

EXHIBIT C

FRANCHISE AGREEMENT

DNA SERVICES INTERNATIONAL, INC.

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FRANCHISE AGREEMENT

THIS AGREEMENT has been entered this ___ day of _____, 200_. It is by and between **DNA SERVICES INTERNATIONAL, INC.**, a Louisiana corporation, ("we, us") and _____ and _____, (jointly and severally "you").

We have certain rights to, have registered in various jurisdictions, and intend to continue to develop names, trademarks, service marks, logos, commercial symbols, and styles. These include, but are not limited to **DNA Services of America**, **DNA Services**, **DNA Services International**, **Seeking the Truth When it Matters Most**, and **DNASOA** (the "Service Marks"). We own valuable goodwill and have valuable expertise, confidential information, methods, procedures, techniques, uniform standards, operations manuals, inventory control guidelines, systems, layouts, merchandise, and materials. These are connected with the operation, promotion, and advertising of businesses that offer DNA identification testing services to the public under the Service Marks (the "Method of Operation").

You acknowledge that this Agreement was accompanied by a Uniform Franchise Offering Circular, which you received at the earlier of (1) the first personal meeting with us; (2) **10** business days (**14** calendar days in Illinois) prior to the signing of any franchise or related agreement; or (3) **10** business days (**14** calendar days in Illinois) before any payment from you. In addition, you acknowledge receipt of this Agreement containing all substantive terms at the time of delivery of the Uniform Franchise Offering Circular. You have read this Agreement and our Uniform Franchise Offering Circular. You understand and accept the terms, conditions and covenants contained in this Agreement. They are necessary to maintain our high standards of quality, service and uniformity at all franchises. They protect and preserve the goodwill of the Service Marks and the confidentiality and value of the Method of Operation.

You realize that entering into this Agreement will obligate you to operate your franchised business in strict accordance and conformity with the standards, specifications and procedures as set forth in the Operations Manual that we will loan to you. You furthermore realize that there is a risk in owning any business venture including this one and that running a business can be very hard work. If you operate your **DNA SERVICES** Franchise below the standards we require, customers who patronize that **DNA SERVICES** franchise location will be less likely to patronize other **DNA SERVICES** store locations. This would damage the business of others. It will be difficult for us to obtain new franchisees if a prospective purchaser observes that you do not maintain the required standards.

We expressly disclaim the making of and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Franchise Agreement, except those representations specifically disclosed in our Uniform Franchise Offering Circular. You acknowledge that you have read this Agreement and our Uniform Franchise Offering Circular and that you have no knowledge of any representations by us, or our officers, directors, shareholders, employees or agents that are contrary to the statements made in our Uniform Franchise Offering Circular or to the terms of this Agreement. We do not furnish nor do we authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any **DNA SERVICES** operation. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1 GRANT OF FRANCHISE AND FRANCHISE TERRITORY

1.1 Grant of Franchise and Franchise Territory. We grant to you, and you accept from us, the franchise, license, and privilege to use the Service Marks, the Method of Operation, and merchandise bearing the Service Marks, for 5 years from the date of this Agreement (the "Franchise"). This grant solely is for the operation by you of one [check the appropriate blank]:

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_____ **Urban Office (above 500,000 persons of population)**

_____ **Rural Mobile (under 500,000 persons of population)**

DNA SERVICES franchise in the geographical territory identified in the attached Exhibit A ("the Franchise Territory"). During the term of this Agreement, we agree not to establish, or license anyone else to establish, any business using the Service Marks or the Method of Operation within the Franchise Territory, without your prior written consent, however, we may purchase or be purchased by, or merge or combine with, competing businesses, wherever located.

We will designate your Franchise Territory. We will analyze your market area, to help determine site feasibility and to help in selection of the franchise location. In analyzing a proposed site, we examine its general location, distance from warehouse, traffic patterns, parking, size, physical characteristics, proximity to competing businesses, lease terms, sign visibility, neighborhood economic profile, population density and accessibility. The exact determination of the location for the franchise premises will depend upon our approval and your and our market analysis, market penetration plans and franchise placement strategies and existing franchise commitments. You must obtain our prior written approval for the site of the franchise premises and your lease related to it. Our response to your request for approval of a site will be given within 30 days after we receive your written request.

If you and we cannot agree on a site for your franchise premises, we may terminate the Franchise Agreement by refunding to you not less than **one-half** of the Initial Franchise Fee and any amounts paid for purchases of products and supplies from us or our manufacturing affiliate (you must return the products and supplies to us or our affiliate).

Some **DNA SERVICES** franchises may be placed at a location where another, separate business is operated under another business name, such as an insurance medical examination screening service. If the Franchise Premises is at that type of location, it will be deemed "co-branded" for the purposes of this Agreement.

Continuation of your Franchise is dependent upon you attaining a minimum average sales level, in the Franchise Territory, of an average of **20** paid DNA tests per month, measured at the end of each calendar quarter. The monthly minimum sales requirement will begin **24** months after you execute this Agreement.

If, after having received notice in writing from us to increase your performance levels as provided above, you continue for a period longer than **90** days to fail to meet the minimum requirements, we may:

- (i) Elect to treat the failure as grounds for immediate termination of this Agreement;
- (ii) Restore operations in all or part of the Franchise Territory as we deem necessary; and
- (iii) Grant a license to carry on the franchise in all or part of the Franchise Territory to a person or business entity other than you.

If we elect to carry on operations ourselves or grant a new license to all or part of the Franchise Territory, we will serve notice on you and immediately from the date nominated in our notice, you will cease to have the right to carry on the franchise within the area designated in the notice. The notice will form a variation to this Agreement.

You may not establish or operate any other **DNA SERVICES** establishment without executing a separate Franchise Agreement for that facility.

1.2 **One Location for Franchise Premises.** If you are an Urban franchisee, you will operate your franchise at only one location within the Franchise Territory unless we approve of a separate sub-office

location. All land, buildings, and improvements at the location, including parking, are called the "Franchise Premises."

If you are a Rural franchisee, you may have, but are not required to have, a Franchise Premises, but you must have an automobile for mobile DNA collection and promotion. If you do have a Franchise Premises, it must be within the Franchise Territory.

Deleted: testing

Relocation of the Franchise Premises will require our prior written approval.

1.3 Assistance in Site Location. You are responsible for finding the location of the Franchise Premises within the Franchise Territory. If you request assistance in selecting a site for the Franchise Premises, we will provide reasonable assistance in finding a location acceptable to you. We do not guarantee success for any location you select. We will not be liable for any consequences of your choice of any franchise site. Any site recommendation or approval we make is not a representation that any particular site is available or legally appropriate for use as a franchise site. It is your responsibility to investigate all applicable zoning, licensing, leasing and other requirements for any proposed site. You must ensure that the site you select complies with these requirements.

You will pay all out-of-pocket expenses for travel, meals, and lodging we incur to help you locate sites and to negotiate a lease for you. You will bear all other site selection and negotiation expenses.

Before you enter a lease or purchase agreement for the Franchise Premises, you will submit the lease or purchase documents to us for approval. Lease documents must include an assignment of the lease in a form we approve, pursuant to which we may assume the lease as provided in Section 4, below.

If you request, we in our sole discretion may find and develop premises to lease to you for your Franchise. If you lease premises from us, the lease may provide for reasonable compensation and profit to us for our primary liability and responsibility under the lease.

1.4 Franchise Premises Development. You will be responsible to construct, remodel, furnish, decorate and equip the Franchise Premises.

A. We will furnish to you standard construction plans and a schedule of interior finishes and equipment packages for the Franchise Premises. All costs for site-specific plans will be your responsibility. Site plans, and any modifications to them, must be approved in writing by us prior to construction. All approvals will be solely within our discretion to maintain a uniform image and decor, consistent with **DNA SERVICES** franchise system concepts.

A. Any construction and remodeling must be done by licensed contractors in a sound and workmanlike manner in compliance with applicable codes and regulations.

B. You will comply with the standards and specifications we establish for architectural design, shop layout, equipment, furnishings and fixtures, among other things. Modifications or variations require our prior written consent.

C. You will comply within a time we deem reasonable with any requirement we impose to modify the shop layout, furnishings, fixtures, equipment, decorations, and decor. In any calendar year, such modifications will not result in direct out-of-pocket costs to you of more than **\$5,000**, with a total maximum cap of not more than **\$20,000** over the term of this Agreement.

D. All equipment will conform to our equipment specifications as adopted from time to time. If we require any changes in or additions to equipment, you will modify, replace or add to your existing equipment at your sole expense.

1.5 Relocation of the Franchise Premises. If your lease of the Franchise Premises terminates or expires and cannot be renewed during the term of this Agreement, or if you reasonably decide to relocate

the Franchise Premises for cause, you may relocate the Franchise Premises to another site within the Franchise Territory, if:

- A. you are not in breach of this Agreement;
- B. your lease was not ended by the lessor because of your breach of the lease agreement;
- C. you evidence to our satisfaction your ability to obtain and commence operations at the new location within a time we deem reasonable after you vacate the original location;
- D. you develop, construct, remodel, furnish, decorate and equip, at your sole expense, the new location according to our then current specifications and standards; and
- E. you pay all reasonable out-of-pocket expenses we incur because of the relocation. The term "Franchise Premises" will include the relocated business site.
- F. you satisfy our then current franchise placement and demographics criteria, as expressed in the Operations Manual.

1.6 **You Will Not Advertise Outside Territory.** Except with our prior written permission, you will not place under any circumstances advertisements using the Service Marks in or originating from any area other than the Franchise Territory.

