

# Valpak®

FRANCHISE DISCLOSURE DOCUMENT



FRANCHISE DISCLOSURE DOCUMENT  
VALPAK DIRECT MARKETING SYSTEMS, INC.

A DELAWARE CORPORATION

8605 LARGO LAKES DRIVE

LARGO, FLORIDA 33773

(727) 393-1270

E-MAIL ADDRESS: [franchiseinformation@valpak.com](mailto:franchiseinformation@valpak.com)

[www.valpakfranchising.com](http://www.valpakfranchising.com)

[www.valpak.com](http://www.valpak.com)

[www.linkedin.com/company/valpak](http://www.linkedin.com/company/valpak)

[www.facebook.com/Valpak](http://www.facebook.com/Valpak)

[twitter.com/#!/valpakcoupons](https://twitter.com/#!/valpakcoupons)

<https://plus.google.com/101341081541703244546>

The franchise is for the establishment and operation of a business that promotes and sells cooperative direct mail advertising in VALPAK® Envelopes to be distributed within designated geographic areas (a “VALPAK® Business”).

The total investment necessary to begin operation of a VALPAK® Business, exclusive of working capital, insurance and the cost of a vehicle for use in the business, ranges from ~~\$95,200~~ \$120,800-200,800. These totals include the following amounts in Item 5 that must be paid to us or our affiliates: (1) a \$2,000 initial franchise fee for an operating franchise or \$2,500 for a dormant franchise; (2) a \$13,000 training fee for an operating franchise or \$15,000 for a dormant franchise; and (3) a territory acquisition fee that varies depending on the size of the Franchisee's territory and its current mailing status, but not less than ~~\$25,000~~ \$12,000. If you purchase an existing VALPAK® Business from us or one of our affiliates, the total investment ranges from \$300,000 to \$1,208,300, which includes the initial franchise fee of \$2,000 and a \$13,000 training fee (the territory acquisition fee is part of the purchase price).

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.

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact ~~Chris-Richardson~~ Mike Sautieri, Franchise Sales Administrator, or Todd Leiser, Director of Franchise Sales, 8605 Largo Lakes Drive, Largo, Florida 33773; (727) 393-1270.

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 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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: ~~April 26, 2011~~ May 23, 2012

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 "G" for information about the franchisor 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:

Risk Factors:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE CERTAIN DISPUTES INVOLVING THE INTERMARKET SALES POLICY WITH US BY ARBITRATION ONLY IN PINELLAS COUNTY, FLORIDA. 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 FLORIDA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE US ONLY IN FLORIDA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN FLORIDA THAN IN YOUR HOME STATE.
3. THE FRANCHISE AGREEMENT STATES THAT FLORIDA 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.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

The effective dates of this Disclosure Document in the states with franchise registration laws in which we have sought registration appear on the following page.

**VALPAK DIRECT MARKETING SYSTEMS, INC.  
STATE REGISTRATIONS**

This Franchise Disclosure Document is registered, on file, exempt from registration, or otherwise effective in the following states with franchise registration and/or disclosure laws:

California	Exempt
Hawaii	Effective date: _____
Illinois	Exempt
Indiana	Exempt
Maryland	Exempt
Michigan	Effective date: _____
Minnesota	Effective date: <del>May 5, 2011</del>
New York	Exempt
North Dakota	Exempt
Rhode Island	Exempt
South Dakota	Effective date: <del>May 3, 2011</del>
Virginia	Effective date: <del>July 13, 2010</del> , amended _____
Washington	Effective date: _____
Wisconsin	Effective date: <del>April 29, 2011</del>

**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:

1. A prohibition on the right of a Franchisee to join an association of Franchisees.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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:
  - a. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  - d. 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.

8. 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).

9. 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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the Franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the Franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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:

State of Michigan  
Office of the Attorney General  
Consumer Franchise Section  
670 G. Memmen Williams Building/  
525 West Ottawa  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

VALPAK® FRANCHISE DISCLOSURE DOCUMENT

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**EXHIBITS**

- A-1 List of VALPAK® Franchisees
- A-2 List of Certain Former VALPAK® Franchisees
- B Financial Statements
- C-1 Form of Franchise Agreement
- C-2 Form of Renewal Addendum
- C-3 Intermarket Sales Policy
- D Form of Personal Guaranty of Owner/Shareholder
- E Form of VOffice® Software License and Support Addendum
- F Form of Note and Security Agreement and UCC-1 Financing Statement
- G Agencies/Agents for Service of Process
- H State Specific Addenda to Franchise Disclosure Document
- I State Specific Riders to Franchise Agreement
- J Conditional Assignment of Telephone Numbers, Listings, and Addresses
- K Franchise Compliance Certificate
- L-1 Form of Bill of Sale and Assignment
- L-2 Territory Purchase Note
- L-3 Accounts Receivable Promissory Note
- M Receipts

**ITEM 1**

ITEM 2

ITEM 1 ITEM 3

**THE FRANCHISOR and any parents AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

The Franchisor and any Parents, Predecessors and Affiliates

To simplify the language in this Franchise Disclosure Document, "Valpak" means Valpak Direct Marketing Systems, Inc., the franchisor. "You" means the person who buys the franchise, and if the Franchisee will be a corporation or other business entity, references to "you" will include the shareholders or other owners of the Franchisee. Valpak is a Delaware corporation that was incorporated in August 1986. Valpak's principal business address is 8605 Largo Lakes Drive, Largo, Florida 33773. Valpak's agents for service of process are listed in Exhibit "G."

Valpak does business under its corporate name and under the name "Valpak." Valpak is a wholly-owned subsidiary of Cox Target Media, Inc., a Delaware corporation ("CTM") which, in turn, is a wholly-owned subsidiary of Cox Enterprises, Inc., a Delaware corporation ("Cox"). CTM's principal business address is the same as ours. Cox is a privately-owned media company with its principal business address located at 6205 Peachtree Dunwoody Road, 9th Floor, Atlanta, Georgia 30328 with interests in businesses such as newspapers, television and radio stations, cable systems, advertising (including direct mail) and publication businesses, and automotive auctions. See Item 12 under the heading "Competitive Affiliates." Cox acquired Valpak in September 1991, and since that time, has made capital investments in Valpak of about \$308311 million. These investments have included, in part, purchases of full color printing presses, computer hardware and software and insertion equipment, as well as building expansion.

Valpak has offered franchises for businesses of the type to be operated by you since 1986 (2526 years), and began offering distributorships in 1968. Also, Valpak affiliates have conducted similar businesses of the type to be operated by you during that entire time. See Item 15. Valpak of Canada Limited ("Valpak Canada") is also a wholly-owned subsidiary of CTM. It is a Toronto-based franchisor that operates in substantially the same manner as Valpak does in the United States, through its network of about 79 Franchisees as of December 31, 2010-2011. Currently, Valpak prints and distributes VALPAK® Envelopes for Valpak Canada. Valpak Canada's principal business address is 8605 Largo Lakes Drive, Largo, Florida 33773. No other Valpak affiliates have offered franchises for the type of business to be operated by you. Valpak has no predecessors.

Valpak's Business

Valpak's primary business is printing, publishing and distributing cooperative direct mail advertising. "Cooperative direct mail advertising" is a method of advertising in which advertisements from multiple businesses are included in a single envelope or package for mailing, allowing the costs of the mailing to be spread among the businesses. Valpak's principal advertising medium is the "VALPAK® Envelope." VALPAK® Envelopes are envelopes, identified by the "VALPAK™" trademark and/or other trademarks, service marks, trade names, and logos owned by Valpak ("Marks"), which contain Advertising Inserts, and which are assembled, addressed and prepared for publication and direct mailing by Valpak primarily to residential addresses. An "Advertising Insert" is an individual piece of advertising or promotional material, such as a coupon, that is included in a VALPAK® Envelope in accordance with the VALPAK® System, described below. Mailings are made to postal carrier routes

or other designated areas in a manner that qualifies for third-class bulk mail postage rates. Valpak has developed methods, formats, specifications, standards, operating policies and procedures for use in the offer and sale of advertising and other promotional materials in VALPAK® Envelopes and the publication and distribution by Valpak of VALPAK® Envelopes (the “VALPAK® System”). Valpak may supplement and modify the VALPAK® System in its discretion, including the size and shape of VALPAK® Envelopes and Advertising Inserts.

Currently, Valpak prints and produces the VALPAK® Envelopes from a new state of the art, 466,000 square foot, production facility in St. Petersburg, Florida which employs about 436 people. As of December 25, 2010, ~~31, 2011~~, Valpak employs about ~~982903~~ people.

In addition to the printing of Advertising Inserts and the publication and distribution of VALPAK® Envelopes, Valpak operates an Internet website, [www.valpak.com](http://www.valpak.com), which offers electronic coupon advertising. Valpak allows its franchisees to offer and sell electronic coupon advertising through the various channels including valpak.com website, sms texting, email and mobile applications on terms and conditions that may vary from time to time.

### The Franchise Offered

Valpak is offering franchises to operate businesses under the VALPAK® System under its standard franchise agreement, the [valpak.com](http://valpak.com) Program and the VPOffice® Software License and Support Addendum (the “VPOffice® Addendum”) (collectively, the “Franchise Agreement” unless the context refers to them separately). As a VALPAK® Franchisee, you will promote and sell cooperative direct mail advertising in VALPAK® Envelopes to be distributed within a designated geographic area (the “Territory”), pursuant to the Franchise Agreement. Each VALPAK® Franchisee has an assigned geographic area in which it has the right to order mailings of VALPAK® Envelopes. Valpak reserves the exclusive right to solicit certain types of accounts. You will have the exclusive right to solicit certain types of accounts; while others may be solicited by either Valpak or you. See Item 12. A copy of Valpak’s current standard form of Franchise Agreement is included in this Franchise Disclosure Document as Exhibit “C-1.” New Franchisees must use the VPOffice® Software. Therefore, all new Franchisees must sign the VPOffice® Software License and Support Addendum (the “VPOffice® Addendum”). See Exhibit “E” and Items 6, 8 and 11.

