR, assign to FRANCHISOR all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the BUSINESS following demand by FRANCHISOR upon FRANCHISEE'S misuse of the same and/or the termination or expiration of this Agreement. Furthermore, FRANCHISEE hereby appoints FRANCHISOR as FRANCHISEE'S attorney-in-fact with full power and authority for the sole purpose of assigning these rights to FRANCHISOR. This appointment shall be deemed to be coupled with an interest and shall continue in full force and effect until the termination or expiration of this Agreement.

ARTICLE 2

SITE SELECTION, LEASE OF SITE AND DEVELOPMENT AND OPENING OF BUSINESS IF FRANCHISEE DOES NOT OPERATE FROM HOME

A. **APPROVAL OF SITE.**

In the event FRANCHISEE elects not to operate from a home-based office, FRANCHISEE shall obtain FRANCHISOR'S written approval of any proposed site for the BUSINESS in accordance with FRANCHISOR'S procedures. FRANCHISEE will submit to FRANCHISOR a complete site report for the proposed site which FRANCHISEE reasonably believes to conform to site selection criteria FRANCHISOR establishes from time to time. The Site report will contain such demographic, commercial and other information and photographs as FRANCHISOR may require. FRANCHISEE acknowledges that in approving a proposed site FRANCHISOR may consider such matters as it deems material

including without limitation demographic characteristics, traffic patterns, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the exclusivity granted to other franchisees of FRANCHISOR, the purchase price or rental obligations, lease terms for the site, its size, its appearance, and other physical characteristics.

FRANCHISOR will approve or disapprove each site FRANCHISEE proposes for the operation of the BUSINESS by giving written notice to FRANCHISEE. FRANCHISOR agrees to use reasonable efforts to deliver such a notice to FRANCHISEE within seven (7) days after FRANCHISOR receives the complete site documentation and any other materials FRANCHISOR requests regarding FRANCHISEE and the proposed site. FRANCHISOR will not unreasonably withhold its approval of a proposed site that meets its standards and specifications for a Clutterbusters Business. Upon FRANCHISOR'S approval of a proposed site for the BUSINESS, the address of the BUSINESS will be inserted on Exhibit B to this Agreement.

FRANCHISEE hereby acknowledges and agrees that FRANCHISOR'S approval of the Site does not constitute an expressed or implied assurance, representation or warranty of any kind as to the suitability of the Site for a Clutterbusters Business or for any other purpose. FRANCHISOR'S approval of the Site indicates only that FRANCHISOR believes the Site complies with acceptable minimum criteria established by FRANCHISOR solely for its purposes as of the time of evaluation. FRANCHISEE and FRANCHISOR acknowledge that application of criteria that have been effective with respect to other sites may not be predictive of potential for the BUSINESS and that, subsequent to FRANCHISOR'S approval of the Site, demographic and/or economic factors included in or excluded from FRANCHISOR'S criteria could change thereby altering the potential of the Site. Such factors are unpredictable and are beyond FRANCHISOR'S control. FRANCHISOR shall not be responsible for the failure of the Site to meet FRANCHISEE'S expectations as to revenue, operational performance or other measures. FRANCHISEE further acknowledges and agrees that its acceptance of a Franchise for the operation of the BUSINESS at the Site is based on its own independent investigation of the suitability of the Site.

B. APPROVAL OF LEASE.

Upon FRANCHISOR'S approval of a proposed site, FRANCHISEE will attempt to obtain lawful possession of the approved Site through lease or sublease. FRANCHISEE must sign a lease or sublease for a Site within thirty (30) days after execution of this Agreement. Any lease or sublease for the Site shall, in form satisfactory to FRANCHISOR: (a) provide for concurrent, written notice to FRANCHISOR of FRANCHISEE'S default under said lease; (b) provide for FRANCHISOR'S right in its sole discretion to cure FRANCHISEE'S default under said lease; (c) provide for FRANCHISEE'S right to assign its interest under said lease to FRANCHISOR without the lessor's consent; (d) authorize and require the lessor to disclose to FRANCHISOR upon FRANCHISOR'S request sales and other information furnished to the lessor by FRANCHISEE; (e) provide that FRANCHISOR shall have the right (in its sole discretion) upon termination of this Agreement or expiration of this Agreement without the grant of a successor franchise, to assume said lease; (f) provide for the lessor's consent to FRANCHISEE'S display of the Marks in accordance with FRANCHISOR'S specifications therefore subject only to applicable law; (g) provide that it may not be materially modified without FRANCHISOR'S prior written consent and that FRANCHISOR will receive copies of such modifications when proposed and when executed; and (h) contain an acknowledgment by the lessor that FRANCHISEE is operating a professional organizing business.

FRANCHISEE will deliver to FRANCHISOR for review a copy of the lease or sublease for the Site. FRANCHISEE agrees that it will not execute a lease or sublease without FRANCHISOR'S prior written approval of its terms. If FRANCHISOR does not approve a proposed lease or sublease within

seven (7) days after FRANCHISOR receives it, it shall be deemed disapproved by FRANCHISOR. FRANCHISEE shall deliver a copy of the signed lease or sublease to FRANCHISOR within seven (7) days of its execution. FRANCHISEE further agrees that it will not execute or agree to any modification of the lease or sublease which would affect FRANCHISOR'S rights without the prior written approval of FRANCHISOR.

C. DESIGN SPECIFICATIONS.

FRANCHISOR will furnish to FRANCHISEE, if FRANCHISEE is not operating from a home-based office, "Design Specifications" which contain the requirements that FRANCHISOR specifies from time to time for design, decoration, layout, equipment, furniture, fixtures, color scheme, and signs for a Clutterbusters Business. FRANCHISEE acknowledges and agrees that the Design Specifications are an integral part of the Franchise System and form a part of FRANCHISOR'S trade dress and that therefore the BUSINESS will be developed, constructed and designed in accordance with the Design Specifications, except where contrary to applicable laws or regulations. FRANCHISEE shall submit all plans and specifications to FRANCHISOR for its written approval. FRANCHISEE shall not begin development of the BUSINESS until FRANCHISOR approves in writing FRANCHISEE'S plans and specifications.

D. DEVELOPMENT OF THE BUSINESS.

Within sixty (60) days after the date FRANCHISEE signs a lease for the Site, if FRANCHISEE is not operating from a home-based office, FRANCHISEE agrees at its expense to do or cause to be done the following: (a) cause to be prepared and submit to FRANCHISOR for approval detailed construction plans and specifications and space plans for the BUSINESS that comply with the Design Specifications and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions; (b) obtain all required zoning changes, planning consents, building, utility, sign and business permits, licenses and approvals and any other consents, permits and licenses necessary to lawfully open and operate the BUSINESS; (c) construct all required improvements in compliance with construction plans and specifications approved by FRANCHISOR; (d) decorate the BUSINESS in compliance with Design Specifications and plans and specifications approved by FRANCHISOR; (e) purchase and install all required equipment (including the Computer System and Phone System), furniture, fixtures and signs (collectively the "Operating Assets"); and (f) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services.

E. OPERATING ASSETS.

FRANCHISEE agrees to use in developing and operating the BUSINESS only those Operating Assets that FRANCHISOR approves in writing from time to time for FRANCHISOR Businesses as meeting FRANCHISOR'S specifications and standards for quality, design, appearance, function and performance. FRANCHISEE agrees to place or display at the Site (interior and exterior) only the signs, emblems, lettering, logos and display materials that FRANCHISOR approves in writing from time to time. If FRANCHISOR requires, FRANCHISEE must purchase or lease only approved brands, types and/or models of Operating Assets and/or purchase or lease them only from suppliers FRANCHISOR designates or approves from time to time (which may include or be limited to FRANCHISOR and/or its affiliates). If FRANCHISEE desires to use any Operating Asset that FRANCHISOR has not yet evaluated. FRANCHISEE may submit such Operating Asset for FRANCHISOR'S consideration by following the procedure set forth in Article 8.C.