Except as otherwise provided in this Agreement or the Operations Manual, you may not directly market to or solicit customers whose principal home address or place of business is outside the Franchise Territory. You may not advertise in any media whose primary circulation is outside the Franchise Territory, except with our prior written permission and the prior written consent of any of our franchisees whose territory is reached by that media. You may service only customers with **DNA SERVICES** products and services in the Franchise Territory. All Internet marketing is part of our multi-area marketing programs described in the Operations Manual and defined below, and must be coordinated through us and approved by us. You may not market independently on the Internet or acquire an independent Internet domain name or web site. You may not independently market using any digital, electronic or computerized form or any form of media now or in the future developed (e.g. materials to be made available through the internet, interactive electronic transmissions, etc.). If you have an existing client that is located outside the Franchise Territory, you may solicit and serve that client for **DNA SERVICES** products and services. For the purposes of this Agreement, "Internet" means any of one or more local or global interactive communications media, that is now available, or that may become available, and includes Web sites and domain names. Unless the context otherwise indicates, Internet includes methods of accessing limited access electronic networks, such as Intranets, Extranets, and WANs.

Except as authorized in Section 2.2 of this Agreement, only we may place national or regional advertising.

1.7 **"You" Includes.** For purposes of this Agreement "you" may be an individual, corporation, partnership, Limited Liability Company or other legal entity. "You" includes any corporation, partnership, Limited Liability Company, individual, combination of individuals, or other legal entity that owns a majority interest of you, or in which you own a majority interest. The term "you" will include all persons who succeed to your interest by transfer or by operation of law.

1.8 **Existence of Divergent Forms of Franchise Contracts.** You acknowledge that we may offer franchises to others the terms of which may have varied materially from those set forth in this Agreement.

1.9 **Rights We Reserve.** We retain all rights not specifically granted to you under this Agreement. Except as otherwise provided in this Agreement, we retain the right, in our sole discretion and without granting any right to you:

A. To use or license the use of the Service Marks or any other trademarks, service marks, logos or commercial symbols in connection with the sale of any services or products other than those directly contemplated being used, offered, or sold by you under this Agreement.

B. To operate and grant to others the right to operate **DNA SERVICES** businesses outside the Franchise Territory on such terms and conditions as we deem appropriate.

C. To sell products or services anywhere, including within the Franchise Territory, through channels of distribution other than the **DNA SERVICES** retail business currently reserved to you in the Franchise Territory, including Internet, other forms of media now or in the future developed, wholesale and mail order channels. The Internet is a channel of distribution reserved exclusively to us, and you may not independently market on the Internet or conduct e-commerce except as otherwise allowed by us in the Operations Manual.

D. To establish, operate, own or franchise any business, including competitive businesses, outside of the Franchise Territory.

1.10 **Nonexclusive.** We reserve the right to market, solicit sales, and sell, lease, rent or otherwise dispose of franchise products to any person or customer we want. These include national accounts, commercial customers, franchisees, end users or any other customer we may select. We may exercise our right directly or indirectly by or through independent contractors that may include franchisees, dealers, and brokers. You acknowledge that we have made no representation concerning exclusivity in any geographic territory or for any customer segment.

2 PAYMENT OF FEES AND OTHER FINANCIAL REQUIREMENTS

2.1 **Initial Franchise Fee.** The Initial Franchise Fee is \$ _____. Contemporaneously with the execution of this Agreement, you have paid to us **one-half** of the Initial Franchise Fee. The remaining **one-half** is paid on the earlier of **90** days after we sign the Franchise Agreement or when you schedule the mandatory training course described in Section 3.1 below. The Initial Franchise Fee is paid in consideration of our sales expenses, administrative overhead, return on investment, and start-up costs related to the execution of this Agreement and the opening of the Franchise and for our lost or deferred opportunity to sell franchises in the Franchise Territory to others.

Except as provided in Sections 3.1 and 4.1 below, none of the Initial Franchise Fee is refundable.

2.2 **DNA Test Payments and Advertising.** You must order all DNA tests from us as outlined in the Operations Manual. You or your clients make payments to us at our established prices for each DNA test you order. Payment is made by electronic funds transfer through our proprietary, secure, web-based operating system called DNA DataLink or by other means as outlined in the Operations Manual.

Deleted: credit card or by
Deleted: through our website

Currently, our suggested retail prices, the payments that you must make to us, and the amounts that you retain (based on our suggested retail prices) are as follows. They may be modified at any time through our Operations Manual:

Family Relationship Services	Franchisee Cost	Retail Price	Franchisee Profit	Case/Bonus Eligible
Legally Admissible Paternity Test	\$210.00	\$450.00	\$240.00	YES
Peace of Mind Paternity Test	\$210.00	\$375.00	\$165.00	YES
Home Paternity Test	\$210.00	\$295.00	\$85.00	YES
Grandpaternity Test	\$440.00	\$750.00	\$310.00	YES
Twin Zygosity Test	\$210.00	\$395.00	\$185.00	YES
Siblingship Studies	\$470.00	\$750.00	\$280.00	YES
Family Reconstruction Studies-(Up to 5 individuals)	\$650.00	\$1,500.00	\$850.00	YES

tested)				
Additional Samples Each	\$200.00	\$350.00	\$150.00	NO
Y-Chromosome Test-(Up to 2 individuals tested)	\$210.00	\$450.00	\$240.00	YES
Additional Samples Each	\$80.00	\$125.00	\$45.00	NO
Individual DNA Type	\$95.00	\$150.00	\$55.00	NO
DNA Safeguarding- 5 years	\$20.00	\$60.00	\$40.00	NO
DNA Banking- 15 years	\$65.00	\$95.00	\$30.00	NO
Detection Services-(verification of the presence of DNA - use other than for Infidelity Testing)				
Semen Detection-(detects protein found in semen)	\$125.00	\$225.00	\$100.00	NO
Add'l semen detection	\$60.00	\$95.00	\$35.00	NO
Blood Detection	\$140.00	\$195.00	\$55.00	NO
Infidelity Testing Services				
DNA Detection (verifies presence of male and female cells)	\$175.00	\$250.00	\$75.00	NO
DNA Differential Extraction (to separate male and female cells)	\$325.00	\$450.00	\$125.00	NO
DNA Comparison with buccal reference sample	\$200.00	\$300.00	\$100.00	YES
ADD ON SERVICES FOR PATERNITY AND OTHER DNA IDENTIFICATION SERVICES				
Additional Paternity Samples	\$80.00	\$125.00	\$45.00	NO
Viability Study	\$230.00	\$350.00	\$120.00	NO
Bone Sample	\$1,000.00	\$1,500.00	\$500.00	NO
STAT (Next Business Day)	\$575.00	\$950.00	\$375.00	NO
Forensic DNA Testing Services-(Includes criminal, civil and private investigations, as well as criminal paternity.)				
Evidence Sample	\$480.00	\$800.00	\$320.00	YES
Reference Sample	\$480.00	\$800.00	\$320.00	YES
Bone Sample	\$1,000.00	\$1,500.00	\$500.00	NO
Mitochondrial DNA (price per sample)				
using Swab Reference Sample	\$2,250.00	\$2,500.00	\$250.00	NO
using Evidence Sample-(Bone, hair, tooth)	\$2,750.00	\$3,000.00	\$250.00	NO
Y-Chromosome Test-(Up to 2 individuals tested)	\$750.00	\$995.00	\$245.00	YES
Evidence Screening	\$110.00	\$150.00	\$40.00	NO
Detection Services-(presence of DNA material found in Semen or Blood)				
Semen Detection-(detects protein found in semen)	\$150.00	\$250.00	\$100.00	NO
Add'l semen detection	\$75.00	\$100.00	\$25.00	NO
Blood Detection	\$140.00	\$195.00	\$55.00	NO
Rape kit-(victim, suspect and evidence)	\$1,275.00	\$1,750.00	\$475.00	
ADD ON SERVICES FOR FORENSIC DNA TESTING-(to be added to base price above)				
STAT for Detection Services (Next Business Day)	\$600.00	\$850.00	\$250.00	NO
STAT for Detection Services (3 Business Days)	\$175.00	\$250.00	\$75.00	NO

OTHER SERVICES				
DNA Witness 2.5	\$1,250.00	\$1,500.00	\$250.00	NO
Expert Testimony*(Plus expenses)	\$1,450.00	\$1,500.00	\$50.00	NO
Evidence Analysis**(Per hour price)	\$250.00	\$300.00	\$50.00	NO
Case Consultation**(Per hour price)	\$250.00	\$300.00	\$50.00	NO
Deposition**(Per hour price)	\$250.00	\$300.00	\$50.00	NO
Express Courier (U.S and International)- (Prices quoted during consultation only)				NO
	Franchisee Cost	Retail Price	Franchisee Profit	Case/Bonus Eligible
Veterinary DNA Services				
CANINE				
DNA Profiling - Per Sample	\$35	\$40	\$5	NO
Parentage Evaluation - Per Sample - 16 Markers	\$36	\$42	\$6	NO
Parentage Evaluation - Per Sample - 29 Markers	\$65	\$75	\$10	NO
Parentage Using Existing Profile - Per Sample	\$10	\$11	\$1	NO
Cystinuria	\$64	\$72	\$8	NO
Phosphofruktokinase Deficiency (PFK)	\$64	\$72	\$8	NO
Pyruvate Kinase Deficiency (PK)	\$64	\$72	\$8	NO
Copper Toxicosis (CT)	\$46	\$53	\$7	NO
Canine Coat Color Testing	\$71	\$80	\$9	NO
DNA "Fluff" Test for Coat Length	\$53	\$59	\$6	NO
EQUINE				
Hyperkalemic Periodic Paralysis (HYPP)	\$44	\$49	\$5	NO
FELINE				
DNA Profiling - Per Sample	\$35	\$40	\$5	NO
Parentage Evaluation - Per Sample	\$36	\$42	\$6	NO
AVIAN DNA SEXING				
Blood Samples	\$18	\$21	\$3	NO
Feather Samples	\$22	\$24	\$2	NO
DNA Storage	\$32	\$36	\$4	NO
Blood Sample DNA Extraction and Banking	\$46	\$51	\$5	NO

³ The amounts you pay to us cover all payments made by us to the genetic laboratory for fees and cover our administrative costs associated with the actual DNA testing.

