

**EXHIBIT A**  
**TO THE COIT SERVICES, INC.**  
**OFFERING CIRCULAR**

**COIT SERVICES, INC.  
FRANCHISE AGREEMENT**

This Franchise Agreement (the "Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ between COIT SERVICES, Inc., a California corporation with its principal office at 897 Hinckley Road, Burlingame, California 94010 ("COIT"), and \_\_\_\_\_ whose principal address is \_\_\_\_\_ ("FRANCHISEE").

**INTRODUCTION**

**1. RECITALS AND DEFINITIONS**

**A. RECITALS**

COIT has dedicated time, skill, effort and money to develop a high quality business for delivering a variety of services to customers. These services include drapery, carpet, upholstery, area rug and air duct cleaning, fabric treatments and such other services as COIT may specify from time to time.

COIT operates company owned divisions and licenses others to operate franchised businesses using distinctive uniform business formats, signs, equipment, layouts, systems, methods, procedures, designs, and marketing and advertising standards and formats (the "COIT System") and the Marks (as defined below) all of which COIT may modify.

FRANCHISEE has applied for a franchise to operate a business under the COIT System and Marks (a "Franchised Business"). COIT approves applications relying on all of the representations made in the application for the franchise.

**B. DEFINITIONS**

For purposes of this Agreement, the terms listed below have the meanings that follow them. Other terms used in this Agreement are defined and construed in the context in which they occur.

"Competitive Business" is any business offering drapery, carpet, upholstery, air duct or area rug cleaning services, fabric treatment, Restoration Services or any other service or product that is part of the COIT System or that is competitive with the services or products offered under the COIT System.

"Computer System" is the computer hardware FRANCHISEE shall purchase, and the software COIT will provide and license to FRANCHISEE in accordance with COIT's specifications, and which FRANCHISEE shall use in the operation of the FRANCHISED BUSINESS (as defined below).

"Core Services" means and includes drapery cleaning, carpet cleaning, area rug cleaning, upholstery cleaning and air duct cleaning that are provided to customers other than in connection with Restoration Services.

"Marks" are the trademarks, service marks, trade dress and other commercial symbols COIT or COIT's affiliates use or may acquire to identify the services offered under the COIT System, including the mark "COIT".

"National Account" is a business or other organization whose offices, stores, plants, buildings or other physical facilities are not confined to the territory of a single COIT franchisee or COIT-owned or affiliated business.

"National Account Services" are services provided to a National Account at its offices, stores, plants, buildings or other physical facilities at locations not confined to the territory of a single COIT franchisee or COIT-owned or affiliated business.

"Plant" is the facility, if any, that FRANCHISEE operates for drapery, fabric treatment and related cleaning services pursuant to Section 3.A of this Agreement.

"Restoration Addendum" means an addendum to its franchise agreements that COIT uses to authorize its franchisees to provide Restoration Services.

"Restoration Services" means the services required to return the customer's property back to its pre-loss condition after damage by fire, smoke, water, sewage or other causes, which services may include among others as may be authorized by COIT, cleaning, drying, deodorizing, restoration and repair, performed at the customer's premises or at off-site facilities, boxing and transport of damaged furniture and contents for off-site processing and transport of contents back to the premises.

"The COIT Intranet" means the intranet system maintained by COIT or its designee for authorized users, including franchisees who enter into and abide by any applicable agreement concerning terms of use, which agreement may be amended from time to time by COIT in its discretion.

"The FRANCHISED BUSINESS" is the business franchised for operation pursuant to this Agreement.

"Territory" is the geographical area described in Exhibit A of this Agreement.

## **2. GRANT OF FRANCHISE**

### **A. GRANT OF FRANCHISE/TERM**

Subject to the provisions of this Agreement, COIT grants FRANCHISEE a franchise ("the Franchise") to operate the FRANCHISED BUSINESS to provide services to COIT customers in the Territory only, and to use the Marks and COIT System in the operation of the Franchise for a period of ten (10) years commencing on the date of this Agreement. Unless FRANCHISEE and COIT have entered into a Restoration Addendum to this Agreement, this grant is limited to the offer and sale in the Territory of the Core Services and such other goods and services as authorized by COIT from time to time. COIT may in its sole discretion determine which goods and services are included in the Franchise. FRANCHISEE may not operate the FRANCHISED BUSINESS anywhere outside of the Territory unless authorized by COIT in writing.

## **B. TERRITORY**

Except for the rights reserved to COIT as set forth in Sections 2.C and 2.D below, if FRANCHISEE remains in compliance with the terms of this Agreement, during the term of this Agreement COIT will not operate a business using the Marks and the COIT System within the Territory and COIT will not authorize anyone else to operate a business using the COIT System and the Marks within the Territory. COIT is not obligated to ensure that no other franchisee conducts operations within the Territory. COIT may, at its discretion, terminate a franchise agreement for failure to cease operation of a COIT Franchised Business in any unauthorized territory within thirty (30) days after written notice by COIT. COIT alone decides which actions should be taken in response to such unauthorized activity.

## **C. RESERVATION OF RIGHTS GENERALLY**

Notwithstanding any provisions in Section 2.B, COIT may offer and provide services to National Accounts subject only to the provisions of Section 2.C below and COIT shall have the rights set forth in this Section 2.C. If FRANCHISEE and COIT are not parties to a Restoration Addendum to this Franchise Agreement, COIT may freely and without notice or liability to FRANCHISEE, provide or authorize others to provide Restoration Services within the Territory using the COIT Marks and System. COIT also expressly reserves the right to develop and engage in other lines of business offering and selling goods or services under the Marks or under other marks and is not obligated to make such goods and services part of the Franchise. COIT further reserves to itself, its affiliates, its subsidiaries, and its related companies the rights to: (1) open and license others to open businesses using the COIT System and the Marks within the Territory if Franchisee does not remain in compliance with this Agreement, including the requirement to offer all services and products required by COIT; (2) establish, acquire, franchise and engage in businesses identified by service marks or trademarks other than the Marks within the Territory or at any other location; (3) establish, acquire, franchise and engage in, under the Marks within the Territory and at any other location, businesses that do not offer or sell the same services or products as are offered by the FRANCHISED BUSINESS .

## **D. NATIONAL ACCOUNTS**

COIT shall have the exclusive right to contract with any National Account for provision of National Account Services regardless of where the account is headquartered and regardless of whether FRANCHISEE or any other COIT franchisee has provided services to the National Account before COIT entered into the contract with the National Account. Should COIT establish a contract for the provision of National Account Services that include facilities of the National Account located in FRANCHISEE's Territory, COIT shall offer FRANCHISEE the first option of providing the services to the National Account at those facilities in FRANCHISEE's Territory at the prices and subject to the contract requirements negotiated by COIT with the National Account. If FRANCHISEE accepts the project, unless otherwise agreed by COIT, COIT will collect all amounts due from the National Account and remit to FRANCHISEE the amount due for services the FRANCHISEE provided to the National Account, less the amount of the Royalties due to COIT on what was collected, which COIT will retain for its own account. All amounts collected from National Accounts on FRANCHISEE's behalf or by FRANCHISEE from National Accounts will be included in Gross Receipts for purposes of calculating Royalties due under this Agreement. Should FRANCHISEE decline to accept this option, COIT will have the unfettered right to fulfill the contract requirements to the National Account in the Territory in any manner it deems suitable in its

sole discretion, including but not limited to through another COIT franchisee, a COIT-owned or affiliated business or a third party contractor. Additionally, if at any time a National Account for any reason requests that services in the Territory be provided by someone other than FRANCHISEE, COIT may revoke FRANCHISEE's option or right to provide or continue to provide the services and shall have the right to fulfill the contract requirements to the National Account in the Territory in any manner it deems suitable in its sole discretion.

### **3. DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS**

#### **A. LOCATION OF FRANCHISED BUSINESS**

FRANCHISEE shall operate the FRANCHISED BUSINESS from a location within the territory approved by COIT. FRANCHISEE shall comply with the provisions of Section 3.B of this Agreement, provided, however, that if FRANCHISEE does not operate a Plant, FRANCHISEE must: (1) obtain authorization from COIT and agree to utilize an existing COIT Plant for all drapery cleaning and other services designated by COIT, or (2) if there is no existing COIT Plant within a reasonable vicinity of the FRANCHISED BUSINESS as determined by COIT, retain the services of an independent contractor approved by COIT to provide such drapery cleaning and other services for such duration and utilizing such form of agreement as COIT shall approve.

Nothing contained in this Agreement shall be interpreted as a guarantee of success for the FRANCHISED BUSINESS within the Territory. It is the responsibility of FRANCHISEE to secure a location for the Plant. COIT will provide, upon request, consultation and guidelines based on COIT's experience to assist in the selection of FRANCHISEE's location.

#### **B. DEVELOPMENT OF FRANCHISE**

COIT will provide FRANCHISEE with a start up package containing such items as COIT shall determine. Generally, the start up package will include miscellaneous carpet cleaning, drapery cleaning, upholstery cleaning and operational supplies, as well as the COIT computer software necessary for the operation of the FRANCHISED BUSINESS. This package will be provided to FRANCHISEE within ninety (90) days of approval of this Agreement, unless COIT notifies FRANCHISEE otherwise. Upon approval of this Agreement, COIT will provide FRANCHISEE with an itemized list of the start up package.

Subject to the provisions of Section 3.A above, FRANCHISEE shall, within one hundred twenty (120) days, unless otherwise approved by COIT, do or cause to be done at FRANCHISEE's cost the following: (1) secure all financing required to fully develop the FRANCHISED BUSINESS; (2) modify the Plant as necessary to conduct the business of the FRANCHISED BUSINESS; (3) purchase or lease and install all required fixtures, equipment, furniture and signs, including the Computer System described in Section 3.E; (4) purchase all required supplies and materials necessary for the operation of the FRANCHISED BUSINESS not included in the start up package referred to above; (5) purchase or lease delivery and service vehicles which meet COIT's standards and specifications (the "COIT Vehicles"); (6) comply with the requirements of Paragraph A of this Section; and (7) commence operation of the FRANCHISED BUSINESS.

### **C. DESIGN SPECIFICATIONS**

COIT will provide specifications for the COIT Vehicles, including the color and use of the COIT logo decals. FRANCHISEE must ensure that the COIT Vehicles present a professional image according to COIT's standards.

### **D. CUSTOMER TELEPHONE SERVICE**

FRANCHISEE must establish and maintain throughout the term of this Agreement, prompt and adequate telephone service for all potential and existing COIT customers within the Territory during such hours as COIT shall designate from time to time. COIT has the right, at COIT's discretion, to require during this Agreement that FRANCHISEE increase telephone service to meet population or other changes within the Territory. Additionally, FRANCHISEE must:

(a) Maintain the appropriate business telephone service (as described in subparagraph (b) below) and listing which FRANCHISEE, or an employee of FRANCHISEE shall answer (as opposed to an answering machine or service) during the hours COIT designates; and

(b) if available in the Territory, FRANCHISEE must designate a sole business line for the 1-800-FOR-COIT service. This program has been developed and promoted by COIT, and is used throughout the COIT System. COIT will assist FRANCHISEE in setting up this program in FRANCHISEE's area. In addition, a local business line designated solely for the use of the FRANCHISED BUSINESS must be established. FRANCHISEE is solely responsible for all fees and charges associated with these telephone services.

FRANCHISEE acknowledges that COIT, upon termination, expiration or non-renewal of this Agreement, has the option to assume, transfer, terminate, or amend all telephone numbers and directory listings that refer or relate to the FRANCHISED BUSINESS, including the 800 numbers. FRANCHISEE is solely responsible for all costs incurred for the use of these telephone numbers and directory listings.