F. COMPUTER SYSTEM AND PHONE SYSTEM.

FRANCHISEE agrees to use in operating the BUSINESS the computer equipment and operating software (collectively, the "Computer System") and the telephone equipment (the "Phone System") that FRANCHISOR specifies from time to time. FRANCHISOR may require FRANCHISEE to obtain specified telephone equipment, computer hardware and use software designated by the FRANCHISOR and may periodically modify specifications for and components of the Computer System and/or the Phone System. FRANCHISOR'S modification of specifications for the Phone System, the Computer System and/or other technological developments or events may require FRANCHISEE to purchase, lease and/or license new or modified, phone equipment, computer hardware and/or software and to obtain service and support for the Computer System and Phone System. Although FRANCHISOR cannot estimate the future costs of the Phone System or the Computer System, FRANCHISEE agrees to incur the costs of obtaining the telephone equipment or the computer hardware and software comprising the Phone System and the Computer System (or additions or modifications) and required service or support. FRANCHISOR has no obligation to reimburse FRANCHISEE for any Phone System or Computer System costs. Within sixty (60) days after FRANCHISEE receives notice from FRANCHISOR, FRANCHISEE agrees to obtain the components of the Phone System and of the Computer System that FRANCHISOR designates and to ensure that FRANCHISEE'S Phone System and Computer System, as modified, are functioning properly. In the event FRANCHISOR develops proprietary software, FRANCHISEE shall be required to pay a one-time licensing fee of approximately Five-hundred (\$500) and a monthly technology maintenance fee of (\$75).

Notwithstanding the fact that FRANCHISEE must buy, use and maintain the Computer System and Phone System under FRANCHISOR'S standards and specifications, FRANCHISEE will have sole and complete responsibility (including, without limitation, responsibility for the cost thereof) for: (1) the acquisition, operation, maintenance and upgrading of the Computer System and Phone System; (2) the manner in which FRANCHISEE'S Computer System interfaces with FRANCHISOR'S computer system and those of other third parties; and (3) any and all consequences that may arise if the system is not properly operated, maintained and upgraded.

G. OPENING.

FRANCHISEE agrees not to open the BUSINESS for business until:

(1) FRANCHISOR determines that the BUSINESS meets FRANCHISOR'S standards and specifications (although satisfaction of such standards and specifications is not a representation or warranty, express or implied, that the BUSINESS complies with any engineering, licensing, environmental, labor, health, building, fire, sanitation, occupational, landlord's, insurance, safety, tax, governmental or other statutes, rules, regulations, requirements or recommendations, nor is it a waiver of FRANCHISOR'S right to require continuing compliance with FRANCHISOR'S requirements, standards or policies) (this section may not apply where FRANCHISEE operates from a home-based office);

(2) all persons that FRANCHISOR requires satisfactorily complete pre-opening training;

(3) FRANCHISEE paid, upon execution of this Franchise Agreement the initial franchise fee and other amounts then due to FRANCHISOR; and

(4) FRANCHISEE gives FRANCHISOR certificates for all required insurance policies or other evidence of insurance coverage and premium payment that FRANCHISOR requests, and provides FRANCHISOR copies of all licenses and permits required for the BUSINESS' proper operation.

FRANCHISEE agrees to comply with these conditions and open the BUSINESS for business within sixty (60) days after the date FRANCHISEE signs a lease for the Site, if applicable, but in no event

more than ninety (90) days after the date of this Agreement.

ARTICLE 3 **FEES**

A. INITIAL FRANCHISE FEE

FRANCHISEE agrees to pay FRANCHISOR, upon execution of this Agreement, a nonrecurring and nonrefundable initial franchise fee of Twenty-Five Thousand Dollars (\$25,000). This fee is due and fully earned by FRANCHISOR when FRANCHISEE signs this Agreement.

In the State of Rhode Island and the State of Maryland, we will defer the payment of the initial franchise fee, development fee and any other initial payment until all of our material pre-opening obligations have been satisfied. The initial franchise fee and development fee are deferred until you open your business and it is operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.

B. ROYALTY

FRANCHISEE agrees to pay FRANCHISOR a bi-weekly royalty ("Royalty") of eight percent (8%). The Royalty is due every other Friday by automatic debit for the preceding 2 weeks. The bi-weekly period is defined as Monday through the second following Sunday, and the Royalty is due the following Friday after that Sunday.

In this Agreement, "Gross Revenue" means all revenues from sales conducted upon or from the BUSINESS, and shall include, but not be limited to, the amounts received from the sale of services and products of every kind and nature. Gross Revenue shall not include the amount of any sales tax imposed by any federal, state, municipal or other governmental authority directly on sales and collected from clients, provided that the amount thereof is added to the selling price or absorbed therein and actually paid by FRANCHISEE to such governmental authority.

C. ELECTRONIC FUNDS TRANSFER

At FRANCHISOR'S request, FRANCHISEE must sign and deliver to FRANCHISOR the documents FRANCHISOR requires to authorize FRANCHISOR to debit FRANCHISEE'S business checking account automatically for the Royalty, local media placement account and National Marketing and Advertising Fund contributions, and other amounts due under this Agreement or any related agreement between FRANCHISOR (or FRANCHISOR'S affiliates) and FRANCHISEE. FRANCHISOR uses an automatic debit program for the BUSINESS, and FRANCHISOR will debit FRANCHISEE'S account for these amounts on the applicable dates. FRANCHISEE agrees to make the funds available for withdrawal by electronic transfer before each due date. If FRANCHISEE fails to report the BUSINESS' Gross Revenue for any period, FRANCHISOR may debit FRANCHISEE'S account for one hundred twenty-five percent (125%) of the Royalty, National Marketing and Advertising Fund, and Technology Fund contributions, that FRANCHISOR debited for the previous period. If the amount FRANCHISOR debits from FRANCHISEE'S account is less than the amount FRANCHISEE actually owes FRANCHISOR, FRANCHISOR will debit FRANCHISEE'S account for the balance of the amount due on the day FRANCHISOR specifies. If the amount FRANCHISOR debits from FRANCHISEE'S account is greater than the amount FRANCHISEE actually owes FRANCHISOR for the period, FRANCHISOR will credit the excess against the amount FRANCHISOR otherwise would debit from FRANCHISEE'S account during the following period.

D. INTEREST ON LATE PAYMENTS

All amounts which FRANCHISEE owes FRANCHISOR (including Royalty payments), if not paid within three (3) business days after the due date, will bear interest beginning after their original due date at eighteen percent (18%) per year or the highest commercial contract interest rate the law allows, whichever is less. FRANCHISOR uses an automatic debit program for the BUSINESS, and may debit FRANCHISEE'S account automatically for these amounts. FRANCHISEE acknowledges that this Subsection is not FRANCHISOR'S agreement to accept any payments after they are due or FRANCHISOR'S commitment to extend credit to, or otherwise finance FRANCHISEE'S operation of, the BUSINESS. FRANCHISEE further acknowledges that FRANCHISEE'S failure to pay all amounts that FRANCHISEE owes FRANCHISOR when due constitutes grounds for FRANCHISOR'S terminating this Agreement under Article 16.B., notwithstanding this Subsection.

E. APPLICATION OF PAYMENTS AND RIGHT OF SET-OFF

Notwithstanding any designation by FRANCHISEE, FRANCHISOR may apply any of FRANCHISEE'S payments to any of FRANCHISEE'S past due indebtedness to FRANCHISOR (or FRANCHISOR'S affiliates). FRANCHISOR may set-off any amounts FRANCHISEE owes FRANCHISOR or FRANCHISOR'S affiliates against any amounts FRANCHISOR or FRANCHISOR'S affiliates might owe FRANCHISEE. FRANCHISEE may not withhold payment of any amounts FRANCHISEE owes FRANCHISOR due to FRANCHISOR'S alleged nonperformance of any of FRANCHISOR'S obligations under this Agreement or any other agreement between FRANCHISOR (and/or FRANCHISOR'S affiliates) and FRANCHISEE.

ARTICLE 4
TRAINING AND ASSISTANCE

A. TRAINING

Before the BUSINESS opens, FRANCHISOR will train FRANCHISEE (or, if FRANCHISEE is an entity, the FRANCHISEE'S Principal Owners listed on Exhibit A) on the operation of a Clutterbusters Business. FRANCHISOR will provide at least five (5) days of training at FRANCHISOR'S designated training site (which may include FRANCHISOR'S principal business address, an operating Clutterbusters Business and/or another location). Initial training will be held at such time and location and for such duration as FRANCHISOR designates. FRANCHISEE must complete the initial training to FRANCHISOR'S satisfaction and participate in all other activities FRANCHISOR requires before opening the BUSINESS. FRANCHISOR provides this training at no additional fee, provided that FRANCHISEE attends a regularly scheduled training session. However, FRANCHISEE must pay all travel and living expenses which the attendees incur in connection with such training. FRANCHISEE agrees to replace any key employee or independent contractor if FRANCHISOR determines that he or she is not qualified to hold that position and to pay FRANCHISOR'S then current fee for training his or her replacement. FRANCHISEE may not employ any key employee who has not completed FRANCHISOR'S training program to FRANCHISOR'S reasonable satisfaction. In addition, FRANCHISOR may require FRANCHISEE to be certified in the Clutterbusters!! Policies and procedures. This training may be in the form of video training or some other manner.