If you acquire a new VALPAK® franchise either direct from Valpak or from an existing VALPAK® Dealer, you must sign the Franchise Agreement. See Item 12. If you are a Dealer renewing your franchise, you need to sign the Renewal Addendum which is designed to modify those aspects of the Franchise Agreement as they pertain to a renewal. See Exhibit “C-2” and Items 9 and 11.

As a VALPAK® Franchisee, you will receive marketing materials to assist you in promoting and selling advertising in VALPAK® Envelopes and guidance on Valpak’s specifications and standards for advertising in VALPAK® Envelopes. Valpak will schedule dates for your proposed “Mailing” (as defined below) based on the Valpak Regional Mail Schedule and your required mailing frequency. You are responsible to meet the mailing performance requirements (See Item 12). You attempt to sell advertising to be distributed in your scheduled mailings. A “Mailing” is a distribution of VALPAK® Envelopes by Valpak which is arranged to be made during a given time period to one or more “Neighborhood Trade Areas” or “NTAS.” NTAS are mapped out by you consistent with Valpak’s policies and procedures, to represent the smallest geographic area and number of addresses to which an Advertising Insert can be distributed for an advertiser. An NTA® represents a geographic area containing 10,000 residential addresses and is designated by postal carrier routes or similar designations.

The VALPAK® System has traditionally emphasized Mailings to residential addresses rather than to business addresses. Accordingly, the Territory Fee (described in Item 5) does not include any charge for business addresses located within your Territory, and you are not required to make any Mailings to business addresses. You will assist your customers, as necessary, in developing concepts and layouts for their Advertising Inserts and will arrange for the preparation by Valpak of final proofs for customer approval. On approval, you will submit final proofs for Advertising Inserts to Valpak's plant, together with all other materials and information required by Valpak to produce a Mailing of VALPAK® Envelopes.

Valpak will use reasonable efforts to complete the production of the Mailing (including graphics preparation, printing, addressing, collation, insertion and other related services performed in connection with the Mailing) and place the Mailing into distribution in accordance with the VALPAK® System within 9 business days after Valpak receives an "Insertion Order" from you. An "Insertion Order" is any order for a Mailing submitted by you for which Valpak has received all of the following: 1) final proofs approved by you and your customer for any Advertising Insert to be printed; 2) any Valpak approved Advertising Inserts not to be printed in quantity sufficient for distribution to at least one of the NTAS to which the ordered Mailing is to be made, in accordance with the VALPAK® System; 3) an adequate description, in accordance with the VALPAK® System, of the geographic areas and types of addresses to which the VALPAK® Envelopes are to be distributed; 4) payment of the amount due; and 5) any other information Valpak requires to complete the production of the ordered Mailing in accordance with the VALPAK® System.

Valpak requires the individuals who own and operate a VALPAK® franchise to be personally responsible to Valpak under the Franchise Agreement. Therefore, you must execute the Franchise Agreement in your individual capacity or agree to assume and guarantee the obligations of any corporation or partnership which is named as the Franchisee under the Franchise Agreement. A copy of the Personal Guaranty of Owner/Shareholder is included in this Franchise Disclosure Document as Exhibit "D."

As a VALPAK® Franchisee, you also sell electronic coupon advertising through Valpak's website - valpak.com (or any others that may be developed and authorized for use). You may offer advertising that Valpak will distribute from its Internet web site located at www.valpak.com. At the web site, customers may search for online coupons by location, category of business and keyword, download and print them from their computers, and then redeem them at businesses in your Territory. Valpak may discontinue it at any time, however, Valpak believes that this service will enhance the VALPAK® System and benefit its Franchisees.

As of the end of its latest fiscal year - December 25, ~~2010~~ 2011 - Valpak had ~~167~~ 155 VALPAK® Franchisees throughout the United States, including ~~106~~ affiliate-owned locations, operated by Valpak Franchise Operations, Inc. ("VPFO") and, on a temporary basis, by Valpak Marketing International, Inc. ("VPMI") ("O&O Business(es)"). See Items 12 and 20.

The Franchise Agreement which you will sign differs from some of the franchise agreements which VALPAK® Franchisees have executed in previous years. Some of these differences may be noted where they are of particular significance to new Franchisees. Before 1993, Valpak used two basic forms of agreements. The older of the two forms is called the "Original License Agreement." There are no Franchisees that operate under the Original License Agreement. Some Franchisees who converted from the Original License Agreement to a franchise agreement executed an Addendum which modifies certain provisions of their franchise agreement in a number of respects favorable to them.

Valpak calls the Franchisees who converted from the Original License Agreement "Converted Licensees."

### Sale of O&O Businesses

Our affiliates, VPFO and VPMI, are offering the sale of some of the O&O Businesses. If you purchase an O&O Business, you will sign the Franchise Agreement, and also documents relating to the acquisition of the O&O Business, which may include a bill of sale and assignment (the "O&O Assignment"); a promissory note for part of the purchase price relating to the franchise rights and related assets of the O&O Business (the "Purchase Note"); and a promissory note that relates to a portion of the accounts receivable of the O&O Business that is being transferred (the "A/R Note"). See Exhibits "L-1," "L-2" and "L-3" respectively and Items 5-7 and 7-20.

### General Market and Competition

The direct mail advertising business is a well developed, highly competitive industry. The target market solicited by VALPAK® Franchisees generally consists of small to medium businesses which have a need for relatively inexpensive advertising. There have been a number of new competitors in the direct mail advertising business in recent years, many of which compete primarily on the basis of price. As a VALPAK® Franchisee, you will compete with other advertising media and sellers of advertising services, particularly with those who offer advertising formats geared to promoting local businesses. These may include other sellers of cooperative direct mail advertising services, single-piece direct mail advertisements, local newspapers and their advertising supplements and "shopper" brochures and newsletters. Some of these competitors are local companies, some are national in scope and some are franchised chains.

Valpak believes that it has a competitive advantage over many competitors because of the name recognition associated with the VALPAK® name and Marks. As of December, Valpak was the largest franchisor in the local cooperative direct mail advertising industry in terms of sales revenues and circulation of envelopes (including affiliate-owned operations).

Valpak is not aware of any laws or regulations which are specific to the operation of VALPAK® direct mail advertising businesses.

### ITEM 2 ITEM 4

### **BUSINESS EXPERIENCE**

#### President of Cox Media Group: Doug Franklin

Mr. Franklin joined the Cox organization as a door-to-door circulation solicitor for Dayton Newspapers, Inc., in 1977 while attending college. He worked in various Cox positions at the *Dayton Daily News*, *Springfield News-Sun* and the Longview, Texas *JournalNews*. He returned to the Dayton Newspapers in 1986 as Business Manager, and was promoted to Executive Vice President and General Manager in 1990. In January 1996, Cox Newspapers announced the formation of Cox Ohio Publishing and named Mr. Franklin Chief Operating Officer. In 2004, Mr. Franklin became President and Chief Executive Officer of Cox Ohio Publishing and Publisher of the *Dayton Daily News*. In April 2008, Mr. Franklin became President and Publisher of the Cox-owned Palm Beach Newspapers, Inc., in West Palm

Beach, Florida. In January 2009, he became Executive Vice President of Newspapers for the Cox Media Group, in addition to being named Publisher of *The Atlanta Journal-Constitution*. In August 2009, he became Executive Vice President of Cox Media Group. ~~As of March 2011, he became President of Cox Media Group, responsible for overseeing Atlanta, Georgia, and Dayton, Ohio, radio, television, and newspaper properties, CMG-Digital and Valpak operations and for Valpak. In March 2011, he was named President of Cox Media Group, the integrated broadcasting, publishing and digital media subsidiary of Cox Enterprises, Inc.~~

**COO, Executive Vice President: Jim Sampey**

Mr. Sampey was promoted to COO of CTM on January 1, 2011. Prior to that from December 15, 2009 to December 31, 2010, he was President of Valpak. Prior to that from January 2009 to December 2009, he was Executive Vice President – Sales & Marketing; from April 2007 to January 2009, he was Executive Vice President – Sales. Prior to that from May 2005 to April 2007, he was Executive Vice President – Operations. Prior to that from April 2001 to May 2005, he was CTM’s Sr. Vice President – Operations; from December 1999 to 2001, he was CTM’s Sr. Vice President, Interactive Promotions; and from November 1995 until October 1998, he was Vice President, ITSS. From October 1998 to November 1999, Jim was Valpak’s Executive Vice President, Customer Service, Production, Delivery Logistics.

**President: Michael C. Vivio**

Mr. Vivio became President of Valpak on January 1, 2011. Prior to that from June 1, 2008 to December 31, 2010, he was Publisher and CEO of The Statesman Co. in Austin, Texas. Prior to that from April 1999 to June 2008 he held the following positions with *Waco Tribune-Herald* in Waco, Texas; Advertising Director from April 1999 to April 2004, General Manager from June 2004 to July 2005 and Publisher from July 2005 to June 2008.

**Executive Vice President and Chief Financial Officer: Jeffrey R. Heinicka**

Mr. Heinicka ~~began his current position in May, 2007, joined Valpak in January 2001 as Executive Vice President and CFO.~~ He is responsible for supply chain management, information technology, the general counsel office, and all financial aspects of CTM. ~~He began his career at CTM in 2001 as Executive Vice President and Chief Financial Officer. Prior to joining CTM, from 1990 to 2000, he held various positions~~ financial positions with Florida Progress Corporation and Florida Power Corporation in St. Petersburg.

**Vice President, New Media/Digital Business Development: Nancy L. Cook**

Ms. Cook joined CTM as a result of CTM’s acquisition of Carol Wright in 1996 as Director of Client Services. She was promoted to Vice President, Business Administration from 1998 to 2000, was Vice President, National Sales Support from 2000 to September 2002 and General Manager, Valpak of Tampa Bay from September 2002 to July 2006. While in Tampa Bay, she earned “The Most Improved Valpak Franchise of the year” with a local gross profit improvement of 58%. In 2006, she returned to a corporate position as Vice President, Retail Business Solutions/PMO, where she was responsible for leading and executing the development of standardized sales processes, supporting advertiser facing systems and managing the strategic initiatives through the Corporate Project Management office. As Vice President, Sales Operations in 2010, she was responsible for Sales Training, Order Process, National

Sales Support, Postal Affairs & Distribution, Sales Systems and Product Manage & Implementation. Currently, she is Vice President of New-Media/Digital Business Development, responsible for the development and implementation of new-media/digital strategy innovation, business development, strategic alliances and product development for Cox Target Media, branded Valpak.