### **E. REQUIRED COMPUTER SYSTEM AND COIT INTRANET**

COIT has designed proprietary software to help FRANCHISEE effectively and efficiently operate and manage FRANCHISEE's COIT Franchise. In order to maximize the benefit of the COIT System, FRANCHISEE must install and utilize in the FRANCHISED BUSINESS the Computer System. The Computer System includes the COIT proprietary software which COIT will license and provide to FRANCHISEE at no cost, and compatible computer hardware which COIT will designate, and FRANCHISEE must provide at FRANCHISEE's sole expense, as well as such other software programs which COIT may designate for use in connection with FRANCHISEE's operation of the FRANCHISED BUSINESS. FRANCHISEE, at FRANCHISEE's expense shall acquire and install the brands, types and/or models of computer hardware COIT designates. The COIT proprietary computer software is included as part of FRANCHISEE's initial start up package. COIT will assist FRANCHISEE in the installation of the software and provide training and support services. If travel to FRANCHISEE's location is required to do installation, travel and lodging expenses for COIT's personnel shall be paid by FRANCHISEE. FRANCHISEE shall pay to COIT all continuing monthly or periodic maintenance and upgrade fees as may be provided in the software license agreement. COIT may modify the Computer System requirements from time to time as

needed to maximize the operation of the Proprietary Software, for maintaining access to the COIT Intranet or to foster the efficient operation and management of the FRANCHISED BUSINESS. FRANCHISEE agrees to make all such modifications reasonably required by COIT.

COIT has established and may require franchisees to use the COIT Intranet. COIT may in its discretion use the COIT Intranet to provide various forms of training and other assistance to FRANCHISEE, to provide access to its Operating Manual and updates thereto, for franchisees to file financial and other reports required by COIT, for general communications between COIT and franchisees, and for such other purposes as COIT may authorize or require from time to time. FRANCHISEE agrees to use the COIT Intranet for those purposes designated by COIT and to enter into the agreement, as may be modified by COIT from time to time, that establishes the terms relating to the use of the COIT Intranet ("Terms of Use"). FRANCHISEE understands that the COIT Intranet may be inaccessible if FRANCHISEE does not agree to or abide by any required Terms of Use, maintain the required Computer System or maintain connection to the COIT Intranet through an ISP (Internet Service Provider). COIT is not responsible for any damages incurred by FRANCHISEE in such event or that may arise due to any ISP failing to provide service.

#### **F. GRAND OPENING PROGRAM**

COIT will provide to FRANCHISEE suggestions and materials for use in FRANCHISEE's grand opening advertising and promotion campaign. COIT must pre-approve, in writing, all marketing programs and media advertising materials FRANCHISEE uses.

#### **G. OPENING OF THE FRANCHISED BUSINESS**

FRANCHISEE shall open the FRANCHISED BUSINESS for business when: (1) COIT determines that all of FRANCHISEE's obligations under Paragraphs A through F of this Section have been fulfilled; (2) the personnel of the FRANCHISED BUSINESS has completed pre-opening training to be provided by COIT; (3) all amounts then due to COIT are paid; and (4) COIT is furnished with copies of all insurance coverage and premium payments as COIT may request. FRANCHISEE must comply with these requirements and open for business within one hundred twenty (120) days after execution of this Agreement, unless otherwise authorized by COIT.

### **4. TRAINING AND OPERATING ASSISTANCE**

#### **A. TRAINING**

COIT has developed extensive training programs for the benefit of franchisees. This training is based on COIT's experience and is designed to provide the most up to date information possible in the areas of business management, financial management, human resource management, computer system operation, marketing and advertising techniques to build FRANCHISEE's business, as well as training in the areas of customer service and sales techniques. Additionally, COIT will provide training and assistance on the procedures of carpet, drapery, upholstery, area rug and air duct cleaning for FRANCHISEE and FRANCHISEE's employees. Additional training and certification courses may be offered in various locations from time to time. To encourage FRANCHISEE's greatest chance of success, COIT requires FRANCHISEE to participate in the following training programs described below.

To provide FRANCHISEE and FRANCHISEE's staff with the knowledge to begin operation of the FRANCHISEE's Franchise, COIT will furnish to FRANCHISEE and up to five (5) additional people from the FRANCHISED BUSINESS, a mandatory training program (the "Coit Performance Team Orientation" or "Orientation") in the operation of the FRANCHISED BUSINESS. This Orientation is conducted by COIT for the purpose of educating FRANCHISEE to the techniques and procedures employed by COIT, and to familiarize FRANCHISEE with the systems designed to manage and run FRANCHISEE's franchise. COIT will designate the time, place and duration of the Orientation. COIT will pay for the program itself, but FRANCHISEE is responsible for FRANCHISEE's travel and living expenses, and for compensating FRANCHISEE's agents or employees for expenses they incur in connection with attending the Orientation.

During the term of this Agreement, COIT shall provide, and FRANCHISEE shall attend, at FRANCHISEE's expense, and at such reasonable times as COIT may designate, additional or refresher training programs at locations COIT designates. COIT may elect to assess a reasonable per diem charge for such additional or refresher training programs. In addition to such manager training courses, each year, COIT will offer at least one (1) national convention. The purpose of such convention is to provide FRANCHISEE with the latest industry information, product information, advertising and business management techniques COIT has available, as well as offer a networking opportunity with other COIT franchisees. A representative of FRANCHISEE's management personnel shall attend at least one (1) COIT national franchise convention each year. COIT will provide all meetings, training classes and materials associated with the national convention at no cost to FRANCHISEE. However, the costs of attending these conventions and training programs shall be the responsibility of FRANCHISEE, including the travel and living expenses of FRANCHISEE and its agents and/or employees.

#### **B. OPERATING ASSISTANCE**

COIT will furnish to FRANCHISEE such operating assistance as COIT deems appropriate. Operating assistance consists of advice and guidance regarding: (1) improving profitability; (2) required procedures to ensure quality standards and customer satisfaction; (3) formulating and implementing advertising and promotional programs; (4) implementing programs to sell services; (5) recommended equipment, fixtures, signs, operating materials, chemicals, and supplies; (6) utilizing the Computer System in accordance with Section 3.E; and (7) establishing administrative, bookkeeping, accounting, sales training and general operating procedures. Such guidance shall, in COIT's discretion, be furnished in the form of COIT's Operating Manuals (defined in Paragraph C below), bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephone or personal consultations.

#### **C. OPERATING MANUALS**

During the term of the Franchise, COIT will loan FRANCHISEE operating manuals, the "Operating Manuals", consisting of handbooks or manuals and other materials. COIT may provide the Operating Manuals in one or more formats of its choice, including any print media, computer disk, via electronic mail or via the COIT Intranet. The Operating Manuals contain suggested and mandatory specifications, standards, policies, and procedures that COIT will prescribe intermittently for COIT Franchised Businesses and information regarding FRANCHISEE's other obligations. COIT has the right to modify and reformat the Operating Manuals within its discretion to reflect changes in the COIT System and to specify changes in the format, image, products, services and operations of a COIT Franchised Business prescribed by COIT. FRANCHISEE must

keep a copy of the Operating Manuals current by immediately inserting all modified pages or sections COIT furnishes. In the event of a dispute over the contents of the Operating Manuals, the master copy COIT maintains at COIT's principal office shall control. FRANCHISEE may not at any time copy any part of the Operating Manuals.

## **5. OPERATING STANDARDS**

### **A. THE COIT PLANT AND VEHICLES**

To protect the best interests of all franchisees, COIT has established guidelines for the acceptable appearance and use of all COIT related vehicles and signage. FRANCHISEE agrees that: (1) the Plant and COIT Vehicles will be used solely for the purpose of the operation of a COIT Franchised Business in compliance with this Agreement except that FRANCHISEE may use the Plant for performing garment cleaning services which are noncompetitive with COIT Franchised Businesses; (2) FRANCHISEE shall maintain the Plant and COIT Vehicles in good repair and safe condition, which may include, without limitation the repair or replacement of damaged, worn-out or obsolete equipment, signs and COIT Vehicles; (3) FRANCHISEE shall modify, re-equip and refurbish the Plant and COIT Vehicles at reasonable intervals as COIT directs, to accommodate changes in the operation of COIT Franchised Businesses prescribed by COIT as required of new COIT franchisees (provided that FRANCHISEE shall have a reasonable time period remaining under this Agreement to amortize the costs of such Plant or COIT Vehicle improvements); and (4) FRANCHISEE shall place or display at the Plant (interior and exterior) and on the COIT Vehicles only such signs, emblems, lettering, logos and display and advertising materials COIT approves. If at any time in COIT's reasonable judgment, the general state of repair, appearance or cleanliness of the Plant or COIT Vehicles, fixtures, equipment, or signs do not meet COIT's standards, COIT will notify FRANCHISEE, specifying the action to correct such deficiency. If FRANCHISEE does not cure such deficiency within thirty (30) days, and afterwards continues a bona fide program to undertake and complete any such required maintenance, COIT has the right (in addition to COIT's rights under Section 15), but is not obligated, to enter the Plant and correct the deficiencies on FRANCHISEE's behalf, and FRANCHISEE shall pay the entire costs of such corrections to COIT on demand.

### **B. APPROVED PRODUCTS AND SUPPLIERS**

COIT has researched and sought out suppliers of equipment, cleaning solutions and other supplies necessary for the operation of the FRANCHISED BUSINESS. COIT has negotiated purchasing discounts on many products for FRANCHISEE's benefit as a franchisee. At this time, COIT has no requirements that FRANCHISEE purchase any equipment, chemicals or other supplies from COIT. However, COIT's reputation and goodwill and the reputation and goodwill of the COIT System and COIT Franchised Businesses is based upon, and can only be maintained by, the satisfaction of customers who rely on the high quality of services and products provided by COIT Franchised Businesses. Presenting a uniform image to the public and offering uniform and consistent high quality services is an essential element of the COIT System, and therefore COIT has recommended certain suppliers of which COIT will provide FRANCHISEE a list through the COIT Operating Manuals. These supplies and suppliers meet COIT's requirements, including without limitation, standards and requirements relating to reputation, product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, and safety standards. COIT reserves the right to disallow the use of any product or supply that in COIT's sole judgment may present a safety or health risk to FRANCHISEE, FRANCHISEE's employees, associates or

customers of the FRANCHISED BUSINESS or may not maintain the level of quality necessary to preserve the reputation of COIT Franchised Businesses.

### **C. STANDARDS OF AUTHORIZED SERVICE**

The COIT reputation has been built by consistently providing a high level of customer service and professionalism. To continue to build a quality reputation, FRANCHISEE shall give prompt, courteous and efficient service to the customers. In all dealings with the customers, suppliers, COIT and the public, FRANCHISEE shall adhere to the highest standards of honesty, integrity, professionalism, fair dealing and ethical conduct. FRANCHISEE is subject to and may participate in any evaluation of standards or quality that COIT may conduct or sanction for all COIT Franchised Businesses. COIT and/or COIT's designees shall at all times have access to FRANCHISEE's books, records, files, employees, independent contractors and Plant for this purpose.

FRANCHISEE shall participate in and fully comply with any customer warranty, guarantee, or customer satisfaction program COIT may establish from time to time, including but not limited to the requirements to advertise, make known and available to customers all such programs, and to honor the terms of all such programs that may be established by COIT.

Unless otherwise authorized by COIT, FRANCHISEE must offer drapery cleaning, upholstery cleaning, carpet cleaning and area rug cleaning. Additionally, air duct cleaning, new drapery sales, re-upholstering and sales of related products and services are currently authorized but not required. COIT may continue to approve or require certain services to be offered by the FRANCHISED BUSINESS to address changing market conditions or opportunities. FRANCHISEE agrees to offer all mandatory services as designated by COIT from time to time. The FRANCHISED BUSINESS may provide and perform only such drapery, carpet, duct cleaning and upholstery cleaning and related services, and offer such goods, as COIT authorizes. To maintain a high level of quality service, FRANCHISEE shall use only those cleaning methods COIT approves, including but not limited to the hot water extraction method for carpet cleaning. If FRANCHISEE wishes to provide any products or services from the Franchised Business that has not been authorized by COIT, FRANCHISEE must make a written request for authorization, which COIT may grant or deny in its sole discretion. Upon written notice, COIT may change the mandatory or authorized products or services. FRANCHISEE shall comply with all such changes made by COIT within one hundred twenty (120) days from receipt of COIT's written notice by either offering and providing the newly required service or product, or ceasing to offer and provide any service or product that COIT removes as an authorized service or product.

