



FRANCHISE DISCLOSURE DOCUMENT

JUNK KING FRANCHISE SYSTEMS, INC.

a California corporation
969 Industrial Road, Suite G
San Carlos, CA 94070
1-800-995-JUNK
(1-800-995-5865)
www.junk-king.com

We offer franchises for the operation of retail junk removal businesses under the name "Junk King."

The total investment necessary to begin operation of a Junk King franchise is estimated at between \$87,500 and \$167,000, assuming there are no more than 500,000 persons in the territory. This includes \$40,000 that must be paid to Junk King or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: September 1, 2010

See the State Cover Page following this page for state-specific effective dates.

REGISTRATION OF THIS FRANCHISE WITH THE STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE STATE ADMINISTRATORS LOCATED ON EXHIBIT 1.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit 1 for information about the franchisor, about other franchisors, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN SAN MATEO COUNTY, CALIFORNIA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISOR HAS BEEN IN EXISTENCE ONLY SINCE JANUARY 2010. THEREFORE, THERE IS A LIMITED HISTORY OF FRANCHISE OPERATIONS TO ASSIST YOU IN DECIDING WHETHER OR NOT TO MAKE THIS INVESTMENT.
4. WE USE THE SERVICES OF ONE OR MORE FRANCHISE BROKERS OR REFERRAL SOURCES TO ASSIST US IN SELLING OUR FRANCHISES. A FRANCHISE BROKER OR REFERRAL SOURCE IS OUR AGENT AND REPRESENTS US, NOT YOU. WE PAY THIS PERSON A FEE FOR SELLING OUR FRANCHISES OR REFERRING YOU TO US. YOU SHOULD BE SURE TO DO YOUR OWN INVESTIGATION OF THE FRANCHISE.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

EFFECTIVE DATES

<u>State</u>	<u>Effective Date</u>
California	April 27, 2010
Hawaii	October 5, 2010
Illinois	n/a
Indiana	September 27, 2010
Maryland	n/a
Minnesota	December 17, 2010
New York	October 20, 2010
North Dakota	n/a
South Dakota	n/a
Rhode Island	January 4, 2011
Virginia	n/a
Washington	November 29, 2010
Wisconsin	TBD

For all other states, the effective date is September 1, 2010.

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Exhibit 1	State Administrators / Agents for Service of Process
Exhibit 2	State Specific Addendum
Exhibit 3	Franchise Agreement
Exhibit 4	Table of Contents of Operating Manual
Exhibit 5	Financial Statements
Exhibit 6	Franchisee Disclosure Acknowledgment Statement
Exhibit 7	Lists of Franchisees and Franchisees Who Have Left the System
Exhibit 8	Master Area Developer Agreement

RECEIPT

ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document "Junk King", "us" and "we" means Junk King Franchise Systems, Inc, a California corporation, the franchisor. "You" means the person who buys the franchise from us. If you are a corporation, partnership, limited liability company or other entity, "you" includes your owners.

Junk King, LLC and Its Parents, Predecessors and Affiliates

Junk King Franchise Systems, Inc, a California corporation, was formed on January 11, 2010. Our principal business address is 969 Industrial Road, Suite G, San Carlos, CA 94070. The names and principal business addresses of our agents for service of process are listed in Exhibit 1.

We do business under our company name "Junk King." We do not do business under any other name.

Our predecessor is Junk King, LLC. It was formed on February 15, 2005. Its principal business address is 969 Industrial Road, Suite G, San Carlos, CA 94070. Junk King, LLC, conducted our franchising operations prior to the formation of Junk King Franchise Systems, Inc. The business activities of Junk King, LLC, now are limited to the operation of a company-owned junk removal business and it no longer will be involved in franchising. You should look only to Junk King Franchise Systems, Inc., to carry out our obligations to you.

We do not have any additional parents, predecessors, affiliates or subsidiaries.

Our Business Operations

We are a new company. However, our predecessor has operated a junk removal business in the San Francisco Bay Area since February 2005.

We grant franchises to qualified candidates in the United States for the operation of junk removal businesses identified by the name "Junk King". We have not offered franchises in other lines of business, and we do not intend to do so.

We have no other business activities.

The Program

We have combined our own best practices into a comprehensive, turnkey process for operating a franchise junk removal business (the "Program"). The Program is a step-by-step guide to running a Junk King franchise. It includes franchisee training, marketing and sales methodologies (including use of the Junk King trademark and brand development), proprietary software, and access to and support by our exclusive Customer Care Center (the "Center") in San Carlos, California. The Center is the hub of our customer services. It processes all telephone, fax and e-mail customer contacts and sales, schedules customer appointments, makes after-service contacts to ensure customer satisfaction, and maintains the Junk King customer database.

Market and Regulatory Matters

The Market: Junk King originally operated in the San Francisco Bay Area, but we now have begun to operate in other markets as well. We leverage a national Customer Care Center, operate a sophisticated web-based dispatch system, and provide you with a comprehensive training program and ongoing business coaching and support. Our target market includes homeowners, property managers, contractors, realtors, and businesses.

There is an established market for residential and commercial junk removal services. This presents an opportunity for entrepreneurs desiring to provide consumers with responsive, dependable, and professional junk removal services.

The market for residential and commercial junk removal services is growing, but competitive. You will be competing with national and local businesses offering similar services. Your efforts and skills as a business owner will be the primary determinants of your success.

Industry Specific Regulations: You will be required to research and to follow all relevant local, state and national laws and regulations pertaining to the junk removal and hauling business. You will also be required to comply with all general business and commercial vehicle licensing laws and regulations. The Franchised Business will, upon order, remove and haul junk from residential and commercial customers for disposal, re-use and recycling. The "junk" that our franchises remove and haul consists of items that are not typically removed in the normal municipal pick-up. We are not, and Franchised Businesses will not be, in the business of regular pick-up of trash along designated residential or commercial routes, or the hauling of liquids, gases, or flammable or hazardous waste.

We urge you to make inquiries about laws that may be applicable to your Franchised Business. Because our industry is regulated, you must be aware of local regulations pertaining to your territory and keep apprised of changes that may have an impact on the Franchised Business. We have not determined the licensing requirements in your proposed territory, or whether it is possible to obtain necessary licenses. Some local governmental agencies may grant franchises that could limit your territory and/or operations. You are solely responsible for determining licensing requirements in your proposed territory before you sign the Franchise Agreement.

ITEM 2. BUSINESS EXPERIENCE

Following are the names and a brief description of the business experience of our directors, officers and persons having management responsibility:

Co-President: Mike Andreacchi

Mike Andreacchi co-founded Junk King with Brian Reardon in January 2010 and has been its Co-President ever since. He also co-founded Junk King, LLC, in April 2005 and is its Co-President as well. From June 2004 until February 2005, Mr. Andreacchi worked for 1-800 GOT JUNK.

Co-President: Brian Reardon

Brian Reardon co-founded Junk King with Mike Andreacchi in January 2010 and has been its Co-President ever since. He also co-founded Junk King, LLC, in April 2005 and is its Co-President as well. From February 2004 until February 2005, Mr. Reardon was a Sales Executive for Clear Channel Communications, Inc. Prior to this he was a Sales Executive for Cintas Corporation from February 2003 until February 2004.

Director of Franchising: Dennis Mulgannon

Dennis Mulgannon has been Director of Franchising for Junk King Franchise Systems and its predecessor since October 2009. Prior to this position, he held similar positions with Home Care Assistance Franchise, Inc., and Athletic Nation Franchise Corp. from 2007 to September 2009. He served as the Director of Business Development for Franchise Update Media Group, San Jose, California, from June 2003 until January 2007. His duties included sales and marketing of Franchise Update products and services. He was a self-employed franchise consultant prior to that time.

Director of Development: Manny Petersen

Prior to working for Junk King, Manny was the Director of Development for Athletic Nation Franchise Corp. Manny Petersen served as the Inside Sales Manager for Composer Software from August 2005 until August 2006. Prior to that time, he was an Acquisitions Executive for MCI from May 2003 until August 2005.

Master Area Developer: Troy McLain

Troy McLain holds franchise development rights and duties for Arizona and most of Texas. He previously served as a multi-unit owner and operator of Comfort Keepers® non-medical in home care franchises from 2001 to 2009. He also has served as a distributor for Philips Lifeline® personal emergency response systems from 2003 to present.

We have no other executives or agents who have management responsibility in connection with the marketing and servicing of franchises.

ITEM 3. LITIGATION

There is no litigation that is required to be disclosed in this disclosure document.

ITEM 4. BANKRUPTCY

No person previously identified in Items 1 or 2 of this disclosure document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code or comparable foreign law required to be disclosed in this Item.

ITEM 5. INITIAL FEES

The initial franchise fee for a Franchised Business whose territory consists of up to 500,000 persons (based on the most recently published data from the U.S. Census Bureau or such other source as we may indicate) is \$30,000 and is payable to us in a lump sum when you sign the Franchise Agreement. The initial franchise fee for a Franchised Business whose territory consists of more than 500,000 people is \$30,000 (payable to us when you sign the Franchise Agreement), plus 6¢ (six cents) for each additional person in the territory (payable to us as set forth in the Franchise Agreement). So, for example, if the territory consists of 1,000,000 people, then the initial franchise fee would be \$60,000, and if the territory

consists of 1,500,000 people, then the initial franchise fee would be \$90,000. The initial franchise fee will be used to defray our costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the franchised business.

In addition to the initial franchise fee, an initial marketing fee is payable to us when you sign the Franchise Agreement or as otherwise agreed by us. The initial marketing fee is \$10,000 for a Franchised Business whose territory consists of up to 500,000 persons, plus 2¢ (two cents) for each additional person in the territory. We will use this money to market and promote your Franchised Business prior to and during the first six months of operation. The timing, type, and amount of marketing made with the initial franchise fee are at our sole discretion, but the monies will be spent in your local area (as we define it) to help finance the preparation of an initial marketing plan and package, preparation of fliers, local advertising and other promotional materials.

We will only refund the entire initial franchise fee and initial marketing fee paid to date (without interest) if we do not approve your application. After commencing operations, we will refund \$30,000 of the initial franchise fee (without interest) if the Franchise Agreement is mutually terminated at your written request based on your failure to achieve aggregate gross revenues of \$125,000 during your first 12 months of operation, provided that you are otherwise in good standing under the Franchise Agreement. There are no refunds under any other circumstance. Except as noted herein, each portion of the initial franchise fee is fully earned upon receipt.

The source of funds needed by us to discharge our obligations will be from the initial franchisee fee, the initial marketing fee, and from working capital.

ITEM 6. OTHER FEES

OTHER FEES			
Type of Fee (1)	Amount	Due Date	Remarks
Royalty	8% of Gross Revenue	Semi-monthly on the third business day after the 1 st and 15 th day of each month	Gross Revenue is defined in Section 1.1 of the Franchise Agreement as the entire sales price less sales tax and refunds. See also Sections 4.1 and 4.2 of the Franchise Agreement. Paid by electronic transfer. (2)
Customer Care Center Fund	4% of Gross Revenue	Same as Royalty	This money is used to pay the expenses of the Customer Care Center. We manage the Customer Care Center on behalf of the Franchisees. See Sections 5.6, 5.1 and 4.2 of the Franchise Agreement. Paid by electronic transfer. (2)

Type of Fee (1)	Amount	Due Date	Remarks
Advertising	10% of average gross revenue per month during preceding quarter, but not less than \$2,500 per month	As incurred	This money is spent as directed by the Franchisee on advertising in their local market or as directed by Franchisor on regional or national advertising. See Sections 6.1 and 6.2 of the Franchise Agreement. This expenditure is paid to third party authorized vendors.
Additional Training	\$100 per person per day for additional training or retraining	Within 30 business days of billing by us	There is no separate charge for initial training of up to 4 persons. The costs of transportation, accommodations, meals and living expenses associated with training, for which you are responsible, are not indicated because such costs can vary greatly depending upon the timing of the training and your location in relation to San Carlos, California, the site of training. See Section 14.1 of the Franchise Agreement.
Transfer	\$10,000	You are required to pay \$2,500 upon announcing your intention to sell, and the balance upon transfer.	No charge if transferred to an entity you control. See Section 20 and specifically Section 20.3(b) of the Franchise Agreement.
Renewal Fee	\$5,000	Within 30 days before expiration of current term.	This fee is intended to defray legal and administrative costs incurred by us when you renew your franchise agreement. See Article 19 of the Franchise Agreement.
Interest on Overdue Payments	10% per annum	On date of payment of overdue amount	If you do not pay your royalties, Customer Care Center fees, or other amounts owed to us on time and in the amount due, we may require you to pay interest on the overdue amounts.
Costs and Attorneys' Fees	Will vary under circumstances	Upon request	If you default under a franchise agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing or terminating the agreement.

Type of Fee (1)	Amount	Due Date	Remarks
Indemnification	Will vary under circumstances	Upon request	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business.

(1) Unless otherwise noted, all fees are imposed by, payable to and collected by Junk King, are nonrefundable and are uniformly imposed.

(2) Payments are processed through the Automated Clearing House (“ACH”) electronic network. ACH rules and regulations apply.

ITEM 7. ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Initial Franchise Fee	\$30,000 (Note 1)	Lump sum	At signing of Franchise Agreement	Junk King
Initial Marketing Fee	\$10,000 (Note 2)	Lump sum	At signing of Franchise Agreement or as otherwise agreed	Junk King
Computer Hardware and Software	\$2,000 (Note 3)	Lump sum or lease	As incurred	3 rd party vendors
Miscellaneous Opening Costs	\$5,000-\$8,000 (Note 4)	As arranged	As incurred	3 rd party vendors
Equipment (purchase of truck with dump box)	Purchase or deposit: \$10,000 - \$65,000 (Note 5)	Lump Sum	When purchasing truck	Dealer/seller/lessor/finance company
Real Estate and Improvements – 6 months (Premises Lease)	\$5,000 (Note 6)	Monthly rent, plus security deposit and first and last month's rent	Upon signing premises lease and monthly thereafter	Landlord/lessor
Additional Funds – 6 Months	\$25,000-\$50,000 (Note 7)	As arranged	As incurred	Employees, suppliers, utilities

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to Be Made
Training Expenses	\$500-\$2,000 (Note 8)	As required by vendors	Before opening	Third-party hotel, restaurant and transportation vendors
TOTAL	\$87,500 - \$167,000 (Notes 9 and 10)			

Notes:

- (1) This amount assumes a franchise with a territory of no more than 500,000 persons. An additional franchise fee of 6¢ (six cents) would be payable for each additional person in the territory in excess of 500,000.
- (2) This amount assumes a franchise with a territory of no more than 500,000 persons. An additional marketing fee of 2¢ (two cents) would be payable for each additional person in the territory in excess of 500,000.
- (3) You must obtain computer, telephone and other related equipment that meets our specifications. These amounts represent the estimated cost to purchase this equipment. Item 11 of the disclosure document describes the required computer hardware and software in greater detail.
- (4) This estimates your initial miscellaneous start-up expenses, including printed materials, yellow page ads, uniforms, truck equipment, deposits, business licenses and legal expenses. Your expenses may vary substantially, upward or downward, depending upon the nature of your existing operations, whether you currently own computers and telephone equipment and whether you currently have an office. You will also have to pay for insurance on your truck and equipment, public liability and property insurance for your franchise, and fuel and maintenance costs for your truck. These figures are estimates and we cannot guarantee that you will not have additional expenses in starting your business.
- (5) The estimated total truck cost is \$65,000 per truck. You may be able pay as little as \$10,000 as a down payment on the truck purchase. You may instead be required to pay the full \$65,000 when you purchase the truck. This depends on factors such as the dealer used, credit history, and so forth. You must obtain a truck equipped with a dump box. Truck cost is estimated and will vary depending upon market prices and the options you select. You are encouraged to check with your local auto dealership. If you have 1,000,000 or fewer persons in your territory, you are required to purchase one truck upon startup and an additional truck when your existing truck(s) is/are averaging three (3) jobs per day over a fourteen day period. If you have over 1,000,000 persons in your territory, you are required to purchase two trucks upon startup and a third truck within 180 days of startup. See Item 8 for further details.
- (6) You must secure administrative office space for your franchise, and space for recycling, at the commencement of operations. You must maintain sufficient space to operate computer and telephone equipment, maintain records and provide a processing area for material that will be recycled. We estimate that you will need a minimum of 800 to 1,000 sq. feet. The above estimate

is based upon rental payments estimated at \$1,250 per month, plus a security deposit and first and last month's rent.

- (7) This estimates your initial operating expenses, including working capital and marketing fees, during the initial start-up months. Your costs will depend on factors such as: following Junk King's methods and procedures; your management skill, experience and business knowledge; local economic conditions; local market for services; prevailing wage rate; competition and sales level reached during the initial period. You are required to spend on local advertising each month an amount equal to 10% of the average gross revenue per month during the immediately preceding calendar quarter, but not less than \$2,500 per month. A significant amount of working capital may be allocated to additional marketing during the start-up phase of the business. The prices for these items will vary depending upon your location and on market prices.
- (8) The training expenses are incurred by you for your travel, accommodations and meals while training at our training facility. Per person expected costs are based upon a 6-day estimated stay, with accommodations (if needed) from \$100-\$150 per night; one meal per day (we provide breakfast and lunch during training); air transportation at \$200-\$400 per person, and local transportation at \$10-\$25 per day. We will train you and three additional employees at no charge to you; however, you must pay for all related training expenses as outlined.
- (9) We relied on our five years of experience in the business to compile these estimates. **You should review these figures carefully with an attorney or a business advisor before making any decision to invest in the franchise.** Your expenses may vary substantially, upward or downward, depending upon the nature of your existing operations, the size of your territory, whether you currently own computers and telephone equipment and whether you have a home office. You will also have to pay for insurance on your truck and equipment, public liability and property insurance for your franchise, and fuel and maintenance costs for your truck. These figures are estimates and we cannot guarantee that you will not have additional expenses in starting your business.
- (10) Unless otherwise noted, all fees payable to us are nonrefundable under any circumstances. Refundability of fees paid to third parties, however, will depend on your negotiation with each party. Junk King does not offer financing of all or part of the initial investment. (See Item 5 for information regarding the limited refundability of the initial franchise fee.)

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You are not required to purchase or lease any items for your Franchised Business from our approved supplier(s). However, certain items must meet our specifications. These items include trucks, truck boxes, signage, uniforms, marketing materials, tools, equipment and computers. We will provide you the opportunity to purchase some items from us, but you will have the option to purchase items meeting our specifications from third parties if you so choose. For those items that we do not provide, or which you chose to purchase through third parties, we will provide the specifications and it will be up to you to find suppliers that meet our specifications. Sometimes we may recommend a supplier, but we will not require you to use that supplier. Specifications include standards for gross tonnage, performance, type, appearance and GPS and navigation systems for your truck (see Operations Manual and Schedule D of the Franchise Agreement); memory, capacity and software capabilities of your computer (see Item 11); and capabilities of your telephone equipment (see Operations Manual). Other supplier relationships are mandatory. For example, you must obtain a model of truck specified by us. You must also be able to process Visa, MasterCard and American Express credit card payments, use a credit card processor

designated by us, and obtain software specified by us (see Item 11). You may currently purchase or lease these items from sources you choose so long as they meet our specifications. We reserve the right, in the future, to serve as, to change, or to designate, an approved supplier for any of these items.

Specifications and standards for these items are included in the Operations Manual, and may be updated or modified periodically by us. Our criteria for supplier approval, as may be needed, are also included in the Operations Manual, or may be requested from us directly in writing on a case by case basis. Generally, we apply the following criteria, among others, in considering whether the supplier will be designated as an approved supplier:

1. Ability to produce the products, services, supplies or equipment to meet both our standards and specifications for quality and uniformity and our customers' expectations;
2. Production and delivery capabilities and ability to meet supply commitments;
3. Integrity of ownership (to insure that its association with Junk King will not be inconsistent with our image or damage our goodwill);
4. Financial stability; and
5. The negotiation of a mutually satisfactory license to protect our intellectual property.

We will advise you within a reasonable time (no more than 30 days) whether the proposed items and supplier(s) meet our specifications, and our approval will not be unreasonably withheld. You will be notified in writing of our approval or disapproval and of revocation of approved suppliers. Suppliers must maintain our standards in accordance with written specifications and any modifications. Failure to correct a deviation from the Program's specifications will result in the termination of status as an approved supplier. We reserve the right to require you to reimburse us for reasonable expenses we incur in approving new items and/or suppliers.

Currently we do not negotiate purchase arrangements with any suppliers for the benefit of our franchisees nor receive any rebates from these purchases, but we reserve the right to do so in the future. The intent of the specifications, standards and supplier approval is to create brand consistency throughout North America. We are not currently an approved supplier of any of these items, nor are any of our affiliates. We do not currently derive income based on your required purchases or leases. The purchase and lease of items from approved suppliers or that meet our specifications represent approximately 10% to 25% of your total expenses in connection with the establishment of the Franchised Business, and approximately 50% to 60% of your total expenses in connection with the ongoing operation of the Franchised Business.

ITEM 9. FRANCHISEE'S OBLIGATIONS

FRANCHISEE OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	2.3, 2.4	Items 8 and 11
b. Pre-opening purchases/leases	2.3, 7.1, Schedule D	Item 8
c. Site development and other pre-opening requirements	2.3	Item 8
d. Initial and ongoing training	14	Item 11
e. Opening	2.3	Item 11
f. Fees	1.1, 3, 4, 5.6, 6.1, 10.4, 14.1, 19(b), 20.3(b), 23.2	Items 5 and 6
g. Compliance with standards and policies/operating manual	7.1, 7.3, 8.1, 8.3, 13.1, 13.3	Item 11
h. Trademarks and proprietary information	2.1, 12, Schedule B	Items 13 and 14
i. Restrictions on products/services offered	2.4, 5.4, 8.1, 8.2, 8.3, 8.5	Item 16
j. Warranty and customer service requirements	7.1, 8, 9	Item 11
k. Territorial development and sales quotas	15.2	Item 12
l. Ongoing product/service purchases	N/A	N/A
m. Maintenance, appearance and remodeling requirements	7.3, 8.1	Item 11
n. Insurance	8.1, 13.11	Item 7
o. Advertising	6	Items 6 and 11
p. Indemnification	23.1	Item 6
q. Owner's participation/management/ staffing	2.6. 11	Item 15
r. Records/reports	10	Item 6
s. Inspections/audits	10.4, 13.7	Items 6 and 11
t. Transfer	20	Item 17
u. Renewal	19	Item 17
v. Post-termination obligations	18	Item 17
w. Non-competition covenants	21	Item 17
x. Dispute resolution	23.13	Item 17
y. Other (describe)		

ITEM 10. FINANCING

We do not offer direct or indirect financing. We do not guarantee your notes, leases or other obligations.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, Junk King is not required to provide you with any assistance.

Pre-Opening Obligations:

Before you open your business, Junk King will:

1. Designate an exclusive territory (see Franchise Agreement, Section 2.2);
2. Provide marketing materials and other sales aids developed by us and promotional assistance (see Franchise Agreement, Section 14.3);
3. Loan you one copy of the copyrighted series of Program manuals, as revised periodically (the "**Operations Manual**") (see Franchise Agreement Sections 2.1 and 14.3). The Table of Contents of the Operations Manual is set forth in Exhibit 4. You may not copy the Operations Manual without Junk King's permission; and
4. Provide an initial training program for you (or, if you are not an individual, your owner) and up to 3 additional employees, which you both must complete to our satisfaction. The training covers all aspects of the business operating system, consisting of both in-class training and in-field training. A description of the training program is set forth below in this Item 11.

Site Selection

We require you to secure administrative office space and space for recycling for your Franchised Business. You must maintain sufficient space to operate computer and telephone equipment and maintain records and to process materials that will be recycled. We estimate that you will need a minimum of 800 to 1,000 square feet. In addition to the rent you will be required to pay, the cost of office space will depend upon the amount of any deposit you must pay in connection with the rental, build-out costs, or pre-paid rent that the landlord may require. You may hold office space anywhere within the Territory. If requested, we will offer our recommendations on preferred key locations.

Acquisition of Trucks

If you have 1,000,000 or fewer persons in you territory, we require you to purchase one truck upon startup and an additional truck when your existing truck(s) is/are averaging three (3) jobs per day over a fourteen day period. If you have over 1,000,000 persons in you territory, we require you to purchase two trucks upon startup and a third truck within 180 days of startup. We reserve the right to alter these requirements for any particular franchisee. Each truck must meet our specifications, including

our specifications regarding gross tonnage, performance, type and appearance, and GPS and navigation systems for each truck (see Operations Manual and Schedule C of the Franchise Agreement).

Length of Time Before Opening of Franchised Business:

The expected typical length of time between the signing of the Franchise Agreement and the operation of the Franchised Business is 5 to 12 weeks. Factors affecting this length of time include the time it takes to find and lease a suitable location for the Franchised Business, the time it takes for delivery of the trucks, the time it takes to find and hire suitable employees, and your availability for attending the training session in San Carlos, California.

Obligations During Operation of Franchise:

During the operation of the Franchised Business, we will:

5. Loan you a copy of our confidential Operations Manual (see Franchise Agreement, Section 14.3);
6. Operate the Customer Care Center (see Franchise Agreement, Section 5.1);
7. Provide access to JunkKingNetware, our proprietary Program intranet (see Franchise Agreement, Section 5.3);
8. Administer and maintain the Customer Care Center Fund (see Franchise Agreement, Section 5.6);
9. Monitor your compliance with your obligation to spend a minimum amount on local advertising (see Franchise Agreement, Section 6.1);
10. Provide you with general advice, assistance and field support as we deem helpful to you in the ongoing operation, advertising and promotion of the Franchised Business (see Franchise Agreement, Sections 14.3 and 14.4);
11. Continue efforts to establish and maintain high standards of customer satisfaction and professionalism in the Program (see Franchise Agreement, Section 14.4);
12. Coordinate and conduct periodic training programs for franchisees as we in our sole discretion deem necessary (see Franchise Agreement, Section 14.3(c));
13. On a periodic basis, conduct inspections of the Franchised Business and its operations, and evaluations of the methods and staff employed at the Franchised Business (see Franchise Agreement, Sections 14.3 and 14.4); and
14. Take initiatives and steps to protect the integrity of the brand (see Franchise Agreement, Section 14.3).

Advertising and Marketing Program

You are required to spend on local advertising each month an amount equal to 10% of the average gross revenue per month during the immediately preceding calendar quarter, but not less than

\$2,500 per month. This amount must be spent on local (in the vicinity of the Franchised Location) advertising and promotions. Although we will provide suggestions on how best to spend these funds, and sample marketing materials for your use, you will make the determination how you will spend these funds on advertising and promotions in your market. Franchisor reserves the right to require you to contribute 40% of your required advertising expenditures to a Franchisor-controlled regional or national advertising fund.

We do not have an advertising council and there is no requirement for you to participate in a local or regional advertising cooperative. No advertising funds are used to solicit new franchise sales.

Hardware, Software and Internet Connectivity

You must install and maintain a computer system according to our specifications, as listed in the Operations Manual (Franchise Agreement Section 13.1). The following sets out the current required configuration:

Minimum Hardware Configuration Required:

- Intel® Pentium Core™ T2330 Computer (1.60 GHz/533 Mhz FSB/1MB) or better
- Genuine Windows Vista® Home Premium Edition
- Anti-glare, widescreen 15.4 inch display (1280x800)
- Intel Graphics Media Accelerator X3100
- 2 GB Shared Dual Channel DDR2 at 667 MHz
- Size: 160 GB SATA Hard Drive (5400 RPM)
- CD / DVD Writer (DVD+/-RW Drive)
- Dell Wireless 1395 802.11g Mini-Card
- 56W hr Lithium Ion Battery (6 cell)
- High Definition Audio 2.0

Also must include:

- Integrated 10/100 Network Card
- Integrated Modem
- Adobe® Acrobat® Reader 8.1
- Windows Vista™ Premium
- Intel Pentium® Dual-Core Processor
- DSL or Cable Model
- Power bar with surge protection
- Printer (quality laser printer recommended for direct mail) or a combination laser/fax

We recommend Dell computer as our preferred supplier or the required computer hardware listed above, but we do not require you to purchase from Dell.