Vice President/Order Process Management: Cathy Croce

Ms. Croce joined Valpak in Largo, Florida in March 1985 where she held various positions within the Accounting Department. In 1993, Cathy was promoted to Director of Billing and Customer Service, and in 2000 she expanded her role to Director of Billing, Credit and Collections. In 2001, Cathy moved to the Operations side of the business as Director of Customer Service, and in 2004 became Director of Order Process Management. Today, Cathy is the Vice President of Order Process Management where she is responsible for the operations and strategic direction of the Order Process Department which includes Customer Service, and Graphics and National Sales Support.

Director, Franchise Network Relations: Chris Warren

Mr. Warren joined Valpak in December 2004. From 2000 to December 2004, he was Vice President of Operations for Cross Lander U.S.A., Inc. in Miami, Florida. Prior to that, Mr. Warren worked at East European Imports in Miami, Florida, as Executive Vice President of International Operations. In his current position, he is responsible for the administration and enforcement of the Intermarket Sales Policy and network liaison.

Franchise Sales Administrator: ~~Christine S. Richardsen~~ Qualification Specialist: Mike Squitieri

~~Christine~~Mike joined Valpak in September ~~2007~~ as June 2010 as a Digital Support Sales Specialist. In April 2012 he was promoted to Franchise Sales Administrator Qualification Specialist. Prior to joining Valpak, she ~~was a Loan Officer at Established Mortgage Professionals~~ she was an Implementation Payroll Specialist with Compupay in St. Petersburg, Florida, from May 2005 to September 2007. From October 2004 to May 2005, she was a Loan Officer at Golfside Lending in October 2008 to May 2010. Prior to that, he was an Implementation Specialist with Sage Software, St. Petersburg, Florida, from May 2002 to October 2008.

Vice President of Franchise Sales Development: Richard McElwain

Mr. McElwain joined Valpak in September 2003 as Director, Franchise Support. He served as Director, Franchise Network Development from December 2005 until January 2007. In February 2007, he was promoted to Vice President, Franchise Network Development and in April 2008 became Vice President of Owned and Operated Locations. In November 2009, he was promoted to Vice President of Franchise Sales Development responsible for wholesale revenues generated in the Valpak franchise network and leading a team that includes franchise consultants, network sales, franchise sales, network relations, franchise operations, sales training and development and various other field support services.

Vice President of Sales Planning & Analysis: Matt Biasini

Mr. Biasini joined Valpak in September 2004 as a Franchise Financial Consultant. In January of 2008, he was promoted to Director of Strategic Planning. In September of 2009, he was promoted to Vice President of Sales Planning & Analysis. In his current position, Mr. Biasini is responsible for Financial Field Support, Troubled Markets, Franchise Network Analytics and Wholesale Print Pricing.

Director of Franchise Sales: Todd Leiser

Mr. Leiser has been an executive with Valpak or its affiliates for over 25 years. In April 2010, Todd became our Director of Franchise Sales and is now responsible for franchise sales. From October 2009 until April 2010, Todd was responsible for our Strategic Selling/Franchised Partner Program, developing local business opportunities with large national franchised brands. From January 2008 until September 2009, Todd was responsible for a new digital search engine marketing product and digital revenue generation for Valpak's owned & operated locations as well as national sales. From June 1998 until January 2008, Todd served as Valpak's Vice President and General Manager in Largo, Florida to manage the valpak.com Business Unit.

ITEM 3 ITEM 5

LITIGATION

Pending Actions:

Val-Pak of Greater Orlando, LLC v. Valpak Direct Marketing Systems, Inc., Case No. 10-10543-C1-7, Circuit Court of the Sixth Judicial Circuit in and for Pinellas County, Florida, filed July 12, 2010. Valpak's franchisee for the greater Orlando metropolitan area, Val-Pak of Greater Orlando, LLC ("VPGO"), sued Valpak claiming that Valpak violated the franchise agreement and the Intermarket Sales Policy and, in doing so, also violated Florida's Deceptive and Unfair Trade Practices Act. Specifically, VPGO alleges that it is entitled to compensation from Valpak for sales made to a Valpak® customer because it believes the customer's purchasing representative is located in Orlando Longwood, Florida. From Valpak's records, the customer's purchasing representative was in Illinois, so that the compensation payments were due to a franchisee in that State. Pursuant to the Intermarket Sales Policy ("ISP"), compensation to franchisees for intermarket sales is based on where the customer's purchasing representative is located. VPGO disputes Valpak's determination as to the location of the customer's purchasing representative and claims that the purchasing representative remains in Orlando Longwood and, therefore, VPGO (not the other franchisee) is entitled to the payments from Valpak. VPGO is seeking compensatory damages of \$600,000 per year and attorneys' fees and costs compensation. Valpak moved to compel arbitration and stay proceedings based on the dispute resolution provisions of the Intermarket Sales Policy ISP while those arbitration proceedings occur. This case is not set for trial. The arbitration was conducted and the final decision, as approved by Valpak's President after appeal, was that the customer's purchaser representative is located in Longwood, Florida. VPGO rejected this decision, sought additional compensation and re-instituted proceedings in court. The parties settled the dispute on November 22, 2011. Valpak agreed to pay VPGO approximately \$699,000 to compensate it for territory fees due to it under the ISP during the period the territory fees were paid to another franchisee, along with interest and attorneys' fees. As part of the settlement, the lawsuit was dismissed with prejudice on December 7, 2011.



Fairfield County Bank v. Valpak Direct Marketing Systems, Inc., Case No. 3:10-cv-01555-AVC, U.S. District Court, for the District of Connecticut, filed September 2, 2010. In July of 2010, Valpak terminated a franchise agreement with Results Advertising, LLC ("Results"), which had a territory in the State of Connecticut. For several years prior to this termination, Fairfield County Bank (the "Bank") had extended credit to Results through a series of loans that were guaranteed by the United States Small Business Administration ("SBA"). The Bank claims that Valpak agreed to give the SBA and the Bank 30 days notice of Valpak's intent to terminate the franchise agreement and allow the Bank an opportunity to cure any default of Results. The Bank alleges that Valpak breached this agreement by terminating Results' franchise agreement without notifying the Bank or affording it an opportunity to cure the default of Results. The Bank also claims that Valpak tortiously interfered with its business expectancy with Results; converted property that was subject to the Bank's security interest; violated the Connecticut Unfair Trade Practices Act and misrepresented Results' standing as a franchisee. The Bank has not specified the amount of its claim, but alleges that its outstanding loans to Results totaled \$1.8 million. Valpak answered the Bank's complaint, denied liability and asserted a counterclaim against the Bank for interfering with its ability to remarket the territory formerly franchised to Results and for violating the Connecticut Unfair Trade Practices Act on the same grounds. ~~In February of~~ On April 26, 2011, Valpak and Results settled the disputes between them with Valpak purchasing all of Results' accounts receivable for \$100,000, the parties' exchanging releases and the lawsuit being dismissed with prejudice. ~~Valpak expects that this settlement will be reduced to writing and completed not later than the second quarter of 2011.~~

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 6

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 7

INITIAL FEES

Initial Franchise Fee

You must pay Valpak a \$2,000 non-refundable initial franchise fee to Valpak for an operating franchise or \$2,500 for a dormant franchise when you sign the Franchise Agreement. If you qualify for the VetFran Program sponsored by the International Franchise Association, Valpak will reduce this fee by 20% to \$1,600 for an operating franchise or \$2,000 for a dormant franchise. Valpak uses this fee to pay investigative costs in processing applications and partially defray Valpak's costs of providing initial support services for Franchisees. All new franchisees pay this uniform initial franchise fee. Renewing dealers do not. See Renewal Addendum; Exhibit "C-2."

Training Fee

You must pay Valpak a \$13,000 non-refundable training fee to Valpak for an operating franchise or \$15,000 for a dormant franchise, when you sign the Franchise Agreement. If you qualify for the

VetFran Program sponsored by the International Franchise Association, Valpak will reduce this fee by 20% to \$10,400 for an operating franchise or \$12,000 for a dormant franchise. Valpak uses this fee to partially defray the following costs of

- Attendance at New Franchise Owner Training
- Attendance at Consultative Selling School
- Attendance at 1<sup>st</sup> Coupon University
- New Franchise Owner Kit
- VPOffice® Training
- On-going Consultations with Franchise Development Consultants
- Miscellaneous First Year Training and Support

If you are already a VALPAK® Franchise Owner, you may not require all aspects of this training (i.e., New Franchise Owner Training, Consultative Selling School, 1<sup>st</sup> Coupon University). In that case, Valpak may reduce the Training Fee to coincide with what you and it agree can be waived. See Exhibit C to the Franchise Agreement for details. Renewing dealers do not pay initial training and do not attend initial training. See Exhibit "C-2."

See Item 11 for more information on training. Valpak may waive 1 or more of these items for persons already in the VALPAK® System, in which case Valpak will reduce the training fee accordingly.

### Territory Acquisition Fee

The initial franchise fee does not cover the cost of acquiring the rights to your particular Territory. You can acquire a Territory either directly from Valpak, or if it has already been assigned to another Franchisee, from that Franchisee. If you obtain the Territory directly from Valpak, you must pay a "Territory Acquisition Fee" when you sign the Franchise Agreement. The amount of the fee varies by its size and whether it is "dormant" or "active." Generally your Territory must include a minimum of 50,000 Prime Households in the CBSA and will be defined by counties located in your Territory. See Item 12. Renewing dealers do not pay Territory Acquisition Fees.

