

EXHIBIT G

FRANCHISE AGREEMENT AND SCHEDULES

Version 6/30/2006

FRANCHISE AGREEMENT



**Proshred Franchising Corp.
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Franchisee: _____

Date: _____

Exclusive Territory: _____

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PROSHRED FRANCHISING CORP.

FRANCHISE AGREEMENT

AGREEMENT dated as of _____, 200_, between PROSHRED FRANCHISING CORP., a Delaware corporation with its principal office located at 245 Yorkland Road, Suite 100, Toronto, Ontario M2J 4W9, Canada (the "Franchisor"), and _____, a _____ with its principal office located at _____ (the "Franchisee").

PREAMBLE

The Franchisor and its predecessors and affiliates have created and developed a unique and integrated system of material destruction and disposal carried on under the trademark PROSHRED® and other trademarks, and has developed goodwill in such name and the business activities represented thereby.

The Franchisee desires to establish and operate a Proshred franchise, and the Franchisor desires to grant to the Franchisee the right to do so.

Accordingly, the parties agree as follows:

1. DEFINITIONS

1.1 For the purposes of this Agreement, the following terms have the following meanings:

- (a) **Advertising Fee** – has the meaning set forth in Section 10.1.
- (b) **Advisory Committee** – has the meaning set forth in Section 10.1.
- (c) **Affiliate** of a party means a company directly or indirectly controlling, controlled by or under common control with such party. "Control" of another company means the ownership of or the power to vote, directly or indirectly through majority-owned companies, fifty-one percent or more of the voting stock or voting rights of such other company. Affiliates of the Franchisor include, among others, Professional Shredding Corporation, PSP Corporation, Heron Capital Corporation and The Heron Group Inc., all of which are corporations formed in Ontario, Canada, with offices located at 245 Yorkland Road, Suite 100, Toronto, Ontario M2J 4W9, Canada.
- (d) **Agreement** – means this agreement and all instruments supplemental hereto or in amendment hereof.
- (e) **Area Factor** – has the meaning set forth in Section 9.1.

- (f) **Confidential Information** – has the meaning set forth in Section 8(a).
- (g) **Confidential Manual** – means, collectively, all directives, books, pamphlets, bulletins, and memoranda, prepared by or on behalf of the Franchisor and provided or made available to the Franchisee in tangible form (including a paper hard copy, DVD, video tape, or electronic media, such as a secure website or by e-mail, or other media), setting forth information, advice and standards, requirements, operating procedures, instructions or policies relating to the operation of the Franchised Business or the operation of Proshred franchises generally, and information relating to the Franchisee's other obligations under this Agreement, as same may be revised by the Franchisor from time to time.
- (h) **Equipment** – means the shredding machines, computers, telecommunications devices, handheld electronic devices, containers, consoles, bins, boxes and other hardware or machinery that the Franchisor has approved or shall have approved as meeting the Franchisor's standards for use in the Proshred System.
- (i) **Franchised Business** – means the business of selling shredding services and selling or renting related goods through the Proshred System pursuant to the rights granted to the Franchisee in this Agreement.
- (j) **Fund** – has the meaning set forth in Section 10.2.
- (k) **Gross Revenue** – means the total dollar value of all goods and services sold or rented by the Franchisee, including but not limited to the sale of waste products that result from the Franchisee's shredding services, and all other income of Franchisee from all sources resulting from or arising out of the use of any of the Vehicles or any other assets of the Franchised Business, whether or not such amounts are collected and whether payment is made by way of cash, credit or otherwise. Without limiting the generality of the foregoing, Gross Revenue shall include:
 - (i) all sales made pursuant to telephone, internet or other similarly placed orders; and
 - (ii) all sales assumed to have been lost by the interruption of business that is the basis upon which an insurer has paid business interruption insurance;

but shall not include any tax imposed by any federal, state, municipal or other governmental authority on sales and collected from customers, provided that the amount of any such tax is shown separately and in fact paid by the Franchisee to the appropriate governmental authority; and shall not include the amounts attributable to businesses acquired by the Franchisee as described in Section 9.6 (c).

No allowance whatsoever shall be made for bad debts.

- (l) **Guarantor and Guaranty** – have the meanings set forth in Section 2.2.
- (m) **Information Technology Services Fee** – has the meaning set forth in Section 9.4.
- (n) **Initial Fee** – has the meaning set forth in Section 9.1.
- (o) **Manager** – has the meaning set forth in Section 2.2.
- (p) **Minimum Performance Level** – means the minimum annual Gross Revenue levels set forth on Schedule III. The Minimum Performance Level is equal to One Hundred Thousand Dollars (\$100,000) per Territory Unit per twelve-month period commencing with the first full calendar month following the date that the Franchised Business begins operations, and is cumulative from year to year; provided, however, that if this Agreement includes more than one Territory Unit, the obligation to attain such Gross Revenues for each successive Territory Unit will begin in successive twelve-month periods following the date the Franchised Business begins operations. For example, the Minimum Performance Level of a Territory comprised of a single Territory Unit is One Hundred Thousand Dollars (\$100,000) for the first twelve-month period, One Million Dollars (\$1 million) for the tenth twelve-month period, and One Million Five Hundred Thousand Dollars (\$1.5 million) for the fifteenth twelve-month period. If the Territory is comprised of two Territory Units, the Minimum Performance Level for the second Territory Unit begins twelve months following the date the Franchised Business begins operations. If the Territory is comprised of three Territory Units, the Minimum Performance Level for the third Territory Unit begins twenty-four months following the date the Franchised Business begins operations.
- (q) **Marks** – means the trademark “Proshred” together with such other trade names, trademarks, service marks and logos as are listed in the Confidential Manual or which may be designated by the Franchisor from time to time as part of the Proshred System for use by franchisees. The Franchi-

sor may create, use and license additional trademarks or substitute different trademarks in the future in conjunction with the operation of the Franchised Business.

- (r) **Premises** – has the meaning set forth in Section 3.
- (s) **Proshred Image** – has the meaning set forth in Section 6.1.
- (t) **Proshred System** – means the business method conforming to the standards, systems, concepts, methods and procedures developed and used by the Franchisor, or which may hereafter be developed and used by the Franchisor for the sale and rental of goods and services under the Marks, as set out in the Confidential Manual. The term “Proshred System” includes, without limiting the generality of the foregoing:
 - (i) the distinguishing characteristics relating to the basic image, appearance, model, design and color of Vehicles and Equipment;
 - (ii) the methods of marketing and selling the services; and
 - (iii) the standards of quality and service.
- (u) **Royalty Fee** – has the meaning set forth in Section 9.2.
- (v) **Site** – has the meaning set forth in Section 3.1.
- (w) **System Website** – has the meaning set forth in Section 10.7(b).
- (x) **Term** – has the meaning set forth in Section 2.1 hereof.
- (y) **Territory** – means the geographic area described in Schedule II attached hereto, delineated by postal zip codes, county boundaries or both. The Territory consists of the number of Territory Units set forth in Schedule II.
- (z) **Territory Unit** – means a geographic area comprised of approximately 7,000 locations of businesses, nonprofit entities, governmental agencies and the like that each have ten (10) or more employees. Each Territory is comprised of one or more Territory Units.
- (aa) **Transfer Fee** – has the meaning set forth in Section 17.2.
- (bb) **Vehicles** – means the shredding trucks, customer service vans, autos or other vehicles that the Franchisor has approved or shall have approved as meeting the Franchisor’s standards for use in the Proshred System.

2. GRANT AND RENEWAL OF FRANCHISE

2.1 Grant of Proshred Franchise.

(a) Subject to all the terms and conditions of this Agreement, the Franchisor hereby grants to the Franchisee, and the Franchisee accepts, a non-exclusive right and license to operate a Franchised Business in conjunction with the Marks, under the Proshred System, within the Territory, from the Premises, for an initial term of ten (10) years commencing on the date of this Agreement, as such term may be renewed. The period of time during which this Agreement remains in effect, including the renewal term, is hereinafter referred to as a "Term".

(b) The Franchisor agrees, during the Term, that it will not operate a Proshred business or permit the operation of another Proshred franchise within the Territory provided that the Franchisee is not in material default of this Agreement or of any other agreement with the Franchisor or any Affiliate of the Franchisor and provided further that the Franchisee has met the Minimum Performance Levels.

(c) The Franchisee shall not, either directly or indirectly, service any customers outside of the Territory. Notwithstanding the foregoing, the Franchisee may operate the Franchised Business and service customers outside the Territory to the extent that such customer location is not within the exclusive territory of another Proshred franchisee or a company-owned Proshred operation (whether such franchise or company-owned operation is that of the Franchisor or an Affiliate), provided such activity is otherwise approved by the Franchisor. In the event that the Franchisor grants to another Proshred franchisee an exclusive territory in an area containing any customer or customers of the Franchisee located outside of the Territory or opens a company or Affiliate Proshred business in such area, then, in such event, the Franchisee's rights to call upon and service such customer or customers shall immediately terminate and be assigned to the new franchisee or to the company or its Affiliate, and the Franchisee shall have no further claim or right with respect to such customers or to further service such territory outside of the Territory nor shall it have any right to claim any damage from the Franchisor for any lost business or opportunity. In such event, the Franchisee will assign or sell to the newly-appointed Proshred franchisee all consoles, containers or equipment left in place at the locations of customers of the Franchisee, and the Franchisee will be entitled to compensation for the depreciated book value of all such consoles, containers and equipment.