In addition to FRANCHISOR'S initial training program, FRANCHISOR will provide a representative to assist FRANCHISEE and FRANCHISEE'S employees and independent contractors at the BUSINESS for a period of two (2) days, including the day prior to opening and opening day of the BUSINESS.

FRANCHISOR may require FRANCHISEE, and/or other employees and/or independent contractors to attend various training courses and periodic conventions that FRANCHISOR chooses to provide periodically at the times and locations FRANCHISOR designates, provided that FRANCHISEE, and the other employees and/or independent contractors shall not be required to attend more than two (2) such courses or conventions each calendar year. If FRANCHISEE hires a replacement for a key employee or independent contractor during this Agreement's term, that person must complete the training program FRANCHISOR designates before beginning work. FRANCHISOR may charge One Thousand Dollars (\$1000) per day or FRANCHISOR'S then current rate for these courses, training of a replacement Operator, or any additional training. All training fees are due to FRANCHISOR before the start of the training session. FRANCHISEE is responsible for all travel and living expenses of all of its attendees in connection with such training and conventions.

B. GENERAL GUIDANCE

FRANCHISOR will advise FRANCHISEE from time to time regarding the BUSINESS' operation based on FRANCHISEE'S reports or FRANCHISOR'S inspections, including with respect to:

- (1) standards, specifications and operating procedures and methods used by FRANCHISOR Businesses;
- (2) purchasing required or recommended Operating Assets and other products and services;
- (3) advertising and marketing programs;
- (4) employee and/or independent contractor training; and
- (5) administrative, bookkeeping and accounting procedures.

FRANCHISOR will guide FRANCHISEE in FRANCHISOR'S operating manual and other technical manuals ("Operations Manual"); in bulletins or other written materials; by electronic media; by telephone consultation; and/or at FRANCHISOR'S office or that of the BUSINESS. If FRANCHISEE requests and FRANCHISOR agrees to provide additional or special guidance, assistance or training, FRANCHISEE must pay FRANCHISOR then applicable charges, including FRANCHISOR'S per diem charges and any travel and living expenses.

C. OPERATIONS MANUAL

FRANCHISOR will loan to FRANCHISEE, to use in operating the BUSINESS during this Agreement's term, one (1) copy (or access to an electronic copy) of the Operations Manual, which might include audiotapes, videotapes, computer disks, compact disks and/or written materials. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures and rules that FRANCHISOR periodically prescribes for operating a Clutterbusters Business ("System Standards") and information on FRANCHISEE'S other obligations under this Agreement. FRANCHISOR may modify the Operations Manual periodically to reflect changes in System Standards, but these modifications shall not alter FRANCHISEE'S fundamental rights or status under this Agreement. FRANCHISEE agrees to keep its copy of the Operations Manual current and in a secure location at the BUSINESS. If there is a dispute over its contents, FRANCHISOR'S master copy of the Operations Manual controls. FRANCHISEE agrees that the contents of the Operations Manual are confidential and that FRANCHISEE will not disclose the Operations Manual to any person other than BUSINESS employees and/or independent contractors who need to know its contents. FRANCHISEE may not at any time copy, duplicate, record or otherwise reproduce any part of the Operations Manual. If FRANCHISEE'S copy of

the Operations Manual is lost, destroyed or significantly damaged, FRANCHISEE agrees to obtain a replacement copy at FRANCHISOR'S then-applicable, reasonable charge.

D. DELEGATION OF PERFORMANCE

FRANCHISEE agrees that FRANCHISOR has the right to delegate the performance of any portion or all of FRANCHISOR obligations under this Agreement to third party designees, whether these designees are FRANCHISOR'S agents or independent contractors with whom FRANCHISOR has contracted to perform these obligations.

ARTICLE 5
MARKS

A. OWNERSHIP AND GOODWILL OF MARKS

FRANCHISEE agrees that its right to use the Marks is derived only from this Agreement and is limited to FRANCHISEE'S operating the BUSINESS according to this Agreement and all System Standards FRANCHISOR prescribes during its term. FRANCHISEE'S unauthorized use of the Marks is a breach of this Agreement and infringes FRANCHISOR'S rights in the Marks. FRANCHISEE acknowledges and agrees that FRANCHISEE'S use of the Marks and any goodwill established by that use are for FRANCHISOR'S exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon FRANCHISEE (other than the right to operate the BUSINESS under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional and substitute trademarks and service marks FRANCHISOR authorizes FRANCHISEE to use.

B. LIMITATIONS ON FRANCHISEE'S USE OF MARKS.

FRANCHISEE agrees to use the Marks as the sole trade identification of the BUSINESS, provided that FRANCHISEE shall identify itself as the independent owner of the BUSINESS in a manner acceptable to FRANCHISOR. FRANCHISEE may not use any Mark or any variation thereof (1) as part of any corporate or legal business name, (2) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos FRANCHISOR has licensed to FRANCHISEE), (3) in selling any unauthorized services or products, (4) as part of any domain name, electronic address or search engine FRANCHISEE maintains on any "Website" (defined in Article 1.12 hereof); or (5) in any other manner FRANCHISOR has not expressly authorized in writing. FRANCHISEE may not use any Mark in advertising the transfer, sale or other disposition of the Operating Assets or the BUSINESS without FRANCHISOR'S prior written consent, which FRANCHISOR will not unreasonably withhold. FRANCHISEE agrees to display the Marks prominently as FRANCHISOR prescribes at the BUSINESS and on forms, advertising and other materials FRANCHISOR designates. FRANCHISEE agrees to give the notices of trademark and service mark registrations that FRANCHISOR specifies and to obtain any fictitious or assumed name registrations required under applicable law. FRANCHISEE agrees to use the proper Registered Mark designation (®) next to all uses of the word "Clutterbusters" and "TM" after all uses of the tagline, "We Ain't Afraid of No Mess!" FRANCHISEE also agrees not to use the term "Clutterbuster" to refer to individual professional organizers, nor use the term "Clutterbusting" to refer to the provision of professional organizing services, nor use the term in any other generic or general sense.

C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.

FRANCHISEE agrees to notify FRANCHISOR immediately of any apparent infringement of or challenge to FRANCHISEE'S use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than FRANCHISOR and FRANCHISOR'S attorneys, and

FRANCHISEE'S attorneys, regarding any infringement, challenge or claim. FRANCHISOR may take the action FRANCHISOR deems appropriate (including no action) and may control exclusively any settlement, litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising from any infringement, challenge or claim or otherwise concerning any Mark. FRANCHISEE agrees to sign any documents and take any actions that, in the opinion of FRANCHISOR'S attorneys, are necessary or advisable to protect and maintain FRANCHISOR'S interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain FRANCHISOR'S interests in the Marks.

D. DISCONTINUANCE OF USE OF MARKS.

If FRANCHISOR believes at any time that it is advisable for FRANCHISOR and/or FRANCHISEE to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, FRANCHISEE agrees to comply with FRANCHISOR'S directions within a reasonable time after receiving notice. FRANCHISOR need not reimburse FRANCHISEE for FRANCHISEE'S expenses in complying with these directions (such as costs FRANCHISEE incurs in changing the BUSINESS' signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for FRANCHISEE'S expenses of promoting a modified or substitute trademark or service mark.

E. INDEMNIFICATION FOR USE OF MARKS.

FRANCHISOR agrees to reimburse FRANCHISEE for all damages and expenses FRANCHISEE incurs in any trademark infringement proceeding disputing FRANCHISEE'S authorized use of any Mark under this Agreement, provided that FRANCHISEE has timely notified FRANCHISOR of the proceeding, has complied with this Agreement, and complies with FRANCHISOR'S directions in responding to the proceeding. At FRANCHISOR'S option, FRANCHISOR may defend and control the defense of any proceeding relating to any Mark. If any action taken by FRANCHISOR with respect to any such claim or proceeding results in any monetary recovery for FRANCHISEE which exceeds FRANCHISEE'S costs, then the amount of such recovery which exceeds FRANCHISEE'S costs will first be used to reimburse FRANCHISOR for its expenses in connection with such action, and any remainder will be distributed to FRANCHISEE.