### **D. SPECIFICATIONS, STANDARDS AND PROCEDURES**

FRANCHISEE shall comply with all specifications, standards and operating procedures (whether contained in the Operating Manuals or any other document or notice) relating to the operation of the FRANCHISED BUSINESS, including those relating to:

- (1) Types of services and products offered by the FRANCHISED BUSINESS;
- (2) Types and quality of products, equipment and supplies used or sold by the FRANCHISED BUSINESS;
- (3) Safety, maintenance, cleanliness, function and appearance of COIT Vehicles, the Plant, fixtures, equipment and signs;
- (4) Uniforms worn by and general appearance of employees;
- (5) Use of the Computer System designated by COIT;
- (6) Use of an ISP, the Internet and the COIT Intranet; and
- (7) Use of the Marks.

FRANCHISEE's failure to comply with any mandatory specifications, standards or operating procedures COIT prescribes from time to time for COIT Franchised Businesses in the Operating Manuals, or otherwise communicated to FRANCHISEE in writing, shall constitute a material breach of this Agreement by FRANCHISEE.

#### **E. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES**

FRANCHISEE shall maintain all required licenses, permits and certificates necessary to operate the FRANCHISED BUSINESS. FRANCHISEE shall operate the FRANCHISED BUSINESS in compliance with all applicable laws, ordinances and regulations, including, without limitation, laws relating to environmental practices, labor, worker's compensation and insurance, unemployment insurance, and withholding and payment of federal, state and local income taxes, social security taxes and sales taxes, as well as any other laws pertaining to the operation of the FRANCHISED BUSINESS within the Territory. All advertising and promotion by FRANCHISEE must be completely factual and conform to the highest standards of ethical advertising. FRANCHISEE must refrain from any activity or advertising practice that may be injurious to COIT, other franchisees, or the goodwill associated with the Marks.

#### **F. MANAGEMENT OF THE FRANCHISED BUSINESS**

FRANCHISEE must supervise the operation of the FRANCHISED BUSINESS. FRANCHISEE shall maintain at all times a full time manager who has completed COIT's training program and the number of assistant managers required for adequate staffing of the FRANCHISED BUSINESS, and shall at all times keep COIT advised of their respective identities. COIT has the right to deal with them on matters pertaining to day to day operations of, and reporting requirements for, the FRANCHISED BUSINESS. The FRANCHISED BUSINESS at all times shall be under the direct, on premises supervision of a manager or assistant manager who has completed COIT's training program.

FRANCHISEE shall hire all employees of the FRANCHISED BUSINESS and be exclusively responsible for the terms of their employment and compensation and for the proper training of such employees in the operation of the FRANCHISED BUSINESS. In addition to any training available through COIT, FRANCHISEE shall establish a training program that meets COIT's standards at the FRANCHISED BUSINESS for all employees. COIT will provide

FRANCHISEE with the COIT New Employee Training Manual, and may provide additional guidelines and written materials, upon request to assist in the development of this program. On request, COIT will consult with and may provide materials to FRANCHISEE for the development of FRANCHISEE's training program.

## **G. INSURANCE**

At all times during the term of the Franchise, FRANCHISEE must maintain in force at its sole expense, insurance policies in such types and amounts as COIT designates in writing from time to time. Set forth in Exhibit B to this Agreement are the current insurance coverage requirements. COIT may periodically increase the type or amount of insurance coverage required at any time including excess liability insurance to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. All such liability insurance policies shall name COIT as an additional named insured and shall provide that COIT receive thirty (30) days prior written notice of any modification, termination, expiration or cancellation of any such policy.

FRANCHISEE shall furnish to COIT before the commencement of the FRANCHISED BUSINESS and annually thereafter during the term of this Agreement certificates of the required insurance along with copies of the required insurance endorsements. Such certificates shall provide that COIT will receive at least thirty (30) days prior written notice of cancellation, expiration, nonrenewal or material alternation of the coverage. If FRANCHISEE refuses to maintain or furnish satisfactory evidence of required insurance coverage, COIT at COIT's option and in addition to COIT's other rights and remedies under this Agreement, may obtain such insurance coverage on FRANCHISEE's behalf. FRANCHISEE must fully cooperate with COIT in COIT's effort to obtain such insurance policies. FRANCHISEE must promptly execute all forms or instruments required to obtain or maintain any such insurance, and FRANCHISEE shall allow any inspections of the FRANCHISED BUSINESS which are required to obtain or maintain such insurance, and FRANCHISEE shall allow any inspections of the FRANCHISED BUSINESS which are required to obtain or maintain such insurance. FRANCHISEE shall pay to COIT, on demand, any costs and premiums COIT incurs on FRANCHISEE's behalf, whether COIT incurs such costs or premiums because FRANCHISEE failed to maintain required coverage or to furnish evidence to COIT of the existence of such coverage.

FRANCHISEE's obligations to maintain insurance coverage described in this Agreement will not be affected in any manner by reason of any separate insurance COIT maintains, nor shall the maintenance of such insurance relieve FRANCHISEE of any obligations under Section 11 of this Agreement.

## **6. ADVERTISING AND PROMOTION**

### **A. BY COIT**

Recognizing the value of advertising to the image and growth of COIT Franchised Businesses, COIT will provide to FRANCHISEE from time to time, sample advertising and promotional programs and select creative concepts and materials for use in connection with marketing the FRANCHISED BUSINESS. These materials may include television, radio, print advertising, brochures and other materials. The type, content, media, quality and amount of such advertising and promotional programs shall be in COIT's sole discretion. COIT will provide to

FRANCHISEE an advertising and marketing manual that explains the COIT System and shows samples of the available materials. Samples of these materials will be provided to FRANCHISEE without charge and additional copies will be provided to FRANCHISEE at a nominal charge. Upon request, COIT may, in its discretion, provide to FRANCHISEE marketing consulting including but not limited to, yellow page and advertising strategy, promotional planning and budgeting. Upon request, COIT will provide a marketing analysis of FRANCHISEE's Territory.

COIT undertakes no obligation to ensure that sample marketing programs and advertising materials made available to FRANCHISEE shall be appropriate for or successful in FRANCHISEE's particular TV or broadcast market area. COIT does not warrant or guarantee the success or effectiveness of any sample marketing program or advertising materials.

## **B. BY FRANCHISEE**

Consistent advertising and promotion is important to maximize the benefit of FRANCHISEE's COIT franchise. After the initial month of operation and monthly for the duration of this Agreement, FRANCHISEE shall spend not less than seven percent (7%) of FRANCHISEE's Gross Receipts (as defined in Section 10.C below) on local advertising and promotion in addition to amounts FRANCHISEE spends to obtain yellow page listings. If COIT requests, FRANCHISEE shall submit, on the fifteenth (15th) of each month, in a form COIT prescribes, verification of FRANCHISEE's expenditures for advertising and promotions for the immediately preceding month.

At all times during the term of this Agreement, FRANCHISEE shall list and advertise the FRANCHISED BUSINESS in all of the most widely used (as FRANCHISEE determines) classified directories (white and yellow pages) distributed in the Territory, and in those business classifications COIT intermittently prescribes. FRANCHISEE must ensure that these listings and advertisements are placed in classified directories that cover all of the telephone service areas in the Territory. COIT will provide FRANCHISEE with sample yellow page advertisements and formats for FRANCHISEE's use. Upon request, COIT will assist FRANCHISEE in developing a yellow page advertising strategy.

In order to maintain a uniform image for COIT Franchised Businesses, upon COIT's request, prior to FRANCHISEE's use, samples of all advertising and promotional materials not prepared, furnished or previously approved by COIT shall be submitted to COIT for approval, in the form and manner COIT prescribes. If FRANCHISEE does not receive written disapproval within fifteen (15) days from the date of COIT's receipt of such materials, COIT has given the required approval. FRANCHISEE shall not use any advertising or promotional materials or engage in any form of advertising or marketing that COIT has disapproved. Additionally, in order to present a unified and consistent image to consumers, COIT shall have the sole and exclusive right to own and control any and all Internet web sites or web pages relating to COIT Franchised Businesses and to control other advertising, marketing and promotional activities relating to COIT Franchised Businesses which are national or international in scope.

## **C. NATIONAL ADVERTISING FUND**

COIT shall have the right at any time to implement a national advertising program upon receiving the approval of at least two-thirds of all then-existing COIT franchisees to the material terms and conditions for the establishment, funding and administration of the national advertising program. FRANCHISEE shall be automatically bound by the decision of at least two-

thirds of all COIT franchisees to accept such terms and conditions and shall participate in any such program so established, including the requirement to pay any advertising fees or contributions established or authorized thereby; provided, however that mandatory advertising fees assessed pursuant to this Section 6.C shall not exceed three percent (3%) of FRANCHISEE's Gross Receipts in any year, and further provided that all advertising fees paid pursuant to this Section 6.C shall be credited against the local advertising expenditures required under Section 6.B above.

#### **D. CO-OP ADVERTISING.**

COIT shall have the right at any time, and from time to time, to create reasonably constituted cooperative advertising regions ("Advertising Cooperatives"). The structure and membership of such Advertising Cooperatives, when and if designated by COIT, shall be binding upon FRANCHISEE and FRANCHISEE shall participate as a member in the designated Advertising Cooperative, if any, in accordance with the provisions of this Section 6.D. COIT may for reasonable cause, change the make-up of the Advertising Cooperatives and may require the merger or dissolution of Advertising Cooperatives. Each COIT Franchised Business in a Advertising Cooperative, including those owned by COIT or its affiliates, shall have one vote on all matters concerning the establishment or implementation of cooperative advertising programs by the Advertising Cooperative, and all such matters shall be decided by majority vote of the members and their vote shall bind all members of the Advertising Cooperative. In cases where the vote of the members does not produce a majority decision, COIT shall have the power and sole discretion to break the tie so that a majority vote is obtained. Abstentions shall be treated as votes against the matter proposed. FRANCHISEE shall participate in and pay, on a pro-rata basis, for FRANCHISEE's participation in any cooperative advertising programs approved and adopted. Each Advertising Cooperative shall collect and administer its own funds and be responsible for payment for all debts of the Advertising Cooperative. Cooperative advertising fees are in addition to and do not diminish FRANCHISEE's obligations to contribute to any national advertising program established pursuant to Section 6.C above. However, amounts paid by FRANCHISEE for participation in any advertising cooperative programs approved by FRANCHISEE's Advertising Cooperative shall be credited towards FRANCHISEE's required local advertising fund expenditures under Section 6.B above.

### **7. RECORDS AND REPORTING**

#### **A. BOOKKEEPING, ACCOUNTING AND RECORDS**

FRANCHISEE shall establish bookkeeping, accounting and record keeping systems which COIT prescribes and which conform to COIT's reporting requirements, including the use and retention of invoices, payroll records, check stubs, bank deposit receipts, sales tax records and returns and other necessary journals and ledgers prepared in accordance with generally accepted accounting principles which properly summarize the transactions of the business and provide appropriate audit trails.

#### **B. REPORTS, FINANCIAL STATEMENTS AND TAX RETURNS**

Because the efficient financial management of FRANCHISEE's business is crucial to FRANCHISEE's success, COIT has developed a universal Chart of Accounts that COIT requires all franchisees to utilize. This allows FRANCHISEE and COIT to analyze the financial operation and

growth of FRANCHISEE's business. COIT provides this service to FRANCHISEE, upon request, at no additional cost to FRANCHISEE.

FRANCHISEE must furnish to COIT, in the form and through the method of delivery COIT intermittently prescribes: (1) on or before the fifteenth (15th) of each month the COIT Royalty report including the Gross Receipts of the Franchise for the immediately preceding month, prepared, verified and signed by FRANCHISEE, together with copies of such other information and supporting records as COIT requires from time to time; (2) within sixty (60) days after the end of each fiscal year of the Franchise, an unaudited annual statement of profit and loss of the Franchise for the fiscal year, verified and signed by FRANCHISEE; and (3) upon request by COIT, such other data, information, and supporting records for such periods as COIT occasionally requires.