(d) The Franchisor reserves the right to enter into agreements for regional or national accounts with customers that have locations within the Territory. Upon the Franchisor's request, the Franchisee agrees to service such customers at their locations within the Territory and in any nearby locations requested by the Franchisor that are not within the assigned territory of another Proshred franchisee. The Franchisee agrees to

adhere to the terms of any commercially reasonable agreement that the Franchisor may enter into with such national or regional customers, as communicated to the Franchisee by the Franchisor.

(e) During the Term, the Franchisor or its Affiliate may acquire the shares or assets of a business competitive with the Franchised Business. In the event of such an acquisition, the Franchisor reserves the right to operate or to license to others the right to operate any such competitive business in the Territory under any trademarks or trade names other than the Marks.

2.2 Guaranty.

The Franchisor's grant of a franchise pursuant to Section 2.1 is made in reliance on the personal attributes of the owner(s) and manager(s) of the Franchisee named in Schedule I (the "Manager" or "Managers"). Such grant is made on the condition that one or more of the Managers who together own and control the right to vote a majority interest in the Franchisee (the "Guarantor" or "Guarantors") execute and deliver to the Franchisor concurrently with the execution and delivery of this Agreement a guaranty in a form attached as Schedule IV hereto (the "Guaranty").

2.3 Renewal.

(a) Subject to the provisions of this section, the Franchisee will have the right to renew the franchise for two (2) additional consecutive five (5) year terms on the same terms and conditions as those on which the Franchisor is customarily granting new franchises at the time of each renewal if at the time of each renewal all of the following conditions are fulfilled:

- (i) the Franchisee delivers written notice to the Franchisor not less than six (6) months and not more than nine (9) months prior to the end of the then-current term to renew the franchise for an additional period of five (5) years;
- (ii) the Franchisee shall not at the expiration of the then-current term or at any time during such term be in material default of this Agreement or any other contract between the Franchisee and the Franchisor or any of its Affiliates, and in particular, shall not have defaulted in payment of any sums owing to the Franchisor or any of its Affiliates or any suppliers designated by the Franchisor, except in a case of a bona fide dispute over a sum owing to a supplier designated by the Franchisor;
- (iii) the Franchisee enters into the Franchisor's then current form of Proshred franchise agreement and executes all other documents then used by the

Franchisor in granting Proshred franchises (which may contain terms substantially different from those herein contained including, but not limited to higher Royalty Fees, Advertising Fees and Information Technology Service Fees and different Territory boundaries, but which will not obligate the Franchisee to pay a further Initial Fee to renew beyond that described in subsection 2.3(a)(v),) unless this requirement is waived by written notice from the Franchisor, in which case the terms hereof (except for any further option to renew beyond that provided for herein) shall remain in full force and effect for the immediately succeeding renewal term;

- (iv) the Franchisee continues to operate the Franchised Business from the Premises or an alternate location which the Franchisor shall have approved in writing, which approval will not be unreasonably withheld;
- (v) the Franchisee refurbishes, at the Franchisee's expense, all Vehicles and Equipment, and the Premises, to meet the Franchisor's then current standards and image for the Proshred System; and
- (vi) the Franchisee pays to the Franchisor all unpaid accounts plus a renewal fee determined by the Franchisor, not to exceed 25% of the then-prevailing Franchise Fee for a new franchise.

For the purposes hereof, the Franchisee shall be deemed to have declined to renew the franchise if the Franchisee fails to pay the amounts required under subsection 2.3(a)(v) or to execute and return to the Franchisor the Franchisor's then current form of Proshred franchise agreement and all other documents required by the Franchisor for renewal of the franchise, within thirty (30) days after the Franchisor has delivered them to the Franchisee following the Franchisee's exercise of its right hereunder. In the event that this Agreement is not renewed in the manner described above, it will expire at the end of the then-current term except as otherwise provided in Section 2.3(c).

(b) In the event that the Franchisor intends not to approve a renewal on the basis of a default pursuant to Section 2.3(a)(i), the Franchisor shall so notify the Franchisee at least one hundred eighty (180) days before the expiration of the then-current Term. In such event, the Franchisor need not give the Franchisee an opportunity to cure. If the Franchisor shall have sent such a notice of nonrenewal, the Franchisee shall have the right, until the date of expiration, to sell the Franchised Business in the manner described in Section 2.3(d).

(c) The Franchisor shall deliver to the Franchisee the then-current form of Proshred franchise agreement at least nine (9) months before the expiration of the initial term. In the event that the Franchisee desires to renew but objects to the new form of Proshred franchise agreement, the Franchisee shall notify the Franchisor in writing of

the Franchisee's specific objections within thirty (30) days after the Franchisee receives the then-current form of agreement. If the parties shall then be unable to resolve their differences before the expiration date, or if the Franchisee notifies the Franchisor before the expiration date that the Franchisee prefers to sell the Franchised Business, then this Agreement will be deemed to have been renewed for a period of twelve (12) months, during which time the Franchisee shall have the right to sell the Franchised Business in the manner described in Section 2.3(d).

(d) If the Franchisee has the right to sell the Franchised Business pursuant to Sections 2.3(b) or (c), such sale shall be in accordance with the terms of Section 17.2. If the Franchisor approves such sale pursuant to Section 17.2, the Franchisor may grant a new franchise to the transferee for the full term set forth in the then-current franchise agreement, subject to the Franchisor's right of first refusal under Section 17.3.

(e) Notwithstanding the foregoing, the Franchisor reserves the right not to renew this Agreement by giving notice to the Franchisee at least one hundred eighty (180) days before the expiration of the initial term to the effect that (i) the Franchisor intends to withdraw from selling its products or services through franchises in the Territory and (ii) the Franchisor will not seek to enforce any post-termination covenant under Article 16 of this Agreement provided that the Franchisee does nothing to damage or diminish the goodwill inherent in the Marks as long as this Agreement remains in effect.

(f) Notwithstanding the foregoing, the Franchisor reserves its right to terminate this Agreement pursuant to Section 14.1, subsections (b) through (m), both (i) in lieu of declining to renew pursuant to Section 2.3(b), and (ii) after notice of declining to renew, upon any new occurrence of the events described in any of the subsections (b) through (m) of Section 14.1.

2.4 Minimum Performance Levels.

(a) The parties acknowledge and agree that the Minimum Performance Levels constitute levels of Gross Revenue that are realistic and attainable. In calculating the Minimum Performance Levels, the Franchisee's Gross Revenue will not include the amount of the Acquired Business Deduction (as defined in Section 9.6 (c)).

(b) In the event that the Franchisee does not attain at least fifty percent (50%) of the Minimum Performance Level in any twelve-month period, the Franchisor will have the right to terminate this Agreement pursuant to Section 14.1(o) and to collect Royalty Fees on the shortfall.

(c) In the event that the Franchisee attains at least fifty percent (50%) but does not attain seventy-five percent (75%) of the Minimum Performance Level in any twelve-month period, the Franchisor will have the right to reduce the number of Territory Units

that comprise the Territory by a fraction equal to the ratio of the shortfall to the Minimum Performance Level for the twelve-month period in which the shortfall occurred, to change the boundaries of the Territory to reflect this reduction in a manner determined solely by the Franchisor, and to collect Royalty Fees on the shortfall.

(d) In the event that the Franchisee attains at least seventy-five percent (75%) but does not attain one hundred percent (100%) of the Minimum Performance Level in any twelve-month period, the Franchisor will have the right to collect Royalty Fees on the shortfall.

(e) The Franchisee will pay any shortfall described above in full to the Franchisor within thirty (30) days following the end of the twelve-month period in which the shortfall occurred.

3. PREMISES

3.1 Location.

The Franchisee shall operate the Franchised Business only at the location described in Schedule II, or if such location is not described in Schedule II, then at a location approved by the Franchisor in accordance with Section 3.2 that is within the Territory. Such location of the Franchised Business is referred to in this Agreement as the "Site", and the physical office of the Franchised Business at the Site is referred to as the "Premises". The Franchisee may not relocate the Franchised Business or operate the Franchised Business from any location other than the Site without the Franchisor's prior written approval. The Franchisee may not carry out any business at the Premises other than the Franchised Business. In the event that the Franchisee's Territory is large enough to require two offices in the Franchisor's reasonable judgment to enable the Franchisee to increase market share and improve operating efficiencies in the Territory, the Franchisor shall have the right to require the Franchisee to operate from Premises at two Sites within the Territory, both of which must be approved by the Franchisor in accordance with this Article 3.

3.2 Site Selection.

(a) The Franchisee is solely responsible for selecting the Site. The Franchisor merely approves the Site if it is acceptable. If a Site is set forth in Schedule II, the Franchisee acknowledges that, before signing this Agreement, the Franchisee (with or without the Franchisor's assistance) located and the Franchisor approved the Site. If the Franchisor has not already approved a site proposed by the Franchisee when the Franchisor signs this Agreement, the Franchisee must propose to the Franchisor, within forty-five (45) days after the date of this Agreement, a site within the Territory that is acceptable to the Franchisor. The Franchisor may not unreasonably withhold approval of

any site that meets the Franchisor's standards. If the Franchisor does not approve the site, the Franchisor may terminate this Agreement.