ARTICLE 6
CONFIDENTIAL AND GENERAL INFORMATION

FRANCHISOR possesses (and will continue to develop and acquire) certain confidential information relating to the development and operation of FRANCHISOR Businesses (the "Confidential Information"), which includes (without limitation):

- (1) site selection criteria and design specifications;
- (2) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge and experience used in developing and operating FRANCHISOR Businesses (including, without limitation, the System Standards);
- (3) market research and promotional, marketing and advertising programs for FRANCHISOR Businesses;
- (4) knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets, materials, equipment and fixtures that FRANCHISOR Businesses use;

(5) knowledge of the operating results and financial performance of FRANCHISOR Businesses other than the BUSINESS;

(6) client communication programs, along with data used or generated in connection with those programs;

(7) the terms of this Agreement and the Client Contracts;

(8) the Operations Manual;

(9) graphic designs and related intellectual property; and

(10) the Client List (as described in Subsection B below).

A. FRANCHISEE acknowledges and agrees that FRANCHISEE will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in operating the BUSINESS during this Agreement's term and according to this Agreement's terms and conditions, and that FRANCHISEE'S use of any Confidential Information in any other business would constitute an unfair method of competition with FRANCHISOR and FRANCHISOR'S franchisees and may violate certain laws. FRANCHISEE further acknowledges and agrees that the Confidential Information is proprietary, including FRANCHISOR'S trade secrets, and is disclosed to FRANCHISEE only on the condition that FRANCHISEE, its Owners, independent contractors and employees who have access to it agree, and they do agree, that FRANCHISEE, and its Owners and such employees and/or independent contractors:

(a) will not use any Confidential Information in any other business or capacity;

(b) will keep the Confidential Information absolutely confidential during and after this Agreement's term;

(c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and

(d) will adopt and implement all reasonable procedures that FRANCHISOR periodically prescribes to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to BUSINESS personnel and others needing to know such Confidential Information to operate the BUSINESS, and requiring all employees and independent contractors having access to Confidential Information to sign confidentiality and non-competition agreements in a form acceptable to FRANCHISOR. FRANCHISOR has the right to regulate the form of agreement that FRANCHISEE uses and to be a third party beneficiary of that agreement with independent enforcement rights.

All ideas, concepts, techniques or materials relating to a Clutterbusters Business, whether or not protectable intellectual property and whether created by or for FRANCHISEE or FRANCHISEE'S employees and independent contractors, must be promptly disclosed to FRANCHISOR and will be deemed to be FRANCHISOR'S sole and exclusive property, part of the Franchise System, and works made-for-hire for FRANCHISOR. To the extent any item does not qualify as a "work made-for-hire" for FRANCHISOR, by this paragraph FRANCHISEE assigns ownership of that item, and all related rights to that item, to FRANCHISOR and agrees to sign whatever assignment or other documents FRANCHISOR requests to evidence FRANCHISOR'S ownership or to help FRANCHISOR obtain intellectual property

rights in the item.

“Confidential Information” does not include information, knowledge or know-how which FRANCHISEE knew from previous business experience before FRANCHISOR provided it to FRANCHISEE (directly or indirectly) or before FRANCHISEE began training or operating the BUSINESS. If FRANCHISOR includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that the exclusion in this paragraph is fulfilled.

B. CLIENT LIST.

FRANCHISEE agrees that the list of the names, addresses and other information (including, without limitation, telephone numbers, education, occupation and other information) regarding FRANCHISEE’S current clients, former clients, and those who have inquired about the service (the “Client List”) shall be included in the Confidential Information, shall be the property of FRANCHISOR and shall constitute a trade secret of FRANCHISOR. FRANCHISEE agrees that FRANCHISEE may not disclose the Client List, or any portion thereof, to any person other than FRANCHISOR, either during the term of this Agreement or thereafter. FRANCHISEE further agrees that a breach of this Section shall be grounds for immediate termination of this Agreement pursuant to Article 15.B, and may give rise to a civil cause of action, including monetary damages and/or injunctive relief.

C. PROPRIETARY SOFTWARE.

FRANCHISOR reserves the right, in the future, to develop and license to FRANCHISEE any proprietary software, as may be made available from time to time and made part of the BUSINESS. In connection therewith, FRANCHISEE may be required to execute the Software License Agreement or such other license agreements which may be applicable to additional or revised software used in the Business.

ARTICLE 7
EXCLUSIVE RELATIONSHIP

FRANCHISEE and its Owners acknowledge that FRANCHISOR has granted FRANCHISEE the Franchise in consideration of and reliance upon FRANCHISEE’S agreement to deal exclusively with FRANCHISOR. FRANCHISEE and its Owners therefore agree that, during this Agreement’s term, neither FRANCHISEE, nor any Owner, nor any member of FRANCHISEE’S or an Owner’s immediate family will:

(a) have any direct or indirect, controlling or non-controlling interest as an owner (whether of record, beneficial or otherwise) in a Competitive Business (defined below), wherever located or operating;

(b) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, for a Competitive Business, wherever located or operating;

(c) recruit or hire any employee or independent contractor of FRANCHISOR, its affiliates or FRANCHISOR’S or their franchisees or licensees without obtaining FRANCHISOR’S or the employer’s prior written permission; or

(d) recruit or hire any director, officer, manager, employee, independent contractor, consultant, representative or other agent of a Competitive Business without obtaining FRANCHISOR’S prior written permission; or

(e) divert or attempt to divert any actual or potential business or client of the BUSINESS to a Competitive Business.

The term "Competitive Business" means any business that provides organizing services or products, or any business which grants franchises or licenses to others to operate such a business, other than a FRANCHISOR Business operated under a franchise agreement with FRANCHISOR. FRANCHISEE agrees that Competitive Businesses include, without limitation, businesses which may provide personal services or organizational products to individuals. FRANCHISEE and its Owners also agree that they will not, during the term of this Agreement, operate or otherwise become affiliated with any Website involving, referring to, or in any way related to a Competitive Business.

ARTICLE 8

BUSINESS OPERATION AND SYSTEM STANDARDS

A. CONDITION AND APPEARANCE OF BUSINESS.

FRANCHISEE agrees that FRANCHISEE will not use the BUSINESS or any part of the Site for any purpose other than operating a Clutterbusters Business in compliance with this Agreement, and that FRANCHISEE will place or display at the Site (interior and exterior) (if not operating from home) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that FRANCHISOR approves from time to time. FRANCHISEE further agrees to maintain the condition and appearance of the BUSINESS, its Operating Assets and the Site (including any parking area) in accordance with the System Standards and consistent with the image of a Clutterbusters Business as an efficiently operated business offering high quality products and services and observing the highest standards of cleanliness and efficient, courteous service. Therefore, FRANCHISEE agrees to take, without limitation, the following actions during this Agreement's term at FRANCHISEE'S expense (assuming that FRANCHISEE is not operating from a home-based office): (a) thorough cleaning, repainting and redecorating of the interior and exterior of the Site at intervals that FRANCHISOR may prescribe; (b) interior and exterior repair of the Site as needed; and (c) repair or replacement, at FRANCHISOR'S direction, of damaged, worn-out or obsolete Operating Assets at intervals that FRANCHISOR may prescribe (or, if FRANCHISOR does not prescribe an interval for replacing any Operating Asset, as that Operating Asset needs to be repaired or replaced).

FRANCHISOR may require FRANCHISEE to substantially alter the BUSINESS and the Site's appearance, layout and/or design, and/or replace a material portion of FRANCHISEE'S Operating Assets, in order to meet FRANCHISOR'S then-current requirements for a new Clutterbusters Business provided, however, that (1) FRANCHISOR may not require such alteration more than once during the initial term of this Agreement and (2) FRANCHISOR may not require alterations during the initial term of this Agreement that cost more than fifteen thousand dollars (\$15,000) in the aggregate. FRANCHISEE acknowledges that this obligation could result in FRANCHISEE'S significantly remodeling and renovating the BUSINESS, and FRANCHISEE agrees, subject to the limitation described above, to incur any capital expenditures required in order to comply with this obligation and FRANCHISOR'S requirements. Within sixty (60) days after receiving written notice from FRANCHISOR, FRANCHISEE must have plans prepared according to the standards and specifications FRANCHISOR prescribes, and FRANCHISEE must submit those plans to FRANCHISOR for FRANCHISOR'S approval. FRANCHISEE must complete all work according to the plans FRANCHISOR approves within the time period that FRANCHISOR specifies. Notwithstanding the foregoing, FRANCHISOR may not require FRANCHISEE to make any such alterations which cost in excess of five thousand dollars (\$5,000), during the last twelve (12) months of this Agreement unless the parties have entered into a successor franchise agreement as provided hereunder.

B. PRODUCTS AND SERVICES THE BUSINESS OFFERS.

FRANCHISEE agrees that it (1) will offer and sell from the BUSINESS only the products and services that FRANCHISOR periodically specifies; (2) will not offer or sell at the BUSINESS, the Site or any other location any products or services FRANCHISOR has not authorized; and (3) will discontinue selling and offering for sale any products or services that FRANCHISOR at any time disapproves.