Minimum Software Configuration Required:

- Microsoft Internet Explorer version 6.0 with service pack 2 update
- Current Version of Adobe Acrobat Reader-free download
- Web-based QuickBooks Pro 2008 or most current
- Microsoft Office 2003 Basic or better (including MS Word and MS Excel and full Outlook)
- Internet connection required in accordance with specifications below (where available)

- Antivirus Suite software 2006 or better (we recommend software from Trend Micro, Norton, or McAfee)

Internet Connectivity Requirements:

- Cable or DSL broadband Internet connection. Your Internet connection must *not* be AOL, Prodigy, or any similar service that requires end user to use proprietary browser and email software.
- A Broadband Router with a built-in Firewall is recommended, but not required. Linksys or D-Link firewalls are recommended, but those specific brands are not required.

We will provide you with secure passwords to our proprietary software, JunkKingNetware, through the internet and world wide web. We will train you on how to use JunkKingNetware. We will maintain JunkKingNetware and will provide updates as needed at no additional charge.

Your computer hardware and software must be kept up to date based on our specifications. There are no limitations on the frequency and cost of computer hardware and software upgrades.

We will have access to information you enter into JunkKingNetware. JunkKingNetware will collect sales data associated with the jobs you book and provide reports to both of us in order that we may more efficiently manage the business. There are no contractual restrictions on our access to this data. Compiled sales data regarding all franchised businesses in the Program will be made available to other franchisees.

The cost of purchasing the computer equipment is estimated to be approximately \$2,000. The estimated annual cost for maintenance, updating, upgrading and support contracts related to the computer equipment is \$250.

Operations Manual

The Table of Contents of the Operations Manual is set forth in Exhibit 4, together with a listing of the number of pages devoted to each subject identified in the Table of Contents

Training Program

An outline of the training is as follows (see Franchise Agreement, Section 14.1):

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Junk King QFAs	1 hour		Junk King's principal offices, San Carlos, CA
Onsite Sales	2 hours	8 - 16 hours	Junk King's principal offices, San Carlos, CA
Media & PR	1 hour		Junk King's principal offices, San Carlos, CA
Image and Reliability	30 min- 1 hour		Junk King's principal offices, San Carlos, CA

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Truck Operations & Safety	1 hour	2 hours	Junk King's principal offices, San Carlos, CA
Customer Care Center Orientation	1 hour		Junk King's principal offices, San Carlos, CA
JunkKingNetware	2.5 hours	2 hours	Junk King's principal offices, San Carlos, CA
Human Resources	1 hour		Junk King's principal offices, San Carlos, CA
Financial Planning	1 hour		Junk King's principal offices, San Carlos, CA
Business to Business	1 hour	8 hours	Junk King's principal offices, San Carlos, CA
Marketing & Advertising Systems	2 hours	4 hours	Junk King's principal offices, San Carlos, CA

All training takes place at Junk King's principal offices in San Carlos, California. Each day of training will begin at approximately 8:00 AM and will end at approximately 5:00 PM.

The initial training session generally includes 2-3 days of classroom time and 3 days of field training. Within 90 days of your business launch (or in our discretion before your business launch), we will do a field visit to revisit training in the field at your operation.

The courses are taught by Mike Andreacchi and Brian Reardon. Information about Messrs Andreacchi and Mr. Reardon's experience may be found in Item 2.

Instruction materials will include the operations manual, hand-out and Power Point presentations.

We will generally conduct the initial training program monthly or as often as the number of new franchisees requires.

There is currently no charge for attendance at initial training by you (or your owner) and three of your employees. You must, however, pay for all travel and living expenses for you and your attendees; continental breakfasts, lunches and one dinner will be provided on training days.

At least one refresher training course is required each year. We reserve the right to offer and/or require additional training courses as we deem necessary.

Initial training must be successfully completed at least 2 weeks before the commencement of the Franchised Business's operations.

Use of Master Area Developers

In certain parts of the country, all or some of our duties to you may be carried out by Master Area Developers ("Developers). These developers are listed in Item 2 of this disclosure, along with their areas

of responsibility. In addition, a typical Master Area Developer Agreement is attached to this disclosure document as Exhibit 8. The duties and responsibilities of the developer are set forth in that Agreement. Nevertheless, your Franchise Agreement is between you and us. The developer is not a party to your Franchise Agreement.

ITEM 12. TERRITORY

Exclusive Territory

You will receive an exclusive territory in which to operate the Franchised Business. Before signing the Franchise Agreement, we will determine your exclusive territory through discussions with you. We will not operate a company location within your territory, nor will we establish another franchisee in your territory. We may, however, establish franchisor-owned locations, other franchises or sub-franchises outside your exclusive territory, regardless of proximity to the boundaries of your territory. We may also establish other franchises or company-owned outlets or other channels of distribution offering similar services under names and trademarks other than the Marks, within or without your territory, provided they are not in direct competition with you. (See Franchise Agreement Section 2.2.)

You are prohibited from soliciting or providing services to customers outside of your exclusive territory.

No Minimum Revenue Requirements

Junk King does not have minimum revenue requirements that you must achieve or maintain.

Additional Franchised Businesses/Territories

We encourage you to expand to your maximum potential. We have implemented the following minimum standards to encourage success. Of course, our approval of an additional Franchised Business or expanded territory is not a guarantee that any Franchised Business will be successful, but to gain that approval, you must at minimum meet the following criteria:

- a) You must submit an annual financial statement and current personal net worth statement to show financial ability;
- b) You must have a minimum of 3 to 6 months operating capital, based on your projections and living expenses;
- c) You must be in good standing and full compliance with all terms and conditions of the existing Franchise Agreement(s) (including minimum performance standards) and truck lease agreement; and
- d) You must have been in operations in your Franchised Business for at least 9 months to expand your territory and at least a year if you wish to acquire a whole new Franchised Business.

We continue to reserve the right to grant or refuse to grant a Franchised Business or territory in our sole discretion. The foregoing are simply minimum standards and we will continue to make a determination of whether or not to grant a Franchised Business based on our own assessment of each Franchisee's business acumen. If you wish to expand your territory or acquire an additional territory after

you commence operations, as a condition to approving this, we may require that you terminate your existing Franchise Agreement(s) and execute our then-current Franchise Agreement covering the expanded territory. The term of this new Franchise Agreement may, in our sole discretion, coincide with the remainder of the shortest terms left under your prior Franchise Agreement(s). We reserve the right to negotiate the initial fees for such an arrangements based on the facts and circumstances existing at the time.

ITEM 13. TRADEMARKS

During the term of your Franchise Agreement, we will grant you the right to use the Program and Marks in the operation of your Franchised Business within a territory. By Marks we mean the trade names, trademarks, service marks and logos used to identify the Program. There are no agreements currently in effect which significantly limit our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the Franchised Business.

Our "Junk King" trademark was registered on the Principal Register of the U.S. Patent and Trademark Office ("USPTO") on October 14, 2008, Registration Number 3515304 by our predecessor. It was assigned to us on March 26, 2010. The "Junk King" image bearing the red and gold color scheme and with a gold crown between the two words and a second gold crown used to dot the letter "i", was registered on the Principal Register of the USPTO on November 4, 2008, Registration Number 3526799, by our predecessor. It was assigned to us on March 26, 2010.

You must use the names and Marks in full compliance with the provisions of the Franchise Agreement and in accordance with our rules. You cannot use any name or Mark as a part of any corporate name with any prefix, suffix or other modifying words, terms, designs or symbols. In addition, you may not use any name or mark associated with the sale of any unauthorized product or service in any other manner not explicitly authorized in writing by us.

You may not directly or indirectly oppose our right to our trademarks, trade names, trade secrets or business techniques that are part of our business. You must notify us immediately if you learn about a claim against your use of our trademarks (see Franchise Agreement Section 13.5). We will take whatever action, if any, we deem appropriate. We have no obligation to defend you or to take any legal action against others with respect to any claim related to your use of our trademark, but we will indemnify you against any loss or damage incurred by you as a result of a successful claim of infringement brought by a third party and related to your use of the Marks in accordance with the terms of the Franchise Agreement.

There is no currently effective material determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceeding or any pending material litigation involving the trademarks, service marks, trade names, logotypes or other commercial symbols licensed to us. We do not know of any infringing uses that could affect your use of the Marks. However, we are aware of certain businesses unrelated to us that use the name "Junk King" or similar in their business operations. We will attempt to determine the respective rights of the parties in these situations.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not register claims in patents or copyrights that are material to our business, but we do claim proprietary rights and copyrights to the confidential information contained in the Operations Manual. We also claim copyrights on operational materials specifically associated with the Program, including the proprietary advertisements, all materials presented to prospective customers, printed

materials and forms associated with the operation of a Franchised Business. You must promptly tell us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action, but will respond to this information as we deem appropriate. Our interests are to protect the integrity of the brand. We will not indemnify you for losses claimed by a third party concerning your use of this information.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We require that your Franchised Business be under the direct supervision at all times of at least one full-time General Manager approved by us. If you are an individual, you will generally be the person who acts as General Manager, but the General Manager can be any person so long as they have been trained and approved by us. We also require that each General Manager of the Franchised Business service an area with no more than 1.5 million persons. So, if your territory includes more than 1.5 million persons, then you must have at least one other General Manager for every additional 1.5 million (or fraction thereof) persons in the Territory. In certain circumstances, we may relax this requirement. In deciding whether or not to relax this requirement, we may take into account such factors as we deem relevant, including the total number of persons in, and geographic layout of, the territory, the total volume of business handled by you, and any management issues that we may have become aware of. If you acquire territory that is not contiguous with the territory you currently service, then we may require you to sign a separate franchise agreement for that territory, in which case it would be treated as a separate franchise requiring its own General Manager. All General Managers must successfully complete our initial training program, work full time and reside within 20 miles of the Territory, and be personally approved by us. We may waive this residence requirement, however, if a General Manager resides in the Territory for at least 3 days per week on average, and your Franchised Business is under the supervision by other management personnel approved by us at those times when the General Manager is absent. We may revoke this waiver at any time if we believe your Franchised Business is underperforming. If you are a corporation or other entity, the direct, on-site supervision must be done by a person who owns at least 75% of the voting equity, or by a manager who meets our approval. During the term of the Franchise Agreement, you are prohibited from actively participating in any other business during the required hours of operation of the Franchised Business, unless you have our written approval. There is no requirement that a General Manager own equity in you or the Franchised Business. We may request that you cause your employees to sign a form of confidentiality agreement approved or provided by us.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Franchised Business and perform all services in accordance with the operating guidelines and quality standards that we establish. You may only receive and fill orders from the Customer Care Center, or orders processed through the Customer Care Center. You may not receive or fill orders by any other method. You must operate your business during hours set by Junk King, which may vary from territory to territory. We have the unlimited right to change the types of authorized goods and services.

ITEM 17. RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.5, Schedule A	10 years
b. Renewal or extension of the term	19, Schedule A	Additional 5 year terms
c. Requirements for you to renew or extend	19	Extension or renewal is permitted only if you are in full compliance with franchise agreement. To renew, you must give notice, sign current form of Franchise Agreement, execute a general release and pay a renewal fee. Franchisees may be asked to sign a new franchise agreement with materially different terms than the original franchise agreement.
d. Termination by you	15.1	Only in accordance with applicable law or if you do not generate at least \$125,000 aggregate Gross Revenue for all Territories held by you in your first year of operation, and otherwise meet the conditions contained in the Franchise Agreement.
e. Termination by us without cause	2.5	If you don't renew, franchise will terminate at expiration of Term.
f. Termination by us with cause	16.3	We may terminate by giving you written notice of Material Default.
g. "Cause" defined — curable defaults	16.1	If we waive your default, you may cure it upon terms approved by us. We are not required to waive a "Material Default" for failure to pay, comply with rules or commence operations.
h. "Cause" defined — non-curable defaults	16.1	"Material Default" for failure to pay, comply with Franchise Agreement or commence operations after time to cure; default in lease or Vehicle lease; insolvency; attempted assignment or transfer without consent; misuse of trademarks; false reports; illegal or misleading business acts; or criminal conviction of your owners, officers or directors.
i. Your obligations on termination/non-renewal	18	Discontinue operations; payment of all accounts by bank draft; return all items belonging to Franchisor.

Provision	Section in Franchise Agreement	Summary
j. Assignment of contract by us	20.8	We may assign at any time all or part of our rights, but we may assign only to a financially responsible assignee that we reasonably believe is capable of performing its obligations under the franchise agreement and which expressly assumes these obligations in writing.
k. "Transfer" by you – defined	20.1, 20.2	Material change in ownership is more than 20% of voting units.
l. Our approval of transfer by franchisee	20.1	You must obtain our written approval before any transfer.
m. Conditions for our approval of transfer	20.3	Advertisement approved; transfer fee paid; transferee approved; assignment signed; materials returned; releases signed; completion of training; all agreements in good standing; assignment of Lease and Vehicle Lease signed.
n. Our right of first refusal to acquire your business	20.7	We have a right to buy your business if you decide to sell and we may buy your inventory
o. Our option to purchase your business	20.7	We have the right to buy your business if you decide to sell.
p. Your death or disability	20.6	Estate has 6 months to assign to qualified person
q. Non-competition covenants during the term of the franchise	21	Direct or indirect; within territory, within the metropolitan area where the territory is situated, within any territory within the Program or any Affiliate's
r. Non-competition covenants after the franchise is terminated or expires	N/A	N/A
s. Modification of the agreement	23.9	Writing signed by you and us
t. Integration/merger clause	23.8	Only the terms of the franchise agreement are binding (subject to your state's law). Any other promises may not be enforceable.
u. Dispute resolution by arbitration or mediation	23.13	All claims must be resolved by binding arbitration to be held in San Mateo County, California.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	23.12	Any litigation must be in San Mateo County, California, except we may take action in other jurisdictions as may be necessary to obtain declaratory, injunctive, or other relief, subject to state law.
w. Choice of law	23.12	California law applies, subject to state law.

These states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise, venue for disputes and governing law: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit. 6, Sections 2551-2556], FLORIDA [Fla. Stat. Section 817.416 et seq.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [Rev. Stat. 815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Section 523H.1 to 523H.17], MARYLAND [Md. Code Ann., Bus Reg. Sections 14-20 et seq.], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], NEW YORK [N.Y. Gen Bus. L. Sec. 680 et seq.]; NORTH DAKOTA [N.D. Cent. Code Section 51-19.01, et seq.]; OREGON [Or. Rev. Stat. Section 650.005. et seq.], Rhode Island [R.I. Gen Laws, Section 19.28.1 et seq.], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise, venue for disputes and governing law.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101 et seq.).

See the State Specific Addendum to this Disclosure Document (Exhibit 2) for special state disclosures.

ITEM 18. PUBLIC FIGURES

Junk King does not use any public figure to promote its franchises.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mike Andreacchi or Brian Reardon at 969 Industrial Road, Suite G, San Carlos, CA 94070 (tel: 1-800-995-JUNK), the Federal Trade Commission, and the appropriate state regulatory agencies.

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Junk King franchise or business operation, except as stated below.

The following table presents the gross sales that Junk King, LLC, realized in operating a junk removal business in San Mateo County, California over the past five years. Junk King, LLC, operates substantially the same junk removal services as described in this Disclosure Document. However, Junk King, LLC, does not operate a franchised unit. It is a separate company that is owned by the same persons who own a majority interest in your Franchisor. Junk King, LLC, operated from one location and the territory we operated included approximately 733,000 people in San Mateo County. Junk King, LLC, began operations in 2005 with one truck and grew to four trucks by 2009.

Year	Gross Sales
First year of operation (February 15, 2005 to December 31, 2005)	\$210,370
Second year of operation (January 1, 2006 to December 31, 2006)	\$403,687
Third year of operation (January 1, 2007 to December 31, 2007)	\$565,315
Fourth year of operation (January 1, 2008 to December 31, 2008)	\$669,552
Fifth year of operation (January 1, 2009 to December 31, 2009)	\$728,223 (1)

(1) The 2009 Net Income was \$253,404.70.

The gross sales numbers do not reflect the costs of sales or operating expenses that must be deducted from the gross revenue or gross sales figures to obtain net income or profit. Substantiation of the data used in preparing these gross sales amount will be made available to you upon reasonable request.

You should not use this information as an indication of how well your specific Franchised Business will do. The actual numbers you experience will vary depending upon several factors, including competition, management, market demographics and the number of trucks you operate in the territory. You should conduct your own research to assist you in preparing projections for your own Franchised Business. Keep in mind that Junk King, LLC, does not pay royalties and other fees to the Franchisor as you would be required to do.

The following table presents the gross sales and expense information, on a per truck basis, that Junk King, LLC, realized in operating a junk removal business in San Mateo County, California in 2009. This data is for one year only. In 2009, Junk King, LLC, operated up to four trucks. Keep in mind that 2009 was the fifth year of operation for Junk King, LLC, and it is not a franchised unit. You may not achieve this level of gross sales or efficiency of operation as a new franchisee.

Junk King Truckenomics

Monthly Sales per Truck

Jobs per day	3.5	Average truck could perform 4-7 jobs
Average Revenue per job	\$248.00	Including recycling activities
Work days per month	26	Six days per week (Mon-Sat)
Monthly Gross Sales	\$22,568.00	

Monthly Cost per Truck – Payroll Related

Driver Lead per year	\$2,288.00	\$11.00 per hour at 2,496 hours Six day per week operation at 8 hours per day
Navigator	\$ 2,080.00	\$10.00 per hour at 2,496 hour per year Six days per week operation at 8 hours per day
FICA FUTA	\$334.15	7.65% of personnel costs (driver + navigator)
Workers Comp	\$698.88	16% of personnel costs (driver + navigator)

Monthly Costs per Truck – Other Variable Costs

Fuel	\$1,128.40	5% of gross monthly sales
Dump/Transfer Fees	\$1,354.08	6% of gross monthly sales
Vehicle Insurance	\$250.00	Per truck – reduces as trucks are added to \$200.00 per truck
Truck Payment	\$1,100.00	Assuming truck is financed
Advertising	\$2,500.00	Lesser of 10% of gross revenue or \$2,500.00 per month
GPS	\$71.00	Subscription
Truck Maintenance	\$200.00	Oil changes, tires, tarp replacement, etc.
Royalty	\$1,805.44	8% of gross monthly sales

Call Center Contribution \$902.72 4% of gross monthly sales

Total Monthly Costs \$14,712.67

Gross Profit per Truck \$7,855.33

Substantiation of the data used in preparing this table will be made available to you upon reasonable request. The table presents figures for royalties and call center contributions *as if* they were paid to the franchisor. However, these payments were not actually made.

THE GROSS SALES FIGURES DO NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES, OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE OR GROSS SALES FIGURES TO OBTAIN YOUR NET INCOME OR PROFIT. YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR FRANCHISED BUSINESS. FRANCHISEES OR FORMER FRANCHISEES, LISTED IN THE DISCLOSURE DOCUMENT, MAY BE ONE SOURCE OF THIS INFORMATION.

THERE IS NO ASSURANCE THAT ANY OTHER JUNK KING FRANCHISED BUSINESS WILL PERFORM AS WELL AS, OR ANYWHERE NEAR, OUR OWN JUNK REMOVAL BUSINESS. ANYONE WHO USES THE ABOVE INFORMATION TO PREPARE HIS OWN PRO FORMA STATEMENT MUST ACCEPT THE RISK THAT HIS OWN FRANCHISED BUSINESS MAY PERFORM SUBSTANTIALLY WORSE THAN INDICATED ABOVE.

THESE GROSS SALES ARE OF A SPECIFIC JUNK REMOVAL BUSINESS OPERATED BY US AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR PROBABLE SALES THAT WILL BE REALIZED BY YOU. WE DO NOT REPRESENT THAT ANY FRANCHISE OWNER CAN EXPECT TO ATTAIN SUCH GROSS SALES.

THE SUCCESS OF YOUR FRANCHISE WILL DEPEND LARGELY UPON YOUR INDIVIDUAL ABILITIES AND YOUR MARKETPLACE. THE FINANCIAL RESULTS OF YOUR FRANCHISE ARE LIKELY TO DIFFER, POSSIBLY SIGNIFICANTLY, FROM THE RESULTS OF OUR OWN JUNK REMOVAL BUSINESS. WE DO NOT REPRESENT, WARRANT OR OTHERWISE GUARANTEE THAT ANY FRANCHISEE WILL ATTAIN THESE SALES FIGURES. YOU SHOULD ONLY USE THE ABOVE INFORMATION AS A REFERENCE IN CONDUCTING YOUR OWN ANALYSIS. WE STRONGLY URGE YOU TO CONSULT WITH YOUR FINANCIAL ADVISOR OR PERSONAL ACCOUNTANT CONCERNING THE FINANCIAL ANALYSIS THAT YOU SHOULD MAKE IN DETERMINING WHETHER OR NOT TO PURCHASE A JUNK KING FRANCHISE.

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ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Systemwide Outlet Summary
For Year 2010 (*through September 1, 2010)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year*	Net Change
Franchised	2010	0	16	+16
Company- Owned	2010	1	1	0
Total Outlets	2010	1	17	+16

The company-owned unit is operated by our predecessor Junk King, LLC. See Item 1 for additional information.

The franchises were assigned to us by Junk King, LLC, in 2010. These numbers are current as of September 1.

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Year 2010 (through September 1, 2010)**

State	Year	Number of Transfers
N/A	2010	0
Total	2010	0

**Status of Franchised Outlets
For Year 2010 (through September 1, 2010)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased operations - Other Reasons	Outlets at End of the Year
AZ	2010	0	1	0	0	0	0	1
CA	2010	0	6	0	0	0	0	6
CO	2010	0	1	0	0	0	0	1
FL	2010	0	1	0	0	0	0	1
MA	2010	0	1	0	0	0	0	1
NY	2010	0	1	0	0	0	0	1
OH	2010	0	1	0	0	0	0	1
TN	2010	0	1	0	0	0	0	1
TX	2010	0	1	0	0	0	0	1
VA	2010	0	1	0	0	0	0	1
Panama	2010	0	1	0	0	0	0	1
Total	2010	0	16	0	0	0	0	16

The outlets listed as “opened” were opened by Junk King, LLC, and then assigned to us.

**Status of Company-Owned Outlets
For Year 2010 (through September 1, 2010)**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2010	1	0	0	0	0	1
Total	2010	1	0	0	0	0	1

The company-owned unit is owned by our predecessor Junk King, LLC. See Item 1 for additional information.

Projected Openings as of January 11, 2010*

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlet in The Next Fiscal Year	Projected New Company – Owned Outlet In the Next Fiscal Year
CA	0	4	0
AZ	0	1	0
FL	0	3	0
NY	0	3	0
TX	0	3	0
VA	0	1	0
Total	0	15	0

January 11, 2010, is the date of our incorporation.

The list of names of all franchisees and the addresses and telephone numbers of their Franchised Businesses are provided in Exhibit 6 to this Disclosure Document.

ITEM 21. FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit 5 are our audited financial statements as of June 30, 2010, and our previous audited financial statements as of March 27, 2010. Our fiscal year end is December 31.

ITEM 22. CONTRACTS

The following proposed agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement Exhibit 3

Master Area Developer Agreement Exhibit 8

ITEM 23. RECEIPTS

Two copies of an acknowledgement of your receipt of this Disclosure Document appear at the end of this Disclosure Document. Please return one signed copy to us and retain one for your records.

EXHIBIT 1

AGENTS FOR SERVICE OF PROCESS

Listed are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. If a state is not listed, Junk King, has not yet appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed above in which Junk King has appointed an agent for services of process. We may not yet be registered to sell franchises in any or all of these states.

CALIFORNIA

Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, California 90013
Tel: (213) 576-7500
Toll Free: (866) 275-2677

1515 K Street, Suite 200
Sacramento, California 95814
Tel.: (916) 445-7205

1350 Front Street, Room 2034
San Diego, California 92101
Tel.: (619) 525-4233

71 Stevenson Street, Suite 2100
San Francisco, California 94105
Tel.: (415) 972-8559

HAWAII

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs – Business Registration
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General – Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

INDIANA

Indiana Secretary of State – Franchise Section
302 West Washington Street, Room E-111
Indianapolis, IN 46204
(317) 232-6681

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, MD 21202-2020
Tel.: (410) 576-6360

MINNESOTA

Commissioner of Commerce
85 – 7th Place East, Suite 500
St. Paul, Minnesota 55101
Tel.: (651) 296-6328

NEW YORK

Secretary of State
New York State Law Department – Principal Attorney
120 Broadway, Room 23-122
New York, New York 10271
Tel.: (212) 416-8211

VIRGINIA

Clerk, State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
Tel.: (804) 371-8760

WASHINGTON

Director, Department of Financial Institutions
Securities Division
150 Israel Road S.W.
Tumwater, Washington 98501
(360) 902-8760

WISCONSIN

Administrator, Division of Securities
345 West Washington Avenue, Fifth Floor
Madison, WI 53703
(608) 261-9555

EXHIBIT 1 - Continued

LIST OF STATE ADMINISTRATORS

California Corporations Commissioner
Department of Corporations
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(231) 576-7500 / Toll Free: 1-866-275-2677

Florida Department of Agricultural & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314-6700
(850) 488-2221

Hawaii Commissioner of Securities
Department of Commerce and Consumer Affairs – Business Registration
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois Attorney General – Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana Secretary of State – Franchise Section
302 West Washington Street, Room E-111
Indianapolis, IN 46204
(317) 232-6681

Kentucky Attorney General's Office
1024 Capital Center Drive
Frankfort, KY 40602
(502) 696-5393

Maryland Attorney General's Office
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan Attorney General's Office
Consumer Protection Division
525 W. Ottawa Street
Lansing, MI 48933
(517) 373-7117

Minnesota Department of Commerce
85 – 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-4026

Nebraska Department of Banking and Finance, Commerce Court
1230 "O" Street, Suite 400
Lincoln, Nebraska 68509-5006
(402) 471-3445

New York State Department of Law
Bureau of Investor Protection and Securities
120 Broadway, 23rd Floor
New York, New York 10271
(212) 416-2896

Oregon Department of Consumer and Business Services
Division of Finance and Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301
(503) 378-4387

Texas Secretary of State
Business Opportunity Section
1019 Brazos
Austin, TX 78711
(512) 475-1769

Utah Division of Consumer Protection
160 East Three Hundred South
Salt Lake City, UT 84145
(801) 530-6601

Virginia Division of Securities and Retail Franchising
State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington Department of Financial Institutions
Securities Division
150 Israel Road, S.W., 3rd Floor
Tumwater, Washington 98501
(360) 902-8760

Wisconsin Department of Financial Institutions
Division of Securities
345 West Washington Avenue, Fifth Floor
Madison, WI 53703
(608) 261-9555

EXHIBIT 2

STATE SPECIFIC ADDENDUM

California

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. California Business and Professions Code Sections 20000-20043 provide rights to you concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the California Business and Professions Code, this law will control.

3. The Franchise Agreement provides for termination upon bankruptcy. As disclosed in the Disclosure Document, this provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SCC. 101 et seq.).

4. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

5. Neither the franchisor, nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

6. Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement.

7. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

8. The Franchise Agreement requires binding arbitration. The arbitration will occur in San Francisco, California, with the costs being borne as the arbitrators may determine (or, if they do not make such a determination, then each party will bears its own costs and the arbitrator's fees will be shared equally). Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal

Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

9. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act.

10. OUR WEBSITE, www.junk-king.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.

Hawaii

The following is additional information for Hawaii franchisees:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process:

**Commissioner of Securities
Department of Commerce and Consumer Affairs – Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813**

Additional information for Hawaii franchisees continued:

The states in which this proposed registration application is effective:

California

The states (in addition to Hawaii) in which this proposed registration application is or will be shortly on file:

Illinois, Indiana, Maryland, Minnesota, New York, Virginia, Washington and Wisconsin

The states that have refused to register this franchise offering:

None

The states that have revoked or suspended the right to offer franchises:

None

The states in which this proposed registration of these franchises has been withdrawn within the last five years, and the reasons for revocation or suspension:

None. However, our predecessor (Junk King, LLC), abandoned an application that it filed in Maryland in 2009.