### Dormant Territories

If you acquire a "dormant" territory (meaning a territory in which Mailings have not been made within the last 12 months), the Territory Acquisition Fee will be \$5,000 for every 10,000 "Prime Households" (as defined below) located in the county or counties situated in the territory's "Metropolitan-Statistical Area" or "MSAs" and "Micropolitan-Statistical Areas" or "MCSAs" (the combination of which represents a "Core-Based-Statistical Area" or "CBSA," all of which, CBSA, MSA and MCSA, are defined by the United States Office of Management and Budget), rounded to the nearest 10,000, rounded to the nearest 10,000 (an "NTA"); as determined by census and posted data provided by the United States Census Bureau and the United States Postal Service. For example, if there are 118,000 Prime Households located in the CBSA in your Territory, the Territory Acquisition Fee would be \$60,000, or 12 x \$5,000. Again, if you qualify for the VetFran program, Valpak will reduce this fee by 20%.

For dormant territories, our current policy is to phase in mailings so that you will start mailing only 3 NTAs. Thus, the initial payment in the above example would be \$15,000 (3 x \$5,000) or \$12,000 under the VetFran program. As you begin to mail other NTAs in your Territory, you must pay us \$5,000 for each such NTA until the Territory Acquisition Fee is paid in full (\$4,000 for the VetFran program). We may change this policy from time to time, including reverting back to requiring the full Territory Acquisition Fee to be paid when you sign the Franchise Agreement.

However, if the number of Prime Households located in the CBSA county or counties in your Territory is less than 50,000, then Valpak will establish the number of households (not necessarily Prime Households) within the Territory on which the Territory Acquisition Fee will be calculated (based on its own judgment as to the number of households which are sufficiently near each other to form a reasonable mailing group). The Territory Acquisition Fee will still be calculated as \$5,000 for every 10,000 households (rounded to the nearest 10,000), but based only on the number of households which Valpak specifies in an exhibit to the Franchise Agreement.

During the ~~2010~~2011 fiscal year, the Territory Acquisition Fees paid Valpak for dormant territories ranged from ~~\$35,000~~ to ~~\$60,000-20,000~~.

“Prime Households” are households within a given VALPAK® territory that are considered to be desirable recipients of VALPAK® Envelopes. In addition to certain other demographic criteria, Prime Households are chosen on the basis of a range of total household income. Currently, the range is determined by eliminating the top 5% and the bottom 15% of household incomes in each VALPAK® territory with annual gross income of \$20,000 or more; however, on your request, Valpak may in its discretion, agree to adjust the definition of Prime Households in your Territory based on demographics for your Territory.

#### Active Territories

An “active” territory is a territory that is not dormant. For any “active territory,” Valpak will determine the Territory Acquisition Fee or purchase price on a case by case basis, taking into account Valpak’s investment in that territory and the existing and potential business in that territory. During the ~~2010~~2011 fiscal year, Territory Acquisition Fees paid Valpak for active territories ranged from ~~\$42,500~~13,500 to ~~\$1,300,000-80,000~~.

#### Territory Acquired from Others

If you wish to acquire the rights to an area that is currently assigned to another VALPAK® Franchisee, you must obtain that Franchisee’s agreement to sell those rights to you on terms you negotiate. You must pay it when you sign the Franchise Agreement unless selling franchisee has provided financing of this fee. Valpak cannot estimate the price that you would pay to that Franchisee or the terms of payment. Although your acquisition of rights from another Franchisee is subject to Valpak’s consent, Valpak will not charge you a separate fee (although the initial franchise fee and the training fee will still be due) for the acquisition. Valpak is currently offering a program whereby existing Franchisees are encouraged to list their dormant territories for sale, and Valpak provides limited assistance to those Franchisees in locating prospective buyers. Franchisees who sell dormant territories through this program “list” their territories at \$5,000 per 10,000 Prime Households. This program may be discontinued at any time.

#### Purchase of O&O Businesses

Our affiliates, VPFO and VPMI, are offering for sale certain of the O&O Businesses. If you purchase an O&O Business from them, your purchase of the assets will be governed by the assignment and related financing documents, the Purchase Note and the A/R Note, attached as Exhibits “L-1,” “L-2” and “L-3” to this Franchise Disclosure Document. You must pay the purchase price when you sign the Franchise Agreement unless we provide financing. See Item 10. The specific total purchase price that you will pay will be determined following a financial review of the O&O Business you are purchasing and negotiations between you, us and our affiliates. Valpak estimates that the range in purchase prices

will be from \$100,000 to \$1,000,000. In addition, you must pay us the initial franchise fee of \$2,000 and the initial training fee of \$13,000. See Item 20.

**ITEM 6 FEM-8**

**OTHER FEES**

In addition to the initial franchise fee, the training fee and, where applicable, the Territory Acquisition Fee, you must make certain payments to Valpak in connection with the operation of your franchise, as described in the following table (all fees are non-refundable):

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Products and Services for Mailings	Varies (1)	During-1 <sup>st</sup> 6 Mailings, by submission of an Insertion Order; Mailings 7-12 50% on Insertion Order, balance on Mailing; Mailings 13-18 payments for prior mailing must be paid in full before Insertion Order; Mailing 19 and thereafter, payments for prior Mailings must be paid in full (2)	This fee covers all production and distribution costs of Mailings. See Items 1 and 10.
Electronic Advertising	Varies (3): Set by Valpak from time to time.	<u>30-days-after-invoice 1<sup>st</sup> 6 Mailings submission of Insertion Order; Mailings 7-12 50% on Insertion Order, balance on Mailing; Mailings 13-18 payments for prior mailing must be paid in full before Insertion Order; Mailing 19 and thereafter, payments for prior Mailings must be paid in full (2)</u>	Payments made to Valpak or other Dealers. See Item 1. See Schedule H to Exhibit C-3.
<u>VALPAK® Dealers, Franchisees Association, Inc. ("VALPAK Franchisees Association") (4)</u> Promotion Fee	\$0.12 per Advertising Insert (maximum of 10 mailings per 1,000 addresses per Mailing (5))	Submission of an Insertion Order	100% of this fee is remitted to the VALPAK® Dealers, Franchisees Association to fund national media advertising programs and Association initiatives and costs.
<u>Software License Fee</u>	<u>Varies based on your market size (9) from \$35 - \$175</u>	<u>Monthly for 5 years</u>	<u>License fee for use of VPOffice® Software</u>

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
<u>Software Support and Maintenance Fee</u>	<u>Varies based on your market size (10) from \$78 to \$180</u>	<u>Monthly</u>	<u>For support and maintenance services on VPOffice® Software</u>
<u>Ongoing Sales Support Fees</u>	<u>Varies based on monthly mailing quantity (11) from \$40 to \$253</u>	<u>Monthly</u>	<u>For CRC usage including presentation, Builder, CRC and Prospects Plus</u>
<u>Toll Free Numbers</u>	<u>\$17 Flat Rate</u>	<u>Monthly</u>	<u>Use of our 1-800 numbers.</u>
Overweight Postage	Varies per Intermarket Sales Policy. Currently ranges from \$1.31 to \$8.16 per NTA	Upon <u>As mailing incurred</u>	Payable to Valpak by National Sales and Selling Franchisees and reimbursed to Mailing Franchisees or can be paid by Selling Franchisees directly. Set from time to time in Intermarket Sales Policy. See Schedule B to Exhibit C-3.
Supplied Inserts	Starts as \$62.50 per NTA	Upon <u>As mailing incurred</u>	Payable for coupons, postcards, 3-Panel, 4-Panel and 6-Panel Flyers and booklets that are printed by third parties. Set from time to time in Intermarket Sales Policy. See Schedule C to Exhibit C-3.
Additional Training and Assistance	Varies (6)	As incurred	Valpak offers several programs for additional training and assistance. See Item 10.
Marketing Materials	Varies (7)	As incurred	You must keep at all times a complete set of current VALPAK® marketing materials for use in promoting VALPAK® Envelopes and selling related advertising services.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Transfer	Currently \$1,000 (8)	Before consummation of a transfer <u>As incurred</u>	You must pay this fee on request for approval of a transfer of any interest in the franchise, the Franchise Agreement, Franchisee or the franchised business.
Indemnity	Varies	As incurred	You must reimburse Valpak if it incurs any expenses in defending itself or is held liable for claims arising from the operation of your VALPAK® Business.
Interest	Varies; greater of 1.5% per month and the highest legal rate for account business credit.	As incurred, commences after due date	Payable on all overdue amounts due for Mailings and other amounts you owe us.
Costs and Attorneys' Fees	Varies	As incurred	Payable if you fail to comply with the Franchise Agreement.
Software License Fee	Varies based on your market size (9) from \$35-\$175	Monthly for 5 years	License fee for use of VPOffice® Software
Software Support and Maintenance Fee	Varies based on your market size (10) from \$78 to \$180	Monthly	For support and maintenance services on VPOffice® Software
Ongoing Sales Support Fees	Varies based on monthly mailing quantity (11) from \$40 to \$253	Monthly	For GRC usage including presentation, Builder, GRC and Prospects Plus
Toll-Free Numbers	\$17 Flat Rate	Monthly	Use of our 1-800 numbers.
Territory Fee	Varies (12) pursuant to Intermarket Sales Policy. See Schedule A to Exhibit C-3.	30 days after end of each Mailing Period.	Fees paid by Selling Dealers or National Sales to franchisee whose territory includes the Mailing.
Matrix Fee	Varies (12) pursuant to Intermarket Sales Policy. See Schedule A to Exhibit C-3.	30 days after end of each Mailing Period. <u>As incurred</u>	Fees paid by Selling Dealers or National Sales to franchisee whose territory includes the Mailing.