In addition, within thirty (30) days of a request from COIT, FRANCHISEE shall provide COIT with copies of federal and state income tax returns for the Franchise (or schedules included in FRANCHISEE's personal returns if FRANCHISEE is an individual proprietor or partner). All such reports and statements shall segregate the FRANCHISED BUSINESS from any of FRANCHISEE's other activities so they accurately reflect the performance and operation of the FRANCHISED BUSINESS.

## **8. INSPECTIONS AND AUDITS**

### **A. COIT'S RIGHT TO INSPECT THE FRANCHISED BUSINESS**

To ensure quality standards and consistency within the COIT franchise system, and to ensure that FRANCHISEE is complying with this Agreement and the specifications, standards and operating procedures COIT prescribes for the operation of a COIT Franchised Business, COIT or COIT's agents have the right, at all reasonable times to: (1) inspect the Plant, the COIT Vehicles, furniture, fixtures, signs, operating materials and supplies; (2) observe the operations of the FRANCHISED BUSINESS for such consecutive or intermittent periods as COIT deems necessary; (3) take photographs, movies or video tapes of the FRANCHISED BUSINESS; (4) interview personnel of the FRANCHISED BUSINESS; (5) interview customers of the FRANCHISED BUSINESS or any potential client to whom FRANCHISEE made a personal marketing presentation; (6) conduct written or telephonic customer surveys; and (7) inspect and copy any books, records, and documents relating to the operation of the FRANCHISED BUSINESS, including, without limitation, employment contracts, non-disclosure agreements and leases and material and information generated by or contained in the Computer System. FRANCHISEE agrees to cooperate fully with COIT in connection with these inspections, observations, surveys and interviews. FRANCHISEE agrees to present its customers any evaluation forms COIT may periodically prescribe and ask them to participate in any surveys performed by COIT on FRANCHISEE's behalf.

### **B. COIT'S RIGHT TO AUDIT**

COIT has the right at any time during business hours, upon reasonable notice to FRANCHISEE, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the FRANCHISED BUSINESS and/or the books and records of any corporation or partnership which holds the Franchise. FRANCHISEE must fully cooperate with COIT's representatives and independent accountants hired by COIT to conduct an inspection or audit. If any inspection or audit discloses and understatement of Gross Receipts of the FRANCHISED BUSINESS, FRANCHISEE

agrees to pay COIT within fifteen (15) days after receipt of the inspection or audit report, the royalty fee due, plus any interest on the amount of the understatement, at the rate and on the terms provided in Section 10.D from the date originally due until the date of payment. Further, if the inspection or audit is made necessary by FRANCHISEE's failure to furnish reports, supporting records, other information or financial statements required by this Agreement on a timely basis, or if an understatement of Gross Receipts for a any period is determined by an auditor or inspection to be greater than five percent (5%), FRANCHISEE agrees: (a) to reimburse COIT for the cost of such inspection or audit, including, but not limited to the charges of attorneys and any independent accountants and the travel expenses, room and board an applicable per diem charges for COIT's employees; and (b) if COIT requests, to have the annual financial statements for the FRANCHISED BUSINESS audited or reviewed by an independent certified public accountant, and to provide such audited statements to COIT within sixty (60) days of FRANCHISEE's receipt of written notice from COIT. The above remedies are in addition to all other remedies and rights available to COIT under this Agreement or under applicable law.

## **9. MARKS**

### **A. OWNERSHIP OF MARKS**

COIT has expended time and money to establish consumer recognition of and goodwill in the Marks, and must ensure, for the best interest of all franchisees, proper use of the Marks. FRANCHISEE acknowledges that COIT is the owner of the Marks licensed to FRANCHISEE by this Agreement, and that FRANCHISEE's right to use the Marks is derived solely from this Agreement. FRANCHISEE agrees that usage of the Marks and any goodwill established from FRANCHISEE's use shall inure to COIT'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 FRANCHISED BUSINESS in compliance with this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any other trademarks, service marks and commercial symbols which COIT later authorized and licensed FRANCHISEE to use.

### **B. LIMITATIONS ON FRANCHISEE'S USE OF MARKS**

To ensure the consistent use of the Marks, FRANCHISEE agrees to use the Marks as the sole service marks of the FRANCHISED BUSINESS unless otherwise agreed upon by COIT in writing, provided that FRANCHISEE shall identify himself or herself as the independent owner of the FRANCHISED BUSINESS in the manner COIT prescribes. FRANCHISEE may not use the Marks as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to FRANCHISEE under this Agreement) or in any modified form or with any other words or names affixed, nor may FRANCHISEE use the Marks in connection with the sale of any unauthorized product or service. FRANCHISEE agrees to display the Marks prominently in the manner COIT prescribes at the FRANCHISED BUSINESS and in connection with advertising and marketing materials. COIT will provide FRANCHISEE with approved advertising and marketing materials for the promotion of FRANCHISEE's COIT franchise. These materials include a variety of print advertisements, all of which have been approved for FRANCHISEE's use with the COIT Marks. FRANCHISEE agrees to give the notices of trademark and service mark registrations COIT specifies and to obtain the fictitious registrations COIT specifies and obtain the fictitious or assumed name registrations possibly required under applicable law.

### **C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS**

FRANCHISEE must immediately notify COIT of any apparent infringement of the Marks, or of any challenge to FRANCHISEE's use of the Marks, or of any claim by any person of any rights in any of the Marks. COIT has sole discretion to take appropriate action and COIT has the right to exclusively control any litigation or Patent and Trademark Office or other administrative proceeding arising out of any such infringement, challenge or claim relating to the Marks. FRANCHISEE agrees to execute the instruments and documents that COIT's counsel advises to protect and maintain COIT's interests in the Marks. At FRANCHISEE's expense, FRANCHISEE shall render such assistance, and do such acts and things as may, in the opinion of COIT's counsel, be deemed necessary in any litigation or proceeding instituted to protect COIT's interests in the Marks.

### **D. MODIFICATION OF MARKS**

If COIT decides that the FRANCHISED BUSINESS should modify or discontinue using any Mark and/or that the FRANCHISED BUSINESS should use additional or substitute Marks, FRANCHISEE agrees to comply with COIT's directions within a reasonable time after FRANCHISEE receives COIT's notice. COIT will reimburse FRANCHISEE for related reasonable expenditures.

### **E. INDEMNIFICATION OF FRANCHISEE**

COIT agrees to indemnify FRANCHISEE against and to reimburse FRANCHISEE for all damages FRANCHISEE is held liable for in any proceeding brought by a third party against FRANCHISEE for trademark infringement or comparable claims that arise out of the use of the Marks by FRANCHISEE provided that such use was pursuant to and in compliance with this Agreement. COIT will also reimburse FRANCHISEE and indemnify FRANCHISEE against all costs FRANCHISEE reasonably incurs in the defense of any claim brought against FRANCHISEE or in any proceeding in which FRANCHISEE is named as a part of, provided FRANCHISEE notifies COIT of such claim or proceeding, gives COIT sole control of the defense and settlement of any such claim, and otherwise complies with this Agreement.

## **10. FEES**

### **A. INITIAL FRANCHISE FEE**

FRANCHISEE must pay to COIT an initial franchise fee consisting of Twenty Thousand Dollars (\$20,000) plus four cents (\$.04) per household within the Territory. The minimum number of households to be purchased in a Territory is 100,000 unless otherwise authorized by COIT, as in the case of an area in which the closest 100,000 households are not serviceable within a reasonable geographic area. Included in the initial franchise fee is a start up package which will contain such items as COIT shall determine such as cleaning solutions, supplies, operating manuals, uniforms, advertising materials, decals, sales materials, and the COIT computer software package. The initial franchise fee is payable upon the execution of this Agreement (less any deposit FRANCHISEE has previously paid COIT in connection with this Agreement) unless financing is provided by COIT in which case payments shall be made according to the financing terms offered. COIT fully earns the entire initial franchise fee upon FRANCHISEE's signing this Agreement. It is not refundable in whole or part.

COIT will refund the amount received by COIT for the initial franchise fee, less Two Thousand Five Hundred Dollars (\$2,500.00) to FRANCHISEE if: (1) FRANCHISEE requests in writing a refund and termination of the franchise agreement any time prior to the commencement of the initial training program; and (2) FRANCHISEE returns to COIT at that time, any items, materials, manuals, computer software or supplies FRANCHISEE may have received from COIT in connection with starting the Franchised Business; and (3) FRANCHISEE signs a general release of any and all claims against COIT in a form satisfactory to COIT. The initial franchise fee is not refundable in whole or in part under any other circumstances.

If FRANCHISEE wishes to expand the Territory to an adjoining area in the same Demographic Marketing Area ("DMA"), FRANCHISEE may request from COIT an expansion of the Territory at the rate of four cents (\$.04) per household. If FRANCHISEE wishes to acquire rights for an area outside of the DMA in which FRANCHISEE'S Territory is located, the request would be handled as an application for the purchase of an additional franchise, which if granted by COIT would require execution of another Franchise Agreement in the form then being offered by COIT. In that case, COIT will offer a discounted rate of thirty percent (30%) off the initial fee being charged to new franchisees at that time, plus a per household price of four cents (\$.04). There will be no start up package provided with the reduced franchise fee, however, the software for the computer system and initial licensing fee will be provided at no additional cost. COIT in its sole discretion may sell or decline to sell additional territory or additional franchises to FRANCHISEE.

## **B. ROYALTY**

(1) Subject to the provisions below in this Section 10.B, FRANCHISEE shall pay to COIT monthly as provided below a royalty fee equal to the greater of (i) six percent (6%) of the Gross Receipts derived from all services offered in connection with the Franchise or (ii) the minimum royalty amount provided below. The royalty fee is payable on the fifteenth (15th) day of each calendar month on the Gross Receipts for the immediately preceding month. The minimum royalty amount shall be applicable after the first 12 month period ("year") from signing this Agreement as follows:

Years 2 and 3	\$250 per month
Year 4	\$500 per month
Year 5	\$750 per month
Year 6 and after	\$1,000 per month

(2) As an incentive to the FRANCHISEE to fully develop the FRANCHISED BUSINESS, COIT offers reduced royalty fees on Gross Receipts derived from sales of the Core Services as set forth below. Provided that FRANCHISEE is in good standing and not in default of any term of this Agreement, FRANCHISEE's obligation to pay a royalty fee on the annual Gross Receipts from Core Services shall be reduced on increases in Gross Receipts from Core Services during the calendar year as shown in the following table, subject to adjustment of the benchmark amounts as provided below:

Amount of Royalty FRANCHISEE Shall Pay	FRANCHISEE's Annual Gross Receipts From Core Services
6%	On Gross Receipts of \$0.0 Million to \$1.2 Million
3%	On Gross Receipts from \$1.2 Million to \$3.5 Million
2%	On Gross Receipts over \$3.5 Million

For purposes of measuring these benchmarks, Gross Receipts count only for the calendar year in which they are received. These benchmark amounts do not include Gross Receipts from the sale of any service or product other than the Core Services as defined above. COIT reserve the right to increase the benchmarks in the above table in the case of an increase in the Consumer Price Index ("CPI"). COIT may make one (1) CPI-based increase in the benchmarks during the initial term of the franchise on or after the fifth (5th) anniversary of this Agreement. The CPI-based increase may not exceed the percentage increase, if any, in the Consumer Price Index for the San Francisco-Oakland-San Jose Area that may have occurred between the date this Agreement was signed and the date the increase is made.

(3) FRANCHISEE shall pay COIT a royalty fee of three percent (3%) of the Gross Receipts from all sales of goods (for example new drapery) currently authorized by COIT for sale by the FRANCHISED BUSINESS, payable on the fifteenth (15th) day of each calendar month, and based on the Gross Receipts from all sales of goods for the immediately preceding month. Revenues from sales of goods are not considered for determining growth incentive royalty reductions.