(b) If the Franchisee intends to lease or sublease the Premises for the Franchised Business, the Franchisee must submit the Franchisee's proposed lease to the Franchisor for the Franchisor's prior written approval. At the Franchisor's request, if the Franchisee leases or subleases the Premises, (i) the lease or sublease must contain an addendum substantially in the form of Schedule V, approved by the lessor; and (ii) unless the Franchisee is prohibited by the terms of the lease from doing so, the Franchisee will collaterally assign the lease or sublease to the Franchisor as security for the Franchisee's timely performance of all obligations under this Agreement, and the Franchisee will secure the lessor's consent to the collateral assignment. If the Franchisor does not have a copy of the signed lease or sublease, the Franchisee must deliver such copy to the Franchisor within fourteen (14) days after it is signed by the Franchisee and the lessor.

(c) Within forty-five (45) days after the Franchisor approve a site, the Franchisee must, at the Franchisee's expense, complete the acquisition or lease arrangements to acquire or lease the approved Premises. The Franchisee is solely responsible, at the Franchisee's own expense, for obtaining any necessary financing and all required building, utility, sign, health, sanitation, business and other permits and licenses required to operate the Franchised Business, construct all required improvements to the Site and the Premises.

4. DEVELOPMENT OF THE TERRITORY

4.1 Commencement of the Business.

(a) Except in the case of a renewal where the Franchised Business is already in operation, the Franchisee shall commence operation of the Franchised Business within thirty (30) days after completion of the training program described in Section 5.1. The Franchisor may terminate this Agreement in accordance with Section 14.1 in the event that the Franchisee fails to commence operation of the Franchised Business within such 30-day period, unless such delay results from a cause outside of the Franchisee's control, in which event the provisions of Section 20.14 will apply.

(b) The Franchisee may not commence operation of the Franchised Business until

(i) all of the Franchisee's obligations pursuant to Sections 3.2 are fulfilled;

(ii) the Franchisor determines that the Premises have been constructed, furnished, equipped and decorated in accordance with the Franchisor's requirements;

(iii) the Franchisee's personnel have each completed the initial training to the Franchisor's satisfaction;

(iv) the Franchisee has furnished the Franchisor with certificates of insurance and copies of all insurance policies or such other evidence of insurance coverage as the Franchisor reasonably requests, as well as with copies of all bonds that may be required under state or local law; and

(v) the Franchisee receives the Franchisor's approval of the opening in writing. The Franchisor may grant or withhold such approval in the Franchisor's sole discretion.

4.2 Vehicle Acquisition and Financing.

The Franchisee shall provide the Franchisor from time to time with such proof as the Franchisor may reasonably require to establish that the Franchisee has adequate financial resources and credit to obtain the Vehicle(s) and to meet the annual Minimum Performance Levels set forth in Schedule III. If the Franchisee is unable to afford or finance the estimated costs for purchasing or leasing the Vehicle(s) or otherwise meet its obligations under this Agreement, the Franchisor, at its sole option, may terminate this Agreement in accordance with Section 14.1.

4.3 Delays and Unavailability of Vehicles.

The Franchisor shall not be liable for any delay by a supplier authorized by the Franchisor in the manufacture or delivery of Vehicles or Equipment to the Franchisee. If any such delay extends beyond the 30-day period described in Section 4.1, or if any permit or license required for operating within the Territory is unobtainable within such 30-day period, the Franchisor shall have the right to terminate this Agreement by written notice in accordance with Section 14.1, except as provided in Section 20.14.

4.4 Franchisee's Assistance.

The Franchisee agrees to execute and deliver promptly to suppliers authorized by the Franchisor all instruments and documents necessary in the reasonable judgment of the Franchisor to facilitate the purchase of the Vehicles and other Equipment as herein provided.

4.5 Equipment and Signage Specifications.

(a) To ensure uniformity among all Proshred franchisees, the Franchisee agrees to use in the operation of the Franchised Business only such Vehicles, Equipment as the Franchisor shall have approved as meeting the performance, serviceability and warranty requirements of the Proshred System. All such Vehicles and Equipment shall be purchased from suppliers designated or approved by the Franchisor as meeting the Franchisor's standards. The Franchisee further agrees to place or display on all Vehicles and Equipment and at the Premises only such signs, emblems, lettering, and logos and agrees to use in the operation of the Franchised Business only such invoices, order forms, receipts and other paper goods, as are from time to time specified or approved in writing by the Franchisor. If the Franchisee proposes to use any vehicle, equipment or any other item that is not approved by the Franchisor, the Franchisee shall first notify the Franchisor and shall submit to the Franchisor sufficient specifications, photographs, drawings and other information to enable the Franchisor to determine whether such item complies with the Franchisor's specifications and standards. The Franchisor shall communicate such determination to the Franchisee in writing within a reasonable time.

(b) The Franchisee shall install such computer and communications equipment, including without limitation facsimile, telephone, modem, e-mail, e-commerce, and such software and Internet capabilities, pursuant to such licenses or terms, as the Franchisor shall specify or approve from time to time during the Term, at the sole expense of the Franchisee. The Franchisee agrees initially to comply with the IT requirements set forth in Schedule VI and to purchase and install the hardware described in Schedule VI. The Franchisor will provide the services described in Schedule VI as those for which the Franchisor is responsible. In addition, the parties will enter into a Software License & Maintenance Agreement in the form of Schedule VII, pursuant to which the Franchisor will license to the Franchisee and provide maintenance for certain application software to facilitate the Franchisee's scheduling, billing, reporting and related operational functions.

4.6 Other Supplies.

The Franchisee agrees to use in the operation of the Franchised Business only such employee uniforms, employee security badges and signage as the Franchisor shall have prescribed or approved, from suppliers prescribed or approved by the Franchisor.

5. TRAINING AND OPERATING ASSISTANCE

5.1 Initial Training.

Except in the case of a renewal where the Franchisee has already been operating the Franchised Business, as soon as practicable following execution of this Agreement, the Guarantor and any other persons primarily responsible for the day to day operation of the Franchised Business shall enroll in an initial training program, offered by the Franchisor, covering the operation of a Proshred franchise. Before commencing such training program, each enrollee shall have executed an agreement in the form of Schedule VIII to be bound by the provisions of Articles 8 and 16. The initial training program shall run at least ten (10) days and will take place at "Proshred University" in Toronto, Ontario, Canada. The Franchisee shall be responsible for all its expenses incurred in connection with the initial training program including, without limitation, travel, accommodation and meal expenses, but the Franchisor shall not charge a fee for such training program for up to two people for the first Territory Unit and one additional person for each additional Territory Unit in the Territory.

5.2 Completion of Training Program/Termination.

The personnel of Franchisee who enroll in the initial training program pursuant to Section 5.1 shall complete such training program to the satisfaction of the Franchisor.

5.3 Hiring and Training of Employees by the Franchisee.

The Franchisee shall hire and train, at the Franchisee's expense, all employees engaged in the Franchised Business, and the Franchisee shall be exclusively responsible for the terms of their employment and compensation. The Franchisee shall ensure that employees attend all employee training programs required by the Franchisor or employee training programs conducted by the Franchisee with the Franchisor's consent. The Franchisor shall have the right to charge a reasonable fee for conducting such staff training programs, and the Franchisee will pay such fee upon receipt of the Franchisor's bill therefor in each instance. The Franchisee shall at all times maintain a sufficient number of trained employees to service the Franchisee's customers, as may be directed by the Franchisor from time to time. The Franchisee shall not employ anyone who refuses, or fails to complete successfully such training programs or who refuses without good cause to attend the mandatory refresher courses described in Section 5.4. The Franchisee shall conduct a background review of each prospective employee's criminal, motor vehicle, medical and credit histories, and shall verify that all employees who are responsible for driving Vehicles have valid driver's licenses and good driving records before hiring such employees. The Franchisee shall not hire any prospective employee for any position if such prospective employee's background review indicates, in the Franchisee's reasonable discretion, a propensity for dishonesty, or negligent, reckless

or careless behavior. In addition, the Franchisee shall use reasonable means to ensure that such employees continue to meet such criteria while employed. The Franchisor shall not be liable to the Franchisee, any employee or prospective employee of the Franchisee, or any third party for any act or omission of the Franchisee or any employee or agent of the Franchisee, and the Franchisee shall indemnify, hold harmless and defend the Franchisor against and from any and all claims, demands and actions arising from any act or omission of the Franchisee or any employee or agent of the Franchisee (including, without limitation, refusal to hire or discrimination claims or claims asserted by third parties for intentional torts allegedly committed by any employee or agent of the Franchisee).

5.4 Ongoing Training.

Such key personnel of the Franchisee as the Franchisor may designate shall attend and complete such ongoing training courses at such location or locations as the Franchisor may reasonably require from time to time, provided that such key personnel shall not be obligated to attend more than a total of five (5) days of such programs during any one (1) calendar year. The Franchisee shall exclusively be responsible for the travel, accommodation and related costs of attendance at such programs. If the Franchisee has failed to meet or does not appear able to meet the Minimum Performance Level in any twelve-month period, the Franchisor may require one or more key personnel of the Franchisee, as designated by the Franchisor, to attend additional initial training or to participate in a mentor training program given by another franchisee designated by the Franchisor.

5.5 Operating Assistance.

At no additional cost to the Franchisee, the Franchisor shall furnish to the Franchisee from time to time such advice and assistance in connection with the operation of the Franchised Business as is reasonably required. Operating assistance may consist of advice and guidance with respect to:

- (a) methods and procedures for the collection, handling and shredding of customer materials, and for the storage and sale of shredded materials;
- (b) such additional services as the Franchisor may approve from time to time;
- (c) the purchase, operation, maintenance and use of Equipment, uniforms and other materials used in the Franchised Business;
- (d) formulating and implementing advertising and promotional programs;

- (e) establishing and implementing administrative, bookkeeping, accounting and general operating procedures for the proper operation of a Proshred franchise; and
- (f) the efficient and effective operation of a Proshred franchise.