A "case" is a genetic test performed for **comparative analysis** and without additional tested parties or additional services performed. A case is defined as any service submitted to our lab with the exception of the following individual services: additional tested parties, individual semen detections, individual blood detections, individual profiles, individual DNA Safeguarding and individual DNA Banking.

We list all services that are considered cases and all services that are not considered cases in the Operations Manual. As an example, we would consider a paternity test a "case" if it included one mother, one alleged father and one child. If, however, we add an additional child or an additional alleged father, we would only consider this as one case and would charge the franchisee for an additional tested party.

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In our bonus system we will pay you a bonus based upon the number of "bonus eligible cases" you submit in a given month. We will not pay you a bonus for any other services performed. Each service that we consider to be termed as a bonus eligible case (regardless of the type of case: paternity or forensic DNA) will be totaled each month and will enjoy bonus payments to you as follows:

<u>Cases</u>	<u>Bonus Payment for All Cases Submitted</u>
15 to 29	2%
30 to 44	4%
45 to 59	6%
60 to 74	8%
75 and above	10%

Examples:

If you submit 14 bonus eligible cases in a given month, you will pay us our standard fees on ALL cases and will NOT receive a bonus because you submitted fewer than 15 bonus eligible cases.

If you submit 21 bonus eligible cases in a given month, you will pay us our standard fees on ALL cases submitted that month, and we will pay you 2% of the total standard fees you paid to us for the bonus eligible cases, in the form of a bonus payment.

If you submit 56 bonus eligible cases in a given month, you will pay to us our standard fees on ALL cases submitted that month, and we will pay you 6% of the total standard fees you paid to us for the bonus eligible cases, in the form of a bonus payment.

And finally, if you submit 88 bonus eligible cases in a given month, you will pay us our standard fees on ALL cases submitted that month, and we will pay you 10% of the total standard fees you paid to us for the bonus eligible cases, in the form of a bonus payment on ALL cases submitted that month.

We may modify the Suggested Retail Price, the Amount you pay to us and the Bonus Payment to you at any time upon not less than 30 days prior written notice. Both the Suggested Retail Price and the Bonus Payment to you will be uniform for all franchisees.

A. We May Return Funds to You or Use Funds for Regional Co-op Programs. We will have the right to expend all, or any portion of the test funds we receive for regional or local co-op advertising or promotional programs provided, however, that such programs will be available to all similarly situated franchisees.

B. Establishment of Advertising Programs. At any time and from time to time, we will have the right to create or modify advertising regions for the purpose of establishing regional advertising, marketing and promotional programs. We will promptly notify you and our other franchisees, of the establishment, modification and geographical boundaries of regional advertising regions. We may require all franchisees located within each geographic region to meet periodically for the purpose of creating and establishing regional advertising programs. Each franchise unit, and each unit we own and operate will be entitled to one vote at these meetings. For the purpose of this subsection, each unit we own will be deemed to be a franchise.

If at any meeting of the franchisees in an advertising region, 65% of the franchisees vote to contribute to a regional advertising program, all franchisees within that region will be obligated to make a contribution to a regional advertising fund in the amount established by the vote (the "Regional Advertising Fund"). No advertising region may require any franchisee in that region to make a contribution to a Regional Advertising Fund in excess of 4% of that franchisee's Gross Revenue during the first year of operation of the Franchise, or

in excess of 2% of that franchisee's Gross Revenue after the first year of operation. These amounts will be credited towards your Local Advertising Contribution obligation expressed below.

We will administer each Regional Advertising Fund pursuant to standards and procedures outlined in the Operations Manual, or we may decide to have each Regional Advertising Fund administered by representatives elected by each region, at a meeting we call for this purpose.

C. Your Obligation to Advertise Locally. You will spend in your Franchise Territory the greater of 4% of your Gross Revenue or \$500 per month during your first year of operation and the greater of 2% of your Gross Revenue or \$250 per month after your first year of operation to advertise and promote your franchise (the "Local Advertising Contribution"). For Rural franchises, this local market advertising will include an advertisement attached to or painted on your franchised business vehicle. You will report the nature, extent and amount of these local expenditures, in the form and at the times we require in the Operations Manual.

D. Advertisements in Yellow Pages. You will advertise the Franchise, in the yellow page telephone directories that service the area immediately surrounding the Franchise. This advertisement will be in the form and have the content specified from time to time in the Operations Manual. The expenditures for this advertising will be credited towards your Local Advertising Contribution obligation.

E. You Are to Use Local Advertising Materials We Supply. From time to time, we will supply to you an Advertising Manual which will contain samples of local advertisements we approve. You will use only the advertising materials contained in the Advertising Manual, and may not, without our prior written consent, place any advertisement, in any media, which materially varies from the form and content of the approved advertisements in the Advertising Manual.

F. Approval of Your Local Advertising and Website and E-Commerce. You will submit to us all advertising copy and other advertising and promotional materials, public relations programs and press releases before you use them in your local advertising program. You will not use any advertising copy, public relations program, press release or other promotional material until we approve it.

You specifically acknowledge and agree that any web site will be deemed "advertising" under this Agreement and will be subject to (among other things) our approval. (As used in this Agreement, the term "web site" means an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate and that refers to the franchised business, proprietary marks, us or the Method of Operation. The term web site includes, but is not limited to, Internet and World Wide Web home pages.) In connection to any web site, you agree to the following:

We will allow you to establish a web page as part of our web site.

You will not establish or use the web page without our prior written approval.

Before establishing the web page, you will submit to us a sample of the web site format and information in the form and manner we may reasonably require.

In addition to any other applicable requirements, you will comply with our standards and specifications for web sites as prescribed by us from time to time in the Operations Manual or otherwise in writing. You will not establish any web site apart from our web site.

If you propose any material revision to the web site or any of the information contained in the web site, you will submit the revision to us for our prior written approval.

You will use only approved key words, meta tags and titles pertaining to our industry. We will e-mail or respond via facsimile approved key words, meta tags and titles upon your request by e-mail or facsimile.

You may only offer approved products or services on your web site. Any web site changes made without our approval will put you in default of this Agreement.

We retain the sole right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also retain the sole right to use the Service Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertising, co-branding, and other arrangements. We retain the right to approve any linking or other use of our web site. You may not establish a presence on or market using the Internet except as we may specify, and only with our prior written consent.

If you want to independently advertise or promote in any media (including the Internet), you must obtain our prior written approval, except when using materials and media previously approved by us.

G. **Local Advertising Materials Used at Your Discretion.** You will advertise the franchise in a dignified manner to enhance our franchise system's reputation for quality and integrity. At any time and from time to time, we may require you to submit to us advertising copy, promotional materials, public relations programs and press releases you use in your local advertising programs. If, after review of any material, we, in good faith, believe that it is not in keeping with our Franchise system's reputation of quality and integrity, or degrades or debases the good will or reputation of the Franchise system, we will promptly notify you. You will immediately cease using any such material.

2.3 **"Revenue" Defined.** "Revenue" means all receipts generated by your franchise from any source, including, but not limited to, sales, exchanges, services, labor, service charges, service contracts, etc., and excludes discounts, refunds, and sales taxes. Credit transactions will be included in Revenue as of the date of the transaction without deduction for uncollected credit accounts. "Gross Revenue" means the total Revenue for any calendar period. If the Franchise Premises is located in a co-branded location, the exact basis and calculation of Gross Revenue will follow the requirements and procedures we outline in the Operations Manual to take into consideration the needs and requirements of the co-branded location although Revenue will be limited to **DNA SERVICES** related receipts. The exact basis and calculation of gross receipts will follow the requirements and procedures outlined in the Operations Manual to take into consideration the needs and requirements of the co-branded location. You will obtain and keep, or make arrangements for us to have access to a complete and accurate set of books and records of the operation of all businesses operating at and all business done through the co-branded location although gross receipts will be limited to **DNA SERVICES** related sales.

2.4 **You Will Pay Taxes and Indebtedness.** You will pay all taxes, assessments, liens, encumbrances, accounts, and other debts, regardless of their nature, assessed against you, the Franchise Premises, or inventory, materials, fixtures, and equipment used in the franchise. Payment will be made when due and before delinquent except when being contested in good faith by appropriate proceedings.

2.5 **Local Advertising Contributions and Other Sums To Be Paid Promptly.** You will not set off any claim for damages or money due to you from us against any payments to be paid by you to us under this Agreement or any related agreement between the parties. No endorsement or statement on any check or payment of any sum less than the full sum due from you to us will be construed as an acknowledgment of payment in full or as an accord and satisfaction. We will have the right to accept any check or payment without prejudice to our rights to recover the balance due or to pursue any other remedy available to us.

2.6 **Records.** You will keep a complete and accurate set of books and records of the operation of the franchise, produce monthly financial statements in accordance with generally accepted accounting principles and practices for each calendar month and furnish copies of these statements to us within 30 days after the end of each quarter.

You will furnish to us as outlined in the Operations Manual, an itemized report of the Gross Revenue for the prior month. This report must be certified by you to be true and correct. The report will be in the form and will include such supporting documentation as we may reasonably demand from time to time. All Local Advertising Contributions and Cooperative Advertising Fees will be paid and based upon the Gross Revenue for the preceding month as outlined in your report. If the Franchise Premises is in a co-branded location, you will obtain and keep, or make arrangements for us to have access to, a complete and accurate set of books and records of the operation of all businesses operated at and all business done through the co-branded location, although Revenue will be limited to **DNA SERVICES** related receipts.

You will keep records of all business done and Revenue received through the franchise. These records will include, but are not limited to, order sheets, test registers, agreement forms, daily sales summaries, tax returns, financial statements, and invoices. You will date, file in consecutive order, retain for a period of 5 years, and make available to us for inspection and audit all of your records.