If we terminate or refuse to renew your franchise, you are entitled to compensation for the fair market value of certain assets of the Franchised Business as more fully described in Hawaii Revised Statutes §482E-6(3).

Illinois – Addendum to the Franchise Disclosure Document

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document, the following provisions shall supersede and apply to all Junk King franchises offered and sold in the state of Illinois.

This Illinois Addendum is only applicable if you are a resident of Illinois and your business will be located in Illinois.

1. The following language is added to the Risk Factors on the state cover page of the Franchise Disclosure Document:

THE GOVERNING LAW, VENUE AND JURISDICTIONAL REQUIREMENTS IN THE DISCLOSURE DOCUMENT AND THE FRANCHISE AGREEMENT ARE SUBJECT TO THE PROVISIONS OF THE ILLINOS FRANCHISE DISCLOSURE ACT, AND NOTHING IN THESE DOCUMENTS SHALL BE CONSIDERED A WAIVER OF ANY RIGHT CONFERRED UPON YOU BY THE ILLINOIS FRANCHISE DISCLOSURE ACT.

2. The following statement is added to Item 17 of the Franchise Disclosure Document:

Any provision stating that the franchise agreement will terminate upon the bankruptcy of the franchisee may not be enforceable under current United States bankruptcy law.

3. The following statement is added to Item 17 of the Franchise Disclosure Document:

Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to an action which is otherwise enforceable in Illinois, except that the Franchise Agreement may provide for arbitration in a forum outside Illinois. In addition, Illinois law will govern the Franchise Agreement to the extent required by the Illinois Franchise Disclosure Laws.

4. Each provision of this addendum to the Disclosure Document shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Illinois Franchise Disclosure Laws are met independently without reference to this addendum.

5. The conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

Illinois – Addendum to the Franchise Agreement

Notwithstanding anything to the contrary set forth in the Franchise Disclosure Document and in the Franchise Agreement, the following provisions shall supersede and apply to all Junk King franchises offered and sold in the state of Illinois.

1. This franchise agreement is governed by Illinois Law.
2. Illinois is a proper forum for resolving disputes arising under the Franchise Agreement.
3. Franchisor will not in any way restrict any franchisee from joining or participating in any trade association.
4. Any release of claims or acknowledgement of fact contained in the agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Illinois Franchise Disclosure Laws or any other law of the State of Illinois shall be void and hereby deleted with respect to claims under the Illinois Franchise Disclosure Laws or any other law of the State of Illinois.
5. All other terms and provisions contained in the Franchise Agreement shall remain in full force and effect, except to the extent specifically modified herein.

DATED: _____

Franchisee

DATED: _____

JUNK KING FRANCHISE SYSTEMS, INC

By _____

Indiana

The following provisions for Indiana franchisees are added to the Franchise Disclosure Document:

Added to Item 8:

Franchisor will not obtain money, goods, services or any other benefit from any other person with whom the Franchisee does business, on account of, or in relation to, the transaction between the Franchisee and the other person, other than compensation for services rendered by Franchisor, unless the benefit is promptly accounted for, and transmitted to the Franchisee.

Added to Item 17:

The Indiana Deceptive Franchise Practices Act contains provisions regarding: a requirement that a Franchisee execute a release upon termination or non-renewal of a franchise; covenants not to compete; substantial modifications to the Franchise Agreement; forum selection; and choice of law.

Maryland

REGISTRATION OF THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement says that franchisor may require franchisee and its affiliates to sign a general release of claims, as a condition of renewal or transfer of your franchise. Under Maryland law, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure law.

Subject to your arbitration obligations, any provision in the Franchise Agreement which requires litigation to be conducted in a forum other than the State of Maryland will not limit any rights you may have under the § 14-216(c)(25) of the Maryland Franchise Law to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits the Franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of entering into the Franchise Agreement. Any agreement or requirement to that effect is waived for franchisees resident or doing business in the state of Maryland.

Notwithstanding any contrary provision in the Franchise Disclosure Document, Franchise Agreement or any other agreement, any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

Michigan

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

**Michigan Attorney General
Consumer Protection Division
525 W. Ottawa Street
Lansing, MI 48933**

(517) 373-7117

Minnesota

THE STATE OF MINNESOTA PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE AGREEMENTS.

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The Franchise Agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C. 14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement.

Minn. Rule 2860.4400D prohibits requiring a franchisee to assent to a general release. To the extent that the franchise agreement requires you to sign a general release as a condition of renewal or transfer, the franchise agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn. Rule 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any such condition, stipulation or provision may be void and unenforceable under the non-waiver provision of Minn. Stat. Sec. 80C.21. This provision does not bar an exclusive arbitration clause.

Under Minnesota law, any claim arising under §80C may be brought within three years after the cause of action accrues. The Franchise Agreement is amended to provide for a three-year period within which to bring any Minnesota claims.

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding use of the name.

For Minnesota franchises and franchisees, paragraph 22.1(d) of the Franchise Agreement is deleted and replaced with the following:

Injunctive Relief. Certain breaches of this Agreement could result in loss to Franchisor for which Franchisor could not be adequately compensated in damages by a monetary award. Accordingly, in the event of any such breach of this Agreement, Franchisor may seek all the remedies available to Franchisor at law or in equity, including a restraining order, injunction (including an interim injunction), decree of specific performance or otherwise.

This two-page Minnesota addendum has been received and reviewed by franchisee.

DATED: _____

FRANCHISEE SIGNATURE

New Jersey

New Jersey law prohibits requiring a franchisee to assent to a release, assignment, novation, waiver or estoppel which would relieve any person from liability. To the extent that the franchise agreement requires you to sign a general release as a condition of renewal or transfer, the franchise agreement will be considered amended to the extent necessary to comply with New Jersey law.

New Jersey law prohibits a franchisor from restricting the sale of any equity or debenture issue or the transfer of any securities of a franchise or in any way preventing or attempting to prevent the transfer sale or issuance of equity securities or debentures to employees, personnel of the franchisee, or spouse, child heir of an owner, as long as basic financial requirements of the franchisor are complied with, and provided any such sale, transfer or issuance does not have the effect of accomplishing a sale or transfer of control, including, but not limited to, change in the persons holding the majority voting power of the franchise. The franchise agreement is hereby amended to the extent necessary to comply with New Jersey law. Prior written notice of any change in ownership must be made to the Franchisor.

New York

The Cover Page of this Franchise Disclosure Document is amended to add the following Risk Factor:

THIS FRANCHISE DISCLOSURE DOCUMENT IS PROVIDED FOR YOUR OWN PROTECTION AND CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THIS FRANCHISE DISCLOSURE DOCUMENT AND ALL CONTRACTS OR AGREEMENTS SHOULD BE READ CAREFULLY IN THEIR ENTIRETY FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THIS PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

Item 3 of this Franchise Disclosure Document is hereby amended by the addition of the following language:

Except as stated in Item 3 of this Disclosure Document, neither the franchisor, its predecessor or predecessors nor any person or sales agent identified in Item 2 of this Disclosure Document: (i) has pending any administrative, criminal, or material civil action (or a significant number of civil actions irrespective of materiality) alleging a felony, violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (ii) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations; (iii) is subject to any injunctive or restrictive order or decree relating to franchises or under Federal or State franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

Neither the franchisor, its affiliate, its predecessor, officers, nor general partner during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17 of this Franchise Disclosure Document is hereby amended by the addition of the following language:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Item 5 of this Franchise Disclosure Document is hereby amended by the addition of the following language:

The source of funds needed by the franchisor to discharge its obligations will be from the Franchisee's initial franchisee fee and from working capital. The initial franchise fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the franchised business.

Item 17, Renewal, Termination, Section d, of this Franchise Disclosure Document is hereby amended by the addition of the following language:

The franchisee may terminate the agreement on any grounds available by law.

Item 17 of this Disclosure Document is hereby amended by the addition of the following language:

Any condition, stipulation or provision contained in the Franchise Agreement which purports to bind you to waive compliance with any provision of the New York General Business Law (Article 33, Sections 680 through 695) or any rule promulgated thereunder, may be void and unenforceable under the non-waiver provision of such law.

New York General Business Law, §687.5 prohibits Junk King from requiring a franchisee to assent to a release, assignment, novation, waiver, or estoppel that would relieve a person from any duty or liability imposed by such law. To the extent the Franchise Agreement requires you to waive or release any claims you may have against Junk King or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would serve to relieve any person from liability under the New York General Business Law (Article 33), such release, waiver or acknowledgment shall not apply and shall be void to the extent that they would violate the non-waiver provisions of the New York General Business Law.

Virginia

The following provisions for Virginia franchisees are added to the Franchise Disclosure Document:

Item 17: Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any rights given to him by any provision contained in the franchise.

Washington

The State of Washington has a statute, RCW 19.100.180, that may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor, including the areas of termination and renewal of the franchise.

IN ANY ARBITRATION INVOLVING A FRANCHISE PURCHASED IN WASHINGTON, THE ARBITRATION SITE SHALL BE EITHER IN THE STATE OF WASHINGTON, OR IN A PLACE MUTUALLY AGREED UPON AT THE TIME OF THE ARBITRATION, OR AS DETERMINED BY THE ARBITRATOR.

In Washington, provisions of the Franchise Agreement which unreasonably limit the statute of limitations or remedies under the Washington Franchise Investment Act, such as the right to jury trial, may not be enforceable.

The Franchise Agreement requires application of the laws of a state other than Washington. If there is a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chap. 19.100 RCW, will prevail.

The Franchise Agreement requires franchisee to sign a release of claims as a condition of renewing or transferring the franchise. A release or waiver of rights signed by a franchise owner may not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Under Washington law, transfer fees may be collected only to the extent that they reflect the franchisor's reasonable estimated or actual costs in connection with the transfer.

Wisconsin

The Wisconsin Fair Dealership Law (Chapter 135, Wisconsin Statutes) contains provisions that may supersede those contained in the Franchise Agreement. The Fair Dealership Law, among other things, prohibits termination, cancellation, non-renewal or substantial change in competitive circumstances of a dealership agreement without good cause.

It also provides that 90-days prior written notice of the proposed termination, cancellation, non-renewal or substantial change must be given to the dealer..

The dealer has 60 days to cure the deficiency, and if the deficiency is so cured, then the notice is void.

EXHIBIT 3

JUNK KING FRANCHISE SYSTEMS, INC.

FRANCHISE AGREEMENT

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SCHEDULES

- Schedule A: Franchised Business – Particulars
- Schedule B: Marks
- Schedule C: Guaranty
- Schedule D: Vehicle Specifications

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("**Agreement**"), dated _____ (the "**Effective Date**"), is made and entered into between JUNK KING FRANCHISE SYSTEMS, INC., a California corporation having its headquarters office at 969 Industrial Road, Suite G, San Carlos, CA 94070 ("**Franchisor**"); and _____, a _____, having an office at _____ ("**Franchisee**").

RECITALS

A. Franchisor has combined its own best practices into a comprehensive, turnkey program (the "**Program**") for operating a franchise junk removal business (the "**Franchised Business**") known to the public under the name "Junk King".

B. The Program involves the use of confidential methods, operating procedures, business techniques, manuals, trademarks and slogans designed to help enable franchisees to compete effectively in the junk removal business.

C. Franchisee wishes to establish and operate a Franchised Business using the Program in the Territory (as defined below), and to derive the benefits of the Program and Franchisor's experience, name, reputation and guidance.

D. Franchisor wished to grant Franchisee a right and license to operate a Franchised Business in the Territory on the terms and conditions set forth herein.

NOW THEREFORE in consideration of the foregoing, the covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

AGREEMENT

1. DEFINITIONS AND INTERPRETATION

1.1 **Defined Terms.** In this Agreement the following terms have the meanings set forth below:

- (a) "**Affiliate**" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first entity.
- (b) "**Business Day**" means any day, other than a Saturday, Sunday or a federal holiday in the United States.
- (c) "**Franchised Location**" means the location specified as the Franchised Location in **Schedule A**.
- (d) "**Gross Revenue**" means the aggregate sales price of all products and services sold by the Franchisee or any of its Affiliates, in connection with or arising out of the operation of

the Franchised Business, but excluding (1) the amount of any refund or credit given in respect of any services provided to a customer of the Franchised Business for which a refund of the whole or part of the purchase price is made or for which a credit is given in the ordinary course of business, and (2) any amounts collected by Franchisee for any governmental authority and paid out by Franchisee to that governmental authority on account of sales taxes or other taxes imposed upon the sale of goods or services by Franchisee in respect of the Franchised Business and which Franchisee is not entitled to subsequently recover.

- (e) "**Marks**" means the trademarks and service marks shown in **Schedule B**, as such marks may be changed from time to time.
- (f) "**Month**" means a calendar month, or portion thereof in the case of the first and last months of the Term and Renewal Term when the Term does not begin on the first day of a calendar month.
- (g) "**Operations Manual**" means the manual entitled "Junk King Operations Manual" and other Program versions, including hard copy and online materials, developed and owned by Franchisor, as revised by Franchisor from time to time.
- (h) "**Territory**" means the geographical territory specified as the Territory in **Schedule A**.
- (i) "**Week**" means a calendar week, beginning on a Sunday and ending on the next Saturday.

1.2 **Cross-Referenced Definitions.** The following terms have the meanings in the recitals or sections noted below:

<u>Term</u>	<u>Section</u>
Assets	16.4(a)
Confidential Information	12.8
Copyrighted Materials	12.3
Coverages	13.11
Customer Care Center	5.1
Customer Care Center Fee	5.6(b)
Customer Care Center Fund	5.6(a)
Franchised Business	Recital A
Franchised Location	1.1; Schedule A
General Manager	111
Gross Revenue	1.1(d)
Guarantee	2.6
Initial Franchise Fee	3
Initial Marketing Fee	3
Initial Year	15.1
JunkKingNetware	5.2
Know-How	12.7
Marks	1.1; Schedule B
Management Personnel	2.6, Schedule A
Material Default	16.1
Operations Manual	1.1(g)
Password	5.3

<u>Term</u>	<u>Section</u>
Program	Recital A
Receiver	16.4
Renewal Term	19
Royalty	4.1
Scheduled Opening Date	2.3
Semi-Monthly Report	10.3(a)
Services	2.1(a)
Territory	1.1(h) Schedule A
Term	2.5, Schedule A
Unsolicited Order	10.4
Vehicle	7.1, Schedule D

1.3 ***Interpretation.*** For purposes of this Agreement:

- (a) The singular number shall include the plural, and the masculine gender shall include the feminine and neuter genders, and vice versa.
- (b) The article, section and subsection headings are for convenience of reference only and shall not for the purpose of interpretation be deemed a part of this Agreement.
- (c) All grammatical variations of defined terms in this Agreement shall have the meaning corresponding to the grammatical variation.

2. GRANT OF LICENSE, TERRITORY AND TERM

2.1 ***Grant of License to Operate Franchised Business.*** Upon the terms and conditions set forth herein, Franchisor grants to Franchisee, and Franchisee accepts, the right and license, for the Term and any Renewal Term:

- (a) to establish and operate the Franchised Business in the Territory from the Franchised Location and to offer the services available through the Program (the "**Services**") in the Territory; and
- (b) to use the Program, the Marks, the Operations Manual and the Copyrighted Materials in connection with the operation of the Franchised Business in the Territory in accordance with this Agreement and the Operations Manual.

2.2 ***Territory.*** The license granted in this Agreement gives Franchisee the right to establish the Franchised Business at the Franchised Location and permits Franchisee to provide the Services only in the Territory.

Except as otherwise expressly provided herein, Franchisor agrees that Franchisor will not grant a franchise for another Franchised Business within the Territory during the Term or any Renewal Term, provided that Franchisee is not in default under this Agreement. Notwithstanding the foregoing, Franchisor, for itself and its Affiliates, expressly reserves the right to offer the Services under the Marks directly or through other Franchised Businesses outside the Territory, including in territories and areas adjacent to the Territory.

2.3 **Opening Date and Commencement of Services.** The parties intend that the Franchised Business will commence operation on the date specified for commencement of operations in **Schedule A** (the "**Scheduled Opening Date**"). Franchisee confirms and agrees that no later than the Scheduled Opening Date it will enter into a lease for, or purchase, premises for the operation of the Franchised Business at the Franchised Location. Such leased or purchased premises shall include both office and recycling space, and shall provide adequate space to operate computer and telephone equipment, maintain records, and provide a temporary processing and holding area for material that will be recycled. Franchisee further confirms and agrees that it will obtain and maintain all licenses, permits and inspection approvals required by law or regulation, and takes such other actions as may be necessary, to operate the Franchised Business at the Franchised Location from and after the Scheduled Opening Date. Franchisor may extend the Scheduled Opening Date by up to 60 days on written notice to Franchisor. Any extension or delay in the Scheduled Opening Date shall not thereby extend the due date for any portion of the Initial Franchise Fee or Initial Marketing Fee.

2.4 **Operation only from Franchised Location.** Franchisee and all employees and other representatives of Franchisee shall operate the Franchised Business at and solely from the Franchised Location, or such other location or locations as the Franchisor may agree to in advance in writing.

2.5 **Term.** The term of this Agreement shall commence on the Scheduled Opening Date (whether or not the Franchised Location is open for business on that date) and, unless sooner terminated as provided herein, shall continue for a term of ten (10) years until the expiration date shown in **Schedule A** (the "**Term**"), subject to renewal pursuant to Section 19.

2.6 **Management Personnel and Guarantee.** The grant of license in Section 2.1 is made by Franchisor based on and in reliance on the personal attributes and abilities of the management personnel named in **Schedule A** (the "**Management Personnel**"). Franchisee confirms and agrees that each of the Management Personnel will actively participate the management of the Franchised Business. If a company (or other entity) has been designated as Franchisee hereunder, then each of the shareholders, members, managers, directors and officers of the such company will sign Franchisor's current form of guarantee (the "**Guarantee**") guaranteeing the full and complete performance of this Agreement by Franchisee, a copy of which is attached as **Schedule C**.

3. INITIAL FEES

In consideration of Franchisor entering into this Agreement, Franchisee will pay to Franchisor the initial franchise fee shown in **Schedule A** (the "**Initial Franchise Fee**") on or before the due dates set forth in **Schedule A**. The Initial Franchise Fee shall be deemed to be earned in full by Franchisor upon it executing this Agreement and connecting Franchisee to the Customer Care Center. The Initial Franchise Fee is determined based on the number of persons in the Territory (based on the most recently published data from the U.S. Census Bureau or such other source as Franchisor may specify), and is set at \$30,000 for a Franchised Business whose territory consists of up to 500,000 persons. For a territory that has more than 500,000 persons, the Initial Franchise Fee is \$30,000, plus 6¢ (six cents) for each additional person in the territory. So, for example, if the territory consists of 1,000,000 people, then the Initial Franchise Fee would be \$60,000, and if territory consists of 1,500,000 people, then the Initial Franchise Fee would be \$90,000. The Initial Franchise Fee shall be non-refundable except as provided in Section 15.

In addition to the Initial Franchise Fee, Franchisee will pay to Franchisor an initial marketing fee ("**Initial Marketing Fee**") on or before the due dates set forth in **Schedule A**. The initial marketing fee is \$10,000 for a Franchised Business whose territory consists of up to 500,000 persons, plus 2¢ (2 cents) for each additional person in the territory. The Initial Franchise Fee shall be non-refundable except as provided in Section 15.

4. ROYALTY

4.1 **Amount of Royalty.** Franchisee shall pay to Franchisor a continuing royalty equal to eight percent (8%) of Franchisee's Gross Revenue (the "**Royalty**").

4.2 **Calculation and Payment.** The Royalty and Customer Care Center Fee (discussed below) shall be paid semi-monthly by way of electronic transfer (automatic debit) to Franchisor within three (3) Business Days of the 15th day, and of the last day, of each Month. Franchisee shall execute all banking forms and documents and do all other things necessary to facilitate such payments by way of electronic transfer (automatic debit). The automatic debit amount for each month shall be calculated by the Franchisor based upon the Semi-Monthly Reports submitted by the Franchisee in accordance with Section 10.3. Should Franchisee fail to update JunkKingNetware as required in a timely manner, Franchisor shall calculate the automatic debit amount based upon the most recent Semi-Monthly Report. Any necessary reconciliation will be made during the month following receipt of the Semi-Monthly Report that was not timely submitted (assuming it is submitted by then).

If the electronic transfer of the Royalty or Customer Care Center Fee transfers are declined by Franchisee's bank for any reason, Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in connection therewith, including any reasonable administrative fee as may be set by Franchisor from time to time. Payments shall be processed through the Automated Clearing House ("ACH") electronic network. ACH rules and regulations shall apply.

5. CUSTOMER CARE CENTER

5.1 **Customer Care Center.** Franchisor shall maintain a centralized customer care and call center (the "**Customer Care Center**") to process all orders for Services and to handle customer inquiries on a system-wide basis. The Customer Care Center is intended to provide an efficient and uniform system for placement and retrieval of orders for Services and handling customers inquiries and complaints, and to provide a mechanism for establishing a client database and providing management reports to Junk King franchisees. The Customer Care Center is for the benefit of all franchisees and providers of Services. Franchisor undertakes no obligation to ensure that any particular franchisee (including Franchisee) benefits on a pro-rata basis from the Customer Care Center.

5.2 **Receipt and Processing of Orders.** Promptly upon receipt of an order for Services within the Territory, Franchisor shall post such order on the Franchisor's system-wide intranet system ("**JunkKingNetware**"). Franchisee shall promptly retrieve all orders for the Services in the Territory from JunkKingNetware.

5.3 **Franchisee Access to JunkKingNetware.** Franchisor will provide Franchisee with access to JunkKingNetware and a confidential password (the "**Password**") for JunkKingNetware. Franchisee will keep the Password confidential at all times, including both during and after the Term. Franchisee will not release the Password to any person, including any employee of the Franchised Business, without the previous written consent of Franchisor, which consent may be withheld for any reason.

5.4 **No Other Sales.** Franchisee acknowledges and agrees that except as explicitly provided for in this Agreement, Franchisee is not permitted to solicit, receive or fill any order for the Services within the Territory other than those orders that are placed or processed through the Customer Care Center and posted on JunkKingNetware. Should Franchisee receive orders through the use of Franchisee's local telephone number or any other method, Franchisee must process these orders through the Customer Care Center and JunkKingNetware.

5.5 **Unsolicited Orders.** Notwithstanding the provisions of Section 5.4, if Franchisee receives a request to provide the Services to a new customer (the "**Unsolicited Order**") while providing services to another customer, and Franchisee's employees do not have the opportunity to first process the Unsolicited Order through JunkKingNetware before rendering the Services to such new Customer, Franchisee may service such Unsolicited Order provided that immediately after completion of the Unsolicited Order Franchisee shall process the Unsolicited Order through JunkKingNetware, providing all the particulars of the Unsolicited Order including the name and address of the customer, the amount charged for the Services and the date on which the Unsolicited Order was made and completed.

5.6 **Customer Care Center Fund.** Franchisee agrees that:

- (a) Franchisor shall maintain a fund to finance the operation of the Customer Care Center and JunkKingNetware (the "**Customer Care Center Fund**");
- (b) Franchisee shall contribute to the Customer Care Center Fund an amount equal to four percent (4%) of Gross Revenue (the "**Customer Care Center Fee**"). The Customer Care Center Fee shall be paid to Franchisor semi-monthly in accordance with Section 4.2 of this Agreement;
- (c) the Customer Care Center Fund shall be used to cover the operating expenses of the Customer Care Center. The Customer Care Center Fund shall be accounted for separately from other funds of Franchisor and shall not be used to pay any of Franchisor's general operating expenses, except for salaries, administrative costs and overhead (calculated on a fully allocated basis), if any, as Franchisor may incur in activities reasonably related to the administration, direction, and operation of the Customer Care Center, JunkKingNetware and the Customer Care Center Fund. A statement of operation of the Customer Care Center Fund shall be prepared annually, at the expense of the Care Center Fund, and shall be made available to Franchisee upon request;
- (d) except as may expressly provided for in this Section 5, Franchisor assumes no obligation or liability to Franchisee with respect to the maintenance, direction or administration of the Customer Care Center, JunkKingNetware or Customer Care Center Fund. Franchisor shall have the sole right and responsibility to control and direct the policies, direction, administration and operation of the Customer Care Center and JunkKingNetware. Franchisee is not a third party beneficiary and shall have no right to enforce any contributions from other franchisees or the administration of the Customer Care Center Fund. Any obligation of Franchisor with respect to the Customer Care Center Fund shall be contractual in nature, and Franchisee shall have no proprietary right in the Customer Care Center Fund, and it shall not constitute a trust fund;
- (e) Franchisee shall fully participate in all programs established by Franchisor involving the Customer Care Center and JunkKingNetware; and
- (f) The Customer Care Center Fund is not intended to be a source of profit for the Franchisor. In the event of surplus funds at the end of any year, such funds will be applied to one or more of the following, in any combination as may be determined in Franchisor's absolute discretion: (i) carried forward and applied to the next year's operating costs, (ii) used for general advertising, or (iii) distributed pro rata to Franchised Businesses that contributed to the Customer Care Center Fund for that year. In the event of a shortage of funds in the Customer Care Center Fund at the end of any year, the Franchisor shall have the right to contribute the shortage to the Customer Care Center

Fund and to deem such contribution an account receivable from the Customer Care Center Fund, to be paid back in the next year, without interest.

6. ADVERTISING

Local Advertising. Franchisee shall expend monthly on local (in the vicinity of the Franchised Location) advertising and promotions a minimum of 10% of the average gross revenue per month during the immediately preceding calendar quarter, but not less than \$2,500 per month. Franchisee shall provide such details and evidence of expenditures under this Section 6 as may be required by Franchisor from time to time to establish compliance with this Section 6.1. Franchisor reserves the right to require you to contribute 40% of your required advertising expenditures to a Franchisor-controlled regional or national advertising fund.

6.1 **Particulars of Local Advertising.** Franchisee shall have the right to conduct such local advertising and promotions in respect of the Franchised Business as Franchisee shall, in its reasonable discretion desire, provided that:

- (a) Franchisee shall advertise and promote only in a manner that will reflect favorably on Franchisor, Franchisee, the Services and the good name, goodwill and reputation of the Program;
- (b) Franchisee shall submit to Franchisor for its approval, which approval shall not be unreasonably withheld or delayed, all local advertising and promotions material to be utilized by Franchisee and until such time as Franchisor shall give its prior written approval to the use of such advertising and promotions, Franchisee shall not utilize same in any advertising or promotion. In no event will Franchisor take more than 15 days either to approve or to reject such local advertising or promotions material. Franchisor reserves the right to adopt any such advertising or promotions for general use in advertising or promoting the Services. Franchisee, in submitting any such advertising or promotions, agrees that each such submission shall constitute an irrevocable and perpetual assignment to Franchisor of the copyright with respect to such submission, and upon each such submission the contents thereof shall be deemed to be part of the Know-How;
- (c) Franchisee shall prominently display, at its expense, in connection with the Franchised Business signs of such nature, form, color, number, location and size and containing such matter as Franchisor may direct or approve in writing from time to time and such signs shall be purchased from Franchisor or from suppliers designated or approved by Franchisor;
- (d) Franchisee acknowledges that Franchisor is the sole and exclusive owner of all copyrights and that all advertising and promotional material (including Copyrighted Materials) prepared by or on behalf of Franchisor shall at all times remain the property of Franchisor; and
- (e) Franchisee agrees to advertise the Franchised Business (at Franchisee's expense) in the white pages and classified section (aka yellow pages) of all local major telephone directories, using only such information as may be approved by Franchisor. If other franchises are served by the same white pages or classified section, Franchisor shall have the right to require group listings therein, to make direct arrangements with the telephone company and to allocate an equitable part of the cost thereof to Franchisee.