C. APPROVED PRODUCTS, SERVICES, AND SUPPLIERS.

FRANCHISOR reserves the right to periodically designate and approve standards, specifications, suppliers and/or distributors of the Operating Assets and the products and services that FRANCHISOR periodically authorizes for use in the BUSINESS. During this Agreement's term FRANCHISEE must purchase or lease all Operating Assets and other products and services for the BUSINESS only according to FRANCHISOR'S standards and specifications and, if FRANCHISOR requires, only from suppliers or distributors that FRANCHISOR designates or approves (which may include or be limited to FRANCHISOR and/or its affiliates). FRANCHISEE acknowledges and agrees that FRANCHISOR and/or FRANCHISOR'S affiliates may derive revenue based on FRANCHISEE'S purchases and leases (including, without limitation, from charging FRANCHISEE for products and services FRANCHISOR or FRANCHISOR'S affiliates provide to FRANCHISEE and from payments made to FRANCHISOR by suppliers that FRANCHISOR designates or approves for some or all of FRANCHISOR'S franchisees).

Upon FRANCHISOR'S request, or if FRANCHISEE wants to use any Operating Assets or products that FRANCHISOR has not yet evaluated or wants to purchase any item from a supplier or distributor that FRANCHISOR has not yet approved (for items that FRANCHISOR requires FRANCHISEE to purchase from designated or approved suppliers or distributors), FRANCHISEE first must submit sufficient information, specifications and samples for FRANCHISOR to determine whether the item complies with FRANCHISOR'S standards and specifications or the supplier or distributor meets FRANCHISOR'S criteria. FRANCHISOR may condition FRANCHISOR'S approval of a supplier or distributor on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. FRANCHISOR has the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, at FRANCHISOR'S option, directly to FRANCHISOR. Either FRANCHISEE or the proposed supplier or distributor must pay FRANCHISOR a fee (not to exceed the reasonable cost of the inspection and the actual cost of the test) to make the evaluation. FRANCHISOR reserves the right periodically to re-inspect the facilities and products of any approved supplier or distributor and to revoke FRANCHISOR'S approval if the supplier or distributor does not continue to meet FRANCHISOR'S criteria.

D. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

FRANCHISEE must secure and maintain in force throughout this Agreement's term all required licenses, permits and certificates relating to the BUSINESS operation and operate the BUSINESS in full compliance with all applicable laws, ordinances and regulations. The BUSINESS must in all dealings with its clients, suppliers, FRANCHISOR and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. FRANCHISEE agrees to refrain from any business or advertising practice which might injure FRANCHISOR'S business or the goodwill associated with the Marks or other FRANCHISOR Businesses. FRANCHISEE must notify FRANCHISOR in writing within three (3) business days of: (1) the commencement of any action, suit or proceeding relating to the BUSINESS; (2) the issuance of any order, writ, injunction, award or decree of any court, agency or other

governmental instrumentality relating to the BUSINESS (including, without limitation, the revocation or threatened revocation of any license, permit or certification applicable to the BUSINESS); (3) any notice of violation of any law, ordinance or regulation relating to the BUSINESS; (4) receipt of any notice of complaint from the Better Business Bureau, any local, state or federal consumer affairs department or division, or any other government or independent third party involving a complaint from a client or potential client relating to the BUSINESS; and (5) written complaints from any client or potential client. FRANCHISEE must immediately provide to FRANCHISOR copies of any documentation it receives of events in (1) through (5) above. If FRANCHISOR believes FRANCHISEE is not adequately responding to or handling any event listed in (1) through (5), FRANCHISOR reserves the right to require FRANCHISEE to resolve the matter in a prompt and reasonable manner in accordance with good business practices.

FRANCHISEE shall be required to become a member of the National Association of Professional Organizers "NAPO" and require all of his/her organizers to obtain certification from International Association of Professional Organizers ("IAPO") or NAPO (when such certification is available, and each organizer shall have one (1) year to complete the NAPO certification process unless they have become certified under the IAPO program).

E. INSURANCE.

During the term of this Agreement FRANCHISEE must maintain in force at FRANCHISEE'S sole expense comprehensive public, personal surety bond, general and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the BUSINESS' operation, all containing the minimum liability coverage FRANCHISOR prescribes from time to time in the Operations Manual or elsewhere. FRANCHISOR may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name FRANCHISOR and any affiliates FRANCHISOR designates as additional named insureds and provide for thirty (30) days' prior written notice to FRANCHISOR of a policy's material modification, cancellation or expiration. FRANCHISEE routinely must furnish FRANCHISOR copies of its Certificate of Insurance or other evidence of FRANCHISEE'S maintaining this insurance coverage and paying premiums. If FRANCHISEE fails or refuses to obtain and maintain the insurance FRANCHISOR specifies, in addition to FRANCHISOR'S other remedies, FRANCHISOR may (but need not) obtain such insurance for FRANCHISEE and the BUSINESS on FRANCHISEE'S behalf, in which event FRANCHISEE shall cooperate with FRANCHISOR and reimburse FRANCHISOR for all premiums, costs and expenses FRANCHISOR incurs in obtaining and maintaining the insurance, plus a reasonable fee for FRANCHISOR'S time incurred in obtaining such insurance.

F. PRICING.

FRANCHISOR may periodically set a maximum price that FRANCHISEE may charge under a Client Contract. FRANCHISOR may also establish prices for new FRANCHISOR Businesses until such time as they reach certain growth, and for promotions in which all FRANCHISOR Businesses participate. If FRANCHISOR imposes such a maximum price for any product or service, FRANCHISEE may charge any price for the product or service up to and including the maximum price FRANCHISOR imposes, provided, however, that FRANCHISEE must set one uniform price for all Client Contracts signed in a particular calendar month and may not charge a client who signs a Client Contract during that calendar month a price other than such standard price except in conjunction with a promotion approved by FRANCHISOR in writing. FRANCHISEE may accept only those forms of payment that FRANCHISOR

approves from time to time and may not, in any case, issue a Client Contract in exchange for the barter or trade of goods or services.

G. COMPLIANCE WITH SYSTEM STANDARDS.

FRANCHISEE acknowledges and agrees that operating and maintaining the BUSINESS according to System Standards is essential to preserve the goodwill of the Marks and the goodwill of all FRANCHISOR Businesses. Therefore, FRANCHISEE agrees at all times to operate and maintain the BUSINESS according to each and every System Standard, as FRANCHISOR periodically modifies and supplements them. System Standards may regulate any aspect of the BUSINESS' operation and maintenance, including but not limited to any one or more of the following:

(1) sales, marketing, advertising and promotional programs and materials and media used in these programs;

(2) staffing levels for the BUSINESS and employee and/or independent contractor's qualifications, training, experience, dress and appearance (although FRANCHISEE has sole responsibility and authority concerning staff selection and promotion, hours worked, rates of pay and other benefits, work assigned and working conditions);

(3) use and display of the Marks;

(4) days and hours of operation;

(5) methods of payment that FRANCHISEE may accept from clients;

(6) participation in market research and testing and product and service development programs;

(7) terms of the Client Contract;

(8) bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to FRANCHISOR of sales, revenue, and financial performance and condition; and giving FRANCHISOR copies of tax returns and other operating and financial information concerning the Franchise (FRANCHISOR will use reasonable efforts to keep such records confidential);

(9) types, amounts, terms and conditions of insurance coverage required for the BUSINESS, including criteria for FRANCHISEE'S insurance carriers;

(10) the maximum prices on products and services offered from the BUSINESS, whether in general or in connection with specific promotions;

(11) any other aspects of operating and maintaining the BUSINESS that FRANCHISOR determines to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and FRANCHISOR Businesses; and

(12) participate in any required industry reading programs that FRANCHISOR may suggest from time to time.

FRANCHISEE shall be required, as part of the FRANCHISOR'S System Standards, to service

and market throughout FRANCHISEE'S entire Territory.

FRANCHISEE agrees that System Standards FRANCHISOR prescribes in the Operations Manual, or otherwise communicates to FRANCHISEE in writing or another form, are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified. Subject to FRANCHISEE'S rights under Article 8.A relating to substantial alterations to the BUSINESS' appearance, layout and/or design and/or replacement of a material portion of FRANCHISEE'S Operating Assets, FRANCHISEE acknowledges that FRANCHISOR'S periodic modification of the System Standards (including, without limitation, changes to the hardware and software required for the Computer System and the Phone System), which may accommodate regional and/or local variations, may obligate FRANCHISEE to invest additional capital in the BUSINESS and/or incur higher operating costs.