Our right to inspect will include the right to examine you books, tax returns and records of other businesses owned, in whole or in part, or operated by you to determine whether all revenue to be reported by you has been properly reported and that appropriate fees and contributions have been paid. We may establish a uniform list of accounts and a uniform bookkeeping system for all of our franchisees. You agree to maintain your books and records in the manner we require.

You will submit to us a list of all shareholders, members, partners or other owners of the franchise business and the respective interests held by each as of the end of each fiscal year. The required report will be submitted to us within **90** days after the end of your fiscal year.

2.7 Audits. We may audit your reports, books, statements, business records, cash control devices, and tax returns at any time during normal business hours. Audits will be conducted at our expense unless you understate the Gross Revenue for any reported period or periods by more than **2%** or unless you fail to deliver any required report of Gross Revenue or any required financial statement in a timely manner. In the event of an understatement or failure to deliver, you will reimburse us for all audit costs. These will include, among other things, the charges of any independent accountant and the travel expenses, room, board, and compensation of our employees incurred in connection with the audit. You will immediately pay all Local Advertising Contributions and other charges that the audit determines are owed. These payments will not prejudice any other remedies we may have under this Agreement or by law.

2.8 You are to Pay all Franchise Costs. All the costs of the franchise, including opening and operating costs, will be your sole obligation. We will have no costs, liability or expense whatsoever with respect to your opening and operation of the franchise. You will not use or employ the Service Marks in performing any activity or incurring any obligation or indebtedness in a manner that could result in making you liable for them.

2.9 Attendance at Conventions. We may hold conventions for the franchisees that make up our franchise system. These conventions may be held at a different location each time. The convention includes programs on sales and marketing techniques, performance specifications, advertising programs, training suggestions, and committee elections, among other things. Your attendance at each convention is strongly encouraged. You will bear all expenses of attending, including travel, lodging, meals and entertainment.

3 TRAINING

3.1 Mandatory Training. We will provide a mandatory training course for you or your franchise manager at a location we will designate. This training course will cover all aspects of the operation of the franchise, including financial controls, marketing techniques, service methods, deployment of labor, and maintenance of quality standards. You or the manager will complete the course no later than **2** weeks prior to opening the franchise for business. You must ask us to schedule a training session for you or the manager at least **35** days before the session is to start. You or the manager must complete this mandatory training program to our exclusive satisfaction or we may terminate this Agreement upon refunding all of the Initial

Franchise Fee. You are encouraged to begin training before incurring any costs or expenses related to the planned opening of the Franchise. We will not be liable for any costs or expenses you incur if we terminate this Agreement because you or your manager fails to satisfactorily complete the mandatory training course.

The training course will be approximately 4 days long. ~~The initial training program is included in the Initial Franchise Fee for one person. The Initial Franchise Fee also covers lodging and meals at locations we designate for one person during the initial training program. You will pay for your transportation and wage expenses during training. If you choose to involve additional members of your organization at training, it will be at your expense as follows:~~

Deleted: You will pay the transportation, board and lodging expenses you or the manager incur related to this training.

- ~~You will pay for all travel and wage expenses for each additional person you choose to involve in training.~~
- ~~Prior to commencing training, you will pay us the cost of training materials, food and lodging for each additional person as described in the Operations Manual. Lodging and meals will be provided at locations we designate.~~

If the franchise is managed by any persons other than you, you will notify us of these managers. Each manager you hire must successfully complete the mandatory training program within one month after being hired. You will bear all costs of the training, including a reasonable training fee at our then current rates.

Individuals:

If you will be operating your franchised business as an individual, you must devote your full time and best efforts to the day to day operation of your franchised business with no operational or management commitments in other businesses except other franchises offered by us. You may however, continue to operate such other businesses, (if any), in which you are engaged as of the date of this Agreement that are family owned. If you continue to operate other businesses, you must employ separate personnel for the businesses, market services under one or more trading designations separate from the Service Marks, maintain separate offices and customer reception space and have the personnel related to such other businesses wear apparel that does not feature any of the Service Marks.

Partnerships:

If you will be operating your franchised business as a partnership, one or more partners must participate in the actual day to day operation of your franchised business or you must have in your employ a manager who runs your day to day operations. The partner or partners who are in charge of running your franchised business or your manager must have successfully completed our training course.

Corporations, Limited Liability Companies:

If you will be operating your franchised business as a corporation, limited liability company, or other legal entity, you must have in your employ a general manager. This general manager can be you, any member of your board, an officer of your corporation or member of your limited liability company. The general manager who is in charge of running your franchised business must have successfully completed our training course.

Managers/Training:

No matter what form of business you decide to use, the person assigned to running the day to day operations of the business must have completed our training course. Anyone in your employ who is a manager or crew leader of your franchise operations must also have completed our required training course.

Deleted: At any one time during the term of this Agreement,
Deleted: after

3.2 **Supplemental Training.** ~~On two separate occasions, at the time the Franchise has opened~~
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for business and upon not less than 35 days prior written notice to us, we will provide the full-time services of a trainer at the Franchise Premises for up to 2 work days (per occasion) to assist with marketing, employee training, form use, sales assistance and use of the Operations Manual. We will bear the trainer's expenses for this assistance.

At your option and upon not less than 35 days' prior written notice to us, you may receive additional training at our training center or at other agreed upon locations. All expenses of this training will be borne by you, including but not limited to your travel, lodging, meals, compensation, and our reasonable costs and expenses including a reasonable training fee at our then current rates.

This additional training consists of visits to our franchises, store work experience, and observation of franchise operations. The duration of training is negotiable depending upon your needs. You will not receive any compensation for services rendered by the trainee during this or any other training.

From time to time we may provide refresher training programs or seminars and may require that you or your managers attend and complete them to our satisfaction. These programs and seminars will be held at locations we designate and will be provided without charge to you. You will be exclusively responsible for paying all travel, living and other expenses and compensation of attending these programs and seminars. Each year, you or the designated managers of your Franchise will be required to attend up to 20 hours of programs and seminars, depending upon program and seminar availability.

4 COMMENCEMENT OF OPERATIONS

4.1 **Time to Complete Training and Commence Operation.** You or your manager will complete to our exclusive satisfaction the mandatory training defined above, find a site for location of the Franchise Premises that is acceptable to you and approved by us, and commence full and continuous operation of the Franchise within 120 days after execution of this Agreement. Prior to commencing operation, you will procure all necessary licenses, permits and improvements and purchase initial inventory. Any failure to commence operation caused by a war or civil disturbance, a natural disaster, a labor dispute, shortages or other events beyond your reasonable control will be excused for a period of time that is reasonable under the circumstances.

If this commencement of operation obligation is not fulfilled, we may terminate this Agreement by refunding not less than one-half of the Initial Franchise Fee.

4.2 **You Are to Obtain Permits and Licenses.** Prior to commencing business operations, you will obtain all local permits and licenses necessary to operate the Franchise. You will comply with all of the provisions of all other applicable federal, state or local statutes, rules or ordinances.

4.3 **Lease Assumption and Real Property Security Assignments.** Unless otherwise agreed in writing, any lease you enter into will provide that you may assign that lease to us without penalty or charge. The lease will further provide that upon termination or expiration of this Agreement, we will have an option, exercisable within 30 days after termination or expiration, to be substituted for you in all respects under the lease and to sublease the premises to another franchisee. You will deliver to us a true copy of the lease and any additions or amendments to it promptly after they are executed.

If you own the premises used for the operation of the franchise, you will not mortgage, pledge, or otherwise assign as security the premises during the term of this Agreement without our prior written approval. Upon termination or expiration of this Agreement, you will give us a reasonable and good faith opportunity to lease the premises and to continue business operations there. The fair value of and fair terms for the lease and for all related equipment, fixtures, signs, equipment leases and personal property will be determined in Lafayette, Louisiana by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the lease and fair terms for the transaction. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern"

value. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option we may enter into the lease at the price and upon the terms determined by the appraisers.

Any lease or sublease of the Franchise Premises will contain substantially the following provisions:

- A. Anything contained in this lease to the contrary notwithstanding, lessor agrees that without lessor's consent, this lease and your right, title and interest, may be assigned by you to us or our designee, without cost or penalty;
- B. You agree that lessor may, upon our written request disclose to us, all reports, information or data in lessor's possession respecting sales made in, upon or from the leased premises;
- C. Lessor will give written notice to us (concurrently with the giving of notice to you) of any breach by you under the lease. We will have the right, in our sole discretion, to cure any breach at your expense. Notice will be sent to the address we may, from time to time, specify in writing to lessor;
- D. A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant;
- E. A provision which expressly permits the lessor of the premises to provide us all sales and other information lessor may have related to the operation of the Franchised Premises, as we may request;
- F. A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants to us, in our sole discretion, the right (but not obligation) to cure any deficiency under the lease, should you fail to do so within 15 business days after the expiration of the period in which you had to cure any such default;
- G. A provision that the premises be used for the operation of a **DNA SERVICES** facility; and
- H. A provision that expressly states that any default by you under the lease will be considered a default by you under this Agreement and any default by you under this Agreement will be considered a default by you under the lease.

If we cure any breach by you under the lease or sublease, the total amount of all costs and payments we incur in effecting the cure will be immediately due and owing by you to us.

5 **FRANCHISE STANDARDS OF OPERATION**

5.1 **Operations Manual, Supplies, Decor, Plans and Specifications, and Opening Public Relations.** Our industry is highly competitive. Continuous efforts to maintain, update and improve the Method of Operation are essential. The developments we will make for the benefit of our franchise system as a whole are contemplated throughout the term of this Agreement. The continuous development of the Method of Operation in this manner is an important and beneficial aspect of the relationship you want to have with us. We agree to lend to you a copy of the **DNA SERVICES** Operations Manual once you have paid to us the Initial Franchise Fee, in full. The Operations Manual describes the Method of Operation, including specifications, standards, operating procedures, accounting and bookkeeping methods, marketing ideas, testing requirements and control techniques, plans and specifications, fixture and decor requirements, co-branding requirements, opening public relations and other rules that we may prescribe from time to time and identify as part of the Operations Manual. The Operations Manual is and will remain confidential and our exclusive property. You will not disclose, copy or duplicate any part of the Operations Manual for any reason. Nothing in

this Agreement may be construed as an incorporation of the terms of the Operations Manual or as making the Operations Manual part of this Agreement. The Operations Manual, in part, may consist of confidential:

- (i) manual or manuals, and
- (ii) any Intranet or password protected portion of an Internet site, and
- (iii) any other embodiment of the Methods of Operation, including notices of new standards and techniques including all media identified by us as part of the Operations Manual, and
- (iv) any amendments, supplements, derivative works, and replacements; whether embodied in electronic or other media.