7. VEHICLES

7.1 **Purchase of Vehicles by Franchisee.** Franchisee shall purchase the following number of trucks (each a "Vehicle"):

Number of Persons in Territory	Number of Trucks
Up to 1,000,000	One truck upon startup and an additional truck when your existing truck(s) is/are averaging three (3) jobs per day over a fourteen day period.
Over 1,000,000	Two trucks upon startup and a third truck within 180 days of startup

All Vehicles shall meet Franchisor's specifications set out in Schedule D.

7.2 **Maintenance and Upgrading of Vehicle.** Franchisee shall at all times maintain the Vehicles, including all accessories and equipment, in a clean and attractive condition, in good repair and in accordance with Franchisor standards as they may be adopted and revised from time to time. Without limitation of the foregoing, all Vehicles shall be maintained so as to comply with the Operations Manual and to preserve, maintain and enhance the reputation and goodwill of the Franchisor and its franchisees and the value of the Marks.

8. OPERATION OF FRANCHISED BUSINESS

8.1 **Standards of Operation.** Franchisee acknowledges that the Marks, the Services and every other component of the Program are important to Franchisor and its Franchisees, and Franchisee covenants and agrees to comply with the Program, in its entirety as outlined in the Operations Manual, which may be modified by the Franchisor from time to time, and in particular Franchisee covenants and agrees that Franchisee shall:

- (a) ensure that the operation of the Franchised Business is at all times under the direct control of the General Manager(s) as provided in Section 11.1. Where a General Manager is absent from the Franchised Location due to illness or vacation, Franchisee shall ensure that the Franchised Business is under the direct control of a member of the Management Personnel or a trained representative or employee of Franchisee approved in advance by Franchisor in its discretion;
- (b) operate the Franchised Business strictly in accordance with the standards of customer service, cleanliness, environmental safety, consistency, employee training, operation, advertising, promotion and management prescribed by Franchisor;
- (c) comply with all business policies, practices and procedures prescribed by Franchisor and outlined in the Operations Manual;
- (d) keep the Franchised Business continuously open for business during all hours and days specified in writing by Franchisor from time to time, subject to compliance with the hours of operation required by local laws, if applicable;

- (e) prepare and sell to the public only the Services and other services designated or approved in writing by Franchisor from time to time;
- (f) maintain the Franchised Location in a clean and attractive condition and maintain office equipment as required so as to comply with the Operations Manual and to preserve, maintain and enhance the reputation and goodwill of the Franchisor;
- (g) maintain the interior and exterior of each Vehicle in a safe, sound, clean and attractive condition so as to comply with the Operations Manual and to preserve, maintain and enhance the reputation and goodwill of the Franchisor;
- (h) do all maintenance and repairs on the Vehicles as Franchisor or lessor under each Vehicle Lease from time to time requires in writing;
- (i) store and handle any waste products strictly in accordance with local, state and federal laws and regulations and in accordance with an written specifications that may be provided;
- (j) not alter, modify or otherwise change, add to or delete from any portion of the Program, Marks, Copyrighted Materials or Services as licensed hereunder;
- (k) maintain at all times a sufficient number of properly trained employees to service customers of the Franchised Business, and maintain an inventory of goods and supplies sufficient to satisfy customer demand;
- (l) maintain at all times Vehicles for the Franchised Business in such numbers and in accordance with such specifications as Franchisor may require from time to time;
- (m) hire and supervise efficient, competent, sober and courteous operators and employees for the operation of the Franchised Business and set and pay their wages, commissions, benefits and incentives without any liability or obligation to Franchisor;
- (n) cause all employees, while engaged in the operation of the Franchised Business, to wear uniforms of the color, design and other specifications only in accordance with the provisions of the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor, and to present a neat and clean appearance and render competent and courteous service to the customers of the Franchised Business;
- (o) use, publish or display in connection with the operation of the Franchised Business only the signs, advertising or other materials designated or approved by Franchisor from time to time;
- (p) operate the Franchised Business only under the trade name "Junk King" and the Marks, as designated by Franchisor, without any accompanying words or symbols of any nature except as designated or approved in writing by Franchisor;
- (q) make prompt payment in accordance with the terms of invoices rendered to Franchisee in connection with the purchase of all fixtures, equipment, supplies, advertising materials, clothing, products and any other goods, supplies, services or products supplied to Franchisee from time to time;

- (r) obtain and maintain in force all required licenses, permits, approvals, and certificates relating to the operation of the Franchised Business and operate the Franchised Business in full compliance with all applicable laws, and regulations, including but not limited to all governmental regulations relating to environmental safety, occupational health and safety, ERISA, workers' compensation insurance, unemployment insurance, withholding and payment of all federal and state taxes including without limitation FICA, FUTA, income tax, sales tax and personal property tax, use tax and license fees;
- (s) advise all suppliers, contractors, employees and others with whom Franchisee deals, that Franchisee is an independent contractor and that all debts, liabilities and obligations incurred by it are for the account of Franchisee only, and not Franchisor;
- (t) faithfully observe and perform in a timely fashion all covenants to be observed and performed by Franchisee pursuant to each Vehicle Lease and any lease for the Location;
- (u) use the Vehicle solely for the Franchised Business;
- (v) conduct all advertising and use all media in accordance with lawful business practices and only in accordance with the provisions of the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor;
- (w) attend all franchise conferences and meetings as required by Franchisor from time to time;
- (x) participate in such programs as Franchisor may require from time to time, including the servicing of national, system-wide or other special accounts as may be designated in the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor, including provision of service-levels as may be required for specified accounts and the use and honoring of gift certificates and coupons;
- (y) replace such items of equipment which have become obsolete or otherwise mechanically impaired, to the extent they require replacement, or as required by Franchisor from time to time;
- (z) identify Franchisee by its legal name and as a "Junk King" Franchisee and the owner of the Franchised Business and identify Franchisee as an "independently owned and operated franchisee of Junk King" on all Vehicles, invoices, contracts, agreements, correspondence and other materials and communications used in the Franchised Business and not make any registration of any of the Marks that would grant or suggest Franchisee has ownership of the Marks; and
- (aa) use an invoicing system provided by Franchisor.

8.2 ***Proposed Services.*** If Franchisee proposes to offer for sale through the Franchised Business any services not previously designated or approved by Franchisor, then Franchisee must first submit the proposed service to Franchisor for consideration and approval. Franchisor will consider the proposed service and respond to Franchisee within a reasonable time as to whether or not the service is approved for sale through the Franchised Business. Franchisor reserves the right to make alterations to the proposed service as a condition of approval. Franchisor also reserves the right to adopt any such service for use as a standard service forming part of the Services so as to maintain consistency and enhance the Program and Marks. Franchisee, in submitting any such proposal to Franchisor agrees that Franchisor

may take such action, that each such submission by Franchisee to Franchisor shall constitute an irrevocable and perpetual assignment of the copyright and waiver of moral rights for the service to Franchisor, and upon each such submission shall be deemed to be part of the Know-How.

8.3 ***Sale of Services.*** Franchisee acknowledges that the reputation and goodwill of the Program is based upon, and can be maintained and enhanced only by, the sale of high quality services and the satisfaction of customers who rely upon the uniformly high quality of services that are sold under the Program and that such continued uniformity is essential to the goodwill, success and continued public acceptance of the Program. Accordingly, Franchisee agrees to sell or otherwise deal in only the Services and such other service enhancements as Franchisor designates or approves in advance in writing, which approval may be given or withheld in the sole discretion of Franchisor.

8.4 ***Pricing.*** Franchisor will deliver to Franchisee, prior to the Scheduled Opening Date, Franchisor's current list of suggested prices for the Services, which may vary among various franchises. Franchisor will give Franchisee written notice of all changes to suggested prices (including any temporary promotional changes). Franchisee is under no obligation to adhere to the suggested prices, but should be aware that promotional and marketing materials and campaigns prepared and provided by the Franchisor may include such prices.

8.5 ***Program Changes.*** Franchisor may from time to time, by written notice to Franchisee, add to, delete, modify or otherwise change the Program, including without limitation by deleting or adopting new or modified Marks and Copyrighted Materials, new or enhanced services, and new techniques in connection therewith. Franchisee will, at its own cost, within a reasonable amount of time following receipt of such notice, accept, implement, use and display all such changes.

9. CUSTOMER METHODS OF PAYMENTS; PAYMENTS TO SUPPLIERS

9.1 ***Credit Cards and Other Methods of Payment.*** Franchisee will maintain arrangements with Visa, MasterCard, American Express and additional or replacement credit card and debit card issuers or sponsors nominated by Franchisor from time to time, in order that the Franchised Business may accept customers' credit cards, debit cards, checks and other methods of payment. Whenever Franchisor designates a new payment system or financial institution for the Program, Franchisee agrees to adopt the designate promptly.

9.2 ***Payments to Suppliers.*** Franchisee will make all payments to Franchisor and designated and approved suppliers promptly when due and will provide proof of payment to other suppliers to Franchisor upon request. Franchisee acknowledges that failure of Franchisee to pay any other supplier in a timely manner could harm the reputation of the Program and the relationship of Franchisor and its other franchisees with such supplier. If Franchisee fails to pay any other supplier in full when due, then Franchisor shall have the right, but not the obligation, to pay all or any portion of the sum due, together with accrued interest and penalties. If Franchisor makes any such payment, then Franchisor will invoice Franchisee for such payment and Franchisee shall reimburse Franchisor immediately upon receipt of the invoice.

10. RECORDS AND REPORTING

10.1 ***Sales Records.*** Franchisee shall keep true and accurate records and books of account in relation to the Franchised Business, including daily records of services to individual customers and of Gross Revenue, in such form and detail as Franchisor in writing requires from time to time.

10.2 **Preservation of Records.** Franchisee shall keep and preserve for a period of at least 36 months after the end of each year all books and records (including point of sale records, computer generated records and evidence of all sources and amounts of individual sales and Gross Revenue) related to such year.

10.3 **Semi Monthly and Annual Reporting.** Franchisee shall report to Franchisor as follows:

- (a) within three (3) Business Days of the 15th and last day of each Month, Franchisee shall update all records and data on JunkKingNetware in order that Franchisor can produce a report in electronic form from JunkKingNetware ("**Semi-Monthly Report**") containing:
 - (i) a correct and complete statement of all sales and Gross Revenue for the 1st through the 15th day, or the 16th through the last day, of each Month, as the case may be; and
 - (ii) such other financial information as Franchisor may require from time to time.

The Semi-Monthly Report shall contain all information noted therein and shall be certified as correct by Franchisee. Upon request by Franchisor, Franchisee will supply copies of some or all of the sales records (in all relevant media) related to the period being reported on. With each Semi-Monthly Report, Franchisee shall pay to Franchisor the Royalty payable for such period in compliance with Section 4.2;

- (b) within 90 days after the end of each fiscal year of Franchisee, Franchisee shall submit to Franchisor (in electronic form whenever possible) the following information concerning such fiscal year, certified as correct by Franchisee and, on a review engagement basis, by a Certified Public Accountant retained by Franchisee:
 - (i) a statement of Gross Revenue for such year as finally adjusted and reconciled after the close and review of Franchisee's books and records for the year. If such statement discloses any underpayment of Royalties for such year, then Franchisee shall pay to Franchisor, at the time of submitting such statement, the amount of such underpayment. Any overpayment disclosed by such statement shall be credited to Franchisee's Royalty account by Franchisor;
 - (ii) complete financial statements, including balance sheet, income statement and statement of changes in financial position, all prepared in accordance with U.S. generally accepted accounting principles applied on a basis which is consistent with prior fiscal years of Franchisee; and
 - (iii) such other reports and financial information (including up-to-date personal financial information concerning guarantors of Franchisee, if applicable) as Franchisor may reasonably require from time to time.

10.4 **Inspection and Audit Rights.** Franchisor and any of its representatives shall be entitled, during the regular business hours of the Franchised Business and without undue disturbance to it, to enter the premises of the Franchised Business to inspect and take copies of all paper and electronic records of Franchisee relating in any way to the Franchised Business, whether or not of a financial nature, all without prior notice to Franchisee. Franchisor may cause its auditor to conduct an audit of the Franchised Business for any fiscal year of Franchisee or any calendar year or time period. Franchisee consents to the Franchisor directly contacting and obtaining information from any creditors or suppliers of the Franchisee. Upon request by Franchisor, Franchisee will: (i) allow Franchisor and its representatives access to at all reasonable times; or (ii) forward to Franchisor by reputable overnight courier; any and all

business and financial records of the Franchised Business, including financial statements, accounting records, federal and state income, sales, business and occupation and other tax returns of Franchisee at any time and the opportunity to take copies thereof at Franchisor's expense. If any such audit reveals a material deficiency, whether monetary or otherwise, then the Franchisee shall reimburse the Franchisor for the reasonable costs of the audit and any related enforcement.

10.5 *Notice to Meet Standards.* Should any inspection or audit reveal any non-compliance with the Program or failure to meet the standards of operation, management, production, employee training, service, cleanliness, environmental safety, consistency, quality control or advertising and promotion set by Franchisor from time to time, then Franchisee shall immediately upon receipt of notice from Franchisor specifying the particulars of the non-compliance or failure by Franchisee, do all things necessary to correct the non-compliance or failure, in addition to co-operating with the representatives of Franchisor in respect of any training or retraining determined necessary by Franchisor.

10.6 *Corporate Records.* If Franchisee is an entity, Franchisee will complete and remit Franchisor's company information form, and provide such other information and certificates regarding the company structure of Franchisee as required by Franchisor, and Franchisee agrees to update such information from time to time.

11. MANAGEMENT AND EMPLOYEES

11.1 *Management Personnel.* Franchisee or, if Franchisee is an entity, all of its voting shareholders or members (contingent or otherwise), directors and officers, and the Management Personnel; or any replacement(s) approved in writing by Franchisor shall complete initial training to the satisfaction of Franchisor prior to the Scheduled Opening Date, unless waived in writing by Franchisor in its sole discretion for any particular person(s). Once approved, Franchisee will cause Management Personnel to participate, on a full-time working basis (i.e., a minimum of 40 hours per week), in the management and operation of the Franchised Business. Franchisee shall verify that all Management Personnel have the legal right to work in the United States.

The Management Personnel named first in **Schedule A** shall be the initial general manager of the Franchised Business (hereinafter called the "**General Manager**", which term shall include every other person who in the future acts as a general manager of the Franchised Business). Franchisee shall ensure that every person who acts as General Manager from time to time is not (while so acting) engaged in any retail business activity other than the Franchised Business. Like other initial Management Personnel, the General Manager must participate on a full time basis (i.e., a minimum of 40 hours per week) in the operation of the Franchised Business. Unless waived in writing by the Franchisor, Franchisee will ensure that (i) the Franchised Business employs at least one full-time General Manager, (ii) if the Territory consists of more than 1.5 million persons, then the Franchisee shall employ at least one additional General Manager trained by the Franchisor for every additional 1.5 million (or fraction thereof) persons in the Territory, and (iii) all General Managers must reside in, or within a radius of 30 miles of, the Territory. Franchisee will not hire anyone to act as Management Personnel or in any other managerial position in the Franchised Business without the prior written approval of Franchisor. As a condition of such approval, the managerial candidate must complete the training requirements set out herein to the satisfaction of Franchisor. Franchisor may charge Franchisee Franchisor's then current standard training fee for any candidate to replace the General Manager, or any other Management Personnel. In the event of the resignation, termination, death or incapacity of any person acting as General Manager or other Management Personnel, Franchisee shall have a period of 30 days after such resignation, termination, death or incapacity in which to complete arrangements for replacement and training of such person.

11.2 **Employees.** Franchisee will hire all employees of the Franchised Business, and shall be responsible exclusively for payment of wages, benefits, statutory remittances and compliance with other terms and conditions of their employment and for the proper training of them in the operation of the Franchised Business. At the direction of Franchisor, Franchisee will cause such employees as may be designated by Franchisor who are not involved in initial training to complete training programs developed by Franchisor. Franchisee will be solely responsible for all direct and indirect costs of such training in accordance with sections 14.1 and 14.2. Franchisee shall verify that all employees have the legal right to work in the United States.

12. LICENSE, USE OF MARKS AND COPYRIGHTED MATERIALS, CONFIDENTIAL INFORMATION AND KNOW-HOW

12.1 **Nature of License.** The license granted by this Agreement is a license to use the Program and Marks only in connection with operation of the Franchised Business in the Territory during the Term. Nothing in this Agreement shall give Franchisee any other right, title or interest in or to any part of the Marks or the Program. Franchisee acknowledges that Franchisee's use of the Program and Marks and any goodwill established by such use inures to the exclusive benefit of Franchisor.

12.2 **Use of Name and Marks.** Franchisee shall operate the Franchised Business continuously throughout the Term and any duly exercised Renewal Term under the name "Junk King" or such alternate name or names as Franchisor may direct in accordance with the provisions of the Operations Manual, or in such manner as may be approved in advance in writing by Franchisor from time to time, and Franchisee's name shall be clearly marked on all documented and electronic representations of the Franchised Business as well as on all Franchisee's advertising, stationery, business cards, purchase orders, sales slips, checks, and other business documents in a manner specified or approved by Franchisor and which clearly indicates that Franchisee is the person, firm or corporation, as the case may be, operating the Franchised Business pursuant to a license from Franchisor. Franchisee shall use ®, TM or some other symbol directed by Franchisor, to indicate to the public that each of the Marks is a trademark belonging to Franchisor and shall in such usage clearly indicate this by using the phrase "*Trademark owned by Junk King Franchise Systems, Inc.*" or some other phrase designated or approved by Franchisor. Franchisee shall not use, as part of the corporate name of any corporation or other business entity which may operate the Franchised Business (or any other corporation or business entity in which Franchisee has any interest), any of the Marks or any variation or derivative thereof or any word or phrase or combination of words confusingly similar thereto, nor may Franchisee use the Marks in connection with the sale or offering for sale of any item which has not been properly approved for sale pursuant to this Agreement. All provisions of this Agreement applicable to the Marks shall apply to any additional proprietary trade and service marks and commercial symbols hereafter authorized by Franchisor for use by Franchisee from time to time.

12.3 **Use of Copyrights.** Franchisee acknowledges that Franchisor is the owner of the copyright in the Operations Manual, JunkKingNetware and all other systems, binders, videotapes, software, and printed materials which from time to time form part of the Program (as well as all revisions and additions of or to any of the foregoing) (collectively, the "**Copyrighted Materials**"). Franchisee acknowledges that Franchisee's right to use the Copyrighted Materials is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable specifications, standards and operating procedures prescribed in writing by Franchisor during the Term and any exercised Renewal Term. Any unauthorized use of any of the Copyrighted Materials by Franchisee shall be an infringement of the rights of Franchisor in and to the Copyrighted Materials and shall constitute a breach of this Agreement. Franchisee agrees not to contest or oppose, nor to assist anyone else to contest or oppose, Franchisor's application for registration or protection of any of the Copyrighted Materials in the United States or elsewhere. Franchisee will ensure

that all Copyrighted Materials used by Franchisee bear whatever copyright notice, may be prescribed from time to time in writing to Franchisee by Franchisor.

12.4 **Notification of Infringement.** Franchisee shall notify Franchisor immediately upon learning of any apparent or potential infringement of or challenge or claim to any of the Marks or any of the Copyrighted Materials or any claim to any rights in or to any of the Marks or Copyrighted Materials made by anyone which comes to the notice of Franchisee, and Franchisee shall not communicate with anyone other than Franchisor and its legal counsel in connection with any such infringement, challenge or claim. Franchisor shall have sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation or other proceeding arising out of any such infringement, challenge or claim, and Franchisee agrees to execute all documents, to render such assistance and to do all acts and things as may, in the opinion of Franchisor or its legal counsel, be necessary or advisable to protect and maintain the interests of Franchisor in any such litigation or other proceeding or otherwise to protect and maintain the interests of Franchisor and its franchisees in the Marks and Copyrighted Materials. Franchisor agrees to indemnify Franchisee against any losses or damages incurred by Franchisee as a result of a successful claim of infringement brought by a third party and related solely to Franchisee's use of the Marks in accordance with the terms of this Agreement.

12.5 **Act in Derogation of Franchisor's Rights.** Franchisee acknowledges that all goodwill and ownership rights arising out of the use by Franchisee of the Marks, the Copyrighted Materials and any other part of the Program shall accrue solely to Franchisor and the Program as a whole, and that now and hereafter Franchisee shall assert no claim to any goodwill by virtue of the licensed use thereof. Franchisee will not dispute or impugn the validity of any of the Marks or the rights of Franchisor thereto, or do or assist others to do or permit any act or thing to be done in derogation of same. Franchisee will take such action (including signature and assistance in preparation of documents or the giving of testimony) as may be requested by Franchisee to evidence, transfer, vest or confirm the Company's rights and ownership in the Marks, the Copyrighted Materials and any other part of the Program. If Franchisor is unable for any reason to secure Franchisee's signature to fulfill the intent of this paragraph, then Franchisee irrevocably appoints the Franchisor and its authorized agents as agent and attorney in fact, to transfer, vest or confirm Franchisor's rights and to execute and file any such applications and to do all other lawful acts to further the intent of this Section with the same legal force as if done by Franchisee.

12.6 **Changes in Marks and Copyrighted Materials.** If Franchisor deems it advisable to modify or discontinue use of any Marks or Copyrighted Materials or to adopt for use in the Program any additional or substitute marks or copyrights, then Franchisor shall give written notice thereof to Franchisee whereupon **Schedule B** hereto shall be deemed to be amended accordingly and Franchisee shall promptly comply with such amendment. All provisions of this Agreement applicable to Marks and Copyrighted Materials shall apply to all additional, substituted or modified Marks and Copyrighted Materials hereafter adopted by Franchisor or its Affiliates and authorized for use by Franchisee by written notice.

12.7 **Use of Know-How.** Franchisee acknowledges that Franchisor possesses know-how comprised of methods, techniques, specifications, materials, procedures, information, systems and knowledge of and experience in the provision of the Services through the Franchised Business (collectively, the "**Know-How**"). Franchisor will disclose the Know-How to Franchisee in the training program, the Operations Manual and in guidance furnished to Franchisee during the Term and any exercised Renewal Term. Franchisee will not acquire any proprietary interest in the Know-How or any part of it, other than the right to use it in the development and operation of the Franchised Business during the Term and any duly exercised Renewal Term, in full compliance with this Agreement. Franchisee acknowledges that the Know-How is proprietary and, except to the extent that it is or becomes generally

known in the junk removal industry, the Know-How and every part of it comprises a valuable trade secret of Franchisor.

12.8 **Confidential Information.** Franchisee acknowledges that the designs, materials and other features of the Services and the information, techniques, procedures, methods, systems and format now and hereafter comprised in the Program, including, without limitation, the Password and the Know-How, and revealed within or pursuant to this Agreement and the Operations Manual (the "**Confidential Information**"), are so revealed in strictest confidence and Franchisee covenants to keep and respect the confidence so reposed. Franchisee shall neither use nor permit any of its directors, officers, shareholders, employees, agents or other representatives to use for any purpose inconsistent with this Agreement nor reveal to any person, firm or corporation, both while this Agreement is in force and for an unlimited time thereafter, any Confidential Information which Franchisee has acquired through or as a result of its relationship with Franchisor including, without limitation, any contents of this Agreement, JunkKingNetware and the Operations Manual. Upon request by Franchisor, Franchisee will cause the employees of the Franchised Business to sign a form of confidentiality covenant prepared by Franchisor. Notwithstanding the foregoing, "Confidential Information" does not include information that: (a) Franchisee establishes through written records, is known to Franchisee prior to disclosure by Franchisor or its personnel; (b) is or becomes publicly available through no act or omission of the Franchisee or its personnel; or (c) Franchisee establishes through written records, is lawfully received by Franchisee from a third party that is not under any confidentiality obligation to Franchisor.

12.9 **Proprietary Rights to Program and Operations Manual.** Franchisee acknowledges that Franchisor is the sole and exclusive owner of all proprietary rights in and to the Program and that the information revealed in the Operations Manual constitute Confidential Information and Copyrighted Material. Without the prior written consent of Franchisor, which Franchisor can withhold in its sole and absolute discretion, Franchisee shall not use the contents of the Operations Manual for any purpose not related to this Agreement, shall not disclose the contents of the Operations Manual to any person (except to employees of Franchisee on a need to know basis for purposes related solely to the operation of the Franchised Business) and shall not publish, reprint or reproduce the Operations Manual in whole or in part for any purpose. Franchisee shall take all safeguards and precautions specified by Franchisor from time to time or as would be expected to be exercised by a careful person entrusted with valuable property of another, to protect and maintain the confidentiality of the Operations Manual. The covenants contained in this Section 12.9 will survive the termination of this Agreement for such period of time as such information remains confidential to Franchisor and does not fall into the public domain. Franchisor reserves the right at any time upon written notice to Franchisee to more particularly specify or define any items of information or materials which Franchisor considers to be Confidential Information for the purposes of the ongoing application and survival of Franchisee's covenants herein. Franchisee hereby acknowledges that the Operations Manual are loaned to Franchisee and shall at all times remain the sole and exclusive property of Franchisor, and upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall forthwith return the Operations Manual together with all copies of any portion of the Operations Manual which Franchisee may have made, to Franchisor. Franchisee acknowledges and agrees that Franchisor may make additions, deletions and other revisions to the Operations Manual from time to time, in its sole discretion.

13. FURTHER OBLIGATIONS OF FRANCHISEE

13.1 **Compliance with Operations Manual.** Franchisee shall conduct the Franchised Business strictly in accordance with all of the provisions set out in the Operations Manual as amended from time to time. In particular, Franchisee shall promptly adopt and use exclusively the specifications, standards, methods and policies contained in the Operations Manual, now, and as they may be modified by Franchisor from time to time.

13.2 **Signage.** Any signage procured for the Franchised Business will conform to Franchisor's specifications. Franchisor will provide written specifications for such signage to Franchisee upon request. When signage is procured pursuant to a lease, the lease must be assignable to Franchisor and Franchisee will submit such lease to Franchisor for its written approval prior to executing it.

13.3 **Standards of Service.** Franchisee and employees of the Franchised Business will at all times give prompt, courteous and efficient service to customers, and will, in all dealings with customers, suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee will respond to customer, supplier and public complaints in a prompt, courteous and efficient manner.

13.4 **Taxes and Rents.** Franchisee will pay in a timely manner all local, state and federal sales, business, property, goods and services taxes and all other taxes, rates, levies and fees levied or assessed by any governmental authority directly or indirectly in connection with the Franchised Business.

13.5 **Compliance with Laws.** Franchisee will operate the Franchised Business in strict compliance with all applicable laws and regulations.

13.6 **Sufficient Staff.** Franchisee will at all times employ a sufficient number of properly trained, courteous and service oriented staff to properly operate the Franchised Business during normal business hours.

13.7 **Inspection Rights.** Franchisee authorizes Franchisor and its representatives to enter the Franchised Location at any reasonable time or times, without undue disturbance of the Franchised Business or the Territory, to inspect the Franchised Location or the Territory and the Vehicle, inventory, fixtures, furnishings, and equipment therein, to confer with or otherwise contact Franchisee's employees, to examine and inspect the operation of the Franchised Business and in all respects to determine compliance with this Agreement (including the Operations Manual).

13.8 **No Solicitation of Employees.** Franchisee will neither employ nor solicit employment of anyone who is employed by Franchisor, any Affiliate of Franchisor, any other franchisee of the Program or any other franchisee of another system operated from time to time by Franchisor or any of its Affiliates, without the prior written consent of the employer, unless the employee in question has ceased to be employed by such employer for a period of 90 days.

13.9 **Hazardous Materials.** Franchisee will not deal in any way with any hazardous materials, including, but not limited to:

- (a) oil or gasoline, except in connection with the operation of the Vehicles;
- (b) asbestos;
- (c) any material containing or contaminated with PCBs;
- (d) liquid waste of any sort;
- (e) sludge of any sort;
- (f) septic tank sludge or waste; and
- (g) solvents, liquid paints or chemicals.