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
<u>Territory Fee</u>	<u>Varies (12) pursuant to Intermarket Sales Policy. See Schedule A to Exhibit C-3.</u>	<u>As incurred</u>	<u>Fees paid by Selling Dealers or National Sales to franchisee whose territory includes the Mailing.</u>
Service Fee	Varies (13). Currently \$30 per 10,000 unduplicated circulation. See Intermarket Sales Policy, Exhibit C-3.	<u>30 days after Mailing As incurred</u>	Fees paid by Selling Dealers or National Sales to franchisee whose territory includes the Mailing.
Account Relocation Fee	\$1.50 per 1,000 households; See Intermarket Sales Policy, Exhibit C-3.	<u>30 days after Mailing As incurred</u>	Fees paid by a franchisee when a Designated Key Account moves into another territory and changes selling franchisees.
Displacement Fee	Varies (13). Currently for unduplicated circulation previously sold and Mailed within a franchisee's territory, \$30 per 10,000 increments; and for unduplicated circulation previously sold and Mailed as Outbound Intermarket by the franchisee, \$15 per 10,000 increments.	<u>30 days after Mailing As incurred</u>	
<u>Territory Acquisition Fee Balance</u>	<u>\$5,000 for each 10,000 Prime Households. See Item 5.</u>	<u>Prior to mailing each NTA over the first 3 NTAS. See Item 5.</u>	<u>The balance is the difference between the total Territory Acquisition Fee due and \$15,000 (representing 3 NTAS). Before you mail each NTA over the first 3 NTAS, you must pay the balance due relating to the NTAS you want to start mailing.</u>

(1) Valpak publishes schedules of the prices charged for the various products and services provided by Valpak for the production of VALPAK® Envelopes and other advertising services (including electronic coupons). These prices are established in Valpak's reasonable discretion. You must pay the charges established in accordance with Valpak's price schedules for the production and distribution of VALPAK®

Envelopes for Mailings within your Territory, and for any other products and services ordered from Valpak. See Item 19 for additional information regarding production charges.

(2) For the first 6 Mailings, you must submit full payment for each Mailing together with the Insertion Order for that Mailing. ~~Valpak may waive this requirement in certain circumstances. If you have established a satisfactory credit record with Valpak over the course of the first 6 Mailings (unless waived by Valpak in writing) and you are in compliance with all of the terms of the Franchise Agreement, after the first 6 Mailings payment terms for your remaining Mailings are as follows:~~

- (a) Mailings 7-12: 50% due on Insertion Order Date; balance due on Mailing Date.
- (b) Mailings 13-18: Payments for prior Mailing must be paid in full by Insertion Order Date of next Mailing.
- (c) Mailings 19-End: Payments for prior Mailing must be paid in full by Mail Date of next Mailing.

If you are purchasing an existing Territory, this schedule may be modified.

~~See Item 10. These payment terms relate only to VALPAK® Envelopes and do not apply to Electronic Advertising.~~

(3) Valpak publishes schedules of the prices charged for the various products and services provided by Valpak for Electronic Advertising. These prices are established in Valpak's discretion. You must pay prices established in accordance with its price for making Electronic Advertising Services available to Advertisers and consumers in your Territory.

(4) The ~~VALPAK® Dealers Franchisees~~ Association is a voluntary membership organization representing the interests of VALPAK® Franchisees. All new Franchisees will automatically be enrolled as members unless they notify Valpak in writing of their election not to participate.

(5) This fee may be adjusted in accordance with the ~~VALPAK® Dealers Franchisees~~ Association's by-laws and procedures.

(6) Valpak charges standard fees for training additional persons and for any additional training it may provide at your request. You must pay for your and your employees' travel, lodging, living expenses and compensation related to attending any additional, supplemental or refresher training programs, and any conventions or meetings held by Valpak. However, Valpak may elect, in its discretion, to pay some of your expenses, as described in Item 11.

(7) Valpak will loan a set of current VALPAK® marketing materials to you, for which Valpak may charge a reasonable fee to cover its direct and indirect costs of providing these materials to you.

(8) You must pay Valpak a transfer fee in the reasonable amount customarily charged by Valpak (currently \$1,000) to help defray the direct and indirect costs of reviewing and processing proposed transfers.

(9) The monthly Software License Fee is based on the size of your market as follows:

MICRO	SMALL	MEDIUM	LARGE	MACRO
<u>(0 – 80,000)</u>	<u>(80,001 – 150,000)</u>	<u>(150,001 – 300,000)</u>	<u>(300,001 – 499,999)</u>	<u>(500,000 +)</u>
\$35.00	\$54.00	\$93.00	\$118.00	\$175.00



(10) The monthly Software Support and Maintenance Fee is based on the size of your market as follows:

MICRO (0 – 80,000)	SMALL (80,001 – 150,000)	MEDIUM (150,001 – 300,000)	LARGE (300,001 – 499,999)	MACRO (500,000 +)
\$78.00	\$87.00	\$97.00	\$105.00	\$180.00

(11) The “CRC” Category Research Center monthly fee is based on your monthly mailing circulation.

(0-59,000)	(59,001 – 100,000)	(100,001 – 150,000)	(150,001 – 200,000)	(200,001 – 300,000)	(300,001 – 400,000)	(400,001 – 500,000 +)
\$40.00	\$75.00	\$110.00	\$145.00	\$181.00	\$217.00	\$253.00

(12) The current Matrix Fees and Territory Fees from the Intermarket Sales Policy are as follows:

*The Dealer Payment Matrix (the “MATRIX”)*

*“MATRIX FEE” and “TERRITORY FEE” payments are per NTA® mailed per Mailing Period.  
Rates do not apply to multi-advertiser flyers and booklets.*

MATRIX TABLE I

This table applies to active Intermarket Agreements executed prior to January 1, 2011.

Circulation per Mailing Period	MATRIX	TERRITORY FEE
5,000 – 14,999	\$90.00	\$20.00
15,000 – 39,999	\$87.50	\$17.50
40,000 – 99,999	\$82.50	\$16.50
100,000 – 179,999	\$75.00	\$15.00
180,000 – 269,999	\$67.50	\$13.50
270,000 – 499,999	\$62.50	\$12.50
500,000 – 749,999	\$54.00	\$12.00
750,000 – 1,499,999	\$50.00	\$10.00
1,500,000 – 2,999,999	\$39.60	\$8.00
3,000,000 Plus	\$32.60	\$6.00

MATRIX TABLE II

Starting January 1, 2011, this table applies to new Advertisers who have not previously purchased Advertising Inserts to be included in VALPAK® Envelopes and from Advertisers meeting certain criteria.\*

Circulation per Mailing Period	MATRIX	TERRITORY FEE
5,000 – 14,999	\$90.00	\$20.00
15,000 – 39,999	\$78.80	\$17.50
40,000 – 99,999	\$74.30	\$16.50
100,000 – 179,999	\$67.50	\$15.00
180,000 – 269,999	\$60.80	\$13.50

<i>Circulation per Mailing Period</i>	<i>MATRIX</i>	<i>TERRITORY FEE</i>
270,000 – 499,999	\$56.30	\$12.50
500,000 – 749,999	\$48.60	\$12.00
750,000 – 1,499,999	\$50.00	\$10.00
1,500,000 – 2,999,999	\$39.60	\$8.00
3,000,000 – 6,999,999	\$32.60	\$6.00
7,000,000 – 14,999,999	\$25.00	\$6.00
15,000,000 Plus	\$19.00	\$6.00

\*Intermarket Agreements that are subject to Matrix Table I remain in that capacity until such time that the Advertiser is no longer active (i.e., no mailing activity has occurred under an Intermarket Agreement for the prior 12 months). If an account begins to mail after it has not mailed for an extended period of 12 months or more, it will be considered new business and will then become subject to Matrix Table II for any Intermarket Fees that become due and payable. Once an Intermarket Agreement becomes subject to Matrix Table II, it cannot revert back to Matrix Table I unless Matrix Table II is not renewed in accordance with the Intermarket Sales Policy.

(13) See Section 8 of Intermarket Sales Policy, Exhibit C-3.

**ITEM 7/ITEM-9**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>ESTIMATED AMOUNT</b>	<b>METHOD OF PAYMENT+</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee (1)	\$1,600 - \$2,500	Lump Sum	At signing of Franchise Agreement	Valpak
Training Fee (2)	\$10,400 - \$15,000	Lump Sum	At signing of Franchise Agreement	Valpak
Territory Acquisition Fee (3)	\$20,000 <del>12,000</del> - \$25,000- minimum <del>100,000</del>	Lump Sum	At signing of Franchise Agreement	Valpak
	(See Note 3)	As Arranged	As Arranged	3rd Party
Prepaid Rent and Deposits (4)	\$1,200-\$4,800	As Arranged	As Arranged	3rd Parties
Business Telephone (5)	\$300-\$1,000	As Arranged	As Arranged	3rd Parties
Office Furniture (6)	\$400-\$2,500	As Arranged	As Arranged	3rd Parties
Office Equipment (7)	\$1,300-\$2,000	As Arranged	As Arranged	3rd Parties

TYPE OF EXPENDITURE	ESTIMATED AMOUNT	METHOD OF PAYMENT+	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Computer Hardware (8)	\$2,500 - \$5,000	As Arranged	As Arranged	3rd Parties, Valpak
Computer Software (9)	\$500 - \$1,000 (See Note 9)	As Arranged	As Arranged	Valpak
Insurance (10)	\$1,000 - \$2,000 (See Note 10)	As Arranged	As Arranged	3rd Parties
Additional Funds (11) (12)	\$50,000 minimum (See Note 11 and 12)	As Arranged	As Incurred	3rd Parties, Valpak
Vehicle (13)	(See Note 13)	As Arranged	As Arranged	3rd Parties
Start-Up Advertising/Marketing Funds (14)	\$10,000-\$15,000 (See Note 14)	As Arranged	As Arranged	3rd Parties
TOTAL (15) (16) (17) (18)	\$99,200 <del>91,200</del> to \$125,800 <del>200,800</del>	(Does not include an amount for a vehicle referred to in footnote 13, and includes only the minimum Territory Acquisition Fee because it is not possible to determine a maximum.)		
<p>* Valpak does not refund any fees or other amounts payable to it. Except as arranged by you, amounts paid to 3rd parties are generally non-refundable.</p> <p>+Valpak does not offer, either dchectly or indhectly, any formal program of financing to Franchisees for any fees or expenses described above, but in isolated instances Valpak may offer financing of Territory Acquisition Fees to selected, qualified Franchisees. The terms of such financing vary, and are described in Item 10.</p>				

(1) This fee is payable regardless of whether you are purchasing your franchise from Valpak or from another VALPAK® Franchisee. The low end cost includes the 20% discount if you qualify for the VetFran Program. See Item 5.

(2) The low end cost includes the 20% discount if you qualify for the VetFran Program. See Item 5 for details.