If the Franchisee requires any additional assistance, or assistance concerning specific problems related to the Franchised Business, the Franchisor shall be entitled to charge the Franchisee a reasonable fee for providing such assistance.

5.6 Confidential Manual.

The Franchisor has developed and the Franchisor will either make available online or lend to the Franchisee during the Term an operating manual for Proshred franchisees (the "Confidential Manual") containing mandatory specifications, standards, procedures and rules for the supply of Proshred services and the operation of the business prescribed from time to time by the Franchisor and containing information relative to other obligations of the Franchisee hereunder. The Franchisee shall operate the Franchised Business strictly in accordance with the Confidential Manual. The Franchisor shall have the right to add to, and otherwise modify, the Confidential Operations Manual from time to time to reflect changes in the standards of authorized services, the Proshred Image (as hereinafter defined), or the operation of the Franchised Business and to take into account regional differences; provided, however, no such addition or modification shall alter the Franchisee's fundamental status and rights under this Agreement. The Franchisee shall accept, implement and adopt all such modifications at the Franchisee's own cost. In the event that the Franchisor lends a hard copy of the Confidential Manual to the Franchisee, the Franchisee shall keep the Confidential Manual up to date with replacement pages and insertions as instructed by the Franchisor. The Confidential Manual contains proprietary information of the Franchisor. The Franchisee agrees not to make any copies of the Confidential Manual but may print out one copy of each individual page of any online version for the Franchisee's use in accordance with this Section 5.6. The Franchisee acknowledges that the Franchisee has no property or other rights or claims of any kind in or to, any element of the Proshred System, the Marks or any matters dealt with in the Confidential Manual and that all disclosures made to the Franchisee or any personnel of the Franchisee relating to the Proshred System and including, without limitation, the specifications, standards, procedures, training information and the entire contents of the Confidential Manual are communicated to them solely on a confidential basis and as trade secrets, in which the Franchisor has a substantial investment and a legitimate right to protect against unlawful disclosure. Accordingly, the Franchisee agrees to maintain the confidentiality of all such information at all times during and after the Term and shall not disclose any of the contents of the Confidential Manual or any information whatsoever with respect to the Franchisee's or Franchisor's business or the Proshred System other than as may be

required to enable the Franchisee to conduct the Franchised Business. The Franchisee further agrees not to use any such information in any other business or in any manner not specifically approved in writing by the Franchisor. The Franchisee acknowledges that the Confidential Manual is, and shall remain, the property of the Franchisor. The Franchisee shall promptly return the Confidential Manual (or any printed pages of any electronic version) to the Franchisor upon the expiration or termination of this Agreement. All references herein to this Agreement shall include the provisions of the Confidential Manual and all such mandatory specifications, standards, procedures and rules, and such additions and modifications thereto.

5.7 Website.

The Franchisor shall maintain the System Website, including an Extranet for all Proshred franchisees that can be accessed only by means of user names and passwords and that will not be available to the general public. The Franchisor may use this website to provide support for franchisees and to allow for electronic franchise discussion groups. The Franchisee agrees both during and after the Term not to disclose the Franchisee's user name or password to any person or entity who is not under the Franchisee's direct supervision and who does not have a need to know such password. The Franchisee agrees to inform all persons under the Franchisee's supervision who may have access to such password of this obligation of confidentiality. The Franchisee further agrees to comply with all guidelines and rules the Franchisor establishes from time to time for the use of the System Website and Extranet, and to supply all information requested by the Franchisor from time to time in order to enable the Franchisor to keep the System Website current.

6. IMAGE AND OPERATING STANDARDS

6.1 Condition and Appearance of Vehicles.

The Franchisee agrees to maintain the condition and appearance of the Vehicle(s) in accordance with the standards and requirements of the Franchisor (as specified in the Confidential Manual or otherwise) for the appearance of all Vehicles (the "Proshred Image"), including, without limitation, the use of the Franchisor's colors and display of all exterior Vehicle signage. The Franchisee agrees, at its expense, to effect such refurbishing of the Vehicle(s) as the Franchisor, from time to time, requires to maintain the Proshred Image, including, without limitation, the replacement of worn out or obsolete Equipment, and the repair or repainting of the exterior of the Vehicle(s). Without limiting the generality of the foregoing, the Franchisor may require that all Vehicles be repainted and that all Vehicles have new decals applied at least once every five years. If at any time in the Franchisor's reasonable judgment the general state of repair, or the appearance or cleanliness of the Equipment, does not meet the then applicable Proshred Image and standards, the Franchisor may so notify the Franchisee

specifying the action to be taken by the Franchisee to correct such deficiency. If the Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice, and thereafter diligently continue, a bona fide program to complete any such required maintenance, repainting, replacement or repair, the Franchisor shall have the right (in addition to their other rights), but shall not be obligated, to effect such maintenance, repairs, painting, and replacements of Equipment on behalf of the Franchisee and the Franchisee shall pay the entire cost thereof on demand.

6.2 Authorized Services.

(a) The Franchisee acknowledges that the goodwill associated with the Marks, the Proshred System and Proshred Image is dependent on strict compliance with the Franchisor's directions with respect to the delivery of services to Proshred customers. The Franchisee shall offer to its customers all services, and only those services, designated by the Franchisor from time to time, and shall provide such services strictly in accordance with the standards and specifications described by the Franchisor in the Confidential Manual and during the training program. The Franchisor shall have the right to add to, or subtract from, the range of services that may be provided by Proshred franchisees from time to time. The Franchisee shall immediately refrain from selling such services that the Franchisor advises are not, or are no longer, approved by the Franchisor.

(b) The Franchisee acknowledges that the success of the Proshred System depends upon the adherence by the Franchisee to the Proshred System including, but not limited to purchasing the required Vehicles and Equipment, selling only designated services, and meeting the prescribed standards of quality, service and cleanliness

6.3 Volume Rebates.

The Franchisee acknowledges and agrees that the Franchisor may receive, from designated suppliers, periodic volume discounts, allowances and rebates as a result of the Franchisee's purchases; and the Franchisee further acknowledges and agrees that the Franchisor shall be entitled to keep for its own use such discounts, allowances and rebates.

6.4 Standards of Service and Operation.

The Franchisee and the Franchisee's employees shall at all times give prompt, courteous, friendly, and efficient service to all customers. The Franchisee and the Franchisee's employees shall in all dealings with all customers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. The Franchisee agrees not to deviate from the standards, specifications and operating proce-

dures set for the operation of the Franchised Business as specified in the Confidential Manual including, without limitation, the:

- (a) methods and procedures for collecting, handling, shredding, transporting, storing and disposing of materials and providing other approved services;
- (b) use of all Equipment;
- (c) safety, maintenance, cleanliness, function and appearance of the Vehicle(s);
- (d) uniforms or clothes and badges to be worn by, and general appearance of, the employees of the Franchisee;
- (e) use of the Marks;
- (f) maintenance of adequate working capital;
- (g) limiting of security interests in, pledges of, or dealing with, the assets used in the Franchised Business;
- (h) compliance with all federal, state and local laws, rules and regulations applicable to the Franchised Business, including without limitation, all laws regarding employment, wages, salaries, health or employee benefits, whether now in force or hereinafter enacted, and to make all contributions that may be required or demanded under or by virtue of such laws, rules or regulations;
- (i) honoring of credit card services;
- (j) identification of the Franchisee on all Vehicles and at the Premises as a Proshred franchisee and as the owner of the Franchised Business;
- (k) content, style and media of any advertising conducted by the Franchisee;
- (l) attendance by the Franchisee at all Franchisor conferences and meetings;
- (m) maintenance of the staffing levels required to serve the Territory;
- (n) hours of operation;

- (o) maintaining an adequate number of Vehicles required to serve the Territory and an adequate inventory of consoles, bins, boxes and the like, and of other items of Equipment, to serve the Territory;
- (p) participation in such special promotions as the Franchisor, in its sole discretion, from time to time requires;
- (q) replacement of such items of Equipment and Vehicles as may become obsolete or otherwise mechanically impaired, or the addition of any new Equipment, including without limiting the foregoing any new computer hardware or software required to comply with the Franchisor's current standards from time to time;
- (r) payment of all outstanding bills, accounts, taxes and other amounts payable in connection with the Franchised Business promptly when same shall be due and payable except in cases of a bona fide dispute with a third party over such bill or amount; and
- (s) strict adherence to the exclusive use of all Proshred business forms for correspondence and invoicing.

6.5 Full Time and Attention.

At least one of the persons who shall have successfully completed the initial training program pursuant to Section 5.1 or a subsequent, similar training program offered by the Franchisor, shall actively devote his or her full time, attention and effort to the Franchised Business and provide direct, on-premises, day-to-day supervision of the operation at all times. Such personnel will ensure at all times the proper management of staff, condition of Equipment and Vehicles, and proper levels of customer service in accordance with the Confidential Manual and this Agreement. The Franchisee will use its best efforts to ensure that such personnel, at all times, faithfully, honestly and diligently perform the Franchisee's obligations hereunder, continuously exert their best efforts to promote and enhance the Franchised Business and do not engage in any business or other activity that will conflict with any obligations hereunder. No personnel who complete such training and continue to be involved in the Franchised Business shall take on any other business responsibilities that would be inconsistent with the proper operational requirements and best interest of the Franchised Business, nor will they, during the Term, have any interest as an owner, shareholder, (except of publicly traded securities), director, officer, employee, consultant, lender, representative or agent, or in any other capacity, in any materials destruction or shredding business (except the operation of the Franchised Business and other Proshred franchises).