ARTICLE 9 **CLIENT CONTRACTS**

A. FORM OF CLIENT CONTRACT.

FRANCHISEE agrees that in offering services to a client, FRANCHISEE must execute and have the client execute a form of contract acceptable to FRANCHISOR and consistent with the form of client contract that FRANCHISOR prescribes from time to time (the "Client Contract"). FRANCHISEE shall be responsible for ensuring that all Client Contracts comply with applicable laws. If FRANCHISEE believes that any portion of the Client Contract form provided by FRANCHISOR is contrary to the requirements of applicable law, FRANCHISEE must promptly so notify FRANCHISOR in writing. FRANCHISEE must sign a Client Contract with each client prior to commencement of organizing activities. FRANCHISEE shall provide to FRANCHISOR a copy of each Client Contract signed during a particular calendar month on or before the tenth day of the following calendar month.

B. MINIMUM SALES REQUIRED.

FRANCHISEE agrees to he/she must maintain certain performance levels in order to keep the BUSINESS and maintain territorial exclusivity. Therefore, FRANCHISEE agrees that during the first twelve (12) months of operation Gross Revenues cannot be less than Thirty Thousand Dollars (\$30,000); during the second twelve (12) months of operation, Gross Revenues cannot be less than Sixty Thousand Dollars (\$60,000); and during the next twelve (12) months of operation, and each twelve (12) month period thereafter, Gross Revenues cannot be less than One Hundred Twenty Thousand Dollars (\$120,000).

If FRANCHISEE fails to achieve any one of the minimum levels described above, then FRANCHISOR in its sole discretion shall have the right to terminate this Agreement or reduce the size of the Territory

ARTICLE 10 **ADVERTISING AND MARKETING**

A. NATIONAL MARKETING AND ADVERTISING FUND.

In the event the FRANCHISOR elects to create a National Marketing and Advertising Fund FRANCHISEE will contribute weekly to this "National Marketing and Advertising Fund" in an amount equal to three percent (3%) of the BUSINESS' average weekly Gross Revenue. FRANCHISOR and/or FRANCHISOR Businesses may propose an increase to the National Marketing and Advertising Fund

contribution amount. The voting shall be conducted in accordance with procedures established by FRANCHISOR. FRANCHISOR shall provide at least thirty (30) days' prior written notice to FRANCHISEE of an increase in the National Marketing and Advertising Fund contribution amount that FRANCHISOR or FRANCHISOR'S affiliates will contribute to the National Marketing and Advertising Fund. The contribution to the National Marketing and Advertising Fund will be due concurrent with the bi-weekly royalty payments as they become due.

FRANCHISOR will direct all programs that the National Marketing and Advertising Fund finances, with sole control over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation. The National Marketing and Advertising Fund may pay for preparing and producing advertisements, video, audio and written materials and electronic media; administering regional and multi-regional marketing and advertising programs, (including, without limitation, using in-house or outside advertising, promotion and marketing agencies and other advisors to provide assistance); and supporting public relations, market research and other advertising, promotion and marketing activities. The National Marketing and Advertising Fund periodically will give FRANCHISEE samples of advertising, marketing and promotional formats and materials at no cost and will sell FRANCHISEE multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling and storage charges, or will arrange for FRANCHISEE to purchase these materials directly from the printer or other supplier.

FRANCHISOR will account for the National Marketing and Advertising Fund separately from FRANCHISOR'S other funds and will not use the National Marketing and Advertising Fund for any of FRANCHISOR'S general operating expenses, except to compensate the reasonable salaries, administrative costs, travel expenses and overhead FRANCHISOR incurs in administering the local media placement account and the National Marketing and Advertising Fund and its programs, including, without limitation, public relations, conducting market research, preparing advertising, promotion and marketing materials, and collecting and accounting for local media placement account and National Marketing and Advertising Fund contributions. The National Marketing and Advertising Fund will not be FRANCHISOR'S asset. The National Marketing and Advertising Fund is not a trust, and FRANCHISOR does not owe FRANCHISEE fiduciary obligations because of FRANCHISOR'S maintaining, directing or administering the National Marketing and Advertising Fund or any other reason. The National Marketing and Advertising Fund may spend in any fiscal year more or less than the total National Marketing and Advertising Fund contributions in that year, borrow from FRANCHISOR or others to cover deficits, or invest any surplus for future use. FRANCHISOR will use all interest earned on National Marketing and Advertising Fund contributions to pay costs before using the National Marketing and Advertising Fund's other assets. FRANCHISOR will prepare an annual, unaudited statement of National Marketing and Advertising Fund collections and expenses and give FRANCHISEE the statement upon written request. FRANCHISOR may incorporate the National Marketing and Advertising Fund or operate it through a separate entity whenever FRANCHISOR deems appropriate. The successor entity will have all of the rights and duties specified in this Subsection.

FRANCHISOR intends the National Marketing and Advertising Fund to maximize recognition of the Marks and patronage of FRANCHISOR Businesses. Although FRANCHISOR will try to use the National Marketing and Advertising Fund to develop advertising and marketing materials and programs, and to place advertising and marketing that will benefit all FRANCHISOR Businesses, FRANCHISOR need not ensure that National Marketing and Advertising Fund expenditures in or affecting any geographic area are proportionate or equivalent to the National Marketing and Advertising Fund contributions by FRANCHISOR Businesses operating in that geographic area or that any Clutterbusters Business benefits directly or in proportion to its National Marketing and Advertising Fund contribution from the development or placement of advertising and marketing materials. FRANCHISOR has the right, but no obligation, to use collection agents and institute legal proceedings to collect National Marketing

and Advertising Fund contributions at the National Marketing and Advertising Fund's expense. FRANCHISOR also may forgive, waive, settle and compromise all claims by or against the National Marketing and Advertising Fund. Except as expressly provided in this Subsection, FRANCHISOR assumes no direct or indirect liability or obligation to FRANCHISEE for collecting amounts due to maintaining, directing or administering the National Marketing and Advertising Fund.

FRANCHISOR may at any time defer or reduce the National Marketing and Advertising Fund contributions of a Clutterbusters Business and, upon thirty (30) days' prior written notice to FRANCHISEE, reduce or suspend National Marketing and Advertising Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the National Marketing and Advertising Fund. If FRANCHISOR terminates the National Marketing and Advertising Fund. FRANCHISOR will distribute all unspent monies to all FRANCHISOR Businesses (whether franchised or operated by FRANCHISOR or its affiliates) in proportion to their respective National Marketing and Advertising Fund contributions during the preceding twelve (12) month period.

B. LOCAL ADVERTISING BY FRANCHISEE.

FRANCHISEE shall spend no less than four (4%) percent of Gross Revenues of the preceding two (2) weeks on local advertising and marketing, or One Hundred and Twenty-Five Dollars (\$125), whichever is greater. Ad spending requirements may be expended over the period of two (2) weeks preceding, in which the ad spending requirements are calculated, or may be carried over to the next bi-weekly period; however carry-over total ad spending requirements shall not exceed One Thousand Dollars (\$1,000). If FRANCHISEE decides to spend more than the minimum bi-weekly requirement, FRANCHISEE'S total expenditures may be credited towards future ad spending requirements. FRANCHISEE further agrees, at their expense, to list and advertise the BUSINESS in each classified telephone directory, local white and yellow pages, covering the Site (in the business classifications FRANCHISOR prescribes from time to time and with a minimum of a one-line advertisement with phone number) and, if FRANCHISOR requires, to use FRANCHISOR'S standard form of classified telephone directory advertisement. If there are other FRANCHISOR Businesses located within the distribution area of one or more of those directories, and FRANCHISOR requires, FRANCHISEE agrees to participate in a collective advertisement with those other FRANCHISOR Businesses and pay FRANCHISEE'S share of that collective advertisement.

FRANCHISEE agrees that FRANCHISEE'S (and FRANCHISEE'S Cooperative's) advertising, promotion and marketing will be completely clear, factual and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies that FRANCHISOR prescribes from time to time. Before FRANCHISEE uses them, FRANCHISEE must send FRANCHISOR for approval samples of all advertising, promotional and marketing materials which FRANCHISOR has not prepared or previously approved. If FRANCHISEE does not receive written or verbal approval within twenty (20) days after FRANCHISOR receives the materials, they are deemed to be disapproved. FRANCHISEE may not use any advertising, promotional or marketing materials that FRANCHISOR has disapproved.