(3) This fee is based on \$5,000 for every 10,000 households located in your territory. The minimum cost includes the 20% discount if you qualify for the VetFran Program and assumes the minimum initial payment for a dormant territory. The minimum fee for those who do not qualify for the VetFran Program is \$25,000. See Item 5 for details. Also, if you buy a franchise for a dormant territory, then we may allow you to pay the Territory Acquisition Fee in installments as you add additional NTAS to your mailings. See Items 5 and 6.

(4) This figure is the estimated cost of the 1<sup>st</sup> 3 months' rent for your office and a security deposit equal to 1 month's rent. The actual amount will vary depending on local rental market conditions and the size, location and amenities of the office. It does not include any amount for leasehold improvements or decorating, which are at your discretion. The lower end of the range assumes rent of \$300 per month for cooperative shared office space and the higher end of the range assumes rent of \$1,200 per month for an office in a modest office building. If you choose to operate your franchise from your residence, you will not incur this type of expense.

(5) This figure is the estimated cost of the purchase, installation and hook-up of a business phone system. It does not include the costs of acquiring cellular phones. The cost of a more sophisticated phone system could exceed this estimate.

(6) This figure is the estimated cost of the purchase of 1 or more desks, chairs and filing cabinets of moderate quality and condition. Your furniture costs will primarily depend on your personnel arrangements and the quality and condition (new or used) of the furniture selected.

(7) This figure is the estimated cost of the purchase of a high quality small photocopier and a facsimile transmission machine which meets Valpak's specifications. The actual amount spent will vary according to the equipment needs and size of your franchise, as well as the condition and quality of items purchased.

(8) The cost of computer equipment suitable for most Franchisees ranges from about \$2,500 to \$5,000. Valpak requires you to use a computer to operate VPOffice®.

(9) Valpak requires you to use computer software known as VPOffice® described in Item 11 under the heading "Computer Software." See Item 11 for details. Valpak also recommends that you have the Microsoft Office Suite and a CRM application.

(10) Valpak requires you to carry liability and other insurance coverage in such amounts as it specifies in its Operating Procedures. Life insurance may also be required as a condition of certain financing arrangements described in Item 10. Valpak estimates that the cost of initial premiums for property insurance and business liability insurance for a franchise would range from \$1,000 to \$2,000. The cost of any required workers' compensation insurance will vary widely and cannot be reasonably estimated by Valpak. Insurance for the benefit of franchise personnel, such as medical and disability insurance, is also at your discretion, and their costs cannot be reasonably estimated by Valpak.

(11) This figure covers miscellaneous expenses for the 1<sup>st</sup> 3 month's operation of your franchise, such as business license fees, legal fees, accounting fees, office supplies (including forms, stationery and maps), a complete set of marketing materials supplied by Valpak (currently provided at a charge of \$500, which is included within the training fee) and your travel and out-of-pocket costs of attending initial training.

(12) If you are beginning operations in a dormant territory, Valpak requires that you have available working capital (which may be in the form of a line of credit) in an amount of at least \$7,000 to \$9,000 for every mailed NTA in your Territory. Working capital is needed to cover general operating expenses, such as salaries for any personnel, as well as your costs for Mailings in your Territory. Depending on your market and your business objectives, you may need significantly greater working capital. In addition to this amount, you should have personal funds or outside income sufficient to cover living expenses for 9 to 12 months. If you buy an existing franchise, you may need additional working capital, but Valpak is unable to estimate any range of amounts which would be needed.

(13) You are not required by Valpak to acquire or use any motor vehicle in operating your franchise. However, you and your salespeople typically will make some business use of an automobile. You may use any automobile already owned by you, in which case you will not incur any initial expense for this item, or you may lease or purchase one or more automobiles for your franchise. If you purchase or lease an automobile, you may expect to spend between \$175 and \$600 per month (plus initial deposits) for leasing a vehicle, and between \$9,000 to \$20,000 for purchasing a low to mid-priced vehicle.

(14) This figure is the minimum estimated expense to be allocated toward initial marketing efforts for local advertising and brand building efforts associated with the purchase of a dormant territory. This expense is similar to "Grand Opening" expenses in other franchise systems. Valpak recommends initial advertising when starting your franchise in a dormant market and offers assistance and recommendations for doing so. The advertising and marketing methods will vary by market.

(15) Valpak has over 4243 years' experience in the cooperative direct mail advertising business and has relied on that experience to compile these estimates. Valpak has not conducted any formal survey of its Franchisees to prepare this data; rather, these figures represent Valpak's best estimates of the amounts that a typical Franchisee will spend for the purposes indicated. **YOUR OWN EXPENSES ARE LIKELY TO DIFFER SIGNIFICANTLY FROM THESE ESTIMATES BECAUSE OF THE WIDE VARIATIONS AMONG GEOGRAPHIC REGIONS, BUSINESS CONDITIONS AND MANAGEMENT STYLES, AND THE PARTICULAR CIRCUMSTANCES AFFECTING THE FRANCHISE (SUCH AS THE NUMBER OF PRIME HOUSEHOLDS IN THE FRANCHISE TERRITORY, THE SIZE AND LOCATION OF THE FRANCHISE'S OFFICE, THE NUMBER OF PERSONNEL ENGAGED TO WORK FOR THE FRANCHISE AND THEIR COMPENSATION ARRANGEMENTS), THE AVAILABILITY AND USE OF FINANCING OR LEASING ARRANGEMENTS FOR CERTAIN ITEMS.** For example, the estimated costs shown in the table assume that you will operate from modest premises and will use simple but functional furnishings and equipment. If you choose to purchase expensive furniture or more sophisticated equipment, you should expect to spend substantially more than the amounts shown in the table. However, if you operate from your residence or lease rather than purchase most items, your investment may be less than the amounts shown in the table. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

(16) The estimated initial investment figures reflected in the table above assume that you are establishing an office for your franchise outside your home. Valpak also has assumed that you will be actively involved in operating your franchise on a full-time basis but that you will not draw a salary in the first 12 months.

(17) This table estimates your initial startup expenses. These figures are estimates and Valpak cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on many factors, including: how much you follow Valpak's methods and procedures; your management skill; your sales skills; experience and business acumen; local economic conditions; the local market for VALPAK® products and services; the prevailing wage rate; competition; and the sales levels you achieve during the initial period.

(18) Renewing dealers will not have these initial investment costs.

**YOUR INITIAL INVESTMENT – PURCHASE OF O&O BUSINESS<sup>(1)</sup>**

TYPE OF EXPENDITURE	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (2)	\$1,600 - \$2,000	Lump Sum	At signing of Franchise Agreement	Valpak
Training Fee (3)	\$10,400 - \$13,000	Lump Sum	At signing of Franchise Agreement	Valpak

TYPE OF EXPENDITURE	ESTIMATED AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Purchase Price (4)	\$100,000 - \$1,000,000	As negotiated	As negotiated	Our affiliate
Prepaid Rent and Deposits (5)	\$1,200-\$4,800	As Arranged	As Arranged	3rd Parties
Business Telephone (6)	\$300-\$1,000	As Arranged	As Arranged	3rd Parties
Insurance (7)	\$1,000 - \$2,000 (See Note 10)	As Arranged	As Arranged	3rd Parties
Additional Funds (8) (9)	\$185,500 minimum	As Arranged	As Incurred	3rd Parties, Valpak
Vehicle (10)	(See Note 10)	As Arranged	As Arranged	3rd Parties
<b>TOTAL (11) (12) (13)</b>	<b>\$300,000 - \$1,208,300</b>			

Notes:

- (1) This chart provides an estimate of your initial investment if you purchase an O&O Business from one of our affiliates. See Items 1, 5 and 10.
- (2) The initial franchise fee is discussed in greater detail in Item 5.
- (3) The training fee is discussed in greater detail in Item 5.
- (4) See Item 10 for description of financing of purchase price and Item 5 for more information on the estimated purchase price.
- (5) This figure is the estimated cost of the 1<sup>st</sup> 3 months' rent for your office and a security deposit equal to 1 month's rent. The actual amount will vary depending on local rental market conditions and the size, location and amenities of the office. It does not include any amount for leasehold improvements or decorating, which are at your discretion. The lower end of the range assumes rent of \$300 per month for cooperative shared office space and the higher end of the range assumes rent of \$1,200 per month for an office in a modest office building. If you choose to operate your franchise from your residence, you will not incur this type of expense.
- (6) This figure is the estimated cost of the purchase, installation and hook-up of a business phone system. It does not include the costs of acquiring cellular phones. The cost of a more sophisticated phone system could exceed this estimate.
- (7) Valpak requires you to carry liability and other insurance coverage in such amounts as it specifies in its Operating Procedures. Life insurance may also be required as a condition of certain financing arrangements described in Item 10. Valpak estimates that the cost of initial premiums for property insurance and business liability insurance for a franchise would range from \$1,000 to \$2,000. The cost of any required workers' compensation insurance will vary widely and cannot be reasonably estimated by Valpak. Insurance for the benefit of franchise personnel, such as medical and disability insurance, is also at your discretion, and their costs cannot be reasonably estimated by Valpak.