We develop minimum requirements for testing, preparation, merchandise, inventory, supplies, stationery, business forms, advertising, decor, plans and specifications, materials, fixtures, and signs, among other things. These requirements are outlined in the Operations Manual. You will purchase all initial and additional items specified from time to time in the Operations Manual. We may amend the Operations Manual, including changes which may affect minimum requirements for your franchise operations. You will strictly adhere to the requirements of the Operations Manual as we amend it from time to time. You will implement immediately all changes at your cost, unless we otherwise specify. We reasonably may restrict you from producing, stocking, and selling certain services and goods, from time to time, as specified in the Operations Manual.

You agree to purchase DNA tests, related materials and advertising materials from us or sources we specify. You may, but do not have to, purchase other products, materials and supplies from us. You must purchase items that bear the Service Marks from us or suppliers we approve from time to time. Proprietary items and supplies may be private labeled by us. We retain the right to make a reasonable profit on any tests, items, supplies and materials you buy from us. We may also make a reasonable profit on supplies we purchase in bulk quantities and sell to you. We may obtain money, goods, services, or other benefits from persons and entities with which you do business, on account of that business with you. These may include rebates, refunds, commissions, co-operative payments, or discounts. We will accumulate them, annually account to the **DNA SERVICES** franchise system for them and either add them to our advertising funds, use them for programs that benefit all franchisees such as conventions, use them to provide supplemental training and promotional services to **DNA SERVICES** franchisees, or return them at reasonable times to all **DNA SERVICES** franchisees pro rata, based upon the volume of related business.

You must only have enough supplies on hand to meet customer demand. If you elect to purchase equipment, inventory, and supply items from us at our then current prices, payment must be made when you place your order. The items we offer may include among other things equipment, merchandise, and supplies that bear the Service Marks. You may offer these Trademark bearing items only at the Franchise Premises to retail customers.

Any products and goods sold, licensed, or leased by or through us to you will be sold, licensed, or leased in accordance with the terms expressly set forth in the Operations Manual or as otherwise provided for in writing by us or the manufacturer of the products and goods. **EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING AND SIGNED BY US, WE MAKE NO EXPRESS OR IMPLIED WARRANTIES WITH RESPECT TO THE PRODUCTS AND GOODS, AND ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT RESTRICTED TO, THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY DISCLAIMED. UNDER NO CIRCUMSTANCES WILL OUR LIABILITY IN CONNECTION WITH ANY PRODUCTS OR GOODS EXCEED THE DOLLAR AMOUNT OF THE PURCHASE PRICE OR LICENSE FEE PAID BY YOU FOR THE PRODUCTS OR GOODS. IN NO EVENT WILL WE BE LIABLE TO ANY PARTY, INCLUDING BUT NOT LIMITED TO, YOU AND YOUR CUSTOMERS, FOR ANY TORT DAMAGES OR INDIRECT, SPECIAL, GENERAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS OR ANTICIPATED PROFITS AND LOSS OF GOODWILL, ARISING IN CONNECTION WITH THE USE (OR INABILITY TO USE) THE PRODUCTS OR GOODS FOR ANY**

PURPOSE WHATSOEVER, EVEN IF WE ARE AWARE OR HAVE BEEN ADVISED OF THE POSSIBILITY OF POTENTIAL LOSS OR DAMAGES.

We will not be liable to you if we are unable to deliver equipment, testing materials, or supply items to you because of any loss, damage, or delay caused by strikes, riots, fire, insurrection, war, elements, embargoes, failure of carriers, inability to obtain transportation facilities, forces majeure, acts of God or of the public enemy, or any other cause beyond our control.

You will purchase all tests, products, supplies and materials required for the operation of the franchise from manufacturers, suppliers or distributors approved by us. All specifications that we require of you and lists of approved suppliers will be included in the Operations Manual. We will use our best judgment to set and modify specifications in order to maintain the integrity and quality of the franchise system.

You must sell, offer for sale, distribute or deliver only such services or products that meet the specifications and standards of quality and quantity in the Operations Manual. You must sell or offer to sell all approved items and services. You must refrain from deviating from our standards and specifications and must discontinue selling or offering for sale any such items as we may, in our discretion, disapprove in writing at any time.

You are required to maintain an inventory of authorized and approved equipment and supplies sufficient in quantity to satisfy customer demand.

With advance written notice, you may request our approval to obtain services, products, supplies or materials from sources that we have not previously approved. We may require you to give us sufficient information, photographs, drawings, samples, and other data to allow us to determine whether the items from these other sources meet our specifications and standards, as established from time to time. These specifications and standards will relate to quality, texture, composition, absorbency, strength, finish and appearance, and the suppliers' capacity and facility to supply your needs in the quantities, at the times, and with the reliability necessary for efficient operation. We may require that samples from any supplier be delivered to a designated independent testing laboratory for testing prior to approval and use. You will reimburse us for the actual cost of the tests. We will license any supplier that can meet or exceed our quality control and confidential formula requirements and standards, for a reasonable license fee, to produce and deliver products to you but to no other person. Our confidential manufacturing requirements, equipment, designs, systems and formulas will be disclosed to potential suppliers only after we have received reasonable evidence that the proposed supplier is trustworthy and reputable; has the capacity to consistently adhere to our standards, requirements and testing procedures; will maintain the confidentiality of the designs, systems and formulas; and will adequately supply your reasonable needs. We may require a Confidentiality and Non-Disclosure Agreement signed by the proposed supplier prior to release of any confidential information. We will not unreasonably withhold approval of a supplier you propose. We will notify you in writing of the approval or disapproval of any supplier you propose.

From time to time we or our agents may inspect any proposed or approved manufacturer's, supplier's or distributor's facilities and products to assure proper production, processing, packaging, storing, and transportation. Permission for inspection will be a condition of our continued approval of any manufacturer, supplier or distributor. Should we determine from any inspection that a manufacturer, supplier or distributor fails to meet our specifications and standards, we will give written notice describing this failure to you and to the manufacturer, supplier or distributor, together with a notice that unless the failure or deficiency is corrected within 30 days, the manufacturer, supplier or distributor will no longer be approved.

5.2 Standards to Be Maintained. You will follow the Method of Operation and maintain standards of testing, preparation, merchandising, and service that we prescribe.

A. You will operate the Franchise in a clean, orderly, and respectable manner in strict compliance with this Agreement and the Operations Manual. The Franchise Premises will be used only as a **DNA SERVICES** franchise. You will only use signs, test, fixtures, equipment, materials, products, inventory, decor, plans, and services that conform to our specifications to conduct the franchise.

B. You will maintain signs approved by us on the Franchise Premises. These signs must comply with local sign ordinances, regulations and laws. The signs will describe the premises only as a franchise operating pursuant to this Agreement.

C. We may enter upon the Franchise Premises at reasonable times to verify your compliance with the terms of this Agreement. To do so, we may:

- (1) Inspect the Franchise Premises;
- (2) Observe your operation of the franchise business for any consecutive or intermittent periods we deem necessary;
- (3) Interview your personnel, customers, vendors and co-branded partners; and
- (4) Inspect and copy any books, records and documents related to the operation of the franchise and any other franchise information we may require.

You and anyone acting as your agent will cooperate fully with us and our agents in connection with these inspections, observations, and interviews. You expressly waive any rights of privacy or confidentiality you have with your personnel, customers, vendors and co-branded partners in reference to these inspections, observations and interviews.

D. You will comply with all applicable ordinances, regulations, bylaws, laws, and statutes. You will not permit unlawful activities on the Franchise Premises and will not sell, exchange, offer, hold, show, rent, or permit to be sold, exchanged, offered, held, shown, or rented any material or service you know or reasonably suspect to have been obtained in violation of law or to be otherwise illegal.

You will secure and maintain in force all required licenses, permits and certificates relating to the operation of the franchised business and will operate the franchised business in full compliance with all applicable ordinances and regulations, including without limitation, all government laws and regulations relating to occupational hazards and health, EEOC laws, Americans with Disabilities Act, copyright laws protecting owners of artistic works, consumer protection, trade regulations, workers compensation, unemployment insurance and withholding, and payment of federal and state income taxes, social security taxes and sales, use and property taxes.

E. You will not install or use any vending machines, juke boxes, games or musical devices on the Franchise Premises without our prior written approval.

F. You will not sell or dispense any products or services or activities other than those we specifically recognize and approve in writing. You will not offer any type of off-site service, unless we give express prior written permission and unless you obtain proper insurance, including that for motor vehicles. Any unapproved off-site service you offer will be a violation of this Agreement and grounds for immediate termination of this Agreement.

G. You, at your expense, will maintain the interior and exterior of the Franchise Premises and equipment and furnishings in good repair, attractive appearance, and sound operating condition in compliance with the Operations Manual. At our request, you will make necessary repairs to the Franchise Premises in order to maintain uniform appearance and to protect the reputation of the Service Marks. You will commence all repairs and changes within a reasonable time after notice from us, and you will proceed with due diligence until completion. You will not make any change in the layout and decor of the Franchise Premises without our prior written approval.

If you do not maintain the Franchise Premises as required, after notice to you, we at our option may make the necessary maintenance and repairs and charge the cost to you. If we make or direct the making of repairs,

we will not incur any liability to you, including but not limited to, liability for interruption of your business during the course of making the maintenance and repairs.