13.10 **Use of Media.** Franchisee agrees that for purposes of advertising and public relations related to the Program, Franchisor may make, reproduce and publish in good taste photographs, videos and other media utilizing the Franchised Location and the employees and customers of Franchisee on an individual or collective basis. Franchisee will cooperate with Franchisor in this regard.

13.11 **Insurance.** Franchisee will ensure that the following insurance coverages are placed and maintained during the entire Term and any duly exercised Renewal Term:

- (a) reasonable comprehensive public liability and property damage insurance, including personal and bodily injury liability, contractual liability, employers' liability, and owners' and contractors' protective insurance coverage with respect to the activities conducted by Franchisee and any employee, agent or other person performing work on behalf of Franchisee with respect to the Franchised Business, with a policy limit of not less than \$2,000,000 general liability coverage (including personal injury) or such greater amount as may be specified in writing by Franchisor from time to time, not less than \$100,000 per occurrence for damage to rental premises or such greater amount as may be specified in writing by Franchisor from time to time, and not less than \$5,000 medical coverage for any one person or such greater amount as may be specified in writing by Franchisor from time to time.
- (b) reasonable business interruption insurance in respect of the Franchised Business with a policy limit not less than that which may be prescribed by Franchisor from time to time; and
- (c) reasonable owned and non-owned vehicle liability insurance with a policy limit of not less than \$2,000,000 or such other amount as may be specified in writing from time to time by Franchisor for any vehicle used to any extent in the Franchised Business.

The insurers, amounts and types of insurance shall be subject to prior written approval of Franchisor, which Franchisee will seek in a timely fashion. Franchisor may from time to time require that Franchisee cause such coverages to be added to or otherwise amended in accordance with recommendations of Franchisor's independent insurance advisor. The foregoing insurance coverages, as so amended from time to time, are hereinafter called the "Coverages."

Franchisor, acting reasonably, may elect, at any time, upon the recommendation of its independent insurance advisor, to require Franchisee, either individually or as part of a group of franchisees, to place the Coverages (or any them) through Franchisor, in which case Franchisee will pay its proportionate share (with other franchisees of the Program) of all costs thereof, upon receiving invoice(s) therefor.

All policies of insurance for the Coverages shall expressly include Franchisee, Franchisor, and Franchisor's Affiliates, as "franchisor/additional insured" and shall require the insurers to defend Franchisee and Franchisor, jointly and severally, in all claims and actions to which the Coverages are applicable. Such policies shall require provision of 30 days notice to Franchisor prior to any termination. Within 10 days of entering into any policy of insurance, and from time to time as such policies are renewed or entered into, Franchisee shall cause insurer to forward a certificate of insurance directly to Franchisor confirming the terms and coverages set forth in this Section 13.

Franchisee understands and acknowledges that Franchisor is not an insurance broker. Nothing done by Franchisor pursuant to this Section 13.11 shall constitute an assurance that Franchisee has

adequate insurance for its assets, business and potential liabilities at the Franchised Business and Franchisee may place additional insurance as it sees fit, upon the advice of its own insurance broker.

13.12 **Maintain Minimum Capital.** Franchisee will maintain, throughout the Term and any exercised Renewal Term, sufficient capital to operate the business and which amount may be determined by the Franchisor from time to time, provided that Franchisor shall not determine such amount to be less than \$25,000 per 1.5 million persons in the Territory. For this purpose, capital shall be calculated as the aggregate amount of cash in share capital and shareholders' loans maintained by a corporate Franchisee or cash contributed to the Franchised Business in the case of a personal Franchisee.

14. TRAINING AND FURTHER OBLIGATIONS OF FRANCHISOR

14.1 **Training.** Franchisor shall provide one initial training session of five (5) to six (6) Business Days for up to four (4) employees of Franchisee selected by Franchisee (but those selected must include the prospective initial Management Personnel specified in Schedule A). The format and content of the training program will be determined solely by Franchisor. The cost of such initial training is included in the Initial Franchise Fee. Additional prospective employees of Franchisee may be accommodated for such initial training or for subsequent equivalent training at Franchisee's request at a rate of \$100 per person per day. Franchisee may provide initial training to Management Personnel, but Franchisor reserves the right to require such Management Personnel to attend Franchisor's training at any time. Franchisor may charge its current training fee to Franchisee for providing other training. All training shall be given at times and at a location or locations designated by Franchisor. All expenses incurred by Franchisee and other trainees in connection with and during such training including without limitation those related to transportation, accommodation, meals and other living expenses, wages and other employment benefits shall be at the sole expense of Franchisee. Franchisor will not provide wages or employee benefits to Franchisee or other trainees during or with respect to the training period.

14.2 **Retraining.** In the event that Franchisee is not operating the Franchised Business in full accordance with the Program and this Agreement, which determination Franchisor shall make in its sole discretion, Franchisor shall have the right to send its representatives to the Franchised Location to conduct such retraining of the representatives and employees of Franchisee as Franchisor determines to be appropriate in the circumstances. Franchisee shall reimburse Franchisor upon demand for all out-of-pocket costs incurred by Franchisor in connection with such retraining, including all transportation, lodging and meal expenses incurred by and reasonable hourly charges for representatives of Franchisor providing the retraining.

14.3 **Initial and Ongoing Information, Goods and Services.** Franchisor shall provide to Franchisee:

- (a) one set of Operations Manual on loan;
- (b) login and password for access to JunkKingNetware;
- (c) additional training materials developed by Franchisor from time to time;
- (d) marketing materials and other sales aids developed by Franchisor from time to time (at Franchisee's expense);
- (e) promotional advice and recommendations at the time when the Franchised Business opens for business and ongoing promotional advice and recommendations on a reasonable basis thereafter;

- (f) regular communications to keep Franchisee up to date with respect to important developments in the Program; and
- (g) ongoing reviews and a summary annual review of the operation and management of the Franchised Business which will be conducted by one or more representatives of Franchisor.

14.4 **Continuing Availability.** Franchisor shall make one of its representatives at its head office available to Franchisee during Franchisor's normal business hours, for consultation and guidance with respect to operation or management of the Franchised Business. Reasonable consultation and guidance will be given by correspondence, telephone, and email. One or more representatives of the Franchisor shall make a minimum of one field visit a year to the Franchisees territory for purposes of doing a review. Franchisor shall also co-ordinate and conduct periodic training programs for franchisees as Franchisor, in its sole discretion, deems necessary. Franchisor shall, in its sole discretion, continue efforts to establish and maintain high standards of customer satisfaction and professionalism.

15. TERMINATION BY FRANCHISEE

15.1 **Option of Franchisee to Terminate after Initial Year.** At the completion of the first full year of operation of the Franchised Business (the "**Initial Year**"), if Franchisee has not generated \$125,000 in Gross Revenue then, notwithstanding any other provision of this Agreement, Franchisee may elect to terminate this Agreement upon notice to Franchisor within 30 days after the end of the Initial Year, provided that all of the following conditions are satisfied at the time Franchisee gives notice of termination:

- (a) Franchisee is in full compliance with this Agreement and all other agreements between Franchisee and Franchisor, including without limitation payment of all Royalties and Customer Care Center Fees and compliance with all obligations with respect to the purchase of local advertising;
- (b) All Management Personnel must have provided full-time services to the Franchised Business throughout the Initial Year;
- (c) At the time Franchisee gives notice of termination, all guarantors in respect of the Franchisee are in compliance with all Guarantees;
- (d) Franchisee shall have paid the full Initial Franchise Fee and Initial Marketing Fee; and
- (e) All Management Personnel have attended throughout the Initial Year (i) at least 90% of any review or goal setting meetings and (ii) the annual conference (if any).

Upon provision of notice to terminate under this Section, and after a reasonable time for Franchisor to verify compliance with the conditions in (a) through (e), above, this Franchise Agreement and all related agreements will be terminated upon Franchisor and Franchisee entering into a mutual termination and release agreement in a form acceptable to Franchisor. Within 30 days of termination, Franchisor will refund the lesser of \$25,000 or the Initial Franchise Fee actually paid by Franchisee and received by Franchisor. This Section 15.1 shall not apply during any renewal term. If the Franchisee is party to more than one Franchise Agreement, this Section 15.1 shall only apply in respect of one Franchise Agreement.

16. REMEDIES UPON DEFAULT BY FRANCHISEE

16.1 ***Definition of "Material Default."*** For the purposes of this Agreement, the phrase "**Material Default**" shall mean any one of the following defaults:

- (a) failure to pay any sum due to Franchisor, or any Affiliate or nominee of Franchisor, Franchisee's landlord, any governmental authority, the lessor of the Vehicle, or supplier of any item of supplies for a period of 30 days after written notice of such default has been delivered by Franchisor to Franchisee;
- (b) failure to comply with any other obligation of Franchisee contained in this Agreement or any other agreement between Franchisee and Franchisor or any Affiliate or nominee of Franchisor for a period of 30 days after written notice of such default has been delivered by Franchisor to Franchisee; provided, however, that if the nature of such default is such that it cannot be cured within a 30 day period, and Franchisee takes reasonable action to cure such default immediately upon receiving such notice and diligently continues to do so, then Franchisee shall have such additional period of time as is reasonably necessary to cure such default;
- (c) failure to commence operation of the Franchised Business on the Scheduled Opening Date as provided herein or doing anything or omitting to do anything which causes the Franchised Business to be closed for business or otherwise not operating in full compliance with this Agreement for five (5) consecutive Business Days or any five (5) Business Days in any 30 consecutive day period, without the prior written consent of Franchisor, unless the Franchised Business ceased operation for reasons not related to a breach of this Agreement by Franchisee including force majeure, strike, fire, natural disaster, unavoidable casualty or any other cause beyond Franchisee's control and not caused or continued, directly or indirectly, by an act or omission of Franchisee or any of its employees, directors, officers, agents or other representatives; provided that Franchisee will diligently employ all reasonable measures to resume the Franchised Business as soon as possible;
- (d) failure to remain in good standing under all Vehicle Leases, or doing or omitting to do anything else which gives anyone the right to terminate a Vehicle Lease or take possession of a Vehicle such that Franchisee would be without the required minimum number of Vehicles to use in the operation of the Franchised Business;
- (e) (i) Franchisee becoming insolvent in that it is unable generally to meet all of its obligations as they become due, (ii) Franchisee files, or has filed against it, a petition (or similar pleading) in bankruptcy under federal bankruptcy laws or any similar legislation, (iii) a receiver, receiver-manager, trustee in bankruptcy or similar officer is temporarily or permanently appointed to take charge of Franchisee's affairs or any of Franchisee's property, (iv) dissolution proceedings are commenced by or against Franchisee or it otherwise ceases its corporate existence (whether voluntarily or involuntarily), (v) Franchisee goes into liquidation, either voluntarily or under an order of a court of competent jurisdiction, (vi) Franchisee makes a general assignment for the benefit of creditors or otherwise acknowledges insolvency, (vii) Franchisee sells or purports to sell or transfer or otherwise loses possession or ownership or control of all or a substantial part of the assets used in the Franchised Business, (viii) Franchisee allows any item of personal property used in the Franchised Business to become attached, executed against or levied upon, without obtaining the release of such attachment, execution, distress,

levy, sequestration or extent within 10 days, (ix) Franchisee allows any judgment to be entered against Franchisee or any of its Affiliates of which Franchisee has notice (actual or constructive) arising out of or relating to operation of the Franchised Business without satisfying such judgment or securing it by payment into court within 30 days, or (x) Franchisee is enjoined from operating the Franchised Business and such injunction is not dismissed, stayed or set aside within 30 days;

- (f) an assignment or attempted assignment, at law or at equity, of this Agreement by Franchisee, including an involuntary assignment under applicable matrimonial laws, in whole or in part, without obtaining the prior written consent of Franchisor as required by this Agreement;
- (g) Franchisee or any of its directors, officers, employees, agents or other representatives attempting to assign, transfer or convey any part of its interest in the Program, including any of the Marks, Know-How, Copyrighted Material or other copyrights, Operations Manual, trade secrets, systems, methods of operation or format, or discloses, copies or uses or permits the use of any of the foregoing, or if Franchisee uses or permits the use of any of the foregoing in a manner or at a location not authorized in advance in writing by Franchisor;
- (h) 30 days after Franchisee's receipt of notice from Franchisor, Franchisee continually failing to offer for sale any approved Service, or offering to sell any service from the Franchised Location that is not part of the Services or has not been designated or approved in writing by Franchisor;
- (i) Franchisee intentionally falsifying, misrepresenting or misstating to Franchisor any information contained in a financial statement, report or other document which Franchisee provides to Franchisor whether prior to or after the execution of this Agreement;
- (j) Franchisee engaging in misleading advertising or operating the Franchised Business in a dishonest, illegal or unethical manner, or having its business license for the Franchised Business suspended or revoked;
- (k) Franchisee failing to rectify diligently any order issued by a governmental authority concerning breach of any health, safety or other regulation or legal requirement applicable to the Franchised Business within the time frame required by the government authority;
- (l) a personal or corporate Franchisee or any director or officer of a corporate Franchisee being convicted of an indictable offence which in the reasonable opinion of Franchisor could bring the Program, any of the Marks or any other part of the goodwill established thereby into disrepute;
- (m) Franchisee's failure to meet or exceed the Revenue Minimum in any year; and
- (n) Franchisee receives three (3) or more notices of default under this Section 16.1 or Section 16.2 during the term of this Agreement, or in any 12 month period, whether or not such defaults are cured after notice.

For greater certainty the defaults which do not have an opportunity to cure specified, shall be deemed incurable.

16.2 **Cross Default.** If Franchisee, a member of its Management Personnel, or any partnership or joint venture or corporation in which one or more of Franchisee, and a member of its Management Personnel has a controlling interest, is a franchisee pursuant to another franchise agreement with Franchisor respecting another Franchised Business, a default under such other franchise agreement shall constitute a default under this Agreement, and should such other franchise agreement for any reason be terminated, Franchisor may, at is option, terminate this Agreement.

16.3 **Termination for Material Default.** If Franchisee commits any Material Default under this Agreement, Franchisor may terminate this Agreement immediately upon giving written notice to Franchisee. In the event of any such default, Franchisor may exercise any and all rights and remedies available to Franchisor under law, including all rights and remedies provided to Franchisor under this Agreement, the Guarantee and the Security Agreement.

16.4 **Appointment of Receiver or Receiver-Manager.** Without limiting the foregoing, upon a Material Default by Franchisee, Franchisor may in writing appoint a receiver or receiver-manager (in either case, the "**Receiver**") of the assets of Franchisee and may remove any Receiver so appointed and appoint a replacement from time to time. A Receiver shall be deemed the agent of Franchisee and Franchisor shall not be responsible for any misconduct or negligence on the part of the Receiver. The Receiver shall have power to:

- (a) enter upon and take possession of the Vehicle, the Vehicle Lease, all other inventory and all other assets used in or offered for sale by the Franchised Business (collectively the "**Assets**") with power to exclude Franchisee, its employees, agents and other representatives therefrom, without becoming liable as a creditor in possession;
- (b) preserve, protect and maintain the Assets and make such replacements thereof and repairs and additions thereto as Franchisor may deem advisable;
- (c) sell, lease, assign or otherwise dispose of or concur in selling, leasing, assigning or otherwise disposing of all or any part of the Assets, whether by public or private sale or lease or otherwise, in such manner, at such price as can be reasonably obtained therefor and on such terms as to credit and with such conditions of sale and stipulations as to title or conveyance or evidence of title or otherwise as to Franchisor may seem reasonable, provided that Franchisee will not be entitled to be credited with the proceeds of any such sale, lease or other disposition until the monies therefor are actually received; and
- (d) exercise all other rights and remedies provided to Franchisor by this Agreement to the extent permitted by law or to such lesser extent permitted by its appointment, the Receiver shall have all the powers of Franchisor hereunder, and in addition shall have power to carry on the Franchised Business of Franchisee and for such purpose from time to time to borrow money either secured or unsecured. Subject to applicable law and the claims, if any, of the creditors of Franchisee ranking in priority to the security constituted by this Agreement, all amounts realized from the disposition of the Assets pursuant to this Agreement will be applied as Franchisor, in its sole discretion, may direct as follows:
 - (i) in or toward payment of all costs, charges and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by Franchisor in connection with or incidental to:

- (1) the exercise by Franchisor of all or any of the powers granted to it pursuant to this Agreement; and
 - (2) the appointment of the Receiver and the exercise by the Receiver of all or any of the powers granted to the Receiver pursuant to this Agreement, including the Receiver's reasonable remuneration and all out goings properly payable by the Receiver;
- (ii) in or toward payment to Franchisor of all interest referred to in this Agreement and unpaid;
- (iii) in or toward payment to Franchisor of all principal and other monies (except interest) due as provided or referred to in this Agreement; and
- (iv) any surplus will be paid to Franchisee.

If the amounts realized from the disposition of the Assets are not sufficient to pay Franchisee's obligations in full to Franchisor, then Franchisee will immediately pay to Franchisor the amount of such deficiency.

16.5 ***Other Remedies for Material Default.*** In the event of a Material Default of this Agreement, and in addition to the other remedies provided in this Agreement or under applicable law, Franchisor may:

- (a) bring such action for injunctive or other similar relief as may be necessary to compel Franchisee to comply with Franchisee's obligations contained or referred to in this Agreement;
- (b) without waiving any claim for default hereunder and without prior notice to Franchisee, take whatever steps Franchisor deems necessary to cure any default by Franchisee hereunder for the account of and on behalf of Franchisee, and Franchisee hereby irrevocably appoints Franchisor as its attorney to do so, and the related expenses incurred by Franchisor shall be due and payable forthwith by Franchisee upon demand and shall be deemed to be an amount owing to Franchisor hereunder;
- (c) without waiving any claim for default hereunder and without prior notice to Franchisee, enter upon any premises upon which the Franchised Business is conducted without being liable to Franchisee in any way for such entry, for the purposes of securing the return of any of Franchisor's property, performing or compelling performance of Franchisee's obligations to Franchisor and protecting Franchisor's rights upon expiration or termination of this Agreement; and
- (d) (i) reduce the Territory or (ii) remove the exclusivity provided in the Territory (allowing Franchisor to grant or operate other Franchised Businesses in the Territory).

16.6 ***Damages based on Material Default.*** In the event of a termination of this Agreement by Franchisor based on a Material Default, Franchisor shall have the right to claim and recover damages from Franchisee and such damages shall include, without limitation, loss of the benefit of Franchisor's bargain hereunder. It is acknowledged by Franchisee that the benefit of Franchisor's bargain hereunder shall include the Royalties which Franchisor would have expected to receive for the unexpired balance of the Term (or Renewal Term, if it is then in force) to a maximum of \$50,000.

16.7 **Telephone Number(s).** Rights to the telephone or facsimile number or numbers which are utilized in connection with the Franchised Business. from time to time shall be held by Franchisee in trust for Franchisor and, on expiration or earlier termination of this Agreement, Franchisee hereby irrevocably authorizes Franchisor to do whatever is necessary (including executing documents in the name of Franchisee) to transfer all rights to such number or numbers to Franchisor or an assignee of Franchisor. Further, Franchisor will itself execute similar documents if the telephone company so requests. Franchisee shall not use any personal/residential telephone numbers in the operation of the Franchised Business. If Franchisee does so, those numbers will be subject to the provisions of this Section 16.7.

16.8 **Remedies Cumulative.** The rights and remedies of Franchisor contained in this Section 16 and elsewhere in this Agreement or in a document referred to in this Agreement are cumulative and no exercise or enforcement of any right or remedy by Franchisor shall preclude its exercise or enforcement of any other right or remedy to which Franchisor is entitled by law, in equity or otherwise.

17. SECURITY INTEREST

17.1 **Grant of Security Interest.** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Business, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee agrees to execute and deliver to Franchisor in a timely manner all financial statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code. For such purposes, the address of Franchisee and Franchisor are as stated in this Agreement. If Franchisee is in good standing, Franchisor agrees, upon request, to execute subordinations of its security interest to suppliers, lenders and/or lessors furnishing equipment or financing for the Franchised Business.

18. FRANCHISEE'S OBLIGATIONS UPON EXPIRATION OR TERMINATION

18.1 **Payment of Accounts.** Within 15 days after expiration or termination of this Agreement (or on such later date as such debts are due), Franchisee will pay, by bank draft, all outstanding Royalties, Customer Care Center Fees and all other amounts payable by Franchisee (whether to Franchisee or its Affiliate) together with accrued interest charges thereon in accordance with Section 23.2.

18.2 **Discontinuance.** Upon expiration or termination of this. Agreement, Franchisee shall forthwith discontinue use of the Marks, JunkKingNetware, the Operations Manual, Copyrighted Materials and other materials provided by Franchisor such as advertising materials and training materials, trade secrets, systems, methods of operation, format and goodwill of the Program. Franchisee shall also forthwith change the color scheme of the Franchised Location and Vehicle to one that differentiates it from the color scheme of the Program and shall remove all signage related to the Program from the Franchised Location and Vehicles. Franchisee shall not thereafter operate or do business under any name or in any manner that might tend to give the general public the impression that Franchisee is directly or indirectly associated, affiliated, licensed by or related to Franchisor or the Program, and Franchisee shall not, directly or indirectly, use any Mark, or any other name, logo, signage, symbol, insignia, slogan, advertising, copyright, Copyrighted Materials, design, trade secret, process, system, method of operation or format confusingly similar to those used by the Program. Franchisee acknowledges the proprietary rights of Franchisor as set out in this Agreement and agrees to return to Franchisor the Operations

Manual, all advertising and training materials and all other confidential information relating to the Program, as well as all other property of Franchisor, forthwith upon expiration or earlier termination of this Agreement. Additionally, Franchisee shall, upon termination or expiration of this Agreement, promptly remove any signage from the Franchised Location and any other premises from which the Franchised Business is conducted which uses the Marks or otherwise and refers, directly or implicitly, to the Program.

18.3 **Power of Attorney.** Following expiration or earlier termination of this Agreement, Franchisor may execute in Franchisee's name and on Franchisee's behalf all documents necessary or advisable in Franchisor's judgment to terminate Franchisee's use of the Marks and Franchisor is hereby irrevocably appointed as Franchisee's attorney to do so, and such appointment, to the extent permitted by applicable law, shall survive the incapacity or death of an individual Franchisee.

19. RENEWAL

If Franchisee is in full compliance with this Agreement, has not at any time committed any Material Default that has not been remedied and meets Franchisor's then current standard requirements for franchisees, and the Franchisee has not been habitually in breach of this Agreement, then Franchisor will enter into a new franchise agreement with Franchisee for the renewal term(s) specified in Schedule A (the "**Renewal Term**"), upon the following terms and conditions:

- (a) Franchisee must give written notice of the right of renewal to Franchisor not more than 12 calendar months nor less than 9 calendar months prior to expiration of the Term;
- (b) Franchisee shall, not less than six (6) calendar months prior to expiration of the Term, execute Franchisor's then current form of franchise agreement which shall include Franchisor's then current rates and then current definitions and shall, within 30 days prior to expiration of the Term, pay to Franchisor a non-refundable renewal fee of \$5,000 to reimburse the Franchisor's costs associated with the renewal of this Agreement, including legal and administrative expenses;
- (c) Franchisee shall execute and, if Franchisee is a corporation, partnership or joint venture, shall cause all of its then current shareholders (both legal and beneficial), directors, officers, partners and joint venturers to execute a general release, in a form provided by Franchisor, of any and all claims against Franchisor and its Affiliates and their respective officers, directors, shareholders, employees, agents and other representatives with respect to the Term; and
- (d) at the time of execution of a renewal franchise agreement, Franchisee shall not have been given notice of a default under this Agreement or any other agreement or obligation Franchisee may have with Franchisor (such as, but not limited to, another franchise agreement within the Program) including, but not limited to, all obligations to pay Royalties, Customer Care Center Fees, interest charges, audit fees and other amounts; responsibilities to comply with the Operations Manual, including trade name and logo guidelines.

20. ASSIGNMENT OR TRANSFER

20.1 **Assignment or Transfer by Franchisee.** Franchisee acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that Franchisor has entered into this Agreement in reliance upon the individual or collective character, skill, aptitude, attitude, business ability

and financial capacity of Franchisee (or its principals, in' the case of a corporate Franchisee). Therefore, except as expressly provided herein, neither this Agreement nor any of the rights and privileges of Franchisee contained herein, nor the Franchised Business or any part of it, nor any share or interest in Franchisee (if an entity) may be voluntarily, involuntarily, directly or indirectly (including by operation of law) assigned, sold, pledged, hypothecated, subdivided, sublicensed, optioned, diluted (such as by stock issuance or sale) or otherwise transferred or encumbered, at law or at equity. Any assignment or transfer not expressly permitted by this Agreement shall constitute a breach of this Agreement and shall be of no force and effect, and shall not be effective to convey any interest in this Agreement or the Franchised Business.

Without limiting the foregoing, Franchisee shall not assign or transfer, in whole or in part, Franchisee's interest in this Agreement or the Franchised Business except upon the terms and conditions provided in this Section 20. Any such assignment or transfer shall require the prior written consent of Franchisor, which Franchisor will not withhold unreasonably. Franchisor may refuse to consent to an assignment or transfer if any Material Default has occurred and has not been remedied. By way of illustration and not limitation, Franchisor may withhold its consent if the proposed assignee or transferee does not meet Franchisor's then current requirements for its new franchisees, is and will remain involved in any way in another business similar to the Franchised Business, is not in Franchisor's opinion financially and operationally capable of performing the then current obligations of System franchisees, or has had previous business experience or lack of experience which, in the judgment of Franchisor, suggest that the proposed assignee or transferee may not be a suitable franchisee of the Program. Franchisor's consent to any assignment or transfer shall not constitute a waiver of any claim, demand, action or cause of action which it may have against Franchisee, and shall not constitute a release of any third party guarantee or covenant for performance of this Agreement by Franchisee.

20.2 *Transfer of Interest in Corporate Franchisee.* Without limiting the foregoing section, in the event that Franchisee is a corporation, partnership or other form of business organization, any material change in the legal or beneficial ownership of Franchisee, whether by agreement, court order, or by operation of law will be deemed to be an assignment or transfer of this Agreement by Franchisee. For the purposes of this paragraph, a material change in ownership will be any cumulative change in the legal or beneficial ownership of voting shares (or comparable voting units) representing more than 20 percent of all outstanding voting shares (or comparable voting units).

20.3 *Conditions of Consent.* Any consent given to Franchisee to assign, transfer, sell or otherwise alienate Franchisee's interest in this Agreement and the Franchised Business shall be subject to the following conditions (none of which limit in any way the discretion of Franchisor to grant or reasonably withhold its consent to any proposed assignment or transfer):

- (a) Franchisee shall submit all proposed advertisements for the sale of the Franchised Business to Franchisor for prior written approval, and Franchisor shall approve the material terms and conditions of any proposed transfer or assignment;
- (b) Franchisee shall pay a non-refundable transfer fee of \$10,000, of which \$2,500 shall be payable upon the Franchisee's declaration of an intent to sell the Franchised Business, to reimburse Franchisor for its costs and expenses associated with reviewing and processing the application and providing training to the assignee;
- (c) Franchisee and assignee or transferee shall execute Franchisor's then current form of assignment of franchise agreement or, at the election of Franchisor, the assignee or transferee shall execute Franchisor's then current form of franchise agreement for a term equal to the remainder of the Term;

- (d) Franchisee shall return to Franchisor the Operations Manual and all other manuals and materials provided hereunder, for re-issuance to the assignee or transferee;
- (e) Franchisee and its principals shall each execute a release in the form provided by Franchisor and described in Section 20.5. Notwithstanding an assignment or transfer, Franchisee shall not be released by Franchisor;
- (f) the assignee or transferee and its designated management personnel shall have completed to Franchisor's satisfaction Franchisor's then-current training program;
- (g) all obligations of Franchisee under this Agreement and under all documents relating hereto and any or all other agreements then in effect between Franchisor or its nominee and Franchisee shall be in good standing;
- (h) Franchisee shall provide evidence sufficient to Franchisor, acting reasonably, that the assignee or transferee has either taken an assignment or deemed assignment of the Vehicle Lease (with the consent of the lessor), or that the Vehicle Lease has been terminated and the proposed assignee or transferee has entered into a new Vehicle Lease meeting Franchisor's then current specifications; and
- (i) the assignee shall execute Franchisor's then current form of guarantee.