- (8) This figure covers miscellaneous expenses for the 1<sup>st</sup> 3 month's operation of your franchise, such as business license fees, legal fees, accounting fees, office supplies (including forms, stationery and maps), a complete set of marketing materials supplied by Valpak (currently provided at a charge of \$500, which is included within the financing fee) and your travel and out-of-pocket costs of attending initial training.
- (9) Valpak requires that you have available working capital (which may be in the form of a line of credit) in an amount of at least \$7,000 to \$9,000 for every mailed NTA in your Territory. Working capital is needed to cover general operating expenses, such as salaries for any personnel, as well as your costs for Mailings in your Territory. Depending on your market and your business objectives, you may need significantly greater working capital. In addition to this amount, you should have personal funds or outside income sufficient to cover living expenses for 9 to 12 months. If you buy an existing franchise, you may need additional working capital, but Valpak is unable to estimate any range of amounts which would be needed.
- (10) You are not required by Valpak to acquire or use any motor vehicle in operating your franchise. However, you and your salespeople typically will make some business use of an automobile. You may use any automobile already owned by you, in which case you will not incur any initial expense for this item, or you may lease or purchase one or more automobiles for your franchise. If you purchase or lease an automobile, you may expect to spend between \$175 and \$600 per month (plus initial deposits) for leasing a vehicle, and between \$9,000 to \$20,000 for purchasing a low to mid-priced vehicle.
- (11) Valpak has over 4243 years' experience in the cooperative direct mail advertising business and has relied on that experience to compile these estimates. Valpak has not conducted any formal survey of its Franchisees to prepare this data; rather, these figures represent Valpak's best estimates of the amounts that a typical Franchisee will spend for the purposes indicated. **YOUR OWN EXPENSES ARE LIKELY TO DIFFER SIGNIFICANTLY FROM THESE ESTIMATES BECAUSE OF THE WIDE VARIATIONS AMONG GEOGRAPHIC REGIONS, BUSINESS CONDITIONS AND MANAGEMENT STYLES, AND THE PARTICULAR CIRCUMSTANCES AFFECTING THE FRANCHISE (SUCH AS THE NUMBER OF PRIME HOUSEHOLDS IN THE FRANCHISE TERRITORY, THE SIZE AND LOCATION OF THE FRANCHISE'S OFFICE, THE NUMBER OF PERSONNEL ENGAGED TO WORK FOR THE FRANCHISE AND THEIR COMPENSATION ARRANGEMENTS), THE AVAILABILITY AND USE OF FINANCING OR LEASING ARRANGEMENTS FOR CERTAIN ITEMS.** For example, the estimated costs shown in the table assume that you will operate from modest premises and will use simple but functional furnishings and equipment. If you choose to purchase expensive furniture or more sophisticated equipment, you should expect to spend substantially more than the amounts shown in the table. However, if you operate from your residence or lease rather than purchase most items, your investment may be less than the amounts shown in the table. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.
- (12) The estimated initial investment figures reflected in the table above assume that you are establishing an office for your franchise outside your home. Valpak also has assumed that you will be actively involved in operating your franchise on a full-time basis but that you will not draw a salary in the first 12 months.
- (13) This table estimates your initial startup expenses. These figures are estimates and Valpak cannot guarantee that you will not have additional expenses in beginning to operate the O&O Business. Your costs will depend on many factors, including: how much you follow Valpak's methods and

procedures; your management skill; your sales skills; experience and business acumen; local economic conditions; the local market for VALPAK® products and services; the prevailing wage rate; competition; and the sales levels you achieve during the initial period.

**ITEM 8**~~ITEM-10~~

**RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

The following table summarizes the approximate percentages of your purchases of equipment, supplies and services through sourcing restrictions, based on the nature of the restriction:

<b><u>REQUIRED PURCHASES FROM VALPAK</u></b>	<b><u>REQUIRED PURCHASES FROM APPROVED SUPPLIERS</u></b>	<b><u>REQUIRED PURCHASES IN ACCORDANCE WITH VALPAK'S SPECIFICATIONS AND STANDARDS</u></b>
Establishment – 1.3 – 34.3%	Establishment – 0%	Establishment – 0%
Operation – 50 – 70%	Operation – 0%	Operation – 0%

**Required Purchases**

Valpak is the sole publisher and distributor of its trademarked VALPAK® Envelopes in the United States and will publish and distribute, at your expense, all Mailings of VALPAK® Envelopes in your Territory in accordance with the terms of the Franchise Agreement. Valpak will be the source of all services relating to the production of VALPAK® Envelopes for Mailings in your Territory (including graphics preparation, printing, addressing, collation, insertion and direct mailing), except as otherwise discussed below, and Valpak will derive revenue from the sale of these services to you. Valpak is the only permitted source for the blue envelopes used for mailings of VALPAK® Envelopes, and Valpak is the only permitted source of the collating, inserting and mailing service provided to VALPAK® Franchisees. You must maintain at all times a complete set of current VALPAK® marketing materials, which you must obtain from Valpak. You must also purchase the VPOffice® software from Valpak. Valpak may charge a fee for loaning these marketing materials to you, and may derive revenue from any fees for these marketing materials. The cost of these marketing materials is not estimated to be a significant portion of the cost of establishing or operating your franchised business.

The amounts you pay to Valpak for the production and publication of VALPAK® Envelopes are a significant part of the cost of operating the franchised business. Depending on the volume of business, a Franchisee's payments to Valpak for services typically range between 50% and 70% of total revenue. This paragraph should not be construed as a representation or assurance by Valpak that you are likely to experience these operating margins, or that you will be successful in your business if you do realize such margins.

For the fiscal year ended ~~December 25, 2010~~, 31, 2011, Valpak's revenues from sales of required services to Franchisees were ~~\$449,355,586~~, 154,722,286 representing ~~76~~82% of Valpak's total revenues of ~~\$196,567,141~~, 189,433,791. These figures are derived from our audited financial statements and internal financial data. No Valpak affiliates derive revenue from the sale of goods or services to Valpak's Franchisees.



All new Franchisees must use VPOffice® Software. Thus, you will be required to license the VPOffice® Software and obtain maintenance and support services from Valpak. See Items 6, 7 and 11, and Exhibit "E."

You will be offered Advertising Inserts and coupons sold by Valpak's National Sales Department. See Item 12. Valpak will compensate you for including these items in accordance with the rate schedule listed in the then-current version of the ISP. You will also be required to mail Advertising Inserts and Coupons from other Valpak Franchisees pursuant to the Intermarket Sales Policy and you will be compensated for doing so. See Item 12.

### Approved Suppliers

Valpak does not require you to purchase or lease any goods, services, supplies, fixtures, equipment, inventory, computer hardware or software or real estate from any designated supplier. Valpak does not negotiate purchase agreements with suppliers, including price terms, for the benefit of franchisees. None of our officers own an interest in a required supplier.

### Specifications and Standards

Valpak will, to a limited extent, allow you to provide certain Advertising Inserts for inclusion in VALPAK® Envelopes to accommodate those customers that wish to use their own pre-printed Advertising Inserts. The use of these customer-supplied Advertising Inserts will be subject to the limitations, policies, conditions and procedures established by Valpak. Valpak develops these policies, conditions and procedures based on factors including existing and planned production capabilities and capacities, arrangements with outside sources, standards and requirements for the efficient, accurate and timely publication of Advertising Inserts and the need to maintain such standards, the accommodation of certain types of customers of VALPAK® advertising services and the testing and introduction of new products and procedures.

Valpak describes generally the procedures for the submission of customer-supplied Advertising Inserts for inclusion in a Mailing in the Operating Procedures. Valpak may place conditions on the use of customer-supplied Advertising Inserts including additional service charges, review and pre-approval procedures, the execution of licensing and restrictive agreements with Valpak by suppliers of the Advertising Inserts and restrictions pertaining to the time and place of delivery. In addition, any Advertising Inserts to be supplied by your customers must meet the standards and specifications of quality, function and appearance established by Valpak. Valpak considers such restrictions on customer-supplied Advertising Inserts to be essential to the efficient and accurate distribution of VALPAK® Envelopes meeting Valpak's quality standards.

### valpak.com Program

Valpak is the sole operator of, and sole distributor of coupons and other electronic advertising under the valpak.com website and such other websites as Valpak offers from time to time. You must comply with Valpak's procedures and conditions when offering or selling electronic advertising services. Valpak may modify those terms in any manner (including implementing fees) or discontinue it on 30 days' notice to you. See Exhibit "C-3," and Items 1, 6, 11 and 12 for details.

## Insurance

At your expense, you must obtain and maintain in force such policies and types of insurance that Valpak prescribes. Valpak may prescribe the types, amounts, terms and conditions of insurance coverage you must carry; standards for underwriters and insurers of such policies; Valpak's protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to Valpak; periodic verification of insurance coverage that must be furnished to Valpak; Valpak's rights to obtain insurance coverage at your expense if you fail to obtain required coverage. The terms and conditions Valpak requires may be provided to you in any manner it determines, including being specified in the Operating Procedures. Valpak may periodically change required coverages, amounts and policy terms. (Please see footnote 10 in Item 7 for estimated costs of the required insurance coverages.)

## Purchasing or Distribution Cooperatives

Valpak has no purchasing or distribution cooperatives. However, the VALPAK®-Dealers, Franchisees Association is a voluntary membership organization that engages in cooperative advertising. See Items 6 and 11 for details.

## ITEM 9/ITEM-11

### FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise agreement 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	Not Applicable	Items 6 and 11
b. Pre-opening purchases/leases	Section 10.1	Item 8
c. Site development and other pre-opening requirements	Not Applicable	Items 6, 7 and 11
d. Initial and ongoing training	Section 5.1; Section 3 Renewal Addendum; Section 7 VPOffice® Addendum	Item 11
e. Opening	Not Applicable	Item 11
f. Fees	Sections 10.1-10.5; Section 6 Renewal Addendum; Sections 5, 6 and 8 VPOffice® Addendum	Items 5 and 6
g. Compliance with standards and policies/Operating Procedures	Sections 9.1-9.5; Section 4 VPOffice® Addendum	Item 11
h. Trademarks and proprietary information	Sections 4.1, 4.2, 5.2, 6, 8 and 14.1; Section 7 VPOffice® Addendum	Items 13 and 14

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
i. Restrictions on products/services offered	Sections 3.1, 3.6, 4.1, 5.3 and 9.2	Item 16
j. Warranty and customer service requirements	Section 9.1; Section 9 VPOffice® Addendum	Item 11
k. Territorial development and sales quotas	Section 3.1, 3.2, 9.4 and Exhibit B to Agreement; ; Section 5 Renewal Addendum	Item 12
l. Ongoing product/service purchases	Sections 4.1, 4.3, 5.3, 9.2, 9.4, 10.2 and 10.3; VPOffice® Addendum; Section 7 Renewal Addendum	Item 8
m. Maintenance, appearance and re-modeling requirements	Not Applicable	Not Applicable
n. Insurance	Section 9.5 and 9.10	Items 6, 8 and 10
o. Advertising	Section 6.2	Items 6 and 11
p. Indemnification	Sections 7.2 and 7.3 (also see Personal Guaranty of Owner/ Shareholder)	Item 17
q. Owner's participation/management/staffing	Sections 8.3 and 9.3	Items 11 and 15
r. Records and reports	Sections 8.2, 8.3 and 9.3	Item 10
s. Inspection and audits	Section 9.7	Not Applicable
t. Transfer	Sections 11.2-11.6; Section 11 VPOffice® Addendum	Item 17
u. Renewal	Sections 12.2-12.3	Item 17
v. Post-termination obligations	Section 14	Item 17
w. Non-competition covenants	Sections 8.2 and 14.4-14.5	Item 17
x. Dispute resolution	Not Applicable	Not Applicable
y. Territorial Limitations	Sections 3.1 -3.3 and 8.2	Items 12 and 16
z. Other: Intermarket Sales	Sections 3.1-3.2;	Items 12 and 16
aa. Other: Regional and National Sales	Section 3.4	Items 12 and 16

\*Unless otherwise noted, references are to the Franchise Agreement itself; references to addenda are identified as such.