H. You will keep your franchise open for business every day of the year, except holidays we designate, during the hours specified or approved in writing by us or required by the lease of the premises on which the franchise is operated. We may change these requirements from time to time as designated in the Operations Manual.

I. At all times you will insure that your copy of the Operations Manual and any other manuals given to you are kept current and up to date with the amendments and updates we provide to you. In the event of any dispute as to the contents of the Operations Manual, the terms of our master copies maintained at our principal place of business will be controlling.

5.3 Service Marks, Operations Manual, and Method of Operation Are Our Exclusive Property. You agree that the Service Marks, Operations Manual, and Method of Operation are our sole and exclusive property. Except for the Franchise granted to you by this Agreement, nothing in this Agreement or any other agreement will give you or others any right, title, or interest whatsoever in or to the Service Marks, Operations Manual, or Method of Operation. Your license to use the Service Marks is non-exclusive. We, in our sole discretion, may operate under the Service Marks and may grant licenses to others to use the Service Marks on any terms and conditions we deem appropriate. We will make reasonable efforts to protect your rights to use the Service Marks. In those states and nations where applicable, you agree to execute on request all documents necessary to record you as a registered user of the Service Marks. You will not use the Service Marks as part of any electronic mail address or in any electronic mail message except in accordance with the Operations Manual and only for purposes of the franchise.

You will immediately notify us of any infringement of, or challenge to, your use of the Service Marks. We will have sole discretion to take or not to take action, as we deem appropriate. If we undertake the defense or prosecution of any litigation involving you or any litigation involving the Service Marks, you agree to execute any and all documents and to do all acts and things that in the opinion of our counsel are necessary or advisable to carry out the defense or prosecution. This may be done either in our name or in your name, as we will elect. You will modify or discontinue use of any franchise names or Service Marks, or will use one or more substitute names or marks, if we so direct in writing at any time. Our sole obligation in this event will be to reimburse you for your tangible costs in complying with our direction (i.e., cost of changing signs, stationery, etc.). Under no circumstances will we be liable to you for any other damages, costs, losses, rights, or detriments related to any modification, discontinuance, or substitution. All obligations or requirements imposed upon you relating to the Service Marks will apply with equal force to any modified or substituted names or marks.

You will not contest, directly or indirectly: our ownership, title, right, or interest in the Service Marks, the Operations Manual, or the Method of Operation; or our exclusive right to register, use, or license others to use the Service Marks, Operations Manual, and Method of Operation. You will not advertise or use the Service Marks without following our then current guidelines and requirements. These may include, but will not be limited to, the placement of appropriate © or ® copyright and registration marks, or the designations ™ or SM, where applicable.

Any and all goodwill associated with the Service Marks, including any goodwill that might be deemed to have arisen through your activities, will accrue directly and exclusively to our benefit, except as otherwise provided by applicable law. You appoint us as your agent and attorney-in-fact to amend or cancel any registered user or business name filings obtained by you or on your behalf that involve or pertain to the Service Marks.

You will not use the Service Marks on products or services that come from any source other than us or sources we approve in writing except for products you prepare or produce pursuant to the Operations Manual and the Method of Operation.

5.4 You Will Not Use Names or Marks in Combination. Except as provided in this Agreement, you will not use or give others permission to use the Service Marks, or any colorable imitation of them,

combined with any other words or phrases. You and your owners, officers, and agents will not form or participate in the formation of any company, firm, corporation, or other entity having a name containing the words of the Service Marks. You may not combine or associate any name or symbol of the Service Marks with any other name or word in any advertising or sign. The Service Marks must be used in exact conformity with specifications we set in the Operations Manual.

5.5 **Service Marks, Operations Manual, and Method of Operation May Be Changed.** You acknowledge that the Service Marks, Operations Manual, and Method of Operation, including any future amendments or modifications to them, have substantial value, and that the conditions, restrictions, covenants not to compete, and other limitations imposed by this Agreement are necessary, equitable, and reasonable for the general benefit of you, us, and others enjoying any lawful economic interest in the Service Marks, Operations Manual, and Method of Operation.

We may change or modify any part of the Service Marks, Operations Manual, or Method of Operation from time to time at our sole discretion. You will accept, use, and protect, for the purposes of this Agreement, all changes and modifications as if they were a part of the Service Marks, Operations Manual, and Method of Operation at the time this Agreement is executed. You will bear all costs and expenses which may be reasonably necessary as a result of such changes or modifications. Under no circumstances will we be liable to you for any damages, costs, losses, or detriments related to of these changes or modifications.

Complete and detailed uniformity of the Service Marks, Operations Manual, and Method of Operation under the varying conditions to be experienced by our franchisees may not be possible or practicable. Therefore we reserve the right, at our discretion, to accommodate your special needs, or those of any other of our franchisees. These needs may result from the peculiarities of a particular site or location, density of population, business potential, population of trade area, existing business practices, requirements of local law or local customers, landlord requirements, or any other condition which we deem to be important to the successful operation of the franchisee's business. From time to time, we may allow certain franchisees to depart from normal system standards and routines to experiment with or test new products, equipment, designs, and procedures. In no event will any variance or testing be deemed a waiver of any of our rights, or an excuse for you to not perform any of your duties under this Agreement. We may require you at any time to commence full compliance with the Operations Manual and the Method of Operation. We will not be required to grant any variance to you under any circumstances. You will not require us to disclose or grant to you a like or similar variation.

5.6 **Employees.** You will ensure that your employees present a neat and clean appearance and render friendly, efficient, sober and courteous service to your customers in accordance with the grooming and training requirements of the Operations Manual. You are responsible for any employee wages and compensation, payroll taxes and other required withholding, worker's compensation and benefits. You will in no way obligate us for expenses incurred in the operation of your franchise including labor costs. You are required to hire and maintain sufficient staff in order to handle customer volume at all times. You are required to pay your employees and staff the wage prevailing (or in some areas a wage high than the then prevailing wage) in your market area for employees with similar labor skills, people skills and similar job responsibilities.

You are responsible for making sure your employees meet the standards, specifications and procedures outlined in the Operations Manual. You will hire only efficient, competent, sober and courteous employees for the conduct of the franchise business and will pay their wages, commissions, piece work and any other compensation justly due with no liability on our part. You will require all employees to comply with our standards for grooming and appearance as prescribed in the Operations Manual.

5.7 **You Will Not Communicate Confidential Information.** You specifically acknowledge that you will receive valuable specialized and confidential information, including information regarding our operational, sales, promotional and marketing methods and techniques and the Method of Operation. Unless required by court order or applicable law, you agree not to copy, download to internet, intranet, modem, fax, e-mail, mail or send any confidential material or divulge any material directly or indirectly to any other person or enterprise outside of the DNA SERVICES system. During the term of this Agreement and after it expires or is terminated, you will never communicate, fax, e-mail, post on an internet electronic bulletin board, divulge or

use in any other manner, either for your benefit or the benefit of any other person, persons, partnerships, associations, companies or corporations any confidential or proprietary information, knowledge or know-how concerning the Method of Operation or any information we have communicated to you in written, verbal or electronic form, including intranet passwords, for the operation of your franchised business.

The Method of Operation includes valuable proprietary and confidential information. Unless required by court order or applicable law, you agree to not communicate or divulge the contents of our Operations Manuals or any other information related to the Method of Operation or to the operation of the Franchise or our franchise system to any person or entity except those we authorize in writing to receive the information. You agree that these contents and information are confidential. They include information that is our exclusive property, and you may only use them in the Franchise subject to the provisions and duration of this Agreement. You agree to fully and strictly adhere to all security procedures we prescribe for maintaining the secrecy of the information. You agree to disclose information to your employees only to the extent necessary to perform the franchise business.

The Method of Operation is a technologically advanced program of accounting, identification procedures, management systems, techniques and business operations and systems that would, if used by other persons, firms or entities, give a substantial competitive advantage which we presently enjoy. Any and all information, knowledge and know how, not generally known about the Method of Operation and our products, services, standards, specifications, systems, procedures and techniques, including information, manuals, contracts, customer data, supplier data, financial data, price lists, methods, techniques, processes, compilations, formulas, programs or patterns related to the operation of a **DNA SERVICES** franchise and its products and services and any other information or material that we may designate as confidential, will be deemed confidential for purposes of this Agreement. This will not apply to information which you can demonstrate came to your attention prior to disclosure by us, or which is or has become a part of the public domain through publication or communication by others. Our confidential information is licensed, not sold, to you. You will not reverse engineer, decompile or disassemble any item that embodies confidential information. The Operations Manual may contain guidelines to protect confidential information, including limited access to the information on a need to know basis, locking of offices and computer files, placement of appropriate legends on materials, limited access for copying and scanning, pass-word protection, and encryption. You will conduct periodic meetings with your managers and employees to instruct them on their responsibilities to maintain the confidentiality of our information, including severance interviews with terminated employees in which they acknowledge in writing their post employment confidentiality obligations.

You will require as a condition of the employment of your employees and anyone else providing services to you that they maintain and protect our confidential and proprietary information, including the signing of a confidentiality agreement. You must follow our security procedures, which may include the execution of approved nondisclosure agreements, and Intranet and Internet usage agreements. You will be responsible to enforce these covenants and agreements by your employees. These covenants are for the benefit of us and the **DNA SERVICES** franchise system and are enforceable by us. If you become aware of any actual or threatened violations of these covenants by any of your employees and anyone else providing services to you, you will promptly and fully advise us in writing of all related facts known to you. You will cooperate with us in all ways we reasonably request to prevent or stop any violation. This may include institution or permitting to be instituted in your name any demand, suit or action that we determine is advisable. The demand, suit or action may be maintained and prosecuted by us and you at your expense.

You will assure that you and all your agents, employees, consultants, partners, owners, members, officers, directors, and shareholders and other persons in your control, to whom any information is communicated, will keep, preserve, and protect all confidential information.