6.6 System Changes.

The Franchisee acknowledges that the Proshred System must continue to evolve in order to reflect changing markets and to meet new and changing business demands, and that accordingly variation and additions to the Proshred System may be required from time to time in order to preserve and enhance the Proshred System. Accordingly, the Franchisee agrees that the Franchisor may from time to time hereafter, upon notice and acting reasonably and uniformly with respect to all its franchisees and company-owned Proshred operations, add to, subtract from or otherwise modify or change the system, including, without limitation, the adoption and use of new or modified Marks, services, Equipment, Vehicles, computer hardware or software and new techniques and methodologies relating to the promotion and marketing of various materials destruction and shredding services. The Franchisee agrees promptly to accept and implement all such additions, modifications and changes at the Franchisee's sole cost and expense.

7. INSURANCE

(a) The Franchisee shall procure, and maintain in full force and effect throughout the Term, at the Franchisee's sole cost, insurance policies written by insurers designated or reasonably approved by the Franchisor. The insurer shall maintain an A.M. Best rating of A- (Excellent) or better. Policies shall cover all insurance required by the Vehicle Lease(s), in addition to a minimum of the following insurance which may be adjusted from time to time by the Franchisor:

(i) Insurance of the generally accepted "all risk" form upon all personal property and assets of every description and kind used in the Franchised Business in the amount of the full insurable value thereof;

(ii) Comprehensive general liability and property damage insurance, including personal and bodily injury liability, contractual liability, owned and non-owned automobile liability with a policy limit of not less than Two Million Dollars (\$2,000,000) per occurrence;

(iii) Workers' compensation coverage containing statutory limits as required by the state of domicile with employer's liability coverage limits of not less than Two Million Dollars (\$2,000,000) each accident / each employee / policy limit, with respect to the Franchised Business and any employee or other person performing work on behalf of the Franchisee

(iv) Third party employee dishonesty bond with a policy limit of not less than Twenty-Five Thousand Dollars (\$25,000) per occurrence; and

(v) All other insurance required by law.

(b) All such insurance policies:

(i) shall name the Franchisor as additional named insured for comprehensive general liability (CG 20 29 11 85), automobile liability and umbrella liability policies as their interests may appear;

(ii) shall provide that the Franchisor receive thirty (30) days prior written notice of change, termination, expiration or cancellation; and

(iii) shall be the primary insurance for all losses, and shall not be limited in any way by the insurance that the Franchisor may choose to place.

(c) The Franchisee shall promptly report all claims, or potential claims, against the Franchisee, or Franchisor to his insurer and the Franchisor. Prior to commencing business, and annually thereafter, the Franchisee shall submit to the Franchisor a copy or certificate or other acceptable proof of such insurance.

(d) The Franchisor may, from time to time, reasonably determine and increase the minimum insurance limits and require different or additional kinds of insurance to reflect changes in insurance standards, normal business practices, higher court awards and other relevant circumstances. If the Franchisee at any time fails or refuses to maintain in effect any insurance coverage required by the Franchisor, or to furnish satisfactory evidence thereof, the Franchisor, at its option and in addition to its other rights and remedies hereunder, may, but need not, obtain such insurance coverage on behalf of the Franchisee, in which event the Franchisee shall promptly execute any applications or other forms of instruments required to obtain any such insurance. The Franchisee agrees to pay to the Franchisor, on demand, any costs incurred and premiums paid by the Franchisor in obtaining such insurance. The placement of insurance by the Franchisee shall not relieve the Franchisee of its obligations under Section 19.2.

8. TRADE SECRETS OF THE FRANCHISOR

(a) The Franchisee acknowledges that the knowledge of the operation of a Proshred franchise is derived from information disclosed to the Franchisee by the Franchisor pursuant to this Agreement during the training course and in the Confidential Manual, and that such information, along with all customer lists of the Franchisee and other franchisees of the Franchisor, and all other information collected on Proshred databases regarding customers of the Franchisee, of other franchisees and of the Franchisor, is proprietary, confidential and a trade secret of the Franchisor ("Confidential Information"). The Franchisee agrees to maintain the absolute confidentiality of all Confidential Information at all times both during the Term and after the expiration or termina-

tion of this Agreement and will not use any such information in any other business or in any manner not specifically authorized or approved in writing by the Franchisor.

(b) The Franchisee shall procure from each Manager, from each person who becomes a Manager or otherwise needs access to Confidential Information during the Term, and from such other employees as the Franchisor shall require from time to time, an agreement substantially in the form of Schedule VIII not to use or disclose to any third party any Confidential Information and to comply with the noncompete requirements set forth in Section 16 of this Agreement for the period of time set forth therein. The Franchisee shall deliver a counterpart of each such signed agreement to the Franchisor. No person may attend any training by the Franchisor or be granted access to any Confidential Information who shall not have signed such an agreement. Employees who have signed such an agreement may be granted access to Confidential Information only to the extent necessary for the operation of the Franchised Business.

(c) The Franchisee shall notify the Franchisor promptly in writing if the Franchisee learns of any unauthorized use of the Confidential Information. The Franchisor is not obligated to take any action but will respond to this information as the Franchisor deems appropriate in its discretion.

(d) Upon the Franchisor's request, the Franchisee will promptly return to the Franchisor all Confidential Information and all copies thereof in the Franchisee's possession or under the Franchisee's control, and the Franchisee will destroy all copies thereof on the Franchisee's computers, disks and other digital storage devices.

(e) The obligations of confidentiality and non-use described above will not apply to information that (i) is or becomes generally known in the mobile shredding business in the U.S.A. other than through disclosure by the Franchisee or any of the Franchisee's personnel or representative; or (ii) can be clearly shown by the Franchisee to have been received by the Franchisee on a nonconfidential basis from a third party that is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation.

9. INITIAL FEE, ROYALTIES AND SERVICE FEES

9.1 Initial Fee.

(a) The Franchisee shall pay to the Franchisor upon execution of this Agreement an initial fee in the amount indicated in Schedule II, which is equal to Thirty-Five-Thousand Dollars (\$35,000) multiplied by the number of Territory Units or fractions thereof that the Territory comprises (the Area Factor"), less any deposit made by the Franchisee (the "Initial Fee"). The Initial Fee shall be deemed to be fully earned by the Franchisor upon execution of this Agreement and is nonrefundable under any circumstances. The Franchisee shall make such payment either by check or wire transfer to the Franchisor in

full or, if the parties so agree, a portion of such payment shall be evidenced by a promissory note in the form of Schedule IX, with interest equal to two percentage points above the prime rate, as published by the Wall Street Journal on the date of this Agreement until all amounts due under the note are paid in full.

(b) In the event that the Franchisee fails to make any payment of principal or interest on the promissory note referred to in Section 9.1(a) when due, the Franchisor will have the right, in the Franchisor's discretion and in lieu of collecting the unpaid balance of the promissory note, to reduce the number of Territory Units that comprise the Territory by a fraction equal to the ratio of the unpaid principal of the promissory note to the total Initial Fee payable hereunder and to change the boundaries of the Territory to reflect this reduction in a manner determined solely by the Franchisor.

9.2 Royalty Fee.

In consideration of the continuing use of the Proshred System, the Franchisee shall pay to the Franchisor throughout the Term, commencing in the first full month of the Term, a fee (the "Royalty Fee") equal to six and one half percent (6.5%) of the Franchisee's Gross Revenue, but no less than Six Hundred Fifty Dollars (\$650) per month. The Franchisee shall participate, at the Franchisee's cost, in such automatic payment or electronic funds transfer programs as the Franchisor may require for the payment of all amounts owed to the Franchisor. In this regard, the Franchisee will execute from time to time all documents required by the Franchisor in order that automatic payments or withdrawals may be made to the Franchisor. The Franchisee authorizes the Franchisor to have access to such account balances from which automatic payments or withdrawals are made.

9.3 Remittances for Other Franchisees.

The Franchisee acknowledges that the Franchisee will, from time to time, receive remittances intended for other franchisees, and in order to avoid any delays in forwarding the funds to the respective destination, the Franchisee agrees to follow the procedures set out in the Confidential Manual. The Franchisee further acknowledges that the handling of other franchisees' funds is a sensitive issue, and that failure to follow the procedures will subject the Franchisee to financial penalties, including but not limited to, a fine of One Hundred Dollars (\$100) per occurrence. Furthermore, the failure to follow such procedures shall cause the Franchisee to be in breach of this Agreement.

9.4 Information Technology Services Fee.

In consideration for the license and services described in the Software License & Maintenance Agreement set forth in Schedule VII, the Franchisee shall pay to the Franchisor, throughout the Term, a monthly Information Technology Services Fee (the "In-

formation Technology Services Fee”) equal to one and one half percent (1.5%) of the Franchisee’s Gross Revenue, but no less than One Hundred Fifty Dollars (\$150) per month and no more than One Thousand Five Hundred Dollars (\$1,500) per month. The Franchisee shall pay the Information Technology Services Fee at the same time and in the same manner as the Royalty Fee.

9.5 Taxes.

To the extent that the Initial Fee, Royalty Fee, Information Technology Services Fee and all payments for services pursuant to this Agreement are subject to taxes (other than income taxes), such taxes shall be due and payable at the same time and in the same manner as such payments.