C. ADVERTISING COOPERATIVES.

FRANCHISEE agrees that FRANCHISOR may designate a geographic area in which two (2) or more FRANCHISOR Businesses are located as a region in order to establish an advertising cooperative (a "Cooperative"). The Cooperative's members in any area will include all of the FRANCHISOR Businesses operating in that area (including FRANCHISOR or FRANCHISOR'S affiliates, if applicable). Each Cooperative will be organized and governed in a form and manner, and begin operating on a date, that FRANCHISOR determines. Each Cooperative shall operate in accordance with a written governing

document which FRANCHISOR may amend at any time upon written notice to the Cooperative's members. Each Cooperative's purpose is, with FRANCHISOR'S approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Cooperative covers. If, as of the time FRANCHISEE signs this Agreement, FRANCHISOR has established a Cooperative for the geographic area in which the BUSINESS is located, or if FRANCHISOR establishes a Cooperative in that area during this Agreement's term, FRANCHISEE agrees to sign the documents FRANCHISOR requires to become a member of the Cooperative and to participate in the Cooperative as those documents require.

In addition to FRANCHISEE'S contribution required by Subsections A and B above, FRANCHISEE agrees to contribute to the Cooperative the amounts determined by FRANCHISOR as set forth in the governing document for the Cooperative. FRANCHISOR shall determine the total amount of contributions to the Cooperative based upon the projected advertising, marketing and promotional expenditures within the Cooperative's area. However, FRANCHISOR shall permit FRANCHISEE to apply the local advertising expenditures toward the Cooperative amounts. FRANCHISOR shall allocate the Cooperative's expenses among the members based upon equitable factors established by FRANCHISOR in its sole discretion. Changes to the allocation of the expenditures among media forms but not the total amount of contributions to the Cooperative or the allocation of expenses among the members' may be recommended upon a majority vote of all Clutterbusters Business owners who are members of that Cooperative, subject to FRANCHISOR'S approval which shall not be unreasonably withheld. Each Clutterbusters Business owner (including FRANCHISOR, its affiliates and franchisees) will have one vote, regardless of the number of FRANCHISOR Businesses that the owner operates within the Cooperative's area.

FRANCHISEE agrees to submit to FRANCHISOR and the Cooperative any reports that FRANCHISOR or the Cooperative requires. The Cooperative will operate solely to collect and spend cooperative contributions for the purposes described above. The Cooperative and its members may not use any advertising, marketing or promotional plans or materials without FRANCHISOR'S prior written consent.

ARTICLE 11

RECORDS, REPORTS AND FINANCIAL STATEMENTS

FRANCHISEE agrees to establish and maintain at FRANCHISEE'S own expense a bookkeeping, accounting and record keeping system conforming to the requirements and formats FRANCHISOR prescribes from time to time. FRANCHISOR may require FRANCHISEE to use a Computer System to input and maintain certain sales data, financial information and other information, in such formats and in such manner as FRANCHISOR periodically prescribes, and to store, save, back up and transmit that data and information to FRANCHISOR on a schedule FRANCHISOR periodically prescribes. FRANCHISEE also must maintain the Computer System and purchase the hardware and software FRANCHISOR designates in order to allow FRANCHISOR unlimited access to, and the ability to download, all information in FRANCHISEE'S Computer System at any time. FRANCHISEE agrees to give FRANCHISOR in the manner and format that FRANCHISOR periodically prescribes:

(a) within ten (10) days after the end of each month, a list (including name, gender, amount paid, how they were referred to FRANCHISEE, number of hours total for the month, name of organizer) of all new clients who joined the BUSINESS the previous month and copies of all Client Contracts for such month;

(b) within twenty (20) days after the end of each month, the operating statements, financial statements, statistical reports and other information FRANCHISOR requests regarding FRANCHISEE

and the BUSINESS covering that month;

(c) on or before April 15th of the year following the end of the BUSINESS' calendar year, annual profit and loss and source and use of funds statements and a balance sheet for the BUSINESS as of the end of that calendar year; and

(d) within ten (10) days after filing thereof, exact copies of federal and state income and other tax returns and any other forms, records, books and other information FRANCHISOR periodically requires relating to the BUSINESS, its Owners or the Franchise (FRANCHISOR will use reasonable efforts to keep such records confidential).

FRANCHISEE agrees to verify and sign each report and financial statement in the manner FRANCHISOR prescribes. FRANCHISOR may disclose data derived from these reports, although FRANCHISOR will not (without FRANCHISEE'S consent) disclose FRANCHISEE'S identity in any materials that FRANCHISOR circulates publicly. If FRANCHISEE ever receives formal notice from FRANCHISOR of FRANCHISEE'S failure to comply with FRANCHISEE'S reporting or payment obligations under this Agreement, FRANCHISOR may require FRANCHISEE to have reviewed financial statements prepared annually during this Agreement's remaining term.

ARTICLE 12 **INSPECTIONS AND AUDITS**

A. FRANCHISOR'S RIGHT TO INSPECT THE BUSINESS.

To determine whether FRANCHISEE and the BUSINESS are complying with this Agreement and all System Standards, FRANCHISOR and FRANCHISOR'S designated agents and representatives may at all times during normal business hours and with seventy-two (72) hours prior notice to FRANCHISEE:

- (1) inspect the BUSINESS;
- (2) monitor and test the Operating Assets, either at the BUSINESS or other approved locations or remotely via the Computer System and other means (which may be done during non-business hours);
- (3) observe, photograph, and videotape the BUSINESS' operation for consecutive or intermittent periods as FRANCHISOR deems necessary;
- (4) interview the Business's personnel and clients; and
- (5) inspect and copy any books, records and documents relating to the BUSINESS' operation.

FRANCHISEE agrees to cooperate with FRANCHISOR fully. If FRANCHISOR exercises any of these rights, FRANCHISOR will use FRANCHISOR'S best efforts not to interfere unreasonably with the BUSINESS' operation. FRANCHISEE agrees to present to FRANCHISEE'S clients the evaluation forms that FRANCHISOR periodically prescribes and to participate and/or request FRANCHISEE'S clients to participate in any surveys performed by or for FRANCHISOR.

B. FRANCHISOR'S RIGHT TO AUDIT.

FRANCHISOR may at any time during FRANCHISEE'S business hours, and with seventy-two (72) hours prior notice to FRANCHISEE, examine the BUSINESS' bookkeeping and accounting records, sales and income tax records and returns, and other records. FRANCHISEE agrees to cooperate fully with FRANCHISOR'S representatives and independent accountants in any inspection or audit. If any inspection or audit discloses an understatement of the BUSINESS' Gross Revenue, FRANCHISEE must pay FRANCHISOR by automatic debit, within fifteen (15) days after receiving the inspection or audit report, the Royalty and any other contributions due on the amount of the understatement, plus interest (in the amount described in Article 3.C) from the date originally due until the date of payment. Further, if an inspection or audit is necessary due to FRANCHISEE'S failure to furnish reports, supporting records or other information as required, or to furnish these items on a timely basis, or if FRANCHISOR'S examination reveals a Royalty or any other contribution understatement by two percent (2%) or more of the amount that FRANCHISEE actually reported to FRANCHISOR for the period examined, FRANCHISEE agrees to reimburse FRANCHISOR for the cost of FRANCHISOR'S examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of FRANCHISOR'S employees or independent contractors. These remedies are in addition to FRANCHISOR'S other remedies and rights under this Agreement and applicable law.

ARTICLE 13 **TRANSFER**

A. BY FRANCHISOR

FRANCHISEE acknowledges that FRANCHISOR maintains a staff to manage and operate the franchise system and that staff members can change as employees and independent contractors come and go. FRANCHISEE represents that FRANCHISEE has not signed this Agreement in reliance on any shareholder, director, officer or employee remaining with FRANCHISOR. FRANCHISOR may change FRANCHISOR ownership or form and/or assign this Agreement and any other agreement without restriction. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to FRANCHISOR'S interest in it.