(4) COIT may establish at the time they are added different the royalty fees on any services or goods added to those authorized or mandated by COIT for sale by the FRANCHISED BUSINESS in the future in accordance with Paragraph 5.C of this Agreement. Unless otherwise specified by an addendum to this Agreement or other written agreement between the parties, the royalty fees shall be as provided in Section 10.B(1) above for new services and in Section 10.B(4) above for new goods and the royalty incentives of Sections 10.B(2) and 10.B(3) shall not be applicable.

### C. DEFINITION OF "GROSS RECEIPTS"

The term "Gross Receipts" means all money and other consideration FRANCHISEE receives in connection with the ownership or operation of the FRANCHISED BUSINESS and the Franchise. Gross Receipts includes not only money and other consideration received for services performed at the Plant, but also money and other consideration received for such things as pick up

and delivery services, installation, and other services performed at the customer's site or carried out in connection with the Franchise. Gross Receipts does not include any sales taxes or other taxes FRANCHISEE properly imposes and collects to transmit to any governmental entity.

#### **D. INTEREST ON LATE PAYMENTS**

All royalty fees or any other amounts FRANCHISEE owes COIT pursuant to this Agreement shall bear interest as of the first day of the month immediately following the month for which FRANCHISEE has failed to pay amounts past due. FRANCHISEE shall owe interest at the highest legal rate for open account business credit in the state in which the FRANCHISED BUSINESS is operated, not to exceed one and one half percent (1½%) per month. Any such late charge will be invoiced to FRANCHISEE for payment with the next monthly royalty fee payment. In the event the late charge is not paid with the next monthly royalty fee payment, then COIT may, at COIT's option, consider the royalty fee payment to be late and continue to assess successive late payment charges until all monthly royalty fee payments and all late charges have been brought current. FRANCHISEE acknowledges that this Paragraph D will not constitute COIT's agreement to accept such payments after they are due, or a commitment by COIT to extend credit to or otherwise "finance" FRANCHISEE's business. Further, FRANCHISEE acknowledges that failure to pay all amounts when due will constitute a breach of this Agreement as provided in Section 15 of this Agreement irrespective of the provisions of this Paragraph D.

#### **E. METHOD OF PAYMENTS**

For royalties and any other payments due from FRANCHISEE, COIT may designate a required method of payment, including payment by electronic funds transfer from a designated bank account of FRANCHISEE to a designated bank account of COIT, either initiated by FRANCHISEE or COIT. FRANCHISEE agrees to execute any forms or agreements required by banking institutions to authorize transfers initiated by COIT. FRANCHISEE is responsible for having sufficient funds on deposit to cover all electronic funds transfer or checks drawn on FRANCHISEE's account. All charges imposed by FRANCHISEE's bank for funds transfers shall be paid by FRANCHISEE. FRANCHISEE shall be liable to COIT for any bank charges assessed to COIT due to FRANCHISEE's account having insufficient funds to cover any check or electronic funds transfer to COIT or for any "stop payment" or other refusal to honor or pay a check or funds transfer to COIT.

### **11. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

#### **A. INDEPENDENT CONTRACTORS**

The parties agree that this Agreement does not create a fiduciary relationship between them, that they are independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venture, partner, or employee of the other for any purpose. FRANCHISEE must be conspicuously identified in all dealings with third parties, including customers, suppliers, independent contractors, public officials, FRANCHISEE personnel and others, as the owner of the FRANCHISED BUSINESS under a franchise agreement granted by COIT and must place any other notices of independent ownership on the forms, business cards, stationery, advertising, and other materials COIT may occasionally require. Nothing contained in this Agreement will permit or authorize COIT to direct, limit or otherwise control FRANCHISEE's

professional judgment or the professional judgment of FRANCHISEE's employees who provide professional services at, from or through the FRANCHISED BUSINESS.

## **B. NO LIABILITY FOR ACTS OF OTHER PARTY**

FRANCHISEE must not employ any of the Marks in signing any contract, application for any license or permit, or in any manner that may result in liability for COIT, and FRANCHISEE must not use the Marks in any way except as expressly authorized in this Agreement. Except as expressly authorized in writing, neither party may make any express or implied agreements, warranties, guarantees or representations, or incur any debt in the name of or on behalf of the other, or represent that their relationship is other than franchisor and franchisee. Neither party is obligated by nor have any liability under any agreements or representations made by the other that are not expressly authorized in writing. COIT is not obligated for any damages to any person or property from the operation of the FRANCHISED BUSINESS or FRANCHISEE's business, whether or not caused by FRANCHISEE's negligent or willful action or failure to act.

## **C. TAXES**

COIT will not be liable for any sales, use, service, occupation, excise, gross sales, income, property or other taxes, whether levied upon FRANCHISEE, the FRANCHISED BUSINESS or FRANCHISEE's property, or upon COIT in connection with the sales made or business conducted by FRANCHISEE. FRANCHISEE will be responsible for paying all taxes (except any taxes COIT is required by law to collect from FRANCHISEE with respect to FRANCHISEE's purchases from COIT).

## **D. INDEMNIFICATION**

FRANCHISEE agrees to indemnify, defend, and hold COIT, COIT's affiliates and their respective shareholders, directors, officers, employees, agents, successors and assigns, harmless against and to reimburse COIT and them for all claims, obligations and damages described in this Paragraph. FRANCHISEE will indemnify the above named parties against any taxes described in Paragraph C, as well as any claims or liabilities resulting from FRANCHISEE's operation of the FRANCHISED BUSINESS, unauthorized use of the Marks, transfer of any interest in this Agreement, the Franchise, or the FRANCHISED BUSINESS. For indemnification purposes, "claims" means all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against COIT, including reasonable accountants', attorneys', attorney assistants' and expert witness fees, including costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses. COIT has the right to defend any such claim against COIT in any manner COIT chooses. This indemnity will continue in full force and effect after the expiration or termination of this Agreement.

## **12. PROPRIETARY INFORMATION; EXCLUSIVE RELATIONSHIP**

### **A. PROPRIETARY INFORMATION**

COIT possesses and will develop and acquire certain confidential and proprietary information "Proprietary Information" and trade secrets consisting of the following categories of information: (a) COIT System business methods, techniques, specifications, standards, procedures, and formats; (b) COIT policies, procedures, information, concepts, systems and knowledge of and experience in franchise development and operation, including the information comprising the COIT

System; (c) marketing programs for COIT Franchised Businesses; and (d) the Computer System and all future additions, modifications and enhancements to the Computer System. COIT will disclose this information to FRANCHISEE by furnishing the Operating Manuals and by providing FRANCHISEE with guidance and assistance.

FRANCHISEE agrees that FRANCHISEE's relationship with COIT does not give FRANCHISEE the right to use the Proprietary Information for anything other than the development and operation of the FRANCHISED BUSINESS under this Agreement, and that the use of the Proprietary Information in any other business would constitute unfair competition. FRANCHISEE agrees that the Proprietary Information belongs to COIT, may contain trade secrets belonging to COIT and is disclosed to FRANCHISEE and authorized for use solely on the condition that FRANCHISEE will: (a) not use the Proprietary Information in any other business or capacity; (b) maintain the absolute secrecy and confidentiality of the Proprietary Information during and after the term of this Agreement; (c) not make unauthorized copies of any portion of the Proprietary Information disclosed in written form; and (d) adopt and implement all reasonable procedures COIT intermittently prescribe to prevent unauthorized use or disclosure of or access to the Proprietary Information.

## **B. EXCLUSIVE RELATIONSHIP**

FRANCHISEE acknowledges and agrees that COIT would be unable to protect the Proprietary Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among COIT franchisees if owners or operators of COIT Franchised Businesses and members of their immediate families were permitted to hold interests in or perform services for Competitive Businesses. FRANCHISEE therefore agrees that during the term of this Agreement, except for the FRANCHISED BUSINESS and other COIT Franchised Businesses operated under franchise agreements with COIT, neither FRANCHISEE nor any of FRANCHISEE's shareholders or partners (in the event FRANCHISEE is a corporation or partnership), nor any member of FRANCHISEE's immediate family or any member of the immediate families of any of FRANCHISEE's shareholders or partners, shall without COIT's prior written approval: (1) have any direct or indirect ownership interest in any Competitive Business; (2) have any direct or indirect ownership interest in any entity granting franchises or licenses to others to operate Competitive Businesses; or (3) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for any Competitive Business or any entity which is granting franchises or licenses to others to operate Competitive Businesses. The restrictions of this Paragraph will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represents less than five percent (5%) of the number of shares of that class of securities issued and outstanding.

## **13. ASSIGNMENT, TRANSFER AND ENCUMBRANCE**

### **A. BY COIT**

This Agreement is fully assignable by COIT and shall inure to the benefit of any assignee or other legal successor to COIT's interest under this Agreement, provided that any such assignee shall have the experience and resources to fully perform and take over COIT's obligations under this Agreement.

## **B. BY FRANCHISEE WITH COIT'S APPROVAL**

To ensure ongoing quality within the COIT System, COIT shall have the right to approve any assignee proposed by FRANCHISEE based on COIT's standards and requirements that may be changed from time to time. The Franchise is personal to FRANCHISEE and neither the Franchise (except as provided in this Agreement with respect to assignment to a partnership, limited liability company or corporation ) nor any part of FRANCHISEE's ownership may be voluntarily, involuntarily, directly or indirectly assigned, subdivided, subfranchised or otherwise transferred by FRANCHISEE or FRANCHISEE's owners without COIT's prior written approval, and any such transfer without COIT's approval shall constitute a breach of the Agreement and therefore will convey no rights to or interests in this Agreement, the Franchise, FRANCHISEE or the FRANCHISED BUSINESS. FRANCHISEE shall not pledge or encumber the Franchise.

As used in this Agreement, the term "ownership interest" means: (1) shares in any corporation, or partnership interest in any partnership, or membership interest in any limited liability company that holds the Franchise; (2) direct or indirect community property rights of any person in this Agreement, the Franchise or the FRANCHISED BUSINESS; and (3) any other equitable or legal right in the revenues, profits, rights or assets of the FRANCHISED BUSINESS. The term "controlling interest" means and includes the direct or indirect ownership (legal or beneficial) or control of fifty percent (50%) or more of the equity, profits or voting control of FRANCHISEE or of any corporation or partnership holding the Franchise or the FRANCHISED BUSINESS. As used in this Agreement, the term "transfer" includes any voluntary, involuntary, direct or indirect assignment, sale, gift or exchange or the occurrence of any other event possibly creating an ownership interest or changing the ownership of any ownership interest, including, without limitation: (1) assignment or other transfer of this Agreement; (2) merger or consolidation or issuance of additional securities representing an ownership interest; (3) sale, gift or other transfer of stock, partnership or other interest; (4) transfer of an interest in this Agreement, the Franchise, FRANCHISEE or the FRANCHISED BUSINESS in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; and (5) transfer of an ownership interest by will, declaration of or transfer in trust, or under the laws of intestate succession.