9.6 Acquisitions by the Franchisee.

(a) The Franchisor encourages acquisitions by the Franchisee of other document shredding and disposal service companies in the Territory after the date hereof; provided that all such acquisitions are approved in advance by the Franchisor and otherwise comply with the terms and conditions of this Section 9.6. The Franchisor agrees not to unreasonably withhold its approval to any such acquisition. Upon granting its approval, the Franchisor shall provide such assistance as the Franchisee may request and the Franchisor may approve to facilitate the acquisition, such as valuation, negotiation and the like.

(b) Upon the completion of any acquisition by the Franchisee in accordance with Section 9.6, the newly-acquired business will become part of the Franchised Business, subject to the terms and conditions of this section and this Agreement. The Franchisee agrees, promptly after any such acquisition, at the Franchisee’s expense, to upgrade all newly-acquired trucks and equipment to the Franchisor’s then-current standards and to paint and identify such trucks and equipment in accordance with the Franchisor’s then-current specifications. The Franchisee will enter all customers of the newly-acquired business into Shredlogic as customers of the Franchised Business, and the Franchisee will service and invoice all such customers through and as part of the Franchised Business, from the Premises described in Section 3.1.

(c) Notwithstanding the requirements of Sections 9.2 and 9.4, the Franchisee will not be required to pay a Royalty or Information Technology Services Fee in any year on 50% of the Gross Revenue attributed to any business acquired by the Franchisee pursuant to the terms of Section 9.6 (a). The amount of Gross Revenue attributed to such acquired business will be equal to the average sales of such business during the most recent twelve-month period before the acquisition, as evidenced by documentation reasonably satisfactory to the Franchisor (the “Acquired Business Deduction”). The Fran-

chisee will pay Royalties on all Gross Revenue in excess of the Acquired Business Deduction.

10. ADVERTISING AND PROMOTION

10.1 Advertising Fee.

In addition to all other fees required to be paid hereunder, the Franchisee shall pay to the Franchisor \$2,000 upon signing this Agreement as an initial contribution to the advertising fund described in Section 10.2, plus an advertising fee in an amount determined by the Franchisor after consultation with the Advisory Committee (described below), which amount shall be no less than one percent (1%) and no more than three percent (3%) of the Franchisee's monthly Gross Revenue (the "Advertising Fee"). In calculating the Advertising Fee, the Franchisee's Gross Revenue will not include the amount of the Acquired Business Deduction (as defined in Section 9.6 (c)). The Franchisor will use the Advertising Fee for developing and implementing sales, marketing, advertising and promotional materials, campaigns or programs in accordance with Section 10.2. The Franchisor will appoint a group of franchisee representatives to act as an advisory committee (the "Advisory Committee") to assist the Franchisor in managing and administering these campaigns and programs. The Advisory Committee may advise and make recommendations, but will not act as a policy-making board and will have no authority to direct the management or administration of any campaigns or programs. The Franchisor shall determine or approve the rules under which the Advisory Committee functions. The Advertising Fee will be submitted to the Franchisor together with the Royalty Fee in the manner described in Section 9.2.

10.2 Advertising Fund.

(a) The Franchisor shall establish and administer an advertising fund (the "Fund"), subsidized by the Advertising Fee, for such regional, national or international advertising campaigns or programs as the Franchisor may deem necessary or appropriate. The Franchisor shall direct all such advertising programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. The Fund shall be used and expended for media costs, commissions, market research costs, creative and production costs, including without limitation the costs of creating promotions and artwork, printing costs, point of sale materials, the costs of preparing and producing video, audio and written advertising materials; administering national and regional advertising programs, and engaging advertising, promotion and marketing agencies to assist us; the costs of maintaining the Proshred toll-free telephone number; the costs of supporting public relations, market research and other advertising, promotion and marketing activities; costs for maintaining and improving the System Website or similar services, ISO certification, maintaining an inventory of uniforms for sale to franchisees, maintaining memberships in industry as-

sociations, and other costs relating to public relations, advertising, sales contests, marketing and promotional programs undertaken by the Franchisor. The Fund may also be used for the hiring of sales personnel who are assigned to obtaining national or regional accounts on behalf of some or all Proshred franchisees. No part of the Fund will be used specifically to solicit new prospective franchisees. The Franchisor may reimburse itself a reasonable amount out of such Fund, not exceeding fifteen percent (15%) of any expenditures from the Fund in any year, for providing the services of its staff and the cost of office supplies, telephone, advertising, agency fees and other items as the Franchisor may reasonably deem necessary to administer the Fund. Without in any way limiting the foregoing, the Franchisor may, but is in no way obliged to, utilize the Fund or a portion thereof for advertising and promotion on the Internet or similar services including creation and maintenance fees for websites. A statement of the operations of the Fund shall be prepared annually and shall be made available to the Franchisee upon request, the cost of which Statement to be paid by the Fund.

(b) The Fund is intended to enhance general public recognition, acceptance and use of the Proshred System. In administering the Fund, the Franchisor and its designees undertake no obligation to make expenditures on behalf of or for the benefit of the Franchisee that are equivalent or proportionate to the Franchisee's contribution, or to ensure that any particular franchisee or group of franchisees benefit directly or pro rata from Fund expenditures. The Franchisee acknowledges and agrees the Franchisor undertakes no obligation in administering the Fund to ensure that any particular franchisee, including the Franchisee, benefits directly or pro-rata from the creation or use of such advertising and promotional materials. Except as expressly set out herein, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee, fiduciary or otherwise, with respect to the maintenance, direction or administration of the Fund.

(c) The Franchisor will separately account for the Fund monies, but the Franchisor may commingle such monies with the Franchisor's other monies or maintain the Fund monies in one or more separate accounts, in the Franchisor's discretion. The Fund will not be used to defray any of the Franchisor's general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as the Franchisor may incur in activities related to the administration of each Fund and its programs, including, without limitation, conducting market research, preparing advertising, promotion and marketing materials and collecting and accounting for contributions to the Fund. The Franchisor may spend, on behalf of the Fund, in any fiscal year, an amount greater or less than the aggregate contribution of all Proshred franchisees to the Fund in that year, and the Fund may borrow from the Franchisor or others at reasonable interest rates to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended.

(d) The Franchisor has the right, but not the obligation, to establish a separate entity to operate the Fund at any time. Any such entity will have all of the rights and duties with respect to the Fund that the Franchisor has under this section. The Fund will not be deemed a trust, and the Franchisor will have no fiduciary obligation to the Franchisee in connection with the collection of fees for or the administration of the Fund.

10.3 Participation in Advertising Campaigns.

The Franchisee shall fully participate in all such advertising campaigns, sales promotions, prize contests, special offers, direct mail programs, corporate account programs and other programs, national, regional, or local in nature (including the introduction of new services, cross-promotions, or other marketing programs directed or approved by the Franchisor), as the Franchisor may prescribe from time to time. The Franchisee shall be responsible for the costs of such participation. In addition, the Franchisee shall honor any coupons, or other authorized promotional offers of the Franchisor at the Franchisee's sole cost unless otherwise specified in writing by the Franchisor. The Franchisee acknowledges that the advertising campaigns and sales promotions may vary from region to region and that all other franchisees of the Franchisor using the Proshred System will not necessarily be required to participate in the campaigns and promotions in which the Franchisee participates. Nothing herein will be deemed to require the Franchisee's costs described in this Section 10.3 to exceed the limits described in Sections 10.1 and 10.5.

10.4 Local Telephone Directories.

The Franchisor in coordination with the Franchisee shall arrange, or at the Franchisor's request the Franchisee shall arrange, and the Franchisee shall pay, for the placement in all yellow and white page telephone directories that include the Territory, and in such online directories as the Franchisor shall determine, of an advertisement of a size and design approved by the Franchisor and a listing for the Franchised Business in which the name "Proshred" and the telephone, fax or e-mail addresses designated by the Franchisor shall be given prominent display, and no other names or numbers shall be used in such advertising. If other Proshred territories are served by the same directories, the Franchisor may require a group listing of all such Proshred franchisees and may arrange such listing on the Franchisee's behalf. The costs of such listing shall be allocated among such franchisees by the Franchisor and the franchisees shall pay their pro rata share thereof based upon their relative numbers of Territory Units.

10.5 Local Advertising.

(a) The Franchisee agrees to conduct a grand opening public relations and advertising program for the Franchised Business during the period commencing on or before and ending ninety days after its opening and to expend at least Seven Thousand

Five Hundred Dollars (\$7,500) for such program per Territory Unit. Such public relations and advertising program will include the purchase of direct mail marketing materials and brochures, the preparation of press releases, sales and promotional materials, mailing lists and so forth. The Franchisor will provide the Franchisee with guidelines and lists of suppliers and consult with the Franchisee on the grand opening public relations and marketing program, but it will be the Franchisee's sole responsibility to develop and implement this program.