This section contains prohibitions based upon an understanding that you, your key employees, your officers, your partners, your employees, members and stockholders (as applicable) will possess knowledge of business and operating methods and confidential information, disclosure of which would prejudice our interests and our other franchisees.

If you engage in any DNA identification related business within 2 years of the expiration, termination or transfer of this Agreement, you will prove to us that you have not used our confidential information in that business. This 2-year period is not intended to limit the duration of your obligation to preserve the confidentiality of the information and to not use the information after expiration, termination or transfer of this Agreement.

5.8 Conflicting or Competing Interests. You will diligently, faithfully, and honestly perform your obligations pursuant to this Agreement. You will use your best efforts to develop, promote, and enhance your DNA SERVICES franchise. You will not engage in any activity or business enterprise that conflicts with these obligations.

At all times the franchise must be under your direct supervision. You will devote a substantial enough amount of time and energy to properly operate the franchise. What constitutes proper operation will be in our sole reasonable discretion. In your absence, the franchise must be under the direct supervision of a manager who has successfully completed the required training programs and who devotes the necessary time during business hours to the management of the franchise.

During the term of this Agreement, neither you nor your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, or agents, nor the members of your or their immediate families or households (who have access to or knowledge of the Operations Manual or Method of Operation), will directly or indirectly participate as an owner, shareholder, member, partner, director, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business (including business in formation) engaged or to be engaged in the sale or rental at wholesale or retail or on the Internet of DNA identification testing products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. We may waive this covenant only in writing. During all of these periods, you agree to promptly and fully disclose to our Chief Executive Officer any business opportunity coming to your attention, or conceived or developed in whole or in part by you, which relates to our business.

You will assure that you and your owners, directors, officers, partners, shareholders, members, employees, consultants, and agents, during the term of this Agreement and for a period of 2 years after expiration or termination of this Agreement do not:

divert or directly or indirectly attempt to divert any of our business or any of our customers to any competing establishment;

employ or seek to employ any person we employ or any other person who is at that time operating or employed by or at any of our franchises or otherwise directly or indirectly induce these persons to leave their employment; nor

do or perform, directly or indirectly, any other act injurious or prejudicial to our goodwill associated with the Service Marks and Method of Operation

If, for any reason, any provision set forth in this Subsection is determined to exceed any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

The provisions relating to interests in any other business will not apply to your ownership of outstanding securities of any corporation whose securities are publicly held and traded. Provided that you hold these securities for investment purposes only and that your total holdings do not constitute more than 5% of the outstanding securities of the corporation.

You will obtain written covenants from your owners, shareholders, members, partners, directors, officers, employees, consultants, distributors, and agents in a form satisfactory to us that these persons will comply with the provisions of this Section.

You and we stipulate that, in light of all of the facts and circumstances of the relationship between you and us, the covenants, restrictions and agreements referred to in this Section (including without limitation their scope, duration and geographic extent) are fair and reasonably necessary for the protection of our confidential information, goodwill and other protectable interests. If a court of competent jurisdiction should decline to enforce any of those covenants and agreements, you and we request the court to reform these provisions to restrict your use of confidential information, non-solicitation, ability to compete with us, and any other covered topics to the maximum extent, in time, scope of activities, and geography, the court finds enforceable under applicable law.

5.9 **Computer Systems.** You will install and use accounting and inventory control computer systems approved by us. You will purchase, lease, or otherwise acquire, from sources of your choice and at your expense, computer hardware and software (including but not limited to programs, computer terminals, Internet and other network access providers, web site vendors and video conferencing) that are totally compatible with and strictly conform to all requirements, standards, and specifications we may set from time to time, including coordination with consolidated systems used at co-branded locations. You must have these systems in operation at the Franchise Premises prior to opening for business. You must comply with any separate software or other license agreement that we or our designee uses in connection with providing these services to you.

E-PROBLEM DISCLAIMER: Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, the Year 2000 problem and similar date-related problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We do not guarantee that information or communication systems that we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, customers, and governmental agencies on which you rely, have reasonable protection from E-problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection, and anti-virus systems), and to provide backup systems.

5.10 **Working Capital Requirements.** At all times during the term of this Agreement, you will maintain and employ as much working capital as may be required to enable you to properly and fully perform all your duties, obligations, and responsibilities.

6 **RENEWAL, TERMINATION AND STEP-IN RIGHTS**

6.1 **Renewal of Franchise.**

A. If you are not in breach, you may renew the Franchise for periods of 5 years under the terms of our then current Franchise Agreement forms. "Then-current," as used in this Agreement and applied to our Uniform Franchise Offering Circular will mean the form then currently provided to prospective franchisees, or if not then being provided, then the form we select in our sole discretion which previously has been delivered to and executed by a franchisee of ours. You will exercise your renewal option by giving written notice to us. The notice must be given at least three months, but no earlier than six months, before the end of the franchise term established by this Agreement.

There is no fee for renewal of the Franchise. The renewed Franchise Agreement will be evidenced by you signing the Franchise Agreement forms we then are using (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise). These forms may vary materially from this Agreement. Royalty Fees, Advertising Fees, Local Advertising Contributions and other fees will be set at the then prevailing rates and terms. Your failure or refusal to execute the Renewal Franchise Agreement forms within 30 days after delivery to you may be regarded as an election by you not to renew. Upon renewal, the Franchise Premises must remain located in the geographical territory designated in this Agreement. The Franchise Territory may be modified and its geographic area may be reduced to meet our then current franchise market penetration and demographic standards and co-branding requirements.

You will reimburse us for our reasonable out-of-pocket costs concerning the renewal.

You will refurbish, remodel, and replace the Franchise Premises, fixtures, and equipment to conform to the then current Operations Manual and Method of Operation. There will be no limitation on the amount that we may require you to spend on refurbishing, remodeling and replacement. You must make all capital expenditures reasonably required to renovate and modernize the Franchise Premises and its signs and equipment to reflect the design and decor image of **DNA SERVICES** franchises we then are requiring of new or renewing **DNA SERVICES** franchises. These expenditures will be in the amount necessary to make the Franchise Premises modern and fresh and to resolve wear and tear. If renovation and modernization of the Franchise Premises is not feasible, you may relocate to a new site, subject to our prior written approval. Our approval will not be unreasonably withheld, provided that the relocation does not infringe on any other **DNA SERVICES** location.

You must execute a general release, in a form we prescribe, following applicable law, to release us from any claims you may have against us.

Before renewal, you or your designated manager will attend and successfully complete any retraining program we prescribe in writing. This will be done at your expense, including travel, meals, lodging, and our then current training fee.

B. We may refuse to renew this Agreement if you fail to satisfactorily comply with this Agreement. The determination of satisfactory compliance will be within our exclusive discretion in good faith. If we refuse to renew, you must continue to perform under this Agreement until its expiration.

C. Continuation. You have no automatic right to continue operation of the Franchise following expiration or termination of this Agreement. If you continue to operate the Franchise with our express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement. This Agreement will then be terminable by either party upon 30 days written notice. Otherwise, all provisions of this Agreement will apply while operations continue.

6.2 **Termination by You.** You may terminate this Agreement if you comply with the terms of this Agreement and if we substantially breach any material provision of this Agreement and fail to cure or reasonably to begin to cure that breach within 30 days after receipt of written notice specifying the breach. Termination will be effective 10 days after you deliver to us written notice of termination for our failure to cure within the allowed period.

6.3 **Termination by Us.**

A. The following provisions are in addition to all other remedies available to us at law or in equity. We will have the option to cure your breaches at your expense. If you breach or default in any of the terms of this Agreement, we have the right to appoint a receiver to take possession, manage and control assets, collect profits, and pay the net income for the operation of the Franchise as ordered by a court of jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists, and without the necessity of notice to you.

We may terminate this Franchise Agreement and any other franchise agreements and related agreements between the parties if you breach any term or provision of this Agreement and do not cure the breach (or reasonably begin to cure and diligently pursue the cure until the breach is remedied) within 30 days after receipt of our written "Notice to Cure." Termination will occur immediately upon delivery to you of our written declaration of termination for failure to cure within the allowed time frame.

B. We immediately may terminate this Agreement and any other agreements between the parties without other cause, and without giving you an opportunity to cure, if you:

- (1) Become insolvent, make a general assignment for the benefit of creditors, have a receiver appointed to administer or take possession of any part of the franchised business or your assets, or admit to not being able to meet

your obligations as they become due or become bankrupt, or become subject to any chapter of the United States Bankruptcy Code, unless you: (i) timely undertake to reaffirm the obligations under this Agreement; (ii) timely comply with all conditions as legally may be imposed by us upon such an undertaking to reaffirm this Agreement; and (iii) timely comply with such other conditions and provide such assurances as may be required in relevant provisions of the United States Bankruptcy Code; provided, however, that we and you acknowledge that this Agreement constitutes a personal service contract and that we have relied to a degree and in a manner material to this Agreement upon the personal promises of you and/or your directors, officers, shareholders or partners, as the case may be, to participate personally on a full-time basis in the management and operation of the franchised business, and, consequently, we and you agree that any attempt by any other party, including the trustee in bankruptcy or any third party, to assume or to accept an assignment of this Agreement will be void.