20.4 ***Transfer to an Entity by Personal Franchisee.*** If Franchisee is an individual, then his or her assignment of this Agreement to an entity formed solely for the purpose of owning and operating the Franchised Business pursuant to this Agreement, including but not limited to a corporation, limited liability company, limited liability partnership, limited partnership or any other form of entity, shall not be deemed to be an assignment of this Agreement, on condition that at least 15 days prior to an assignment being effected, Franchisee provides full written details of the proposed assignment to Franchisor and both Franchisee and proposed assignee certify in such writing that:

- (a) Franchisee has, and will retain at all time during the Term and any exercised Renewal Term legal and beneficial ownership of not less than 75% of the outstanding voting equity of the assignee entity;
- (b) Franchisee is and will remain the principal officer, chairman, director, member, partner, manager of the assignee entity;
- (c) all equity holders (both legal and equitable), members, partners, managers, directors and officers of the assignee entity will forthwith sign Franchisor's then current form of guarantee whereby they will, among other things, jointly and severally guarantee performance of this Agreement by the entity;
- (d) notwithstanding the assignment, the assignor shall remain liable, jointly and severally with the assignee entity and guarantors, for all obligations of Franchisee contained herein, and concurrently with the assignment, the assignor will execute and become bound by the Franchisor's then-current form of guarantee;
- (e) the assignor assigns to the assignee all and not less than all of the Agreements entered into between the Franchisor and assignor including without limitation, all franchise agreements;

- (f) the assignor assigns to the assignee all Assets, leases, intangibles (including without limitation, insurance contracts), and all other assets held by the assignor that are necessary for or used in the Franchised Business; and
- (g) the assignee has no material liabilities that would affect the ability of the assignee to carry on the Franchised Business.

Additionally, the provisions of subsections 20.3(b) to (f) above shall apply, with the necessary changes, to the proposed assignment.

20.5 Franchisee's Release of Claims. It shall be a condition of Franchisor's consent to any assignment that Franchisee and its principals each deliver to Franchisor a complete release of all claims against Franchisor and its Affiliates and their respective directors, officers, shareholders, members, managers, partners, employees, agents and other representatives in respect of all obligations arising under or pursuant to this Agreement, such release shall be in a form provided by Franchisor.

20.6 Death, Incapacity or Permanent Disability. In the event of the death or permanent disability of a personal Franchisee (or a principal of Franchisee where Franchisee is an entity or other entity and its principal is the manager of the Franchised Business), then Franchisee or estate of a deceased personal Franchisee shall have the right, within six (6) months after such event, to assign this Agreement to an assignee who is, in Franchisor's opinion, financially and operationally capable of performing the obligations of Franchisee hereunder, provided that each of the conditions set out in Section 20.3 are fulfilled to the reasonable satisfaction of Franchisor. For the purposes of this Section 20.6, permanent disability means the inability of the personal Franchisee or principal to manage effectively the day-to-day operation of the Franchised Business for a period of 30 days. During any period of disability (permanent or otherwise) or pending assignment or in the event of death as aforesaid, in the event the Franchisee does not or is unable to replace the General Manager as required by Section 11.1, Franchisor may appoint a competent and trained manager to operate the Franchised Business for the account of Franchisee. The substitute manager shall be deemed for all purposes to be the agent or employee of Franchisee. Franchisor shall not be liable to Franchisee or to any creditor of the Franchised Business for any debt, obligation, contract, loss or damage incurred, or for any purchase made during any period in which the Franchised Business is so managed.

20.7 Right of First Refusal. If Franchisee or its shareholders shall at any time determine to sell, assign or transfer this Agreement or an interest in the Franchised Business or any equity interest in Franchisee (if an entity), then Franchisee shall provide Franchisor with a copy of the written offer from a fully disclosed purchaser. Franchisor shall have the right, exercisable by written notice delivered to Franchisee within 15 days from the date of delivery of a bona fide offer, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and shall have not less than 60 days to prepare for closing. Franchisor may, at closing, pay any of Franchisee's trade creditors out of the purchase price, and set off against the purchase price any unpaid debts of Franchisee to Franchisor. If Franchisor does not exercise its right of first refusal, Franchisee (or other vendor) may complete the sale to such purchaser pursuant to and on the terms of such offer, subject to compliance with the consent and approval requirements of this Section 20; provided, however, that if the sale to such purchaser does not complete within 90 days after delivery of such offer to Franchisor, or if there is a material change in the terms of the sale, then Franchisor shall again have a new right of first refusal as herein provided.

20.8 Assignment by Franchisor. This Agreement may be assigned in whole or in part by Franchisor and, if Franchisor makes a full assignment to a third party and the third party agrees in writing to assume all of the obligations and liabilities of Franchisor hereunder, then Franchisor shall

automatically be released from all obligations and liabilities hereunder. A partial assignment by Franchisor may include an assignment of the Royalties payable by Franchisee.

20.9 **Legend on Share Certificates.** If Franchisee is an entity, Franchisee shall cause all shares of its capital stock, unit certificates or similar agreements or indications of ownership; the following legend, with necessary changes:

The Company and the securities evidenced by this certificate are subject to, and the disposition and transfer of such securities are restricted by, a franchise agreement dated as of _____, between the Company and Junk King Franchise Systems, Inc., a California corporation, a copy of which may, at the request of any shareholder of the corporation, be examined at the principal business office of the Company during normal business hours.

21. NON-COMPETITION

Except as expressly permitted by this Agreement or by any other written agreement between Franchisor and Franchisee, during the Term and for a period of 18 months after expiration of the Term or an exercised Renewal Term, Franchisee shall not directly or indirectly, in any capacity, either alone or in any relationship with any other person, firm, corporation or other business organization, or as an employee, consultant, principal, agent, member, partner, shareholder, investor, director or officer, (i) carry on, engage or be financially concerned or interested in, or (ii) advise, supervise, manage any business engaging in any enterprise similar in nature to the Program, or offering for sale any services similar to the Services in the Territory or in any other territory serviced by the Franchisor or any other franchisee of Franchisor. This Section 21 shall also continue to apply to Franchisee in the case of any assignment of this Agreement or any sale of the Franchised Business. This Section 21 shall survive the expiration or sooner termination of this Agreement and any assignment, transfer or sale hereunder. Franchisee acknowledges that by reason of the unique nature and considerable value of the Marks and the business reputation associated with Franchisor and the Program, including methods of operating, format and related proprietary rights and by reason of Franchisee's knowledge of and association and experience with the Program, the provisions of this Section 21 are reasonable and commensurate for the protection of the legitimate business interests of Franchisor, its Affiliates and franchisees.

22. FRANCHISEE ACKNOWLEDGMENTS

22.1 **Acknowledgments.** Franchisee acknowledges and agrees as follows:

- (a) **Potential Earnings.** The success of the Franchised Business to be established hereunder will, to a great extent, be dependent upon the personal time and efforts contributed by Franchisee and Franchisee's employees (as well as Franchisee's partners or directors if Franchisee is a partnership or a corporation). Neither Franchisor nor anyone else has represented, warranted or guaranteed to Franchisee that Franchisee will enjoy financial success in owning and operating the Franchised Business.
- (b) **No Representations or Projections.** Neither Franchisor nor anyone else has made any representation, warranty or guarantee regarding the level of Gross Revenue, net income or profit margins which may be achieved at the Franchised Business. The results achieved at the Franchised Business will be particular to the Franchisee. Franchisee accepts the risk of the Franchised Business not achieving the levels of Gross Revenue and net income during the Term which Franchisee at the Effective Date hopes to achieve.

- (c) Review of Documents and Time for Careful Consideration. Franchisee acknowledges that he, she or it has received, has had ample time to read and study, and has read and studied this Agreement and fully understands its provisions. Franchisee further acknowledges that he, she or it has had an adequate opportunity to be advised by legal counsel and accounting professionals of his, her or its own choosing regarding all aspects of this Agreement and the relationship created thereby.
- (d) Injunctive Relief. Franchisee acknowledges that certain breaches of this Agreement would result in loss to Franchisor for which Franchisor could not be adequately compensated in damages by a monetary award. Accordingly, Franchisee agrees that in the event of any such breach of this Agreement, Franchisor shall, in addition to all the remedies available to Franchisor at law or in equity, be entitled as a matter of right to a restraining order, injunction (including an interim injunction), decree of specific performance or otherwise, without the need to post any bond or other security in connection therewith, to ensure compliance by Franchisee with the provisions of this Agreement and preservation, of Franchisor's proprietary rights.
- (e) Responsibility for Investigations, Permits, Etc. Franchisee acknowledges that it is solely responsible for investigation of all regulations applicable to the Franchised Business and for obtaining all necessary permits to operate the Franchised Business, and Franchisor makes no representation as to such regulations, if any, or that such licenses or permits are available, nor has Franchisor undertaken any such investigation on its own.

23. MISCELLANEOUS

23.1 ***Indemnity by Franchisee.*** Except as otherwise provided in this Agreement, Franchisee agrees to indemnify and save harmless Franchisor, its subsidiaries, Affiliates, shareholders, directors, officers, employees, agents, assignees and other franchisees from and against, and to reimburse them for, all liabilities, obligations, and consequential damages, taxes, costs, losses and actual legal expenses incurred by them in connection with any claim, litigation or other action or proceeding arising out of the operation of the Franchised Business by Franchisee. Franchisee shall be responsible for and shall pay and satisfy any judgment or settlement that may arise out of any such claim, litigation, action or proceeding. Without limiting the generality of the foregoing, Franchisee agrees that if Franchisor is made a party to any lawsuit or any other action or proceeding in connection with the Franchised Business or the activities of Franchisee or any of its Affiliates, Franchisor may, at its sole option, either (a) permit Franchisee to conduct the defense or prosecution of the matter at the cost of Franchisee; or (b) take conduct of the defense or prosecution, in which case all expenses thereof will be borne or reimbursed by Franchisee. This indemnity shall continue in full force after termination or expiration of this Agreement.

23.2 ***Interest on Overdue Amounts.*** All payments required to be made by Franchisee to Franchisor under or pursuant to this Agreement shall bear simple interest from and after their respective due dates until paid in full at the rate of ten percent (10%) per annum or such other rate as Franchisor may specify in writing from time to time or the maximum rate permitted by law if lower.

23.3 ***Application of Payments.*** Franchisor shall have sole discretion to apply any payments made by Franchisee to any past due indebtedness of Franchisee, including but not necessarily limited to Royalties, Customer Care Center Fees, purchases from Franchisor, or any of its Affiliates, interest or other indebtedness. Subject to applicable law and prior claims, if any, and unless otherwise indicated by Franchisor from time to time, all amounts paid by Franchisee to Franchisor under this Agreement, will be applied in the following order: (i) to any unpaid Royalty; (ii) to any unpaid account for supplies or other

miscellaneous accounts, and (iii) to any unpaid Customer Care Center Fee. Payments towards any particular account shall first be applied towards interest on arrears, if any, then towards principal.

23.4 ***Parties are Independent Contractors.*** The parties intend by this Agreement to establish the relationship of franchisor and franchisee, each as an independent contractor, and it is not the intention of either party to establish a fiduciary relationship, to undertake a joint venture, to make Franchisee in any sense an agent, employee, Affiliate, associate or partner of Franchisor or to confer on Franchisee any authority to act in the name of or on behalf of Franchisor.

23.5 ***Conformity with Laws.*** If any statute, law, by-law, ordinance or regulation promulgated by any competent authority with jurisdiction over any part of this Agreement or the Franchised Business or any court order pertaining to this Agreement requires a longer or different notice period than that specified herein, the notice period shall automatically be deemed to be amended so as to conform with the minimum requirements of such statute, law, by-law, ordinance, regulation or court order.

23.6 ***Additional Franchises.*** Franchisee acknowledges that Franchisor may from time to time grant franchises for additional Franchised Businesses under terms that may differ materially from the terms of this Agreement and that consequently Franchisor's obligations and rights with respect to its various franchises may from time to time differ materially from those provided in this Agreement.

23.7 ***Waiver.*** Franchisor reserves the right, from time to time, to waive observance or performance of any obligation imposed on Franchisee by this Agreement. No waiver of any default of any term, proviso, covenant or condition of this Agreement by Franchisor shall constitute a waiver by Franchisor of any prior, concurrent or subsequent default of the same or any other term, proviso, covenant or condition hereof.

23.8 ***Entire Agreement.*** This Agreement sets forth the entire agreement between Franchisor and Franchisee and contain all of the representations, warranties, terms, conditions, provisos, covenants, undertakings and conditions agreed upon by them with reference to the subject matter hereof. All other representations, warranties, terms, conditions, provisos, covenants, understandings and agreements, whether oral or written (including without limitation any letter of intent between the parties and other pre-contractual representations), are waived and are superseded by this Agreement.

23.9 ***Amendments.*** This Agreement can be amended or added to only by a writing executed by both Franchisor and Franchisee.

23.10 ***Further Assurances.*** Franchisor and Franchisee will each acknowledge, execute and deliver all such further documents, instruments or assurances and will each perform such further acts or deeds as may be necessary or advisable from time to time to give full effect to this Agreement.

23.11 ***Severability.*** If any article, section or subsection of this Agreement or any portion thereof is determined to be indefinite, invalid, illegal or otherwise void, voidable or unenforceable, then it shall automatically be severed from this Agreement and the balance of this Agreement shall continue in full force and effect.

23.12 ***Governing Law; Jurisdiction.*** This Agreement shall be construed and interpreted according to the laws of the state of California. Subject to the provisions of Section 23.13 the Federal and State Courts in San Mateo County, California, shall have exclusive jurisdiction' to entertain any proceeding in respect of this Agreement, and Franchisee and Franchisor each consent to the jurisdiction of such courts in all matters related to this Agreement; provided that Franchisor may obtain relief in such

other jurisdictions as may be necessary or desirable to obtain declaratory, injunctive or other relief to enforce the provisions of this Agreement.

23.13 Arbitration.

(a) ALL DISPUTES UNDER OR WITH RESPECT TO THIS AGREEMENT THAT CANNOT BE AMICABLY SETTLED SHALL BE DETERMINED SOLELY AND EXCLUSIVELY BY ARBITRATION IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION OR ANY SUCCESSOR THEREOF. ARBITRATION SHALL TAKE PLACE AT AN APPOINTED TIME AND PLACE IN SAN MATEO COUNTY, CALIFORNIA.

(b) Each party shall select one (1) arbitrator (who shall not be counsel for the party), and the two (2) so designated shall select a third arbitrator. If either party shall fail to designate an arbitrator within seven (7) days after arbitration is requested, or if the two arbitrators shall fail to select a third arbitrator within fourteen (14) days after arbitration is requested, then an arbitrator shall be selected by the American Arbitration Association or any successor thereto upon application of either party. Judgment upon any award of the majority of the arbitrators shall be binding and shall be entered in a court of competent jurisdiction. The award of the arbitrators may grant any relief which might be granted by a court of general jurisdiction, including, without limitation, an award of damages (but excluding injunctive relief), and may, in the discretion of the arbitrators, assess, in addition, the costs of arbitration, including the reasonable fees of the arbitrators and reasonable attorneys' fees, against either or both parties, in proportions as the arbitrators shall determine. Subject to such determination by the arbitrators, each party shall bear their own costs and the arbitrator's fees will be shared equally.

(c) Nothing herein contained shall bar the right of either party to seek and obtain temporary and permanent injunctive relief from a court of competent jurisdiction in accordance with applicable law against threatened conduct that will in all probability cause loss or damage to franchisee or franchisor.

(d) It is the intent of the parties that any arbitration between the Franchisee and Franchisor regarding a claim of franchisee shall be of Franchisee's individual claim and that no such claim subject to arbitration shall be arbitrated on a class-wide basis.

(e) Franchisee shall not assert any claim or cause of action against Franchisor, its officers, directors, shareholders, employees or affiliates after one (1) year following the event giving rise to such claim or cause of action.

(f) In the event any party is required to retain legal counsel or to incur other reasonable expenses to enforce any obligation of another party hereunder, or to defend against any claim, demand, action, or proceeding by reason of another party's failure to perform any obligation imposed upon such party by this agreement, then the prevailing party shall be entitled to recover from the other party the amount of all reasonable attorneys' fees of such counsel and all other expenses reasonably incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding. Nothing in this Section 23.13(f) shall limit the discretion of the arbitrators as provided in Section 23.13(b).

23.14 Survival of Covenants. The terms, provisions, covenants, conditions and obligations contained in or imposed by this Agreement which, by their terms, require performance by Franchisee after the expiration or other termination of this Agreement, shall be and remain enforceable thereafter.

23.15 Inurement. This Agreement inures to the benefit of and is binding upon Franchisor and Franchisee and their respective heirs, executors, administrators, legal personal representatives, permitted successors and permitted assigns.

23.16 **Time of Essence.** Time shall be of the essence for all purposes of this Agreement.

23.17 **Notices.** Any notice required or permitted to be given by this Agreement shall be in writing and shall be deemed to have been duly given if delivered by hand, sent by confirmed facsimile (with concurrent mailing of the original thereof), nationally-recognized overnight courier, or mailed by certified or registered mail, postage prepaid, addressed to Franchisor and to Franchisee at their respective addresses set out on the first page hereof or to such other address as the respective parties may give notice of in the same manner. Any such notice shall be deemed to have been given and received, if delivered when delivered, or, when sent if sent by confirmed facsimile (and mailing of the original thereof) if mailed, on the third Business Day following the mailing thereof; provided, however, that no notice which is mailed shall be deemed to be received if between the time of mailing and the third Business Day thereafter there is any labor dispute, strike or lockout affecting mail in the geographic areas in which the notice is mailed or intended to be received.

23.18 **Schedules. Submission of Agreement.** The submission of this Agreement to Franchisee does not constitute an offer by Franchisor. This Agreement shall only become effective when it has been executed by both Franchisor and Franchisee.

23.19 **Consents.** Unless otherwise expressly provided herein, any time Franchisor is to provide written consent or approval to Franchisee under this Agreement, such consent or approval shall not be unreasonably withheld.

IN WITNESS WHEREOF Franchisor and Franchisee have executed this Agreement on the date or dates set forth below, but with effect from the Effective Date shown in Schedule A.

FRANCHISOR:

JUNK KING FRANCHISE SYSTEMS, INC.,
a California corporation

By: _____
(authorized signature)

Name: _____

Dated: _____

FRANCHISEE:

Name: _____

a _____

By: _____

Name: _____

Dated: _____

ACKNOWLEDGEMENT AND EXECUTION BY FRANCHISEE

FRANCHISEE ACKNOWLEDGES THAT PRIOR TO THE DATE OF EXECUTING THIS AGREEMENT OR PAYING ANY NON-REFUNDABLE CONSIDERATION FOR IT, FRANCHISEE HAS RECEIVED, READ AND UNDERSTOOD A COMPLETE COPY OF THIS AGREEMENT (WITH ALL BLANKS COMPLETED) AND A FRANCHISE DISCLOSURE DOCUMENT IN CONSULTATION WITH PROFESSIONAL ADVISORS OF FRANCHISEE'S OWN CHOOSING AND, ACCORDINGLY, THAT FRANCHISEE IS AWARE OF ALL PROVISIONS OF THIS AGREEMENT AND IS AWARE OF THE BUSINESS RISKS INVOLVED IN ENTERING INTO THIS AGREEMENT AND ESTABLISHING AND OPERATING THE FRANCHISED BUSINESS CONTEMPLATED HEREBY.

FRANCHISOR:

JUNK KING FRANCHISE SYSTEMS, INC.,
a California corporation

By: _____
(authorized signature)

Name: _____

Dated: _____

FRANCHISEE:

Name: _____

a _____

By: _____

Name: _____

Dated: _____

SCHEDULE A

FRANCHISED BUSINESS - PARTICULARS

1. **Effective Date:** _____
2. **Franchised Location** (Subsection 2.1(a)): _____
3. **Territory** (Section 2.2): _____

Where zip codes are used to describe a Territory, the area represented shall be determined having reference to the zip codes in effect on the Effective Date.

4. **Scheduled Opening Date of Franchised Business** (Section 2.3): _____, which Franchisor may extend by up to 60 days under Section 2.3
5. **Term** (Section 2.4): 10 years from the Scheduled Opening Date.
6. **Renewal Term** (Section 18): 5 years.
7. **Initial Franchise Fee and Initial Marketing Fee** (Section 3): \$ _____, due as follows:

<u>Amount</u>	<u>Amount</u>	<u>Date Due</u>
Initial Franchise Fee	\$ _____	Execution of Franchise Agreement
Initial Marketing Fee	\$ _____	Execution of Franchise Agreement

8. **Vehicle Order Date** (Section 5):

Vehicle Order Date	Number of Vehicles	Notes

9. **Management Personnel** (Sections 2.6 and 12.1) _____, or such other person(s) as may be approved in writing by Franchisor from time to time.

SCHEDULE B

MARKS

1. Junk King
2. Just Dump It
3. The "Junk King" image bearing the red and gold color scheme and with a gold crown between the two words and a second gold crown used to dot the letter "i"

SCHEDULE C

GUARANTEE

THIS GUARANTEE, is made and entered into effective as of _____, by _____ ("**Guarantor**"), in favor of **JUNK FRANCHISE SYSTEMS, INC.**, a California corporation (the "**Franchisor**").

RECITALS

A. The Franchisor is entering into a Franchise Agreement, dated _____ (the "**Franchise Agreement**"), with _____ ("**Franchisee**").

B. The Guarantor is a shareholder, director, officer, member, manager or partner of the Franchisee and will directly or indirectly benefit from the Franchisor entering into the Franchise Agreement with Franchisee.

C. The Franchisor is unwilling to enter into the Franchise Agreement without the Guarantors providing this Guarantee guaranteeing Franchisee's obligations under the Franchise Agreement.

NOW, THEREFORE, to induce Franchisor to enter into the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

AGREEMENT

1. **The Guarantee.** Guarantor hereby irrevocably, absolutely and unconditionally guaranties the full, complete and punctual performance by Franchisee of all of the terms and conditions of the Franchise Agreement, including any amendments thereto or renewals thereof (collectively, the "**Guaranteed Obligations**"). The obligations and liability of the Guarantor hereunder shall as a primary obligor under the Franchise Agreement, and not merely as a surety, and the Franchisor shall not be obliged to resort to or exhaust any recourse which it may have against the Franchisee, any third party, or any security or collateral before being entitled to bring a claim against the Guarantor.

2. **Obligations Unconditional.** The obligations of the Guarantor under this Guarantee is absolute and unconditional and, to the fullest extent permitted by applicable law, irrespective of any circumstance whatsoever (other than payment or performance) which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor. No dealings between the Franchisor and the Franchisee of any kind, whether with or without notice to the Guarantor, shall affect the liability of the Guarantor hereunder. Without limiting the foregoing, the Guarantor hereby authorizes Franchisor, without notice or demand and without affecting Guarantor's liability hereunder, from time to time to (a) change or extend the time, or manner, of payment of the Franchise Agreement; (b) change any of the terms, covenants, conditions or provisions of the Franchise Agreement or take and hold additional security for the payment of the Franchise Agreement, and exchange, enforce, waive and release any such security.

Additionally, each Guarantor hereby waives:

(a) Any right to require Franchisor to (i) proceed against Franchisee or any other guarantor of the obligations, (ii) proceed against or exhaust any security received from Franchisee or any other guarantor of the obligations, or (iii) pursue any other remedy in Franchisor's power whatsoever;

(b) Presentment, demand, protest, notice of protest, notice of dishonor and notice of non-payment and notice of acceptance of this Guaranty;

(c) Any right to the benefit of, or to direct the application of, any security held by Franchisor, and, until all the indebtedness and obligations, payment and performance of which are hereby guaranteed, have been paid and performed in full, any right to enforce any remedy which Franchisor now has or hereafter may have against Franchisee, and any right to participate in any security now or hereafter held by Franchisor;

(d) Any right to require Franchisor to proceed against Franchisee or to proceed against any other security now or hereafter held by Franchisor or to pursue any other remedy in Franchisor's power; and

(e) Any right to receive from the Franchisor any communication whatsoever with respect to performance of the Obligations by the Franchisee (including any subsequently created obligation or liability of the Guarantor to the Franchisor); notice of the existence or creation of any liabilities under the Franchise Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Franchisee and the Franchisor resulting from the Franchise Agreement or otherwise, and the settlement, compromise or adjustment thereof.

3. Continuing Guaranty. This Guarantee constitutes a continuing guarantee of performance of the Guaranteed Obligations and the obligations of the Guarantor hereunder are not limited to any particular period of time but shall continue until all of the terms, covenants and conditions of the Franchise Agreement have been fully and completely performed by the Franchisee or otherwise discharged by the Franchisor, and the Guarantor shall not be released from any liability under this Guarantee so long as there is any claim of the Franchisor against the Franchisee arising out of the Obligations that has not been fully performed, settled or discharged, nor shall this Guarantee be affected by the death, disability or reorganization (whether by way of amalgamation, transfer, sale, lease or otherwise) of the Franchisee or any of its directors, officers or shareholders, or any change in the Guarantor's financial condition or in the business or financial condition of the Franchisee or any of its directors, officers or shareholders (including by way of insolvency, bankruptcy or receivership).

4. Subrogation. The Guarantor hereby agrees that it shall not be subrogated to any of the rights of the Franchisor until payment in full of the Guaranteed Obligations.

5. Binding Effect of Agreements. Any account settled or stated or any other settlement made between the Franchisor and the Franchisee, and any determination made pursuant to any of the Obligations which is expressed to be binding upon the Franchisee shall be binding upon the Guarantor.

PERSONAL COVENANTS

6. As additional personal covenants (and without limiting the generality of the other provisions of this Agreement), the Guarantor as primary obligor unconditionally covenants and agrees to be bound personally to comply with the following provisions of the Franchise Agreement, as if the Guarantor personally was the Franchisee: Section 12.2 (Use of Name and Marks); Section 12.3 (Use of Copyrights); Section 12.7 (Use of Know-How); Section 12.8 (Confidential Information); Section 13.5 (Compliance with Laws), Section 13.8 (No Solicitation of Employees); Section 21 (Non-Competition). If

the Guarantor breaches any of his or her covenants in this section, then the Franchise Agreement shall be deemed to be in default and the Franchisor may exercise its remedies for default under the Franchise Agreement.

MISCELLANEOUS

7. Amendment. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Guarantor and the Franchisor.

8. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Franchisor in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

9. No Waiver. No delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof.

10. Expenses. The Guarantor will pay all reasonable expenses that are incurred by the Franchisor in connection with the enforcement of this Agreement.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns (provided, however, that the Guarantor shall not assign or transfer its rights hereunder without the prior written consent of the Franchisor).

12. Independent Advice. The Guarantor acknowledges that he or she has obtained independent legal advice before signing this Agreement.

13. Governing Law and Jurisdiction. This Guarantee shall be governed by, and construed in accordance with, the law of the State of California. The Guarantor hereby submits to the nonexclusive jurisdiction of the United States District Court for the Northern District of California and of any California state court sitting in San Mateo County, California, for the purposes of all legal proceedings arising out of or relating to this Agreement. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

IN WITNESS WHEREOF the Guarantor has signed this Agreement as of the date first above written.