COIT will not unreasonably withhold COIT's approval of an assignment or transfer, which satisfies all conditions of this Section 13.B, to proposed assignees or transferees who are of good moral character, have sufficient business experience and financial resources and otherwise meets COIT's then applicable standards for franchisees. If FRANCHISEE proposes to make a transfer of this Agreement, a substantial part of the assets of the FRANCHISED BUSINESS, the Franchise or a controlling interest in FRANCHISEE, or to make a transfer that is one of a series of transfers which taken together would constitute such a transfer, then all of the following conditions must be met before or at the time of each such transfer:

- (1) Transferee or the owner of the controlling interest in the transferee if the transferee is a not an individual must have sufficient business experience, aptitude, and financial resources to operate the FRANCHISED BUSINESS;
- (2) Transferee must assume all of FRANCHISEE's obligations in connection with the lease for the Plant;
- (3) FRANCHISEE must pay any unpaid royalty fees, advertising contributions, and any other amounts owed to COIT or COIT's affiliates;

- (4) If the lease for the Plant so requires, the lessor must have consented to the assignment or sublease of the Plant to the transferee;
- (5) The condition and operations of the FRANCHISED BUSINESS must be in compliance with this Agreement and all applicable specifications, standards, operating procedures and policies COIT has prescribed (except to the extent COIT is willing to waive any such obligations on the basis of assurances of compliance by the Transferee);
- (6) The transferee must sign COIT's then current form of franchise agreement and any ancillary agreements as are then customarily used;
- (7) FRANCHISEE or the transferee must pay to COIT a transfer fee in the amount of Five Thousand Dollars (\$5,000);
- (8) To accomplish a successful transition into the COIT System, the transferee (or the owner of must attend, within a reasonable period of time, the COIT Performance Orientation at a location to be determined by COIT. COIT will provide the training program and all related materials at no cost to the Transferee. Transferee is responsible for all transportation, lodging and other expenses related to this training program;
- (9) FRANCHISEE and each person who is transferring an ownership interest must sign a general release (in a form satisfactory to COIT) of any and all claims against COIT, COIT's affiliates, shareholders, directors, employees, agents, successors and assigns;
- (10) COIT must approve the material terms and conditions of such transfer, including, that the price and terms of payment are not so burdensome as to adversely affect the operation of the FRANCHISED BUSINESS by the transferee;
- (11) FRANCHISEE will agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by FRANCHISEE or its owners in the assets of the FRANCHISED BUSINESS will be subordinate to the obligations of the transferee to pay royalty fees, advertising contributions and other amounts due to COIT and otherwise to comply with this Agreement or the franchise agreement executed by the Transferee.
- (12) FRANCHISEE and FRANCHISEE's owners, if FRANCHISEE is transferring this Agreement, and each person who is transferring an ownership interest, must execute a noncompetition agreement favoring both COIT and the transferee and agreeing that for a period of two (2) years from the date of the transfer neither FRANCHISEE nor FRANCHISEE's owners shall:
  - (a) have any direct or indirect interest (through a member of FRANCHISEE's or any of FRANCHISEE's owners' immediate families, or otherwise--other than ownership interests in COIT Franchised Businesses and the aggregate ownership of at least five percent (5%) of the issued and outstanding shares of any class of securities of a publicly traded company) as a disclosed or beneficial owner, director, employee, consultant or agent, or in any: (i) Competitive Business in the Territory; (ii) business association or agency which is granting franchises or licenses to others to operate Competitive Businesses in the Territory; or (b) directly or indirectly employ, or seek to employ, any person who is employed by COIT, COIT's affiliates or any of COIT's franchisees, nor induce or attempt to induce any such person to leave said employment without the prior written consent of COIT and such person's employer; and

(13) FRANCHISEE has provided COIT with an opportunity to exercise COIT's right of first refusal as required in Section 13.G of this Agreement and COIT has declined to exercise that right.

If the proposed transfer is to or among owners' heirs or any of FRANCHISEE's designated beneficiaries, Subparagraph (7) and Subparagraph (13) of the above requirements shall not apply. If the proposed transfer is by gift, bequest or inheritance, Subparagraphs (10), (11) and (13) of the above requirements shall not apply.

### **C. ASSIGNMENT TO PARTNERSHIP OR CORPORATION**

If FRANCHISEE purchases the COIT Franchise as an a sole proprietorship or general partnership, and then forms a corporation, new partnership or limited liability company and wishes to transfer ownership to that corporation or partnership, FRANCHISEE may after giving prior written notice to COIT without paying COIT a transfer fee provided the following requirements are met: (a) FRANCHISEE complies with any requirements of state law applicable to the transfer; (b) the same individuals who originally signed this Agreement as FRANCHISEE must own and control at least fifty one percent (51%) of the equity and voting power in the corporation, and shall actively manage it and COIT shall have the right to approve any new owners; (c) the articles of incorporation, by-laws and other organizational documents of the new entity will prescribe a maximum of ten (10) shareholders or members and will provide that the sole business of the entity will be the operation of the FRANCHISED BUSINESS, and will prohibit the issuance or transfer of its shares or membership or partnership interests without COIT's prior written approval; and (d) all issued and outstanding share certificates of any such corporation will bear a legend stating that issuance and transfer of shares of stock in the corporation is subject to the terms and conditions of this Agreement. However, FRANCHISEE's assignment as described above will not relieve FRANCHISEE of FRANCHISEE's obligations under this Agreement, and FRANCHISEE will remain jointly and severally liable for all obligations under this Agreement.

In addition to the foregoing, any person who acquires an equity interest in FRANCHISEE during the term of the Franchise shall execute an agreement in a form COIT furnishes or approves. The new owner must guarantee to be bound, jointly and severally, by all of the provisions of this Agreement. Whenever COIT requests, FRANCHISEE will furnish COIT with a certified copy of the articles of incorporation, partnership agreement or other organizational documents of FRANCHISEE, in the form COIT requires, and a certified list of all owners setting forth their respective ownership interests in the FRANCHISEE.

### **D. DEATH OR PERMANENT DISABILITY OF FRANCHISEE**

Upon the death or permanent incapacity of FRANCHISEE (or its owners), the executor, administrator, conservator or other personal representative of the deceased shall transfer his or her interest to the heirs or beneficiaries of such person or to a third party COIT approves within a period of twelve (12) months. Such transfers are subject to the same conditions as other transfers, except that no transfer fee will be due or payable. Failure to dispose of such interest within twelve (12) months will constitute a breach of this Agreement. FRANCHISEE shall be deemed to have a "permanent incapacity" if usual participation in the business by FRANCHISEE as contemplated pursuant to this Agreement, is for any reason curtailed for a continuous period of six (6) months.

#### **E. EFFECT OF CONSENT TO TRANSFER**

COIT's consent to a proposed transfer by FRANCHISEE will not constitute a waiver of any claims COIT may have against FRANCHISEE, nor will it be deemed a waiver of COIT's right to demand compliance with any of the terms or conditions of this Agreement by any transferee of this Agreement or an ownership interest.

#### **F. COMPLIANCE WITH STATE AND FEDERAL LAWS**

FRANCHISEE agrees that in connection with any proposed transfer of this Agreement or an ownership interest, FRANCHISEE shall comply with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises. FRANCHISEE further agrees to indemnify and hold COIT and COIT's shareholders, directors, and employees, agents, successors and assigns harmless against any and all claims arising and expenses incurred (including attorneys' fees) directly or indirectly from, as a result of, or in connection with any alleged failure on FRANCHISEE's part to comply with any franchise law or other law applicable to FRANCHISEE's transfer of this Agreement or an ownership interest.

#### **G. RIGHT OF FIRST REFUSAL**

If FRANCHISEE or any of FRANCHISEE's owners receives a bona fide offer (or receives acceptance of an offer that FRANCHISEE or FRANCHISEE's owners made) to acquire an interest in the franchise agreement, the COIT Franchise or a substantial part of the assets used in the Franchise, or an ownership interest in the Franchise, then FRANCHISEE must notify COIT by providing COIT with an exact copy of the offer or, in the case of an unwritten bona fide offer, immediately submit to COIT a complete and accurate written description of all of the offer's terms. COIT will have the right within thirty (30) days after receiving FRANCHISEE's written notice to exercise COIT's right to purchase the interest proposed to be transferred for the price and on the terms and conditions contained in the offer. COIT shall have at least sixty (60) days from receipt of notice of the offer to complete the transfer, or COIT shall have the period provided in the offer, whichever is longer. COIT will be entitled to acquire such interest in the Franchise or its assets or in FRANCHISEE, subject to receiving all representations and warranties customarily given by a seller of such assets or stock, including representations and warranties as to the ownership, condition or title of or to the stock and/or assets, as to the absence of any liabilities, liens or encumbrances, and as to the validity of any contracts or leases. If COIT does not exercise COIT's right of first refusal, FRANCHISEE or FRANCHISEE's owners may complete the sale to the same purchaser pursuant to and on the same terms of such offer, subject to COIT's approval of the transfer as provided in Section 13 of this Agreement. If the sale to the purchaser is not completed within one hundred twenty (120) days after delivery of notice of the offer to COIT, or if there is a material change in the terms of the sale, COIT will have an additional right of first refusal for thirty (30) days on the same terms and conditions as were applicable to the initial right of first refusal.

### **14. RENEWAL OF FRANCHISE**

#### **A. FRANCHISEE'S RIGHT TO RENEW**

Upon expiration of the initial term of the Franchise, FRANCHISEE may choose to remain a franchisee by renewing the Franchise for another ten (10) year term according to the provisions set forth in Paragraph B below provided that throughout the initial term of this

Agreement, FRANCHISEE has substantially complied with all the terms and conditions of this Agreement, and any other agreement between FRANCHISEE and COIT.

The parties each agree to give one another at least six (6) months prior written notice of an election to renew or not to renew the Franchise. COIT will state in the notice, the reasons for COIT's refusal to renew. However, neither FRANCHISEE's election to renew nor COIT's failure to advise FRANCHISEE of nonrenewal shall affect or impair any rights to terminate this Agreement as provided in Section 15.

## **B. MANNER OF RENEWAL**

To renew the Franchise, FRANCHISEE and its owners must, at least sixty (60) days prior to the expiration date of the Franchise:

- (1) Execute COIT's current form of franchise agreement and all other agreements and legal instruments and documents COIT then customarily uses in granting franchises, which may contain terms and conditions different from those contained in this Agreement. Such terms may modify royalty fees and impose different or additional rights and obligations on COIT and/or FRANCHISEE and may provide for different renewal terms than those that are set forth herein. The terms may modify FRANCHISEE's Territory based on population or other changes, but in no way will diminish the number of households in FRANCHISEE's Territory, unless the number of households in the original territory has declined as a result of diminished population. FRANCHISEE will be subject to the renewal terms and renewal fee of the then current agreement for subsequent renewal terms, but will not be subject to the payment of the initial franchise fee or per household fee of FRANCHISEE's then existing territory. COIT may, at COIT's discretion, offer to sell to FRANCHISEE additional households immediately surrounding FRANCHISEE's Territory to increase FRANCHISEE's Territory at the then current per household rate. If FRANCHISEE fails to execute the agreements, instruments, and documents necessary to renew the Franchise within sixty (60) days after they are delivered to FRANCHISEE, COIT will assume FRANCHISEE has elected not to renew the Franchise;
- (2) Satisfactorily complete any training program COIT requires. Any such training or retraining will not be longer than the training period then required of new franchisees;
- (3) Execute a general release in a form COIT requires of any and all claims FRANCHISEE may have against COIT, COIT's officers, directors, shareholders, agents and employees; and
- (4) Pay to COIT a renewal fee in the amount of One Thousand Dollars (\$1,000) for administrative and legal costs and expenses.

COIT will not require FRANCHISEE to pay an initial franchise fee for or the per household charge for any subsequent renewal, but FRANCHISEE will be subject to the renewal terms and renewal fee of the then current agreement.