- (2) Fail to operate the Franchise continuously and actively for 5 consecutive days or for any shorter period after which it is reasonable under the facts and circumstances to conclude that you do not intend to continue the Franchise or maintain a suitable Franchise location.
- (3) Fail to comply with any requirement of this Agreement or of any related agreement between the parties within twelve months after having received two Notices to Cure deficiencies in performance of the same or any other requirement pursuant to Subsection (A) above, whether or not your failures to comply are corrected after we deliver notice to you.
- (4) On more than two occasions fail to report monthly Revenue on time, understate monthly Revenue by more than 2%, or distort other material information.
- (5) Make or have made any material misrepresentation or misstatement on the franchise application or with respect to ownership of the Franchise. If you misrepresented yourself and are a competitor of ours or a competitor of an affiliate of ours, we may keep all of your initial franchise fee, cancel training and terminate this Agreement.
- (6) Allow the Franchise or Franchise Premises to be seized, taken over, or foreclosed by a creditor, lienholder, or lessor; let a final judgment against you to remain unsatisfied for 30 days (unless a supersedeas or other appeal bond is filed); or allow a levy of execution upon the Franchise or upon any property used in the Franchise, that is not discharged by means other than levy within 5 days of the levy.
- (7) Are convicted of a felony, or are convicted of any criminal misconduct relevant to the operation of the Franchise.
- (8) Within a period of 10 days after notification of noncompliance, fail to comply with any federal, state or local law or regulation applicable to the operation of the Franchise.
- (9) Fail to pay any Franchise, Royalty, or Advertising fees or other amounts owed pursuant to this Agreement within 5 days after receipt of written notice that the fees or amounts are overdue.

- (10) Operate the Franchise in a manner that creates an imminent danger to public health or safety.
- (11) Do not keep confidential information related to the Franchise confidential except to employees or persons authorized to know.
- (12) Fail to obtain agreements from your employees to keep confidential information confidential.

6.4 **Time Frames Subject to Applicable Laws.** The provisions of this Agreement may state periods of notice less than those required by applicable law. They may provide for termination, cancellation, non-renewal or the like other than according to applicable law. They will be extended or modified to comply with applicable law.

6.5 **You Will Discontinue Use of Service Marks, Operations Manual, and Method of Operation on Termination of Agreement.** Substantial damages that are difficult to determine at the date of execution of this Agreement will accrue to us if you do not comply with any of the following requirements upon expiration or termination of this Agreement. Upon expiration or termination of this Agreement, you will:

A. Immediately cease using the Service Marks (or any names or marks deceptively similar to them), the Operations Manual and the Method of Operation.

B. Return to us all copies of the Operations Manual. Return to us all records, files, instructions, correspondence, and materials in your possession or control related to the Method of Operation. You will give us a complete and accurate summary of your advertisers, customers and leads, including their names, addresses, telephone numbers and related file records. You will assist us in every way possible to bring about a complete and effective transfer of your franchise business to us or to our designated franchisee.

C. Authorize telephone, Internet, email, electronic network, directory and listing entities to transfer all numbers, addresses, domain names, locators, directories and listings to us or our designee. Notify them of the termination of your right to use the franchise names and Service Marks. You authorize the transfer of your telephone numbers and directory listings and Internet addresses, domain names and locators to us or our designated franchisees. You appoint us as your agent and attorney-in-fact to effect the transfer of these telephone numbers and directory listings and domain names and Internet directory listings to us. You agree that we will be treated as the subscriber for the telephone numbers and directory listings. We will have full authority to instruct the applicable telephone, directory and listing companies on the use and disposition of the telephone listings and numbers. You release and indemnify these companies from any damage or loss because they follow our instructions.

D. Make reasonable modifications to the interior and exterior of any retained premises to reduce your identification as a part of our franchise system. These modifications will include but will not be limited to reasonable alterations to eliminate any possibility of confusion between the Franchise Premises and any other **DNA SERVICES** location. Until all modifications and alterations are completed, you will maintain a conspicuous sign in a form we specify stating that you are no longer associated with us. You will advise all customers or prospective customers coming to the Franchise Premises or telephoning you that you are no longer associated with us.

E. Pay to us within **seven** days all fees and other sums you owe. These sums will include all damages, costs and expenses, including reasonable attorneys fees and collection costs, we incur because of your breach. These sums will include all costs and expenses, including reasonable attorney fees, we incur in obtaining injunctive, appellate, or other relief to enforce the provisions of this Agreement.

F. Abide by all provisions of the restriction upon communication of confidential information set forth above and the post-termination Covenant Not to Compete set forth below. You will immediately return to us all of our confidential information you have received, including any items that embody

the confidential information. You acknowledge that you have no continuing ownership interest in the confidential information.

G. At our option, do some or all of the following:

- (1) Remove all franchise-related equipment, furnishings, and inventory from the Franchise Premises;
- (2) Sell the equipment, furnishings, and inventory to us, at the depreciated book value (straight line depreciation over 5 years) for equipment and furnishings and at your invoice cost for inventory less a 10% restocking charge. We will not be liable for payment to you for intangibles, including, without limitation, goodwill;
- (3) Assign to us the lease for the Franchise Premises;
- (4) Sell to us your interest in the Franchise, the Franchise Premises and all related equipment, fixtures, signs, real estate leases, equipment leases and personal property. Unless we state in writing that we do not intend to exercise this right, the parties must agree upon a purchase price and terms within 5 business days after termination of this Agreement. If not, a fair value and fair terms will be determined in Lafayette, Louisiana by three appraisers. Each party must select one appraiser. The two appraisers chosen must then select a third appraiser. Each party will pay for its own appraiser and each party will pay half for the third appraiser. The parties may then present evidence of the value of the Franchise and fair terms for the purchase. The appraisers must exclude from their decision any amount or factor for the "goodwill" or "going concern" value of the Franchise. The decision of the majority of the appraisers will be conclusive. Any time within 30 days after receiving the appraisers' decision, at our option we may purchase the Franchise and your assets at the price and upon the terms determined by the appraisers.

6.6 **We May Assign Territory Upon Termination.** Upon expiration or termination of this Agreement, we may immediately license or franchise the Franchise Territory to another person or may operate DNA SERVICES businesses within the Franchise Territory.

6.7 **Our Step-In Rights.** The parties want to prevent any interruption of the franchise that would cause harm to the franchise and to our franchise system and lessen their value. Therefore, you authorize us to step in to operate the franchise for as long as we believe necessary and practical in our exclusive judgment. We may do so without waiving any other rights or remedies that we may have. Cause for stepping-in may include our reasonable determination that: you are incapable of operating the franchise; you are absent or incapacitated because of illness or death; you have failed to pay when due any taxes or assessments against the franchise or property used in the franchise; you have failed to pay when due any liens or encumbrances placed upon or against your business property; or we decide that significant operational problems require us to operate the franchise for a time. We may exercise our step-in rights if you are ill or disabled, you, your lender, or the SBA requests our assistance or agrees to our proffered support and supervision, directly or indirectly or through contract agents. If you have a loan for the franchise that is guaranteed by the Small Business Administration, our right to step-in will be limited to a 60 day period unless otherwise requested or agreed with the lending bank at that time.

All Revenue from our operation of the franchise will be for your exclusive account. We will pay from that Revenue all expenses, debts and liabilities we incur during our operation of the franchise. This will include our personnel and administrative costs, plus 15% to cover our overhead expenses. In addition, we will have the option, but not the obligation, to pay for you any claims owed by you to any creditor or employee of the franchise. You will reimburse us upon demand, including at the rate set forth above for overdue amounts.

We will keep in a separate account all Revenue generated by the operation of the franchise, less the expenses of operation.

We will have no obligation to retain any employee of the franchise, nor to honor any contractual employment commitments you previously made. If we elect to retain any employee, employment will be pursuant to a new employment agreement between us and the employee. Employment will commence on the first business day on which we carry on business through the franchise. Any claim by an employee for unpaid salary, vacation pay, or other benefits will be your responsibility.

Upon our exercise of these Step-In Rights, you agree to hold us harmless for all acts, omissions, damages, or liabilities arising during your operation of the franchise.

Our operation of the franchise will not operate as an assignment to us of any lease or sublease of franchise property. We will have no responsibility for payment of any rent or other charges owing on any lease for franchise property, except as the charges relate to the period of our operation of the franchise.

You agree to pay our reasonable legal and accounting fees and costs we incur because of our exercise of these Step-In Rights.

6.8 You and Your Owners Not to Compete on Expiration, Termination or Transfer of Agreement. This covenant will apply for 720 days after termination, expiration or transfer of this Agreement. You will assure that you and your owners, shareholders, partners, directors, officers, employees, and agents, and the members of their immediate families or households (who have actual knowledge of or access to the Operations Manual or Method of Operation), will not directly or indirectly participate as an owner, shareholder, director, partner, officer, employee, consultant, franchisor, franchisee, distributor, advisor or agent, or serve in any other capacity in any business engaged directly or indirectly in the offer, sale, rental, Internet dissemination, or promotion of DNA identification testing products or services or any business that offers products or services that are essentially the same as, or substantially similar to, the products and services that are part of the Method of Operation. This covenant applies within the Franchise Territory, within a 100-mile radius of the Franchise Territory, within a 100-mile radius of any location where we operate or have granted the franchise to operate a **DNA SERVICES** business, and within the United States of America.

If, for any reason, any provision set forth in this Subsection exceeds any lawful scope or limit as to duration, geographic coverage, or otherwise, it is agreed that the provision will nevertheless be binding to the full scope or limit allowed by law or by a court of law. The duration, geographic coverage and scope allowable by law or court of law shall apply to this Agreement.

7 TRANSFER

7.1 Sale or Assignment.

A. Your rights and obligations under this Agreement are exclusive to you. Whether voluntarily or involuntarily, neither you, your owners, partners nor others claiming an interest in the Franchise will sell, transfer, assign, encumber, give, lease, or sublease, or allow any other person to conduct business in or through (collectively called "transfer") the whole or any part of: this Agreement, the Franchise Premises, substantial assets of the franchise business, or ownership or control of you or to fractionalize any of the rights granted to you pursuant to this Agreement. Any attempted transfer without our prior written consent will be a breach of this Agreement. Our consent will not be unreasonably withheld. We need not consent to any transfer before the date the franchise opens for business.

Because we will have a strong and vested interest in the financial viability and ongoing management abilities of the transferee, we need not consent to any transfer if we reasonably believe the purchase price is excessive or if we believe based upon a review of the transferee's operational and business plans that the transferee's business operations might not be beneficial on a cash flow or financial basis.