(b) In addition to contributions to the Fund and the opening public relations and advertising program, the Franchisee shall expend annually on local advertising, sales and promotion of the Franchised Business (in addition to the local telephone directory advertising described in Section 10.4) a minimum of three percent (3%) of the Franchisee's Gross Revenue, but in no event less than \$1,000 per month. Prior to using any advertising or promotional materials, the Franchisee shall submit such materials to the Franchisor for prior approval, and the Franchisee will not use any such materials without such approval. All such advertising and promotional materials shall (i) display the Marks in any printed material only in the form authorized by the Franchisor and otherwise be used only in their proper form; (ii) be in the style and format required by the Franchisor for the form of advertising and/or promotion to be used; (iii) use the type of print required by the Franchisor; (iv) comply with any other advertising and/or promotional criteria established by the Franchisor from time to time including the use of designated telephone and fax numbers and e-mail addresses; (v) be conducted only in a manner reflecting favorably upon the Franchised Business and the Franchisor; (vi) not be deceptive, untrue or misleading; and (vii) not be inconsistent with any advertising or promotional campaigns being conducted by the Franchisor or another franchisee of the Franchisor operating a premises using the Proshred System.

(c) Notwithstanding the Franchisor's approval of a form of advertisement or promotion being used by the Franchisee, if the Franchisor subsequently for any reason determines the Franchisee's advertising or promotion no longer meets the foregoing requirements, the Franchisee shall cease forthwith all use of such advertising or promotion.

(d) Notwithstanding anything herein to the contrary, if for any reason the Franchisor desires to conduct the local advertising or promotion of the Franchisee, the Franchisor shall have the right to do so on behalf of and at the expense of the Franchisee. If the Franchisor exercises this right, the Franchisee shall pay to the Franchisor in advance and upon receipt of invoice, such amount as the Franchisor estimates is required to be spent on advertising and/or promotions under this Agreement, for the period or periods the Franchisor takes over such advertising. In the event the amounts paid by the Franchisee are in excess of the amounts in fact required to be expended, the Franchisor shall reimburse the Franchisee any excess within thirty (30) days of establishing the actual amounts, but in the event such amounts are less than those required to be

expended, the Franchise shall pay any such deficiency within seven (7) days of receipt of invoice.

10.6 Display of Trademarks.

The Franchisee agrees to display on all Vehicles and on the Premises such advertising signage containing the Marks as shall be specified from time to time in the Confidential Manual or otherwise in writing by the Franchisor. The Franchisee shall display on its Vehicles and at its place of business, and in such other manner as the Franchisor may specify from time to time, a statement that the franchised business is independently owned and operated by the Franchisee. The Franchisee further agrees that it will not identify itself as being the Franchisor, a subsidiary, division, partner, joint venture, agent or employee of the Franchisor.

10.7 Internet Advertising.

(a) Except as set forth in Section 10.4, the Franchisee shall not at any time advertise the Franchised Business over the Internet or use the Marks to promote any part of the Proshred System in any Internet site or on any meta tags or as a domain name or part of a domain name without the Franchisor's prior written consent, which the Franchisor may withhold in its absolute discretion.

(b) The Franchisor shall maintain, and reserves the exclusive right to maintain, one or more websites to advertise, market and promote the Proshred system, the services sold by Proshred franchisees and the Proshred franchise opportunity (the "System Website"). The Franchisor owns all intellectual property and other rights in the System Website.

(c) The Franchisee agrees to use any e-mail address the Franchisor may assign to the Franchisee using the Franchisor's domain name and such signature text as the Franchisor may prescribe from time to time, and to check such e-mail account regularly. The Franchisee further agrees to comply in all respects with any code of conduct the Franchisor may issue from time to time for the use of such e-mail account and the System Website.

10.8 National Account Program.

The Franchisee shall participate fully in any Regional and National Account sales programs that the Franchisor may establish in accordance with the terms of the Confidential Manual. Such national accounts may call for specific pricing, service schedules, numbers of consoles, billing and credit terms that are different than the Franchisee's standard terms. In the event that payment is centralized, the Franchisor shall ensure

that the Franchisee receives fair compensation for the Franchisee's services to such regional and national customers.

11. RECORDS AND REPORTING

11.1 Bookkeeping, Accounting and Records.

The Franchisee shall maintain a bookkeeping, accounting, and record keeping system for the Franchised Business which shall conform to the requirements prescribed by the Franchisor, using such bookkeeping, accounting and reporting forms as the Franchisor may specify from time to time. Without limiting the generality of the foregoing, the Franchisee shall retain all invoices, payroll records, check stubs, bank deposit receipts, cash disbursement journals and general ledgers recorded or stored by means of any device, including electronic form. The Franchisee shall keep such original documents throughout the Term, and for at least seven (7) years after their creation (or such longer period as may be required by law), at the head office of the Franchised Business or at another location of which the Franchisor shall be kept advised.

11.2 Reports and Tax Returns.

The Franchisee shall furnish to the Franchisor in the form from time to time prescribed by the Franchisor:

- (a) by the tenth (10th) day of each month a report of the Franchisee's Gross Revenue for the preceding month, signed by the Guarantor or another management-level person responsible for the operation of the Franchised Business;
- (b) by the twenty-fifth (25th) day of each month an income and expense statement for the preceding month;
- (c) within sixty (60) days after the end of each fiscal year of the Franchisee, a statement of Gross Revenue, profit and loss, a balance sheet and source and application of funds from the beginning of that fiscal year, reviewed by a certified public accountant and approved by the Franchisee;
- (d) by the tenth (10th) day of each month a report showing the quantity of waste paper and other recycled items processed (in pounds or tons) and the gross value (before processing) of the recycled items, in the preceding month;
- (e) by the tenth (10th) day of each month a report of the count on the hour meter attached to the shredding equipment on each Vehicle; and

- (f) such other reports, records, calculations and indices as the Franchisor may, from time to time, reasonably require.

12. INSPECTION AND AUDITS

12.1 The Right to Inspect and Audit.

The Franchisor or its designated representatives shall at all times during the Term, and for a period of six (6) months after the expiration or termination hereof, have the right, at reasonable intervals and upon reasonable notice, to inspect or audit the books and records of the Franchisee relating to the business franchised hereby, and to take excerpts therefrom. During the Term, the Franchisor or its designated representative shall also have the right, with or without prior notice, to enter upon any premises used by the Franchisee in connection with the franchised business in order to observe the Franchisee's methods of operation. The Franchisee shall cooperate with the Franchisor or its representatives during all inspections and shall take all steps reasonably necessary to correct any deficiencies within the time specified by the Franchisor. In addition, the Franchisor will have the right to conduct periodic customer satisfaction surveys and to use mystery or secret shoppers to ensure compliance with system standards. If the Franchisee shall at any time cause an audit of the Franchised Business to be made by a certified public accountant, the Franchisee shall supply the Franchisor with a copy of such audit without demand and without cost or expense to the Franchisor.

12.2 Discrepancies.

If any inspection demonstrates a deficiency in any payments due to the Franchisor pursuant to this Agreement, the Franchisee shall pay the deficiency within fifteen days after receipt of the audit report or inspection report plus interest from the date the understated amount was due at the rate described in Section 20.11. If any such inspection demonstrates an overpayment, the Franchisor shall, in the Franchisor's discretion, either refund such overpayment to the Franchisee or credit it toward future sums payable to the Franchisor hereunder as they fall due.

12.3 Cost.

All inspections and audits described in Section 12.1 shall be at the expense of the Franchisor; provided, however, that in the event that any such inspection demonstrates that the amount the Franchisee actually paid to the Franchisor in any twelve-month period is at least two (2%) percent less than the amount due to the Franchisor for such period pursuant to this Agreement, or if the inspection or audit is made necessary by the failure of the Franchisee to furnish reports, financial statements, tax returns or

schedules as herein required, then the entire expense thereof shall be borne by the Franchisee. Such expense shall include, but not be limited to, the amounts charged by the independent accountants or others, as well as the travel, lodging, meals, salaries and other expenses of the personnel who performed the inspection or audit.

12.4 Other Information.

The Franchisee hereby authorizes the Franchisor to make such inquiries of the Franchisee's bankers, suppliers and trade creditors as the Franchisor may require in order to obtain information and copies of documents concerning the Franchised Business and the Franchisee hereby directs such persons and companies to provide to the Franchisor such information and copies of documents pertaining to the Franchised Business as the Franchisor may request. The Franchisee agrees to execute and deliver such directions, authorizations or other documents as the Franchisor may require in order to permit the appropriate persons to disclose or release such information and documents to the Franchisor.

13. TRADEMARKS

13.1 Ownership of the Marks.

The Franchisee's right to use the Marks is derived solely from, and subject to the terms and conditions of this Agreement; such right is limited to the operation of the Franchised Business in accordance with this Agreement and all mandatory standards, specifications and operating procedures prescribed from time to time by the Franchisor. The Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, directly or indirectly, the Franchisor's application for, or registration of, or the validity or enforceability of, any of the Marks. The Franchisee agrees that its usage of the Marks and any goodwill established thereby shall inure to the exclusive benefit of the Franchisor. The Franchisee further agrees that after the termination or expiration of this Agreement, it will not directly or indirectly at any time or in any manner identify any other business as a licensee or franchisee of the Franchisor (or former licensee or franchisee of the Franchisor), or itself as a franchisee (or former franchisee) of, or otherwise associated with, the Franchisor, except for any businesses owned and operated under valid and enforceable Proshred franchise agreements which have not been terminated; nor will it use, or attempt to influence others to use, in any manner or for any purpose, any of the Marks, similar words or designs, or any colorable imitation thereof.