B. BY FRANCHISEE

FRANCHISEE understands and acknowledges that the rights and duties this Agreement creates are personal to FRANCHISEE and its Owners and that FRANCHISOR has granted FRANCHISEE the Franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of FRANCHISEE and its Owners. Accordingly, neither (i) this Agreement (or any interest in this Agreement), nor (ii) any interest in the ownership of FRANCHISEE, the Franchise, the BUSINESS (or any right to receive all or a portion of the BUSINESS' profits or losses), or all or substantially all of the Operating Assets, may be transferred without FRANCHISOR'S prior written approval. A transfer of the BUSINESS' and the Operating Assets' ownership, possession or control may be made only with a transfer of this Agreement. Any transfer without FRANCHISOR'S prior written approval is a breach of this Agreement and has no effect. In this Agreement, the term "transfer" includes FRANCHISEE'S voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition and includes the following events:

(1) transfer of an interest in this Agreement, the Operating Assets or the BUSINESS (or any right to receive all or a portion of the BUSINESS' profits or losses) in a divorce, insolvency or entity dissolution proceeding, or otherwise by operation of law; or

(2) if FRANCHISEE dies, transfer of an interest in this Agreement, the Operating Assets or

the BUSINESS (or any right to receive all or a portion of the BUSINESS' profits or losses) by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(3) pledge of this Agreement (to someone other than FRANCHISOR) as security, foreclosure upon the BUSINESS, or FRANCHISEE'S transfer, surrender or loss of the BUSINESS' possession, control or management; or

(4) the transfer of shares, partnership or member interests, or other ownership interests of FRANCHISEE; or

(5) merger or consolidation or issuance of additional securities representing ownership interests; or

(6) any sale of ownership interests carrying voting rights of FRANCHISEE or any security convertible to voting ownership interests of FRANCHISEE or any agreement granting the right to exercise or control the exercise of the voting rights of any holder of an ownership interest.

C. CONDITIONS FOR APPROVAL OF TRANSFER.

If FRANCHISEE and its Owners are in full compliance with this Agreement, then, subject to the other provisions of this Section, FRANCHISOR will not unreasonably withhold its approval of a transfer that meets all the requirements in this Subsection: provided, however, that if the transfer is of a minority ownership interest in FRANCHISEE (and FRANCHISEE retains a majority equity interest and voting control), clauses (2), (5), (6), (7), (10) and (11) below shall not apply. Except as described in the previous sentence, all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) the transferee and its owners must be individuals of good moral character and otherwise meet FRANCHISOR'S then applicable standards for a Clutterbusters Business franchisee;

(2) the transferee has sufficient business experience, aptitude and financial resources to operate the BUSINESS, including taking and passing a personality profile and aptitude test;

(3) FRANCHISEE has paid all required Royalties and other amounts owed to FRANCHISOR and FRANCHISOR'S affiliates, has submitted all required reports and statements, and is not in violation of any provision of this Agreement or any other agreement with FRANCHISOR or FRANCHISOR'S affiliates;

(4) the transferee does not operate, or have an ownership or other interest in or relationship with a Competitive Business;

(5) the transferee satisfactorily completes FRANCHISOR'S training program at transferee's sole cost and expense, including a reasonable fee to FRANCHISOR for its time spent training transferee;

(6) the transferee and any other persons FRANCHISOR designates sign FRANCHISOR'S then current form of franchise agreement and related documents, the provisions of which may differ materially from any and all of those contained in this Agreement;

(7) FRANCHISEE or the transferee pays FRANCHISOR upon signing of the Franchise Agreement, a transfer fee equal to Forty (40%) percent of the then current initial franchise fee'. If

FRANCHISEE transfers to an entity controlled by FRANCHISEE or to a spouse, parent or child of FRANCHISEE, there is no fee.

(8) FRANCHISEE and its transferring Owners sign a general release, in a form satisfactory to FRANCHISOR, of any and all claims against FRANCHISOR and FRANCHISOR'S affiliates and FRANCHISOR'S and their respective shareholders, officers, directors, employees, representatives, agents, successors and assigns;

(9) FRANCHISOR has determined that the purchase price and payment terms will not adversely affect the transferee's operation of the BUSINESS;

(10) if FRANCHISEE finances any part of the purchase price, FRANCHISEE agrees that all of the transferee's obligations under promissory notes, agreements or security interests reserved in the BUSINESS are subordinate to the transferee's obligation to pay Royalties and other amounts due to FRANCHISOR and otherwise to comply with this Agreement;

(11) the lessor of the BUSINESS must consent in writing to the assignment of FRANCHISEE'S lease to the transferee (assuming FRANCHISEE is not operating from a home-based office:

(12) if the proposed transferee is acquiring a portion of the interest in the legal entity that is FRANCHISEE then the proposed transferee must execute FRANCHISOR'S form of guaranty;

(13) FRANCHISEE (and FRANCHISEE'S immediate family) agree for two (2) years beginning on the transfer's effective date, not to engage in any of the activities proscribed in Article 16.D below; and

(14) FRANCHISEE will not directly or indirectly at any time or in any manner (except with respect to other FRANCHISOR Businesses FRANCHISEE owns and operates) identify itself or any business as a current or former Clutterbusters Business or as one of FRANCHISOR franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a Clutterbusters Business in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark, or other commercial symbol that suggests or indicates a connection or association with FRANCHISOR.

FRANCHISOR may review all information regarding the BUSINESS that FRANCHISEE gives the transferee, correct any information that FRANCHISOR believes is inaccurate, and give the transferee copies of any reports that FRANCHISEE has given FRANCHISOR or FRANCHISOR has made regarding the BUSINESS.

D. TRANSFER TO A WHOLLY-OWNED OR CONTROLLED ENTITY.

If FRANCHISEE is an individual or individuals and is in full compliance with this Agreement, then FRANCHISOR shall not unreasonably withhold its approval of a transfer of this Agreement, the Franchise, and the BUSINESS to a corporation or comparable legal entity: (i) which conducts no business other than the BUSINESS, and (ii) in which FRANCHISEE maintains control and owns and controls one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests. Shareholder certificates or other documents representing ownership interests of such legal entity must be endorsed with a legend in form approved by FRANCHISOR reciting that the transfer of shares in FRANCHISEE is subject to the restrictions of this Agreement. Such an assignment shall not relieve FRANCHISEE of his obligations hereunder and FRANCHISEE shall execute the form of Guaranty and Assumption of Obligations attached hereto as Exhibit C. FRANCHISEE shall remain jointly and

severally liable to FRANCHISOR for all obligations hereunder.

Also, subject to all the other terms and conditions of this Article 13, and provided that FRANCHISEE is in full compliance with this Agreement, FRANCHISOR shall not unreasonably withhold its approval of a transfer of this Agreement, the Franchise and the BUSINESS that meets all the requirements of Subsection C above to a corporation or comparable legal entity (i) which conducts no business other than the BUSINESS, and (ii) in which FRANCHISEE and its Owners maintain control and own a majority of the equity and voting power of all issued and outstanding ownership interests.

E. TRANSFER UPON DEATH OR DISABILITY.

Upon FRANCHISEE'S death or disability, FRANCHISEE'S executor, administrator, conservator, guardian or other personal representative must appoint an Operator of the BUSINESS who is acceptable to FRANCHISOR within sixty (60) days and thereafter transfer FRANCHISEE'S interest in this Agreement, the Operating Assets and the BUSINESS to a third party. That transfer (including, without limitation, transfer by bequest or inheritance) must occur within a reasonable time, not to exceed one hundred twenty (120) days from the date of death or disability, and is subject to all of the terms and conditions in this Section. A failure to appoint such an Operator or transfer FRANCHISEE'S interest in this Agreement, the Operating Assets and the BUSINESS within this time period is a breach of this Agreement. The term "disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent FRANCHISEE from supervising the BUSINESS' management and operation for thirty (30) or more consecutive days.

F. EFFECT OF CONSENT TO TRANSFER.

FRANCHISOR'S consent to any transfer is not a representation of the fairness of the terms of any contract between FRANCHISEE and the transferee, a guarantee of the BUSINESS' or transferee's prospects of success, or a waiver of any claims FRANCHISOR has against FRANCHISEE or of FRANCHISOR'S right to demand the transferee's full compliance with this Agreement's terms or conditions.

G. FRANCHISOR'S RIGHT OF FIRST REFUSAL.

If FRANCHISEE at any time determines to sell or transfer (1) an interest in this Agreement, (2) all or substantially all of the Operating Assets, or (3) the BUSINESS (including the right to receive FRANCHISEE'S portion of the BUSINESS' profits or losses) - except to or among the Owners of FRANCHISEE - FRANCHISEE agrees to obtain from a responsible and fully disclosed buyer, and send to FRANCHISOR, a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in this Agreement, the Operating Assets and the BUSINESS. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

FRANCHISOR may, by delivering written notice to FRANCHISEE within thirty (30) days after FRANCHISOR receives both an exact copy of the offer and all other information FRANCHISOR requests, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) FRANCHISOR may substitute cash for any form of payment proposed in the offer; (2) FRANCHISOR'S credit will be deemed equal to the credit of any proposed buyer; (3) FRANCHISOR will have not less than sixty (60) days to prepare for closing after notifying FRANCHISEE of FRANCHISOR'S election to purchase; and (4) FRANCHISOR must receive, and FRANCHISEE agrees