## **15. TERMINATION OF FRANCHISE**

### **A. TERMINATION BY COIT WITHOUT NOTICE OF DEFAULT**

COIT may terminate this Agreement and the Franchise effective upon delivery of written notice of termination to FRANCHISEE, if FRANCHISEE or any of FRANCHISEE's owners:

- (1) Abandons, surrenders or transfers control of the operation of the FRANCHISED BUSINESS without COIT's prior written approval or makes an unauthorized transfer of this Agreement, the Franchise, the business of the FRANCHISED BUSINESS or another ownership interest;
- (2) Makes any material misrepresentation or omission in applying for the Franchise;
- (3) Is convicted by a trial court of, or plead no contest to, a felony, or FRANCHISEE is convicted by a trial court of, or plead no contest to, another crime or offense that is, in COIT's reasonable determination, likely to adversely affect FRANCHISEE's reputation, COIT's reputation, or the reputation of the FRANCHISED BUSINESS or any other COIT Franchised Business;
- (4) Engages in any misconduct which affects COIT's reputation, the reputation of any COIT Franchised Business or the goodwill associated with the Marks;
- (5) Makes any unauthorized use of the Marks or disclosure of any Proprietary Information or the Operating Manuals;
- (6) Fails to maintain the insurance coverage required by Section 5.G;
- (7) Fails to timely pay amounts due to persons other than COIT and COIT's affiliates, or otherwise maintains a responsible credit rating;
- (8) Fails for a period of ten (10) days or more after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to FRANCHISEE's operation of the FRANCHISED BUSINESS;
- (9) Fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit when due, reports or other information, supporting records or financial statements, and/or fails to pay when due any service and royalty fees or advertising contributions, or other payments due to COIT or its affiliates, and/or fails on two or more separate occasions within any period of twelve (12) consecutive months to comply with the same obligation under this Agreement, whether or not such failures are corrected after FRANCHISEE receives notice of default, and/or otherwise fails to comply with this Agreement, whether or not those failures to comply are corrected after FRANCHISEE receives notice of default;
- (10) Makes an assignment for the benefit of creditors or an admission of FRANCHISEE's inability to pay FRANCHISEE's obligations as they become due;
- (11) Files a voluntary petition of bankruptcy, files any pleading seeking any reorganization, liquidation or dissolution under any law, admit or fail to contest the material allegations of any such pleading filed against FRANCHISEE, are adjudicated as bankrupt or insolvent, a receiver is appointed for a substantial part of FRANCHISEE's assets or the assets of the FRANCHISED BUSINESS, or the claims of FRANCHISEE's creditors or of the Franchise are abated or subject to a moratorium under any law;
- (12) Fails for two (2) successive years to attend or send required management employees to attend mandatory training sessions or at least one national convention per year;

(13) Continues to have a direct or indirect ownership interest in any Competitive Business in violation of this Agreement;

(14) Consistently fails or refuses: (i) to submit when due monthly reports, quarterly or annual financial statements, tax returns, schedules or other information or supporting records; (ii) to pay when due the royalty fees, amounts due for any products purchased from COIT or other payments due to COIT; or (iii) to pay when due amounts owed to other suppliers or creditors;

(15) Operates the FRANCHISED BUSINESS or the Plant in a manner that presents a health or safety hazard to FRANCHISEE's customers, employees or the public; or

(16) Makes an unauthorized assignment of the Franchise or FRANCHISEE's ownership.

#### **B. TERMINATION BY COIT AFTER NOTICE OF DEFAULT**

This Agreement and the Franchise will terminate without further action by COIT or notice to FRANCHISEE, if FRANCHISEE or any of FRANCHISEE's owners:

(1) Fail to deliver to COIT when due any required reports of the operation or Gross Receipts of the FRANCHISED BUSINESS, or fail to make payments of any amounts due to COIT or COIT's affiliates, including royalty fees, advertising contributions, and amounts due to COIT for purchases, or for any other reason, and does not correct that failure within ten (10) days after COIT delivers written notice of the failure to FRANCHISEE; or

(2) Fail to provide adequate customer telephone service within the Territory in accordance with Section 3.D of this Agreement or fail to maintain all required yellow page listings within the Territory in accordance with Section 6.B of this Agreement, and does not cure either such failure within fifteen (15) days after COIT delivers written notice of the failure to FRANCHISEE; or

(3) Fail to offer from the FRANCHISED BUSINESS all products and services COIT requires, or offers unapproved products or services from the FRANCHISED BUSINESS and does not cure either such failure within fifteen (15) days after COIT delivers written notice of the failure to FRANCHISEE; or

(4) Fail to comply with any other provision of this Agreement or any other agreement with COIT or any of COIT's affiliates or any mandatory specification, standard, or operating procedure COIT prescribes and does not: (i) correct such failure within thirty (30) days after COIT delivers written notice of the failure to FRANCHISEE; or (ii) if the failure cannot reasonably be corrected within thirty (30) days after notice, undertakes within ten (10) days after notice and continue efforts to bring the FRANCHISED BUSINESS into full compliance with this Agreement (in this case, FRANCHISEE must furnish proof acceptable to COIT, whenever COIT requests it, of FRANCHISEE's efforts and the date of FRANCHISEE's expected completion); or

(5) Fail to cease operation of the FRANCHISED BUSINESS in any unauthorized territory within (30) days after written notice by COIT.

#### **C. TERMINATION BY MUTUAL CONSENT**

This Agreement and the Franchise may be terminated if both of the parties consent in writing to terminate it.

#### **D. DE-IDENTIFICATION**

Immediately upon termination, expiration or nonrenewal of the Franchise for any reason, regardless of whether FRANCHISEE contests any such termination or nonrenewal, FRANCHISEE shall: (1) cease and forever refrain from any use of the Marks or any confusingly similar mark for any purpose; (2) return to COIT, remove the Marks from, or destroy (whichever COIT specifies) all signs, forms and materials containing any of the Marks or otherwise relating to a COIT Franchised Business; (3) take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to FRANCHISEE's use of any Mark; (4) take all actions necessary to transfer any telephone number and any telephone directory listings or Internet domain name registrations associated with the Marks to COIT (FRANCHISEE acknowledges that COIT has the sole right to and interest in the telephone numbers, directory listings and domain name registrations associated with the Marks, and FRANCHISEE authorizes COIT to direct the telephone company or the domain name registrar and all other listing agencies to transfer the numbers, listings and registrations to COIT if FRANCHISEE fails or refuses to direct such transfer. The telephone company, domain name registrar and all listing agencies may accept this Agreement as conclusive of COIT's exclusive right in such telephone numbers and directory listings and COIT's authority to direct their transfer); (5) at FRANCHISEE's expense make all modifications and alterations, including removal of all distinctive physical and structural features associated with the Marks and trade dress of COIT Franchised Businesses necessary to distinguish FRANCHISEE's vehicles and Plant, if any, from its former appearance and from other COIT Franchised Businesses in order to prevent any possibility that the public will associate or confuse them with COIT or COIT Franchised Businesses; and (7) furnish to COIT, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to COIT of FRANCHISEE's compliance with the above obligations.

#### **E. PAYMENT OF AMOUNTS OWED TO COIT**

FRANCHISEE shall pay COIT within fifteen (15) days after the effective date of termination or expiration of the Franchise, all amounts owed to COIT which are then unpaid including any interest due pursuant to Section 10.D.

#### **F. RETURN OF PROPRIETARY ITEMS**

On termination, nonrenewal or expiration of the Franchise for any reason, regardless of whether FRANCHISEE contests any such termination or nonrenewal, FRANCHISEE shall immediately cease to use any of the Proprietary Information. FRANCHISEE further agrees to immediately return to COIT all copies of the Operating Manuals, software and all other proprietary or confidential materials COIT loaned or licensed to FRANCHISEE.

#### **G. CONTINUING OBLIGATIONS**

All obligations of this Agreement, including but not limited to those provided in Sections 15.D, E and F, in Section 12.A and all indemnification obligations of this Agreement (whether FRANCHISEE's or COIT's), which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination and until those obligations are satisfied or by their nature expire.

## **16. ENFORCEMENT**

### **A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**

All provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained in this Agreement. Partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. To the extent that the non-competition clause contained in Section 12.B is deemed unenforceable by virtue of its scope in terms of area or length of time, but may be made enforceable by reductions of area and/or time, the parties agree that the provisions shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of any action than is required under this Agreement, or if any provision of this Agreement is invalid or unenforceable, then such invalid or unenforceable action, provision, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdiction and shall be enforced as originally made and entered into in all other jurisdictions.

### **B. NON WAIVER OF OBLIGATIONS**

No acceptance by COIT of any payment by FRANCHISEE and no failure, refusal or neglect of COIT or FRANCHISEE to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations under this Agreement shall constitute a waiver of any provision to this Agreement.

### **C. RIGHTS OF PARTIES ARE CUMULATIVE**

All rights under this Agreement (whether FRANCHISEE's or COIT's) are cumulative, and no exercise or enforcement by either party or any right or remedy under this Agreement will preclude the exercise or enforcement by either party of any other right or remedy under this Agreement.

### **D. DISPUTE RESOLUTION**

(1) Except as provided by Section 16.D(2) of this Agreement, all controversies or claims arising between COIT and FRANCHISEE (including claims against the related companies, officers, directors, agents, employees, licensors, licensees, independent contractors and consultants of either COIT or FRANCHISEE) in connection with or arising from the relationship between COIT and FRANCHISEE, including but not limited to: (1) the formation or execution of this Agreement; (2) the validity or enforceability of any portion or all of this Agreement or any other agreement between COIT and FRANCHISEE which is related to this Agreement or any other agreement between COIT and FRANCHISEE which is related to this Agreement; (3) COIT's relationship with FRANCHISEE; or (4) any specification, standard or operating procedure relating to the establishment or operation of the Franchise; which are not resolved within thirty (30) days after either party notifies the other in writing of the controversy or claim, must be resolved by mediation or arbitration in the following manner:

(a) Before commencement of arbitration as provided below, any such claim or controversy shall be submitted to non-binding mediation to the San Francisco, California office of the Judicial Arbitration Mediation Services (the

"JAMS") on demand of either party. Such mediation proceeding shall be conducted in San Francisco, California and shall be conducted in accordance with the then current Commercial Mediation Rules of JAMS. If JAMS has ceased to exist, mediation shall be conducted through the San Francisco office of the American Arbitration Association in accordance with its then current rules for commercial mediation.

(b) If mediation concludes without a resolution of the claim or controversy under a binding settlement agreement executed by the parties, the claim or controversy shall not be litigated, but either party may initiate binding arbitration on the claim or controversy. Such arbitration proceeding shall be submitted by either party to the San Francisco, California office of JAMS. Such arbitration proceeding shall be conducted in San Francisco, California and shall be conducted in accordance with the then current Commercial Arbitration Rules of JAMS. If JAMS has ceased to exist, the arbitration shall be conducted through the San Francisco Office of the American Arbitration Association in accordance with its then current rules for commercial arbitration.

This agreement for mediation and arbitration shall be effective and binding notwithstanding the expiration or termination of this Agreement. The parties hereto agree that no mediation or arbitration hereunder shall be initiated or conducted on a class wide basis.

(2) Notwithstanding the provisions of Paragraph 16.D(1) above, COIT may enforce by judicial process any right COIT may have to possession of the Plant under this Agreement or any sublease or collateral conditional assignment of lease with you. Further, COIT has the right to seek preliminary and permanent injunctive relief prohibiting unauthorized use or infringement of any of the Marks or unauthorized use of any licensed software program or copyrighted material or other Proprietary Information, in any court of competent jurisdiction under customary equity rules, without submitting the dispute to mediation or arbitration. FRANCHISEE agrees that COIT will have the right to seek any provisional remedy, including preliminary injunctive relief necessary to enforce this Agreement or the termination hereof or to restrain conduct by FRANCHISEE in the operation of the FRANCHISED BUSINESS that could materially damage the goodwill associated with the Marks and the reputation of COIT Franchised Businesses without prior submission of the claim to mediation or arbitration or pending the outcome of any mediation or arbitration already commenced. FRANCHISEE agrees that COIT will not be required to post a bond to obtain any injunctive relief and that FRANCHISEE's only remedy if an injunction is entered against FRANCHISEE will be the dissolution of that injunction. It is agreed that either party may seek injunctive relief to prohibit a wrongful termination of this Agreement by the other party without first submitting the dispute to mediation but without prejudice to the right to demand mediation or arbitration in accordance with Paragraph 16.D(a) and without prejudice to COIT's rights to demand compliance with Sections 15.D and 15.F after a termination has been effected.

#### **E. GOVERNING LAW/CONSENT TO JURISDICTION**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.), and unless otherwise indicated in this Agreement, this Agreement and the Franchise will be governed by the laws of the state in which the Franchise is located. Any dispute arising under or in connection with this Agreement and any claim affecting its validity, construction, effect, performance or termination shall be resolved exclusively by the federal

or state courts located in San Francisco, California, to the jurisdiction of which the parties irrevocably submit; provided, however, that either party may sue the other party in the jurisdiction where the defending party's principal office is located.