The Franchisee will use its best efforts to preserve the value and validity of the Marks and of any registration thereof and in particular will:

- (a) endeavor to promote and create goodwill in the provision of services under the Marks;

- (b) conduct its business in accordance with the standards and specifications set out by the Franchisor;
- (c) give to the Franchisor such information as to the Franchisee's use of the Marks as the Franchisor may reasonably require and otherwise render to the Franchisor such assistance as may be reasonably necessary for the Franchisor to obtain and maintain registration of the Marks;
- (d) use the Marks in their correct spelling and not as a verb or in the plural or in any other manner which might endanger the validity of the Marks or of the registration thereof; and
- (e) not use the Marks unaccompanied by words describing the Merchandise or wares unless the Marks are capitalized or otherwise distinguished from surrounding and adjacent text.

13.2 Limitations on the Franchisee's Use of the Marks.

All stationery and business cards used by the Franchisee shall conform to the Franchisor's standards and specifications. All contracts entered into by the Franchisee shall clearly indicate that the Franchisee is executing such contract as an independently owned and operated business entity. If local laws require that the Franchisee file a certification that it is conducting business under an assumed or trade name, the Franchisee shall state in such filing that the Franchisee is "a franchisee of Proshred Franchising Corp." All stationary, invoices, advertisements, business cards or other like materials used in the business shall contain only such phone numbers, fax numbers or e-mail addresses as shall be designated by the Franchisor. The Franchisee shall not use any of the Marks, similar words or colorable imitation thereof as part of any corporate name or with any other prefix, suffix or other modifying words, terms, designs or symbols (other than as required herein or with logos licensed to the Franchisee hereunder), or in any modified form; nor may the Franchisee use any of the Marks in connection with the sale of any unauthorized service or in any other manner not explicitly authorized in writing by the Franchisor. The Franchisee shall display such symbol or symbols as the Franchisor may designate beside any or all of the Marks.

13.3 Modifying the Marks.

The Franchisor has the right to modify or change any Mark from time to time upon written notice to the Franchisee specifically referring to this Agreement and describing such modification or change. Such right will include the right to use a trademark that is entirely different from "Proshred" and the right to require the Franchisee to use one or more additional logos and marks; provided, however, that the Franchisor will

make all such changes in the Marks only for good faith marketing, trademark or other reasons on a uniform basis for all Proshred franchisees in the U.S.A. The Franchisee agrees, upon notice from the Franchisor, to regard each such modified, changed, new or additional trademark as being within the definition of "Marks" hereunder, and to adopt and use each such trademark at the Franchisee's expense in accordance with the terms and conditions of this Agreement. If the Franchisor requires a change in signage, the Franchisor will reimburse the Franchisee for the Franchisee's reasonable direct expenses of changing the signs at the Premises. However, the Franchisor will not be obligated to reimburse the Franchisee for any loss of revenue or expenses caused by any such modification or change.

13.4 Notification of Infringements and Claims.

The Franchisee shall promptly notify the Franchisor of any apparent infringement of, or challenge to, the Franchisee's use of any of the Marks and any claim by any person of any rights to any of the Marks that may come to the Franchisee's attention. In the event of any such apparent infringement, challenge or claim, the Franchisee shall not communicate with any person other than the Franchisee's own counsel and the Franchisor and its counsel in connection therewith. The Franchisor shall have the right, in its discretion, to take such action as it deems appropriate and the exclusive right to control any litigation or administrative proceeding arising out of any infringement of, or challenge or claim to, any of the Marks or in any way related to the Marks. Any damages or other benefits arising out of any such infringement, challenge or claim shall accrue exclusively to the benefit of the Franchisor. The Franchisee shall cooperate with the Franchisor in any such action and shall execute such documents, and do all acts necessary or incidental to such action, as the Franchisor may reasonably request, at the Franchisor's cost for the Franchisee's reasonable out of pocket expenses.

13.5 Copyright.

The Franchisee acknowledges that the Franchisor has developed, and may further develop during the Term, the Confidential Manual as well as advertising materials, designs, and other creative works for use in the Proshred System. The Franchisee acknowledges that the Franchisor retains all right, title and interest thereto under the copyright law and further, that the Franchisee is licensed to use such copyrighted materials solely in accordance with the terms and during the Term. The Franchisee shall notify the franchisor promptly in writing if the Franchisee learns of any unauthorized use of the Franchisor's copyrights. The Franchisor is not obligated to take any action but will respond to this information as the Franchisor deems appropriate in its discretion.

13.6 Reasonableness of Protection of the Marks.

The Franchisee hereby acknowledges and agrees that the covenants and agreements given by the Franchisee pursuant to this Article 13 are reasonable, having regard to the necessity of the Franchisor to protect its interests and rights in the Marks and the integrity thereof. Accordingly, the Franchisee agrees that the Franchisor, aside from any other rights and remedies to which it may be entitled under this Agreement, may enforce its rights under this Agreement by means of injunctive relief, including preliminary injunction, by any court of competent jurisdiction.

13.7 System Improvements by Franchisee.

All improvements in the Proshred System developed by the Franchisee during the Term shall be deemed to be sold to the Franchisor in partial consideration for the license granted hereunder by the Franchisor to the Franchisee, and such improvements shall automatically be and become the sole property of the Franchisor. The Franchisor may incorporate such improvements into the Proshred System and shall have the sole and exclusive right to protect such improvements by means of copyright, patent, trade secret law or trademark law, with any applicable filing or registration being in the Franchisor's name. The Franchisee shall have no right to use such improvements except as set forth in this Agreement. The Franchisee shall promptly disclose all such improvements to the Franchisor, in such detail as the Franchisor may from time to time request, and shall, without further consideration, but at the expense of the Franchisor, execute such documents and do such acts as may be necessary for the Franchisor to protect such improvements in the Franchisor's own name in any country.

14. TERMINATION OF FRANCHISE

14.1 The Franchisor's Right to Terminate.

The Franchisor shall have the right to terminate this Agreement effective immediately (unless otherwise specified herein or in the notice of termination) without obligation to refund any portion of the Initial Fee upon delivery of notice of termination to the Franchisee if the personnel of Franchisee who enroll in the initial training program pursuant to Section 5.1 fail to complete such training program to the satisfaction of the Franchisor, or if the Franchisee:

- (a) becomes insolvent or is unable to pay its debts as they become due, is adjudicated a bankrupt, or a petition in bankruptcy or reorganization is filed by or against it and any such petition is not discharged within sixty days after it is filed, or a permanent or temporary receiver or trustee for all or substantially all of the Franchisee's property is appointed by any court, or if the Franchisee makes an assignment for the benefit of its creditors or

an arrangement pursuant to any bankruptcy law, unless termination on such grounds is not permitted under the bankruptcy law;

- (b) fails to locate a Site acceptable to the Franchisor within forty-five days after the date of this Agreement;
- (c) fails to open the franchise for business by the later of (i) forty-five days after the Franchisor approves a Site or (ii) thirty days after the completion of initial training;
- (d) voluntarily abandons the franchise by failing to operate the business for such period after which it is not unreasonable under the facts and circumstances for the Franchisor to conclude that the Franchisee does not intend to continue to operate the franchise;
- (e) submits on any occasion a report, financial statement, tax return, schedule or other information or supporting record which understates Gross Revenue for any period by more than two percent (2%), unless the Franchisee demonstrates that such understatement resulted solely from inadvertent error;
- (f) fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than ten (10) days late on two (2) or more occasions during any twelve-month period;
- (g) operates the Franchised Business in a manner that presents a hazard to customers, employees or the public and fails to correct such manner of operation immediately after notice from the Franchisor or any regulatory body to correct same;
- (h) is more than five (5) days late in its payment of any amount due hereunder or under any promissory note referred to in Section 9.1 and fails to make such payment within five (5) days after the Franchisor shall have notified Franchisee that such payment is past due;
- (i) is more than five (5) days late in its payment of any amount owed to a third party provider of products or services and fails to make such payment within five (5) days after the Franchisor shall have notified the Franchisee that such payment is past due, except in cases of a bona fide dispute over such bill or amount; or if the Franchisee fails to honor on two (2) or more occasions during the Term checks presented for payment or re-

peatedly and consistently pays any amount due hereunder after its due date;

- (j) sells or offers any unauthorized services after written notice from the Franchisor to cease;
- (k) violates, or its manager or one of its principal officers or directors or controlling shareholders or partners violates, or is discovered to have been convicted of a felony or other offense if such plea or conviction is likely, in the Franchisor's judgment, to adversely reflect upon or affect the franchised business or the Franchisor or its other franchisees;
- (l) fails to comply with one or more material requirements of the Franchisor, whether or not corrected after notice, two (2) or more times during any twelve-month period;
- (m) has made or makes any material misrepresentation to the Franchisor prior to or following execution of this Agreement;
- (n) fails or refuses after notice to cease any conduct which, in the Franchisor's sole judgment, adversely affects the Marks;
- (o) fails to record any sale of any goods or services or other transaction in the manner required by the Franchisor so that the effect is an under reporting of Gross Revenue;
- (p) appears in the reasonable judgment of the Franchisor, applying generally accepted accounting principles, to be in danger of becoming insolvent unless within thirty (30) days after notice of default under this subsection the Franchisee demonstrates to the satisfaction of the Franchisor that it is not in danger of becoming insolvent, and that it is financially able to fulfill all of its obligations to customers, the Franchisor and all other creditors;
- (q) fails to attain at least fifty percent (50%) of its Minimum Performance Level for any calendar year;
- (r) or any of the Franchisee's owners are or have been convicted by a trial court of, or plead guilty or have pleaded no contest to, a felony or any other crime or offense, or engage in any dishonest or unethical conduct, that may adversely affect the reputation of the Franchised Business, other Proshred franchises or the goodwill associated with the Marks;