GUARANTOR:

Name: _____

SCHEDULE D

VEHICLE SPECIFICATIONS: Mitsubishi

Model	Mitsubishi FUSO FE180
Year	2008 or newer (must comply with current emission standards requirements)
Transmission	Mitsubishi 4M50, 185 HP, 4.9 liter, 299 (CID), 391 lb. ft. torque @ 1600 RPM
Wheel base	134.3"
Cab-to-axle	105.7"
Fuel tank	33-gallon side mount
Service brakes	Hydraulic-boosted with 4-channel ABC hydraulic disk/drum
Tires	215/75 R-17.5 F
Dumping Body	12' long x 8' wide x 5' high Steel fixed sides with smooth steel floor, Rear wing gates. Passenger side Dutch door.
Front tunnel box	24" long x 46" high x 95" wide. Front mounted behind cab.
Underbody boxes	Two boxes (one on each side): 48" long, 18" high x 18" wide.
Hoist	Electric. Hydraulic.
GPS	Data no older than 2 years.
Tarp	Electric sidearm tarp system.
Color	Body painted red per custom code number. Contact Junk King for details.
Signage	Contact Junk King for details

VEHICLE SPECIFICATIONS: Isuzu

Model	Isuzu NRR with 19,500 lb. G.V.W.
Year	Current year's model (must comply with current emission standards requirements)
Transmission	4 H turbocharged, intercooled 205 HP, 5.2 liter, 317 (C.I.D.), 441 lb. ft. torque@1850 RPM
Wheel base	132.5"
Cab-to-axle	11.9"
Fuel tank	30-gallon inframe
Service brakes	Hydraulic-boosted with 4-channel ABC hydraulic disk/drum
Tires	225 / 70 R-19.5 F
Dumping Body	12' long x 8' wide x 5' high Steel fixed sides with smooth steel floor, Rear wing gates. Passenger side Dutch door.
Front tunnel box	24" long x 46" high x 95" wide. Front mounted behind cab.
Underbody boxes	Two boxes (one on each side): 48" long, 18" high x 18" wide.
Hoist	Electric. Hydraulic.
GPS	Data no older than 2 years.
Tarp	Electric sidearm tarp system.
Color	Body painted red per custom code number. Contact Junk King for details
Signage	Contact Junk King for details

Exhibit 4

TABLE OF CONTENTS OF OPERATING MANUAL

The following sets forth the Table of Contents of the Operations Manual as of the date of this Disclosure Document, the number of pages devoted to each subject and the total number of pages in the Operating Manual.

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Our History	2
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Mission and Principles	1
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Chapter 3: Operating Your Junk King Franchise What You Need to Succeed	1
Our Service Cycle	1
Common Questions and Answers	2
How Junk King Supports You	3
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Chapter 6: Staffing Your Franchise	1
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Hiring Employees	16
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Outsourcing to Professionals	2
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What it Means to be a Professional	
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EXHIBIT 5

FINANCIAL STATEMENTS

JUNK KING FRANCHISE SYSTEMS, INC.

FINANCIAL STATEMENTS

Period Ended June 30, 2010

JUNK KING FRANCHISE SYSTEMS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junk King Franchise Systems, Inc.
San Carlos, California

We have audited the accompanying balance sheet of Junk King Franchise Systems, Inc. (a California corporation) as of June 30, 2010, the related statements of operation, changes in stockholders' equity, and cash flow for the period from January 11, 2010 (date of inception) through June 30, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Junk King Franchise Systems, Inc. as of June 30, 2010 and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

NATALIE QUAN, CPA
San Jose, California
September 12, 2010

JUNK KING FRANCHISE SYSTEMS, INC.

BALANCE SHEET

June 30, 2010

ASSETS		<u>2010</u>
CURRENT ASSETS:		
Cash and Cash Equivalents		\$ <u>66,774</u>
OTHER ASSETS:		
Organization Costs		<u>12,103</u>
TOTAL ASSETS		<u>\$ <u>78,877</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trustee Account		\$ <u>28,877</u>
Total Liabilities		<u>28,877</u>
STOCKHOLDERS' EQUITY:		
Common Stock, No Par Value, 100,000 Shares Authorized; 1,000 Shares Issued and Outstanding		\$ <u>50,000</u>
Total Stockholders' Equity		<u>50,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ <u>78,877</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.

STATEMENT OF OPERATIONS

Period Ended June 30, 2010

	<u>2010</u>	
	<u>Amount</u>	<u>Percent of Net Sales</u>
NET REVENUES	<u>\$ 50,500</u>	<u>- %</u>
Gross Profit	50,500	100.0
OPERATING EXPENSES	<u>50,500</u>	<u>-</u>
Income from Operations	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ -</u>	<u>- %</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Period Ended June 30, 2010

	Common Stock		Additional Paid-In Capital	Total Stockholders' Equity
	Shares	Amount		
BALANCE, January 11, 2010				
Contributions	1,000	\$ 50,000	\$ -	\$ 50,000
BALANCE, June 30, 2010	1,000	\$ 50,000	\$ -	\$ 50,000

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.

STATEMENT OF CASH FLOWS

Period Ended June 30, 2010

	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	\$ -
Trustee Account	<u>28,877</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Organizational Costs	<u>(12,103)</u>
Net Cash Provided (Used) by Investing Activities	<u>(12,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions From Shareholders	<u>50,000</u>
Net Cash Provided by Financing Activities	<u>50,000</u>
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	66,774
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>-</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 66,774</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION:

Junk King Franchise Systems, Inc. (the "Company"), a California Corporation, established in 2010, holds the world-wide franchising rights to the business and style of Junk King. Junk King provides full service junk removal business to individuals and businesses. The Company was established to offer franchising rights to individuals and businesses in the Junk King business model, as well as provide sales, training, marketing, and related franchise services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of the Company have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the depreciation of fixed assets, net operating loss carryovers and charitable contribution carryovers for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for tax credits that are available to offset future federal income taxes.

The Company has elected to be an S corporation for income tax purposes, under the terms of which the stockholders include their respective share of the taxable income of the Company in their individual income tax returns. As a result, no federal income tax is imposed on the Company. California recognizes federal S Corporation provisions, but also imposes a tax on the Company's taxable income at a rate of 1.5%.

Income taxes are calculated using the liability method of accounting specified by SFAS No. 109, *Accounting for Income Taxes*, and consist of taxes currently payable plus the change in deferred income taxes resulting from temporary differences between the income tax basis of certain assets and liabilities and the basis used for financial reporting purposes.

For income tax reporting purposes, the Company recognizes income on the cash basis, whereby revenues are recognized when cash is received and expenses are recorded when cash is disbursed.

Advertising - Advertising costs are charged to operations when incurred. For the period ending June 30, 2010 the Company did not have any advertising costs.

JUNK KING FRANCHISE SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounting for Uncertainty in Income Taxes - Effective January 11, 2010, the Junk King Franchise Systems, Inc. adopted ASC 740-10 (formerly Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48)). ASC 740-10 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more likely than not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. Based on management's analysis of the Junk King Franchise Systems, Inc.'s tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.

Income tax returns are filed in the U.S. Federal jurisdiction, and various state jurisdictions. State Jurisdictions have statute of limitations that generally range from three to five years.

Subsequent Events - Management of the Company has evaluated events and transactions subsequent to June 30, 2010 for potential recognition or disclosure in the financial statements. The Company has no subsequent events that required recognition or disclosure in the financial statements for the period ended June 30, 2010. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 12, 2010.

Recent Accounting Pronouncements -

FASB Accounting Standards Codification - On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles* (GAAP) (Codification). ASC 105-10 establishes the exclusive authoritative reference for U.S. GAAP in financial statements, except for SEC rules and interpretive releases, which are also authoritative for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. The Company has included the references to the Codification, as appropriate, in these financial statements.

ASC 820-10 (formerly SFAS No. 157) - In September 2006, the FASB issued ASC 820-10 (formerly SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10 applies under other accounting pronouncements that require or permit fair value measurements. The FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, ASC 820-10 does not require any new fair value measurements. However, for some entities, application of ASC 820-10 will change current practice. In February 2008, the FASB issued ASC 820-10-65-1 (formerly FSP No. 157-2) that defers the effective date of ASC 820-10 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008.

In addition, the FASB also agreed to exclude from the scope of ASC 820-10 fair value measurements made for purposes of applying ASC 840 (formerly SFAS No. 13, *Accounting for Leases*), and related interpretive accounting pronouncements. The adoption of ASC 820-10 for financial assets and liabilities did not have a significant impact on the Company's results of operations, cash flows or balance sheets. The adoption of ASC 820-10 on non-financial assets and liabilities, did not have a significant impact on the Company's results of operations, cash flows or balance sheets.

JUNK KING FRANCHISE SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

ASC 825-10 (formerly SFAS No. 159) - In February 2007, the FASB issued ASC 825-10 (formerly SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of ASC 825-10 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. ASC 825-10 is effective for an entity's first fiscal year that begins after November 15, 2007. The Company has adopted ASC 825-10 but did not elect to measure any eligible financial instruments at fair value under this guidance.

NOTE 3 - LINE OF CREDIT:

The Company entered into a business unsecured line of credit with an unrelated private party on May 1, 2010. The line of credit bears interest at ten percent (10%) per annum. As of the period ending June 30, 2010 there was no outstanding balance.

NOTE 4 - RELATED PARTY TRANSACTIONS:

The following items relate to transactions with Junk King LLC, which offers full service junk removal products to San Francisco Bay Area homes and businesses.

Two controlling members of Junk King LLC are also the controlling shareholders of the Company. A company sale representative owns a minority share in the Company.

Junk King LLC has assigned all of their prior franchise agreements to the Company, in return for assuming all related liabilities and will provide services to existing franchisee under the trade name and style of Junk King, as well as the authority to issue new franchises world-wide starting July 1, 2010. In addition, the Company provided a bill paying service for Junk King LLC by collecting fees and paying bills on their behalf from April 1, 2010 through June 30, 2010. At June 30, 2010, Company had collected fees in excess of bills paid in the amount of \$28,877.

The Company received a one-time fee from Junk King LLC, as well as all future fees and income from franchises executed before July 1, 2010, in exchange for the Company's promise to assume franchising responsibilities and liabilities for contracts executed before July 1, 2010, and for providing bill paying services for the period April 1, 2010 through June 30, 2010.

JUNK KING FRANCHISE SYSTEMS, INC.

FINANCIAL STATEMENTS

Period Ended March 27, 2010

JUNK KING FRANCHISE SYSTEMS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Junk King Franchise Systems, Inc.
San Carlos, California

We have audited the accompanying balance sheet of Junk King Franchise Systems, Inc. (a California corporation) as of March 27, 2010, the related statements of operation, changes in stockholders' equity, and cash flow for the period from January 11, 2010 (date of inception) through March 27, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Junk King Franchise Systems, Inc. as of March 27, 2010 and , and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.



NATALIE QUAN, CPA
San Jose, California
March 29, 2010

JUNK KING FRANCHISE SYSTEMS, INC.

BALANCE SHEET

March 27, 2010

ASSETS		<u>2010</u>
CURRENT ASSETS:		
Cash and Cash Equivalents		\$ <u>50,000</u>
TOTAL ASSETS		\$ <u>50,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY:		
Common Stock, No Par Value, 100,000 Shares Authorized; 1,000 Shares Issued and Outstanding		\$ <u>50,000</u>
Total Stockholders' Equity		<u>50,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ <u>50,000</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.

STATEMENT OF OPERATIONS

Period Ended March 27, 2010

	2010	
	Amount	Percent of Net Sales
NET REVENUES	\$ -	- %
OPERATING EXPENSES	-	-
NET INCOME	\$ -	- %

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 Period Ended March 27, 2010

	Common Stock		Additional Paid-In Capital	Total Stockholders' Equity
	Shares	Amount		
BALANCE, January 11, 2010				
Contributions	1,000	\$ 50,000	\$ -	\$ 50,000
BALANCE, March 27, 2010	1,000	\$ 50,000	\$ -	\$ 50,000

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.

STATEMENT OF CASH FLOWS

Period Ended March 27, 2010

	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Income	\$ <u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions From Shareholders	<u>50,000</u>
Net Cash Provided by Financing Activities	<u>50,000</u>
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	50,000
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>-</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 50,000</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

JUNK KING FRANCHISE SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION:

Junk King Franchise Systems, Inc. (the "Company"), a California Corporation, established in 2010, holds the world-wide franchising rights to the business and style of Junk King. Junk King provides full service junk removal business for individuals and businesses. The Company was established to offer franchising rights to individuals and businesses in the Junk King business model, as well as provide sales, training, marketing, and related franchise services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of the Company have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the depreciation of fixed assets, net operating loss carryovers and charitable contribution carryovers for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for tax credits that are available to offset future federal income taxes.

The Company has elected to be an S corporation for income tax purposes, under the terms of which the stockholders include their respective share of the taxable income of the Company in their individual income tax returns. As a result, no federal income tax is imposed on the Company. California recognizes federal S Corporation provisions, but also imposes a tax on the Company's taxable income at a rate of 1.5%.

Income taxes are calculated using the liability method of accounting specified by SFAS No. 109, *Accounting for Income Taxes*, and consist of taxes currently payable plus the change in deferred income taxes resulting from temporary differences between the income tax basis of certain assets and liabilities and the basis used for financial reporting purposes.

For income tax reporting purposes, the Company recognizes income on the cash basis, whereby revenues are recognized when cash is received and expenses are recorded when cash is disbursed.

Accounting for Uncertainty in Income Taxes - Effective January 11, 2010, the Junk King Franchise Systems, Inc. adopted ASC 740-10 (formerly Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48)). ASC 740-10 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more likely than not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. Based on management's analysis of the Junk King Franchise Systems, Inc.'s tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.

JUNK KING FRANCHISE SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recent Accounting Pronouncements -

FASB Accounting Standards Codification - On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles* (GAAP) (Codification). ASC 105-10 establishes the exclusive authoritative reference for U.S. GAAP in financial statements, except for SEC rules and interpretive releases, which are also authoritative for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. The Company has included the references to the Codification, as appropriate, in these financial statements.

ASC 820-10 (formerly SFAS No. 157) - In September 2006, the FASB issued ASC 820-10 (formerly SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10 applies under other accounting pronouncements that require or permit fair value measurements. The FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, ASC 820-10 does not require any new fair value measurements. However, for some entities, application of ASC 820-10 will change current practice. In February 2008, the FASB issued ASC 820-10-65-1 (formerly FSP No. 157-2) that defers the effective date of ASC 820-10 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008. In addition, the FASB also agreed to exclude from the scope of ASC 820-10 fair value measurements made for purposes of applying ASC 840 (formerly SFAS No. 13, *Accounting for Leases*), and related interpretive accounting pronouncements. The adoption of ASC 820-10 for financial assets and liabilities did not have a significant impact on the Company's results of operations, cash flows or balance sheets. The adoption of ASC 820-10 on non-financial assets and liabilities, did not have a significant impact on the Company's results of operations, cash flows or balance sheets.

ASC 825-10 (formerly SFAS No. 159) - In February 2007, the FASB issued ASC 825-10 (formerly SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of ASC 825-10 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. ASC 825-10 is effective for an entity's first fiscal year that begins after November 15, 2007. The Company has adopted ASC 825-10 but did not elect to measure any eligible financial instruments at fair value under this guidance.

EXHIBIT 6

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Junk King ("Franchisor") and you are preparing to enter into a Franchise Agreement for the establishment and operation of a Junk King Franchise. The purpose of this questionnaire is to determine whether any statements or promises were made to you, either orally or in writing, by employees or representative of Franchisor that have not been authorized or that were not disclosed in the Disclosure Document or that might be untrue, inaccurate or misleading.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Junk King franchise from an existing franchisee?

Yes ___ No ___

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20__.

3. Have you received and personally reviewed the Franchise Agreement and each exhibit attached to it?

Yes ___ No ___

4. Do you understand all of the information contained in the Franchise Agreement and each exhibit attached to it?

Yes ___ No ___

If no, what parts of the Franchise Agreement or exhibit do you not understand? (Attach additional pages, if necessary)

5. Have you received the Franchise Agreement you are to execute with all the blanks completed?

Yes ___ No ___

If so, on what date did you receive the completed Franchise Agreement?

6. Have you received and personally reviewed the Franchisor's Disclosure Document, which was provided to you?

Yes ___ No ___

On what date did you receive the Disclosure Document? _____, 20__.

7. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes ___ No ___

8. Do you understand all of the information contained in the Disclosure Document and any state-specific addendum that was attached to the Disclosure Document?

Yes ___ No ___

If no, which parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary)

9. Have you discussed the benefits and risks of operating a Junk King Franchise with an attorney, accountant or other professional advisor and do you understand those risks?

Yes ___ No ___

If not, do you wish to have more time to do so?

Yes ___ No ___

10. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, the hours worked by you, competition from other businesses, interest rates, the economy, inflation, labor and supply costs, lease terms, your management ability, the marketplace and other economic and business factors?

Yes ___ No ___

11. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement or promise concerning the revenues, project costs, profits or operating costs of a Junk King franchise?

Yes ___ No ___

12. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement or promise concerning the amount of money you may earn in operating the Junk King franchise?

Yes ___ No ___

13. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement or promise regarding the costs you may incur in operating the Junk King?
- Yes ___ No ___
14. Has any employee, broker or other person speaking on behalf of Franchisor made written or oral statement or promise regarding the costs you may incur in starting the Junk King franchise that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes ___ No ___
15. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Junk King franchise?
- Yes ___ No ___
16. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement, promise or agreement concerning the advertising, marketing, training, support services or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes ___ No ___
17. Has any employee, broker or other person speaking on behalf of Franchisor made any written or oral statement, promise or agreement relating to any right you may have to acquire territory in addition to what will be initially granted to you under the Franchise Agreement?
- Yes ___ No ___
18. Has any employee, broker or other person speaking on behalf of Franchisor made any other written or oral statement, promise or agreement relating to the Junk King franchise that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes ___ No ___
19. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?
- Yes ___ No ___
20. If you have answered "Yes" to any of question 11 through 19, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "no" to each of the foregoing questions, please leave the following lines blank.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE RESPONDED TRUTHFULLY TO THE ABOVE 20 QUESTIONS.

Date: _____

Prospective Franchisee

EXHIBIT 7

LIST OF FRANCHISEES

In addition to the franchisees that are listed, there is a company-owned business operated by Junk King, LLC, in San Carlos, California. See Item 1 for more details.

No franchisees have left the system.

JUNK-KING

"AMERICA'S FASTEST AND GREENEST JUNK REMOVAL SERVICE!"

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EXHIBIT 8

MASTER AREA DEVELOPER AGREEMENT



MASTER AREA DEVELOPER AGREEMENT

DEVELOPER:

TERRITORY:

EFFECTIVE DATE:

This Master Area Developer Agreement (“Agreement”) is entered into by and between JUNK KING FRANCHISE SYSTEMS, INC., a California corporation ("Franchisor") and _____ (referred to as “Master Area Developer”) and is effective _____, 2010.

WHEREAS, Franchisor has combined its own best practices into a comprehensive, turnkey program (the "Program") for operating a franchised junk removal business (the "Franchised Business") known to the public under the name "Junk King;"

WHEREAS, The Program involves the use of confidential methods, operating procedures, business techniques, manuals, trademarks and slogans designed to help enable franchisees to compete effectively in the junk removal business;

WHEREAS, Master Area Developer wishes to establish and operate Franchised Businesses and to locate, train, and provide field support to other franchisees under a Master Franchise Agreement using the Program in the Territory (as defined below), and to derive the benefits of the Program and Franchisor's experience, name, reputation and guidance; and

WHEREAS, Franchisor wishes to grant to Master Area Developer the right and license to establish and operate Franchised Businesses and to locate, train, and provide field support to other franchisees under a Master Area Developer Agreement on the terms and conditions set forth herein;

NOW THEREFORE in consideration of the foregoing, the covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

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1. GENERAL NATURE OF THE RELATIONSHIP

Franchisor is a California corporation and is the franchisor of junk removal businesses known to the public under the name of "Junk King;" Master Area Developer has been provided with a copy of Franchisor's current Franchise Disclosure Document and attachments ("FDD"), including this Agreement, more than fourteen days ago. These documents explain and govern the terms of the franchised business and the Master Area Developer's relationship with Junk King.

Franchisor wishes to expand its franchised system using Master Area Developers who would develop various territories throughout the United States and in other countries. These Master Area Developers would perform services for Franchisor and would be compensated according to the terms and conditions of this Agreement.

Franchisor recognizes that terms such as "Master Area Developer," "master franchisee," "area developer," "area representative," "subfranchisor," and so forth often are not used in a standardized manner throughout the franchise industry. Therefore, Franchisor would like to briefly summarize the nature of its relationship with Master Area Developer. Subject to the terms and conditions of this Agreement, Master Area Developer:

1. is granted exclusive rights to operate in and to develop the Territory;
2. pays a master franchise fee to Franchisor;
3. receives training from Franchisor;
4. must own at least one Junk King facility within the Territory;
5. must recruit and screen franchisees and open franchised units within the Territory;
6. must train the franchisees within the Territory;
7. must provide day-to-day guidance and field support (as defined herein) to the franchisees for the time period specified in this Agreement;
8. receives ___% of all franchise fees and transfer fees paid by franchisees within the Territory (except as otherwise limited by this Agreement);
9. receives ___% of all royalties and other fees paid by franchisees within the Territory;
and
10. does not receive any portion of other royalties, fees, or expenses paid by franchisees unless set forth in this Agreement.

2. AGREEMENT TO SERVE AS MASTER AREA DEVELOPER

Franchisor hereby grants to Master Area Developer, and Master Area Developer accepts, the right and obligation to establish and operate Franchised Businesses and to locate, train, and provide field support to other franchisees under a Master Area Development Agreement using the Program in the Territory as defined below.

The parties acknowledge and intend that the Master Area Developer's relationship with Franchisor is that of an independent contractor. Master Area Developer is free to accomplish the tasks and duties hereunder according to its own means, assuming the Master Area Developer complies with this Agreement all applicable laws and regulations.

This Agreement does not create a partnership, company, joint venture, or any other entity or similar legal relationship between the parties, and no party has a fiduciary duty or other special duty or relationship with respect to the other party.

In addition to this Agreement, both parties agree to adhere to the terms, as applicable, of the Franchise Disclosure Documents, the Franchise Agreement, the Franchisee Operations Manual, and other related documents which are provided by Franchisor to Master Area Developer.

3. TERRITORY

Master Area Developer's exclusive Territory consists of _____
_____. Master Area Developer has the exclusive right to develop the Territory. Franchisor will not appoint or authorize any other person or entity to provide Master Area Developer, area development, or other similar services within the Territory.

4. MASTER FRANCHISE FEE

Master Area Developer shall pay to Franchisor a master area development fee in the amount of \$ _____ payable upon execution of this Agreement. This payment shall be wired by Master Area Developer to Franchisor. This fee is calculated as follows:

[further breakdown of fee if applicable]

5. MASTER AREA DEVELOPER OPERATED UNIT(S)

The Master Area Developer shall own and operate at least one franchised unit within the Territory. Each master-owned unit will be governed by a separate franchise agreement(s) ("Franchise Agreement(s)"). The first franchised unit shall be opened within _____ months following the execution of this Agreement.

The initial franchise fee for unit(s) operated by the Master Area Developer will be waived for franchises that have territories of up to _____ in population. The first Master Area Developer unit will be opened no later than _____.

The royalties and all other terms, fees, and conditions for franchises owned by Master Area Developer shall be based on the Franchise Agreement(s). The Franchisor will collect the initial franchise fee and all royalties due under the Franchise Agreement(s) in full, and shall remit the amounts due to Master Area Developer (___%) as set forth in this Agreement. Master Area Developer shall be allowed to establish its franchised unit(s) in an affiliated relationship under a separate entity with other owners/partners, provided that Master Area Developer shall not own less than fifty percent (50%) of any such entity without the Franchisor's prior written consent.

Each franchised unit of Master Area Developer shall pay a fee of four percent (4%) of gross royalties to Franchisor for the Customer Care Call Center.

6. SERVICES TO BE PERFORMED BY MASTER AREA DEVELOPER

(A) Franchisee Recruitment Services

Master Area Developer will use his best efforts to find, solicit and recruit candidates interested in operating a franchise within the Territory. Master Area Developer shall make the initial determination as to whether a candidate has the characteristics and qualifications for becoming a franchisee. Franchisor will supply any leads it receives for potential franchisees of Junk King within the Territory to the Master Area Developer at no cost.

(B) Franchisee Training and Support Services

The Master Area Developer also will provide Franchisees within the Territory with any ongoing training as called for in the Franchise Disclosure Document, the Franchise Agreement and/or the Operations Manual for the time period as set forth below. This training will take place at the Master Area Developer's franchised facility, at the Franchisee's location, and/or at such other places as designated by the Master Area Developer. Franchisor reserves the right to reasonably increase or modify its Franchisee training requirements at any time during the term of this Agreement, but shall not extend the time period set forth below without Master Area Developer's prior written consent. Note, however, that the initial classroom training of Franchisees remains the sole responsibility of Franchisor.

However, for a period of sixty (60) days after the date the Master Area Developer has finished his classroom training, the Franchisor will provide the one week required field training to any franchisees sold in the Territory. Franchisor will incur expenses for providing this training. These expenses may include salaries, travel expenses and like expenses. The expenses associated with this field training are estimated to be _____ (\$ _____).

The Master Area Developer agrees that during this sixty (60) day period, he will cover ____% of the actual costs associated with the one week field training that the Franchisor will be providing. After the sixty (60) days, the Master Area Developer will take over all field training. Master Area Developer may continue to utilize Franchisor's personnel for such field training after sixty (60) days, provided that, Master Area Developer shall be responsible for 100% of the actual costs associated with the field training at that time.

The Master Area Developer will provide Franchisees with on-going local support, day-to-day operational help and marketing advice. This includes site selection assistance, pre-opening obligations, technology training and assistance, advertising and marketing training and support, accounting assistance, and operating and administrative assistance. The assistance and support which Master Area Developer provides must meet the standards and be in accordance with the Franchise Disclosure Document, Franchise Agreement, the Operations Manual, and applicable law and regulations.

The Master Area Developer's training and support obligations to Franchisees under this subparagraph (B) shall terminate as to a Franchisee seven (7) months after that Franchisee completes initial training. After this seven (7) month period, and except as set forth in subparagraph (C) below, the Franchisor assumes all ongoing training and support duties to the Franchisee.

If additional field support is required for any Franchisee(s) after seven (7) months, and: (i) it is mutually agreed that the Master Area Developer should provide that support; and (ii) such field support is not part of the Master Area Developer's duties per subparagraph (C) below, then any fees that are collected by Franchisor from the Franchisee(s) utilizing that field support would split at the rate of ____% to Master Area Developer and ____% to Franchisor.

(C) Ongoing Support to Franchisor

Throughout the term of this Agreement (and any extensions), Master Area Developer shall assist Franchisor with such issues as franchise transfers and re-sales (including the field training and start-up of new Franchisees), franchise terminations and de-identifications, franchise renewals, all issues related to these matters, and with such other issues and matters as the parties mutually agree.

(D) Performance Reports

Master Area Developer agrees to provide Franchisor, at such times and in such forms as Franchisor may specify, reports detailing Master Area Developer's activities, sales, and such other information as Franchisor may specify. Master Area Developer must use suitable hardware and software to administer the business, to perform the tasks called for in this Agreement, and to generate reports acceptable to Franchisor. Franchisor shall provide Master Area Developer with copies of any and all reports detailing activities, sales, and other such information for all Franchisee(s) in the Territory.

(E) Changes to the Franchised System

Franchisor may issue additions and modifications to its Franchise Disclosure Document, the Franchise Agreement, the Franchisee Operations Manual, and other related documents. Franchisor may issue and change computer, software and equipment requirements which the Master Area Developer is required to follow. Franchisor agrees to collaborate with Master Area Developer as to significant changes within the System as they pertain to the Territory.

(F) Negotiations with Franchisee(s)

Master Area Developer shall have the right to negotiate with all Franchisee(s) in the Territory regarding to the terms of the franchise agreement(s) for such Franchisee(s), provided that, Franchisor shall have the right to reasonably approve or disapprove the final terms of all franchise agreement(s) for Franchisee(s) in the Territory. Master Area Developer shall keep Franchisor informed on the status of all ongoing negotiations with Franchisee(s) in the Territory. Master Area Developer may not execute Franchise Agreements with franchisees. Only Franchisor may enter into franchise agreements with Junk King franchisees.