#### **F. LIMITATIONS OF ACTIONS**

Any and all claims arising out of this Agreement or the relationship of the parties in connection with FRANCHISEE's operation of the FRANCHISED BUSINESS must be made within one (1) year from the occurrence of the facts giving rise to such claims or within ninety (90) days from either the actual discovery of the facts giving rise to such claims or from the date on which FRANCHISEE should have, in the exercise of reasonable diligence, discovered such facts. Claims must be made by initiating arbitration or litigation as required above; however, a submission of the claim to non-binding mediation under Section 16.D(1) above shall operate to stay the limitation period until 15 days after the conclusion of that mediation proceeding.

#### **G. BINDING EFFECT AND AMENDMENTS**

This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest and may not be altered or amended except by the written agreement of the parties or as specifically provided in Section 6.C or otherwise herein.

#### **H. CONSTRUCTION**

The recitals are a part of this Agreement and this Agreement constitutes the entire agreement of the parties. With the exception, if applicable, of a lease or sublease for the Plant, a promissory note, a conversion addendum, an addendum for acquisition of competing business, a software license agreement or purchase orders and other sales agreements between the parties, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. Any and all prior oral or written agreements, representations and understandings between the parties regarding the subject matter of this Agreement are merged with and superseded by this Agreement.

#### **I. WAIVER OF PUNITIVE DAMAGES**

THE PARTIES (AND THEIR OWNERS AND GUARANTORS, IF APPLICABLE), HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

#### **J. NOTICES**

All written notices permitted or required to be delivered by the provisions of this Agreement or of the Operating Manuals will be deemed so delivered: (1) on the date when hand delivered; (2) one day after sending by telegraph; or (3) three days after placed in the mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

## 17. ACKNOWLEDGMENTS

This Agreement is being presented to FRANCHISEE because of FRANCHISEE's desire to obtain the rights to own and operate a COIT Franchised Business. In signing this Agreement, FRANCHISEE acknowledges the importance of the high standards of quality and services of COIT Franchised Businesses and the necessity of operating the FRANCHISED BUSINESS in strict compliance with the COIT System.

FRANCHISEE further acknowledges that COIT has or COIT's agent has provided to FRANCHISEE a Uniform Franchise Offering Circular by the earlier of: (1) the first personal meeting held to discuss the sale of the Franchise; (2) ten (10) business days before the execution of this Agreement; or (3) ten (10) business days before any payment of any consideration by FRANCHISEE for the Franchise.

FRANCHISEE further acknowledges that FRANCHISEE has read this Agreement and the Uniform Franchise Offering Circular and has been given an opportunity to clarify any provision that FRANCHISEE has not understood. FRANCHISEE acknowledges that COIT has provided to FRANCHISEE a copy of this Agreement and all related documents FRANCHISEE must execute, and that these documents were fully completed, and provided by COIT at least five (5) business days prior to the signing of said agreements. FRANCHISEE acknowledges that FRANCHISEE understands and accept the terms, conditions and covenants contained in this Agreement as reasonable and necessary to maintain COIT's high standards of quality and service, and to maintain the uniformity of those standards at all COIT Franchised Businesses, and to protect and preserve the goodwill of the Marks.

FRANCHISEE also acknowledges that FRANCHISEE has conducted an independent investigation of the COIT Franchised Business and has conducted an independent investigation of the COIT Franchised Business and the market area in which FRANCHISEE will operate the FRANCHISED BUSINESS and recognizes that, like any other business, it may evolve and change with time, that an investment in a COIT Franchised Business involves business risk, and that the success of this business venture is primarily dependent on FRANCHISEE's business abilities and efforts, including FRANCHISEE's ability to develop successful marketing techniques and customer relations.

FRANCHISEE acknowledges that FRANCHISEE has not received or relied on any guaranty, express or implied, as to the revenues, profits, or likelihood of success of the FRANCHISED BUSINESS that FRANCHISEE will own and operate pursuant to this Agreement. FRANCHISEE acknowledges that there have been no representations by COIT's directors, employees, or agents, that are not contained in, or consistent with, the statements made in the Uniform Franchise Offering Circular or with the provisions of this Agreement. FRANCHISEE acknowledges that in all of FRANCHISEE's dealings with COIT, COIT's officers, directors, employees, and agents act only in a representative capacity and not in an individual capacity. FRANCHISEE further acknowledges that this Agreement, and all business dealings between FRANCHISEE and such individuals as a result of this Agreement are solely between FRANCHISEE and COIT. FRANCHISEE is positive that FRANCHISEE has made no misrepresentations to COIT in the franchise application or financial statements or other information FRANCHISEE has submitted to COIT.

If FRANCHISEE is a corporation, FRANCHISEE represents that FRANCHISEE has all requisite corporate authority to enter into this Agreement, and agrees that all certificates representing shares of stock now outstanding or later issued will be endorsed with a legend in a form COIT approves, reciting that the transfer of shares in the Franchise is subject to restrictions contained in this Agreement.

By reading and signing this Agreement, the parties execute this Agreement as of the date stated on the first page of this Agreement.

FRANCHISOR

COIT SERVICES, INC.

BY: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISEE

BY: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**COIT SERVICES, INC.  
FRANCHISE AGREEMENT**

**EXHIBIT A**

1. OWNER'S NAME: \_\_\_\_\_

2. FRANCHISEE NAME: \_\_\_\_\_

FORM OF BUSINESS:

PARTNERSHIP \_\_\_\_\_ CORPORATION \_\_\_\_\_ INDIVIDUAL \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

3. LOCATION OF PLANT: \_\_\_\_\_

4. LICENSED TERRITORY:

5. FULL TIME MANAGER REQUIRED: \_\_\_\_\_

6. INITIAL FRANCHISE FEE: \_\_\_\_\_

ACCEPTED AND AGREED TO:

FRANCHISOR  
COIT SERVICES, INC.

FRANCHISEE

BY: \_\_\_\_\_  
Signature

BY: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**COIT SERVICES, INC.  
FRANCHISE AGREEMENT**

**EXHIBIT B**

**REQUIRED INSURANCE**

**AS OF 2004**

**FRANCHISEE** shall at all times during the term of the Franchise maintain, in full force, at its sole expense the following minimum insurance coverages:

- (1) Commercial General Liability insurance** covering Bodily Injury and Property Damage subject to a **minimum limit of \$1,000,000 per occurrence and \$2,000,000 annual policy aggregate**. Coverages to be included are: Personal & Advertising Injury, Products & Completed Operations and Contractual Liability.

**COIT Services, Inc. is to be shown as an Additional Insured on this policy by way of endorsement. A certified copy of this policy should be supplied to COIT each year.**

- (2) Commercial Automobile Liability insurance** covering all owned, hired and non-owned automobiles, subject to a minimum limit of \$1,000,000 combined for bodily injury and property damage per accident.

**COIT Services, Inc. is to be shown as an Additional Insured on this policy by way of endorsement. A certified copy of this policy should be supplied to COIT each year.**

- (3) Property insurance** providing coverage for **Real and Personal Property owned by the Franchisee** should be written on a **"Causes of Loss-Special Form"** basis (see ISO form #CP 1030). Valuation of all property should be based on Replacement Cost subject to a minimum coinsurance clause of 90%.

- (4) Bailee's insurance** coverage for property in the Franchisee's care, custody and control should be written with a minimum limit of the greater of \$100,000 per loss or five times the value of the work in progress.

**(5) Worker's Compensation insurance** as required by statutory law must be provided along with **Employer's Liability coverage** with minimum limits of \$1,000,000 per accident/ \$1,000,000 Disease-Policy Limit/ \$1,000,000 Disease-Each Employee.

**(6) Optional coverage that applies to Franchisees involved in Restoration Services:**

**Contractor's Pollution Liability** must be provided at a limit of not less than \$1,000,000 per incident. Coverage must include Mold Remediation if such activity is conducted.

**Professional Liability ( if the Franchisee has a certified instructor on staff)** must be provided at a limit of \$1,000,000 per incident.

**COIT Services, Inc. is to be shown as an Additional Insured on this policy by way of endorsement. A certified copy of this policy must be supplied to COIT each year.**

**Insurance Company Requirements:**

Each Property/Casualty insurance carrier providing coverage to the Franchisee should meet the following minimum **AM Best rating: A- VIII**

**Note: Coverage requirements and limits of liability are subject to change due to insurance marketplace conditions and the legal environment.**

**COIT SERVICES, INC.  
FRANCHISE AGREEMENT**

**EXHIBIT C**

**Continuing Guaranty and Assumption of Franchisee's Obligations  
Under COIT Franchise Agreement**

Each of the undersigned have a direct or indirect beneficial interest in the Franchise which is the subject of a Franchise Agreement between COIT Services, Inc. ("COIT") and \_\_\_\_\_ ("Franchisee"). Accordingly, and in consideration of the grant of the Franchise, or COIT'S consent to transfer the Franchise to Franchisee, as applicable, each of the undersigned personally and unconditionally:

- (1) jointly and severally guarantees the performance of Franchisee under the Franchise Agreement and agrees to be bound by all terms, conditions and provisions of the Franchise Agreement, and any substitute or modified Franchise Agreement governing the franchise granted to Franchisee; and
- (2) agrees to be jointly and severally liable for the breach of any and every provision in the Franchise Agreement and of any substitute or modified Franchise Agreement governing the Franchise granted to Franchisee.

Each of the undersigned waives the following:

- (1) acceptance and notice of acceptance by COIT of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed;
- (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability;
- (5) any and all other notices and legal or equitable defenses to which he or she may be entitled, including defenses arising by reason of California Civil Code Sections 2806 through 2855; and
- (6) any notices to or consents of guarantors as may be required by law in the event COIT and Franchisee modify the Franchise Agreement or enter into a substitute franchise agreement.

Each of the undersigned consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty shall be joint and several;

(2) he or she shall promptly render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

(3) such liability shall not be contingent or conditioned upon pursuit by COIT of any remedies against Franchisee or any other person;

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which COIT may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, or the modification of the Franchise Agreement or the execution by COIT and Franchisee of a substitute franchise agreement, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement, including renewals or extensions thereof; and

(5) such liability shall be continuing and irrevocable notwithstanding any transfer of the Franchise Agreement or of an interest in the franchise or the assets used therein or in Franchisee unless COIT executes an express written release or cancellation of the obligations hereunder; and COIT shall not be required to seek or obtain the consent of any of the undersigned to any such transfer or to provide notice of any such transfer to any of the undersigned.

The undersigned are witnesses to the execution of this Agreement on this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**WITNESS**

**GUARANTOR(S)**

\_\_\_\_\_  
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**COIT SERVICES, INC.  
FRANCHISE AGREEMENT**

**EXHIBIT D**

Electronic Debit Authorization  
(Authorization Agreement for Pre-Authorized Payments Via ACH Debit Originations)

FRANCHISEE NAME: \_\_\_\_\_ FEIN: \_\_\_\_\_

FRANCHISE ("I" or "We") hereby authorizes COIT Services, Inc. ("COMPANY"), to initiate debit entries to my (our) checking account indicated below in the depository named below, hereinafter called DEPOSITORY, to debit the same to such account.

DEPOSITORY NAME: \_\_\_\_\_ CITY & STATE: \_\_\_\_\_  
ABA/TRANSIT NO.: \_\_\_\_\_ ACCOUNT NO.: \_\_\_\_\_

This authorization is to remain in full force and effect until the underlying obligations per the Franchise Agreement between FRANCHISEE and COMPANY and have been satisfied in full or released in writing by COMPANY. This authorization further confirms my agreement that that this authorization shall apply to any and all Depositories and Bank Accounts with which I/we open during the term of the Franchise Agreement and any renewals. Without limiting the generality of the foregoing, I/we understand that if I/we close any bank account, I/we are obligated to immediately, (i) notify COMPANY thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to COMPANY all documents necessary for COMPANY to begin and continue making withdrawals from such depository/bank account by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

NAME: \_\_\_\_\_

Signature: \_\_\_\_\_

Dated: \_\_\_\_\_

Or for business entity franchisee:

By: \_\_\_\_\_

Dated: \_\_\_\_\_

As Its: \_\_\_\_\_

Federal Tax ID # or SS#: \_\_\_\_\_  
: \_\_\_\_\_

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