7. MASTER TERRITORY DEVELOPMENT SCHEDULE

Master Area Developer shall develop a minimum of _____ (___) Junk King franchised units in the Territory. Some of these units may be sold to the same Franchisee owners under multi-unit franchise transactions. In addition, Master Area Developer can elect to open additional units. All such units shall count toward Master Area Developer's development requirement. It is also understood that a franchise unit is currently defined as a unit containing equal to or less than 500,000 of population. So, for example, if the Master Area Developer sells a territory of 1,500,000 it would be credited as Three (3) franchised units. The associated minimum development schedule is as follows:

[insert schedule]

If the Master Area Developer stays above this average, it is considered to have met the minimum development schedule. For example, if the Master Area Developer develops _____ franchise units in the first year, it would stay in compliance with the minimum schedule even if no additional franchise units are opened in the second year as it would still have developed _____ franchise units prior to the end of the second year and so on and so forth.

If the Master Area Developer does not meet this minimum development schedule shown above, Franchisor may elect to also market franchises and develop within the Territory, but only in conjunction of the Master Area Developer who can also continue to market and develop. If

the minimum schedule is not met and the Franchisor elects to market and develop, then no splits would be payable on franchise fees or royalties for only those franchises that the Franchisor markets and develops, but in no case will the Master Area Developer lose its rights to the splits on the franchise fees or royalties to any franchises that it already developed or that it continues to develop. In the event Master Area Developer is able to get compliant with the development schedule thereafter, Master Area Developer shall again retain the right to market and develop the Territory exclusively.

8. MASTER AREA DEVELOPER COMPENSATION

(A) Initial Franchise Fees and Transfer Fees

Master Area Developer shall receive _____ percent (%) of all initial franchise fees and all transfer fees paid by Franchisees who purchase a franchise from Franchisor within the Territory during the term of this Agreement. This includes all franchisee prospects that have been identified by Franchisor that eventually purchase a franchise within the Territory.

(B) Franchise Royalties

Franchisor shall receive _____ (%) and Master Area Developer shall receive _____ (%) of all ongoing royalties paid by Franchisees who purchased a franchise within the Territory during the term of this Agreement. This includes all franchisee prospects that have been identified by Franchisor that eventually purchase a franchise within the Territory. This also includes all Franchisees who already have signed Franchise Agreements with Franchisor and whose franchise is located within the Territory. Master Area Developer does not receive a portion of payments made by Franchisees for the national call center.

(C) Limitations

Except as set forth in this Agreement (including Section 6(B) payments), there is no other compensation due from Franchisor to Master Area Developer.

(D) Method of Payment

All fees and royalties payable to the Master Area Developer collected by Franchisor will be paid to the Master Area Developer within _____ from the time they are collected by the Franchisor, excluding weekends and/or holidays. Franchisor shall remit copies of monthly sales reports for all Franchisee(s) in the Territory to Master Area Developer along with all fee and royalty payments.

9. TRAINING OF MASTER AREA DEVELOPER

The Master Area Developer shall receive training in San Carlos, California, at the Franchisor's office for a minimum of seven days. There is no fee for this training, but the costs of this training (roundtrip airfare, lodging, food and incidentals) shall be borne by the Master Area Developer.

This training is intended for Master Area Developer(s) (or the principals if the Master Area Developer is a business entity) and not their delegates or agents. Master Area Developer must render the services called for in this Agreement personally, or through Franchisor's personnel, or through employees, agents or delegates of Master Area Developer as approved by Franchisor. Likewise, if the Master Area Developer is a business entity, it may utilize only personnel who attend and successfully complete the Master Area Developer training course and who are approved by Franchisor, except for field training personnel who only need know the job functions of providing Junk King services to customers.

10. EXPENSES INCURRED BY MASTER AREA DEVELOPER

Since Master Area Developer is an independent contractor, Master Area Developer is responsible for all initial, day-to-day and ongoing expenses associated with carrying out the duties and obligations set forth in this Agreement, unless otherwise specified in this Agreement.

Any future broker fees to be paid for the sale of franchises within the Territory will be split ___% Master Area Developer and ___% Franchisor. Brokers can only be used upon mutual, written agreement of the parties.

11. MASTER AREA DEVELOPER STANDARDS OF OPERATION

Master Area Developer must comply with all applicable laws, regulations, rules, and codes in carrying out the terms and obligations of this Agreement, the terms and obligations of all Franchisee Agreement(s), and the implementation of the Program within the Territory.

Master Area Developer acknowledges that he has no authority to bind Franchisor with respect to any matter, and agrees that he will not enter into any agreements or understandings with any party other than as authorized in writing by Franchisor.

Master Area Developer agrees not to disparage Franchisor, its current and former employees or directors or its Franchisees during the term of this Agreement or thereafter.

Except as required by law, Master Area Developer may not make any press release or other public announcement respecting the subject matter of this Agreement without the written agreement of Franchisor as to the form of such press release or public announcement.

12. INDEMNITY

Master Area Developer will indemnify, defend and hold Franchisor and its affiliates, officers, directors, employees, agents, contractors, advisors, attorneys, and representatives (the “Indemnified Parties”) harmless from and against any claim, suit, arbitration or proceeding brought against the Indemnified Parties resulting from, relating to or arising out of a claim that Master Area Developer violated any law, regulation, rules, codes, common law duty or civil law duty. This indemnification requirement includes prompt payment by Master Area Developer of any expense, cost, fee, damages award, penalty, or any other sum incurred by an Indemnified Party, including attorney’s fees and costs, even if no suit or action is filed and in any event of litigation that is the result of a default by the Master Area Developer.

Franchisor will indemnify, defend and hold Master Area Developer and its affiliates, officers, directors, employees, agents, contractors, advisors, attorneys, and representatives (the “Indemnified Parties”) harmless from and against any claim, suit, arbitration or proceeding brought against the Indemnified Parties resulting from, relating to or arising out of a claim that Franchisor violated any law, regulation, rules, codes, common law duty or civil law duty. This indemnification requirement includes prompt payment by Franchisor of any expense, cost, fee, damages award, penalty, or any other sum incurred by an Indemnified Party, including attorney’s fees and costs, even if no suit or action is filed and in any event of litigation that is the result of a default by the Franchisor.

13. CONFIDENTIALITY

As used herein, “Confidential Information” of a party means information or data (oral, written, electronic or otherwise), including, without limitation, a trade secret, of or about that party that is valuable and not generally known or readily available to third parties obtained by one party from the other party during the Term of this Agreement. The “Confidential Information” of Franchisor shall be deemed to include all intellectual property associated with Franchisor’s franchised system, all materials relating to Franchisor’s franchised system that are not a matter of public record, and all information generated by the parties in the course of the performance of this Agreement.

Neither party will directly or indirectly disclose, publish, disseminate or use the disclosing party’s Confidential Information except as authorized herein. Each party may use the other’s Confidential Information to perform its obligations under this Agreement, but in doing so will only allow dissemination of the disclosing party’s Confidential Information on a need-to-know basis and only to those individuals that have been informed of the proprietary and confidential nature of such Confidential Information. If disclosure of any Confidential Information of a disclosing party is required by law, then the receiving party may make such disclosure after providing the disclosing party with reasonable notice so that the disclosing party, at its expense, may seek a protective order or other relief.

Upon termination of this Agreement, each receiving party will return to the disclosing party all Confidential Information of the disclosing party embodied in tangible form, and will

destroy, unless otherwise agreed, all other sources which contain or reflect any such Confidential Information, Notwithstanding the foregoing, any receiving party may retain Confidential Information solely for insurance, warranty, claims and archival purposes, but the information retained will remain subject at all times to the confidentiality restrictions of this Agreement.

14. NON-COMPETE AND NO SOLICITATION

(A) During the Term of This Agreement

Master Area Developer will not during the term of this Agreement within the Territory directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in the junk collection business or any other closely related business other than seeking Junk King franchisees under this Agreement.

Master Area Developer will not during the term of this Agreement directly or indirectly solicit any management or supervisory personnel employed by Franchisor or any management or supervisory personnel employed by a Franchisor. For the purposes of this subparagraph, solicit means offering the opportunity for employment, to serve as a business partner, or to serve any an officer, director, member, or key person in any business entity started by, operated by, or affiliated or associated with Master Area Developer.

(B) After the Term of This Agreement

Master Area Developer will not, for a period of one year after expiration or termination of this Agreement, within the Territory directly or indirectly recruit, search for, or solicit franchisees or prospective franchisees to engage in the junk collection business or any other closely related business.

Master Area Developer will not, for a period of one year after expiration or termination, directly or indirectly solicit any management or supervisory personnel employed by Franchisor or any management or supervisory personnel employed by a Franchisor. For the purposes of this subparagraph, solicit means offering the opportunity for employment, to serve as a business partner, or to serve any an officer, director, member, or key person in any business entity started by, operated by, or affiliated or associated with Master Area Developer.

(C) Severability

If any covenant or provision in Section 14 is determined to be void or unenforceable, it shall be deemed severed and removed from this Agreement and shall not affect or impair the validity of any other covenant or provision. Further, these obligations are considered independent of any other provision in this Agreement, and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this Agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

15. TERM OF THIS AGREEMENT AND RENEWAL

(A) Term

This Agreement will commence upon its Effective Date and will last for a term of twenty (20) years (the “Term”).

(B) Renewal

Upon the completion of the Term of this Agreement (or the Renewal Term), this Agreement shall automatically renew for a successive 20-year term (“Renewal Term”) under the exact same terms as set forth in this Agreement. In addition, Master Area Developer is entitled to an automatic second 20-year renewal term after the end of the initial Renewal Term.

16. TERMINATION OF THIS AGREEMENT

Franchisor may immediately terminate this Agreement, without opportunity to cure (except under (e) below), by sending written notice to Master Area Developer, for any of the following reasons, provided that in each and every such instance below that the failure or violation relates to Master Area Developer’s operation of the Franchised Business and impairs or prohibits the ability Master Area Developer to comply with its obligations under the Agreement going forward:

(a) Master Area Developer commits a material violation of any law, ordinance, rule or regulation of a government or governmental agency or department, including but not limited to a violation of any franchise law, antitrust law, securities law, consumer protection law, business opportunity law, fraud or similar wrong, unfair or deceptive practices, or comparable violation;

(b) Master Area Developer is convicted of a felony of any type or any misdemeanor involving dishonesty, including a pleading of no contest and similar dispositions;

(c) Master Area Developer violates a provision of Section 11 of this Agreement;

(d) Master Area Developer makes a misstatement of material fact on a biographical information form or fails to disclose a material fact which is requested; or

(e) Master Area Developer fails to perform any material obligation under this Agreement (“Breach”), and such failure has continued for 30 days after Franchisor sent written notice of such Breach to Master Area Developer.

In the event of the death or incapacity of Master Area Developer, or the key person if the Master Area Developer is a business entity, Franchisor is entitled, but not required, to render

whatever assistance is required to maintain smooth and continued provision of services. Franchisor shall be entitled to reimbursement from Master Area Developer or Master Area Developer's estate for any reasonable expenditures thus incurred. Death or incapacity shall not of itself be grounds for termination of this Agreement unless:

(a) Master Area Developer or his/her/its legal representative fails for a period of 90 days after such death or incapacity to commence action to assign this Agreement according to the terms of this Agreement; or

(b) Such assignment is not completed within one year after death or incapacity.

If such action or assignment is not timely taken, Franchisor shall have the right to terminate this Agreement.

Master Area Developer may immediately terminate this Agreement, by sending written notice to Franchisor, for Franchisor's failure to perform any material obligation under this Agreement ("Breach"), and such failure has continued for 30 days after Master Area Developer sent written notice of such Breach to Franchisor. Upon Master Area Developer's termination of this Agreement for Franchisor's Breach, including under Section 20(A), all of Master Area Developer's obligations to Franchisor (and the Guarantee set forth on Attachment B) shall terminate, however, Master Area Developer may continue to operate its business and provide services to Franchisee(s) in the Territory. Franchisor shall permit Master Area Developer to assign any agreements, royalties or other items related to the operation of Junk King franchises in the Territory to Master Area Developer.

Except for fraud by Franchisor, FRANCHISOR has no obligation to return or refund any fee to Master Area Developer upon termination of this Agreement for any reason. The Parties' obligations under Sections 11, 13, 14, 18, and 20 of this Agreement, this paragraph, and the Personal Guaranty exhibits, if any, will survive the termination or expiration of this Agreement. Upon the termination for Master Area Developer's uncured breach or expiration of this Agreement, Franchisor will have no further obligation to pay Master Area Developer any share of franchise fees or royalties received by Franchisor subsequent to the date of termination or expiration.

17. BUSINESS ENTITY MASTER AREA DEVELOPERS

If the Master Area Developer or any successor is a partnership, corporation, limited liability company, or other business entity, or if this Agreement is assigned to a partnership, corporation, limited liability company, or other business entity, then all officers, directors, partners, managers and/or managers of the business entity shall execute a written agreement with Franchisor whereby they individually undertake to be bound, jointly and severally, by all of the terms of this Agreement. If the business entity has only one officer, director, or manager, then that person shall undertake to be bound, jointly and severally, by all of the terms of this Agreement. A copy of the Personal Guarantee is attached as Attachment 1.

18. INTELLECTUAL PROPERTY

Franchisor owns the franchised system, its trademarks and all other intellectual property associated with the franchised system. To the extent that Master Area Developer has or later obtains any intellectual property, other property rights or interests in the franchised system by operation of law or otherwise, Master Area Developer hereby disclaims such rights or interests and will promptly assign and transfer them to Franchisor. Master Area Developer will not undertake to obtain a copyright, trademark, service mark, trade secret, patent rights or other intellectual property right with respect to the franchised system. Master Area Developer will have the right to use Franchisor's trademarks and service marks during the Term for the sole purpose of the advertising the availability of Franchises within the Territory, subject to Franchisor's review and written consent, which will not be unreasonably withheld.

Master Area Developer will not use the name "JUNK KING" or anything similar, as any part of the name of a corporation, LLC, or other entity. Further, Master Area Developer must receive and maintain Franchisor's express written permission to use any domain name (Internet address) that includes the name "JUNK KING" or anything similar in connection with the provision of services under this Agreement or to facilitate any efforts to find, solicit and recruit franchisees.

Franchisor will not unreasonably withhold written permission for the Master Area Developer's obtaining or use of domain names in conjunction with this Agreement, but Franchisor reserves the right to periodically review the use of permitted domain names and, in its sole discretion, revoke such permission. Upon revocation of permission from Franchisor, Master Area Developer will cease its use of that domain name.

19. ASSIGNMENT

(A) Assignment by Franchisor

Franchisor may assign all or a portion of this Agreement without Master Area Developer's prior consent to an assignee who agrees to remain bound by its terms.

(B) Assignment by Master Area Developer

Master Area Developer may not assign all or a portion of this Agreement except in compliance with the terms set forth below.

(1) Master Area Developer may not assign all or a portion of this Agreement at any time when Master Area Developer is in breach of this Agreement.

(2) Master Area Developer may assign this Agreement to an Affiliate, which shall be deemed to be any entity of which Master Area Developer is the beneficial owners of not less than fifty percent (50%) of all of the voting ownership interests of the entity. If Master Area

Developer desires to assign this Agreement to an Affiliate, Master Area Developer must give Franchisor written notice specifying the name of the Affiliate and the name and address of each officer, director, shareholder, member, partner or other person affiliated with the Affiliate. An assignment to any Affiliate shall be effective upon the Affiliate's execution of such assignment documents as Franchisor may reasonably require. Franchisor will not charge any fee in connection with an assignment to an Affiliate.

(3) Should Master Area Developer desire to assign it rights and duties under this Agreement, then it shall give Franchisor the first right and opportunity to engage in negotiations to become the assignee. Master Area Developer agrees to bargain in good faith with Franchisor concerning such an assignment. Master Area Developer shall have the right to assign or sell Master Area Developer's business entity or the rights under this Agreement to any third party thereafter, if Franchisor fails to submit a written offer to purchase acceptable to Master Area Developer within thirty (30) after the commencement of negotiations with Franchisor.

20. ADDITIONAL RIGHTS OF MASTER AREA DEVELOPER

(A) Termination of Business Operations by Franchisor

If Franchisor ceases all business operations or files for a bankruptcy or receivership, and subject to applicable law, Franchisor agrees to cooperate in any manner reasonably necessary for the Master Area Developer to continue conducting its business in the Territory. To such end, Franchisor shall provide Master Area Developer with an irrevocable power of attorney created hereunder for purposes of effectuating an assignment of all rights, royalties and agreements as necessary for Master Area Developer to continue providing services and conducting its business with Franchisee(s) in the Territory. Assuming Master Area Developer assumes the duties and obligations of Franchisor to the Franchisees, Master Area Developer's rights include, but are not limited to: (i) authorization to use Franchisor's logos, trademarks, Confidential Information and other proprietary assets; and (ii) receiving Franchisor's splits of royalties, franchise fees and any other fees.

Franchisor shall be obligated to maintain and operate the Junk King franchise System to allow Master Area Developer to sell and service Franchisees in the Territory. Such obligation shall include, at a minimum, keeping updated manuals, providing initial classroom training and keeping the FDD current and compliant with applicable law.

A sale or assignment of Franchisor's business, or a portion thereof, does not constitute a termination of business operations for the purposes of this paragraph.

(B) Right of First Refusal for Additional Territory *(if applicable)*

Franchisor grants Master Area Developer the Right of First Refusal ("ROFR") for to execute a Master Franchise Agreement for the state(s) of _____ the same or substantially

similar terms as this Agreement. This Franchisor shall provide Master Area Developer with notice of any prospects for franchisees in the ROFR territory, as well as the execution of any franchise agreements in such territory. Master Area Developer shall be allowed to execute the ROFR in connection with an affiliated relationship under a separate entity with other owners/partners, provided that Master Area Developer shall not own less than fifty percent (50%) of any such entity without the Franchisor's prior written consent.

The Master Franchise Fee for this ROFR is \$ _____, which based on a population of _____ multiplied by _____.

21. OTHER PROVISIONS

Binding Arbitration. The parties agree that any dispute arising under or related to this Agreement (except for matters relating to trademarks and other intellectual property) shall be submitted to binding arbitration at the option of either party. Such arbitration shall be conducted in accordance with the rules of the American Arbitration Association using a single arbitrator. Judgment shall be entered upon the award of the arbitrator in a court having proper jurisdiction. By agreeing to binding arbitration, the parties are giving up any rights they may possess to have the dispute litigated in court, to have a jury trial, or to appeal (with limited exceptions). Other rights are affected as well. The parties are advised to discuss the arbitration process with a lawyer. This arbitration provision applies to the officers, directors, employees, and agents of the parties.

Right to Injunctive Relief. Nothing in this Agreement shall bar Franchisor from seeking injunctive relief in a court of competent jurisdiction without the posting of any bond or security, to obtain the entry of a temporary, preliminary, and/or permanent injunction against Master Area Developer.

Choice of Law. The laws of California shall govern all claims which in any way relate to or arise out of this Agreement or any of the dealings of the parties hereto.

Jurisdiction and Venue. The parties agree that this Agreement was negotiated in and accepted in San Mateo County, California. The parties agree that San Mateo County, California would be the most convenient location to resolve disputes either through arbitration or litigation.

Compensatory Damages Only. In any lawsuit, dispute or claim between or against any of the parties hereto, including present and former agents, officers, directors, and/or employees of Franchisor, the parties agree to waive all rights and claims to seek or recover punitive damages.

Severability. If any one or more of the provisions in this Agreement or any application of such provision is held to be invalid, illegal or unenforceable in any respect by a competent tribunal, the validity, legality and enforceability of the remaining provisions in this Agreement and all other applications of the remaining provisions will not in any way be affected or impaired by such invalidity, illegality or unenforceability. Further, the obligations within Section 14

above are considered independent of any other provision in this Agreement, and the existence of any claim or cause of action by either party to this Agreement against the other, whether based upon this Agreement or otherwise, shall not constitute a defense to the enforcement of these obligations.

Burdens and Benefits. This Agreement will be binding upon and will inure to the benefit of the parties, their successors and assigns, as permitted hereunder.

Entire Agreement. This Agreement, including the Exhibits, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any prior statement or writing not a part of this Agreement or otherwise referenced in this Agreement, and neither party will be bound by any prior or contemporaneous representation, statement, promise, warranty, covenant, or agreement pertaining thereto unless set forth or referred to in this Agreement.

Amendment and Waiver. No amendment, change, or modification of this Agreement and no waiver of any right under this Agreement will be effective unless in a written document that is signed by an authorized representative of each party. No failure to exercise and no delay in exercising any right under this Agreement will operate as a waiver thereof.

Ambiguity. Both parties have carefully reviewed this Agreement and have had the opportunity to consult with independent legal counsel. Both parties are sophisticated business persons or entities. This is not a standard form contract and both parties have had a reasonable opportunity to ask questions of the other side and to propose changes. Any presumption that ambiguities in this Agreement are to be construed against the party drafting is hereby waived.

MASTER AREA DEVELOPER

JUNK KING FRANCHISE SYSTEMS, INC.

by _____

ATTACHMENT A

GUARANTEE

THIS GUARANTEE is made and entered into effective as of _____, 2010, by _____ ("Guarantor"), in favor of JUNK KING FRANCHISE SYSTEMS, INC., a California corporation (the "Franchisor").

RECITALS

- A. The Franchisor is entering into a Master Franchise Agreement, dated _____, 2010, (the "Agreement"), with [name of entity] ("Master Area Developer").
- B. The Guarantor is a shareholder, director, officer, member, manager or partner of the Master Area Developer and will directly or indirectly benefit from the Franchisor entering into the Master Franchise Agreement with Master Area Developer.
- C. The Franchisor is unwilling to enter into the Master Franchise Agreement without the Guarantor(s) providing this Guarantee guaranteeing Master Area Developer's obligations under the Master Franchise Agreement.

NOW, THEREFORE, to induce Franchisor to enter into the Master Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

AGREEMENT

1. The Guarantee. Guarantor hereby irrevocably, absolutely and unconditionally guarantees the full, complete and punctual performance by Master Area Developer of all of the terms and conditions of the Master Franchise Agreement, including any amendments thereto or renewals thereof (collectively, the "Guaranteed Obligations"). The obligations and liability of the Guarantor hereunder shall as a primary obligor under the Master Franchise Agreement, and not merely as a surety, and the Franchisor shall not be obliged to resort to or exhaust any recourse which it may have against the Master Area Developer, any third party, or any security or collateral before being entitled to bring a claim against the Guarantor.
2. Obligations Unconditional. The obligations of the Guarantor under this Guarantee is absolute and unconditional and, to the fullest extent permitted by applicable law, irrespective of any circumstance whatsoever (other than payment or performance) which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor. No dealings between the Franchisor and the Master Area Developer of any kind, whether with or without notice to the Guarantor, shall affect the liability of the Guarantor hereunder. Without limiting the foregoing, the Guarantor hereby authorizes Franchisor, without notice or demand and without affecting Guarantor's liability hereunder, from time to time to (a) change or extend the time, or manner, of payment of the Master Franchise Agreement; (b) change any of the terms, covenants, conditions or provisions of the Master Franchise Agreement or

take and hold additional security for the payment of the Master Franchise Agreement, and exchange, enforce, waive and release any such security.

Additionally, each Guarantor hereby waives:

(a) Any right to require Franchisor to (i) proceed against Master Area Developer or any other guarantor of the obligations, (ii) proceed against or exhaust any security received from Master Area Developer or any other guarantor of the obligations, or (iii) pursue any other remedy in Franchisor's power whatsoever;

(b) Presentment, demand, protest, notice of protest, notice of dishonor and notice of non-payment and notice of acceptance of this Guaranty;

(c) Any right to the benefit of, or to direct the application of, any security held by Franchisor, and, until all the indebtedness and obligations, payment and performance of which are hereby guaranteed, have been paid and performed in full, any right to enforce any remedy which Franchisor now has or hereafter may have against Master Area Developer, and any right to participate in any security now or hereafter held by Franchisor;

(d) Any right to require Franchisor to proceed against Master Area Developer or to proceed against any other security now or hereafter held by Franchisor or to pursue any other remedy in Franchisor's power; and

(e) Any right to receive from the Franchisor any communication whatsoever with respect to performance of the Obligations by the Master Area Developer (including any subsequently created obligation or liability of the Guarantor to the Franchisor); notice of the existence or creation of any liabilities under the Master Franchise Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between the Master Area Developer and the Franchisor resulting from the Master Franchise Agreement or otherwise, and the settlement, compromise or adjustment thereof.

3. Continuing Guaranty. This Guarantee constitutes a continuing guarantee of performance of the Guaranteed Obligations and the obligations of the Guarantor hereunder are not limited to any particular period of time but shall continue until all of the terms, covenants and conditions of the Master Franchise Agreement have been fully and completely performed by the Master Area Developer or otherwise discharged by the Franchisor, and the Guarantor shall not be released from any liability under this Guarantee so long as there is any claim of the Franchisor against the Master Area Developer arising out of the Obligations that has not been fully performed, settled or discharged, nor shall this Guarantee be affected by the death, disability or reorganization (whether by way of amalgamation, transfer, sale, lease or otherwise) of the Master Area Developer or any of its directors, officers or shareholders, or any change in the Guarantor's financial condition or in the business or financial condition of the Master Area Developer or any of its directors, officers or shareholders (including by way of insolvency, bankruptcy or receivership).

4. Subrogation. The Guarantor hereby agrees that it shall not be subrogated to any of the rights of the Franchisor until payment in full of the Guaranteed Obligations.

5. Binding Effect of Agreements. Any account settled or stated or any other settlement made between the Franchisor and the Master Area Developer, and any determination made pursuant to any of the Obligations which is expressed to be binding upon the Master Area Developer shall be binding upon the Guarantor.

MISCELLANEOUS

6. Amendment. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by the Guarantor and the Franchisor.

7. Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Franchisor in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

8. No Waiver. No delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof.

9. Expenses. The Guarantor will pay all reasonable expenses, including attorney's fees and court costs, that are incurred by the Franchisor in connection with the enforcement of this Agreement.

10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns (provided, however, that the Guarantor shall not assign or transfer its rights hereunder without the prior written consent of the Franchisor).

11. Independent Advice. The Guarantor acknowledges that he or she has obtained independent legal advice before signing this Agreement.

12. Governing Law and Jurisdiction. This Guarantee shall be governed by, and construed in accordance with, the law of the State of California. The Guarantor hereby submits to the jurisdiction of the United States District Court for the Northern District of California and of any California state court sitting in San Mateo County, California, for the purposes of all legal proceedings arising out of or relating to this Agreement. The Guarantor irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

IN WITNESS WHEREOF the Guarantor has signed this Agreement as of the date first above written.

GUARANTOR:

Name: _____

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Junk King Franchise Systems, Inc., offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or sooner if required by applicable state law.

If Junk King Franchise Systems, Inc., does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit 1.

The date of issuance of this disclosure document is: September 1, 2010.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: Mike Andreacchi, Brian Reardon and Dennis Mulgannon, each at Junk King Franchise Systems, Inc., 969 Industrial Road, Suite G, San Carlos, CA 94070, Telephone Number 1-800-995-5865.

I received a disclosure document dated _____ that included the following Exhibits:

- | | |
|-----------|--|
| Exhibit 1 | State Administrators / Agents for Service of Process |
| Exhibit 2 | State Specific Addendum |
| Exhibit 3 | Franchise Agreement |
| Exhibit 4 | Table of Contents of Operating Manual |
| Exhibit 5 | Financial Statements |
| Exhibit 6 | Franchisee Disclosure Acknowledgment Statement |
| Exhibit 7 | List of Franchisees and Franchisees Who Have Left The System |
| Exhibit 8 | Master Area Developer Agreement |

Franchisee Signature: _____

Franchisee Name: _____

Date: _____

(NOTE: You should sign two copies of this Receipt, return one copy to us, and retain one for your records. Our mailing address is : Junk King Franchise Systems, Inc., 969 Industrial Road, Suite G, San Carlos, CA 94070.)

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