Note: See Exhibit "I" which may contain an addendum or an amendment to the Franchise Agreement under applicable state law (see also Item 17).

ITEM 10 ITEM 12

**FINANCING**

Except for the financing described below, Valpak does not offer direct or indirect financing to you, and does not guarantee your note, lease or obligation.

Production Financing

After the 1st 6 Mailings, Valpak may extend payment terms to qualified Franchisees for a portion of Valpak's production charges, as described in footnote 2 of Item 6. If you qualify for this financing, you will not be required to sign a promissory note or security agreement, but the terms are summarized below:

Summary of Production Cost Financing

Item Financed	Production Costs
Down Payment	50% or more of Production Costs
Amount Financed	Balance of Production Costs
Term	Varies (See Item 6, Note 3)
Interest Rate	None, Unless Delinquent
Delinquent Rate	Highest Permitted by Law (not greater than 1.5%/month)
Security Required	Security Interest in all assets
Documents Required	None except Franchise Agreement
Liability Upon Default	Violation of Franchise Agreement
Assignable to Third Parties	No Present Practice

You will grant Valpak a security interest in all assets of the franchised business. See Exhibit D to the Franchise Agreement. If you are a renewing dealer you must grant Valpak a security interest only if you owe Valpak money.

Territory Acquisition Fees

Sometimes, Valpak provides financing of Territory Acquisition Fees and related assets. Valpak provides such financing only under limited circumstances and on terms unique to each situation. Valpak does not provide financing assistance to all Franchisees. In instances where Valpak has provided financing, it typically covered some (or in rare cases, all) of the Territory Acquisition Fee (if acquired directly from Valpak) or the purchase price for the territory (if acquired from a VALPAK® Franchisee); and in some cases, necessary working capital.

When Valpak provides this kind of financing, it requires the Franchisee to execute a Note and Security Agreement in the form attached as Exhibit "F" (the "Note"). The Franchisee, grants Valpak a security interest and lien against all of the Franchisee's assets relating to the VALPAK® franchise. The terms and conditions of the financing are summarized as follows:

**Purchase Note:**

TOPIC	FINANCING TERMS	EXPLANATORY NOTES	SECTION OF NOTE
1. Item Financed	Some (rarely all) of the following: (a) Cost of acquiring territory and related assets from Franchisee; (b) all or a portion of the purchase price of acquiring an existing territory directly from Valpak; or (c) working capital	Not Applicable	Not Applicable
2. Amount Financed	Varies	Not Applicable	Introductory Paragraph
3. Term	3 to 7 Years	Not Applicable	Section 1
4. APR %	Typically 2 percentage points over the prime rate as published in the <i>Wall Street Journal</i>	But highest legal rate on default	Section 2
5. Installment Payment	Varies depending on interest rate, term and amount financed	Not Applicable	Section 3
6. Prepay Penalty	None	Can be prepaid at any time.	Section 4
7. Security Required	Yes. Franchise, operating assets and in most cases life insurance (at least equal to amount financed)	First priority security interest in the Franchise Agreement and all assets of the business and life insurance payable to Valpak	Section 8, 9 and 10
8. Liability Upon Default	Default Interest is highest allowed by law; entire principal balance immediately due and payable, collection costs, material breach of Franchise Agreement.	Not Applicable	Sections 5, 6 and 7
9. Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have.	Not Applicable	Section 14
10. Method of Payment	Monthly payments are made by electronic transfer to Valpak's account	Not Applicable	Section 3
11. Governing Law	Florida law governs the Note	All actions must be brought in Pinellas or Hillsborough County, Florida, whichever is applicable.	Section 13
12. Additional Reports	You will be required to submit certain financial information to Valpak on a monthly basis regarding the operation of the franchised business.	This financial information includes an income statement, balance sheet, accounts receivable aging report, commissions earned and cash disbursement journal.	Not Applicable

TOPIC	FINANCING TERMS	EXPLANATORY NOTES	SECTION OF NOTE
13. Cure Period	10 days	Failure to cure within a 10-day period will entitle Valpak to terminate your franchise.	Not Applicable
14. Assignability	Yes – Upon Valpak’s approval	Defenses may be lost	Not Applicable

**A/R Note:**

TOPIC	FINANCING TERMS	EXPLANATORY NOTES	SECTION OF NOTE
1. Item Financed	Some (rarely all) of the following: (a) Cost of acquiring territory and related assets from Franchisee; (b) all or a portion of the purchase price of acquiring an existing territory directly from Valpak; or (c) working capital	Not Applicable	Not Applicable
2. Amount Financed	A percentage of the accounts receivable transferred	Not Applicable	Introductory Paragraph
3. Term	3 to 6 Months	Not Applicable	Section 1
4. APR %	Interest will be waived	But highest legal rate on default	Section 2
5. Installment Payment	Varies depending on interest rate, term and amount financed	Not Applicable	Section 3
6. Prepay Penalty	None	Can be prepaid at any time.	Section 4
7. Security Required	None	None	None
8. Liability Upon Default	Default Interest is highest allowed by law; entire principal balance immediately due and payable, collection costs, material breach of Franchise Agreement.	Not Applicable	Sections 5, 6 and 7
9. Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have.	Not Applicable	Section 14
10. Method of Payment	Monthly payments are made by electronic transfer to Valpak’s account	Not Applicable	Section 3
11. Governing Law	Florida law governs the Note	All actions must be brought in Pinellas or Hillsborough County, Florida, whichever is applicable.	Section 13

TOPIC	FINANCING TERMS	EXPLANATORY NOTES	SECTION OF NOTE
12. Additional Reports	You will be required to submit certain financial information to Valpak on a monthly basis regarding the operation of the franchised business.	This financial information includes an income statement, balance sheet, accounts receivable aging report, commissions earned and cash disbursement journal.	Not Applicable
13. Cure Period	10 days	Failure to cure within a 10-day period will entitle Valpak to terminate your franchise.	Not Applicable
14. Assignability	Yes – Upon Valpak’s approval	Defenses may be lost	Not Applicable

Valpak is unable to estimate whether you will be able to obtain 3rd-party financing for your investment in your franchise. Valpak will not guarantee any note, lease or other obligation you may have with any 3rd party.

Valpak is listed on the U.S. Small Business Administration (“SBA”) Franchise Registry, which is a national online listing of franchise systems whose franchisees receive expedited loan processing when applying for financial assistance. Valpak also has relationships with third party lenders that can be an option for funding.

**O&O Business Purchase Financing**

If you purchase an O&O Business from one of our affiliates, you must pay the purchase price in accordance with the terms of the assignment and related financing documents. Although Valpak does not offer any financing, our affiliates, in their sole discretion, may finance a portion of the purchase price if you meet certain credit requirements.

The financing typically exists of 2 components: financing for a portion of the purchase price relating to the territorial rights associated with the franchise, and financing relating to the accounts receivable of the O&O Business that are assigned to you as part of the acquisition. The following charts summarize the terms of such financing, but the actual terms and conditions will be pursuant to the Purchase Note and the A/R Note. The forms of the Purchase Note and A/R Note are attached as Exhibits “L-1” and “L-2” to this Franchise Disclosure Document, respectively.

TOPIC	FINANCING TERMS	EXPLANATORY NOTES	SECTION OF NOTE
1. Item Financed	A portion of the purchase price	The amount financed will be determined by negotiation and our determination of your credit standing	Not Applicable
2. Amount Financed	Varies	This would be the difference between the down payment and the balance of the purchase price, less the amounts assigned to accounts receivable	Introductory Paragraph

TOPIC	FINANCING TERMS	EXPLANATORY NOTES	SECTION OF NOTE
3. Term	3 to 7 years	Not Applicable	Section 1
4. APR %	Typically 2 percentage points over the prime rate as published in the Wall Street Journal.	But highest legal rate on default	Section 2
5. Installment Payment	Varies depending on interest rate, term and amount financed	Payments are usually monthly but the number varies depending on the term	Section 3
6. Prepay Penalty	None	Can be prepaid at any time.	Section 4
7. Security Required	Yes. Franchise, operating assets and in most cases life insurance (at least equal to amount financed); customer lists, contracts, accounts receivable, equipment and goodwill and related proceeds	First priority security interest in the Franchise Agreement and all assets of the business and life insurance payable to Valpak	Section 8 and 10
8. Liability Upon Default	Default Interest is highest allowed by law; entire principal balance immediately due and payable, collection costs, material breach of Franchise Agreement.	Not Applicable	Sections 5, 6 and 7
9. Loss of Legal Rights on Default	You waive presentment, demand, protest and notice of demand and dishonor, protest and non-payment and all other legal or equitable defenses you may have.	Not Applicable	Section 14
10. Method of Payment	Monthly payments are made by electronic transfer to Valpak's account	Not Applicable	Section 3
11. Governing Law	Florida law governs the Note	All actions must be brought in Pinellas or Hillsborough County, Florida, whichever is applicable.	Section 13
12. Cure Period	10 days	Failure to cure within a 10-day period will entitle Valpak to terminate your franchise.	Not Applicable
13. Assignability	Yes – Upon Valpak's approval	Defenses may be lost	Not Applicable



## ITEM 11/ITEM 13

### FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

Except as listed below, Valpak is not required to provide you with any assistance:

#### Training Programs

##### New Franchise Owner Training-I ("NFOT-I")

New Franchise Owner Training I is conducted at Valpak's corporate headquarters at the earliest possible date available after the franchise is awarded and all documents signed. The comprehensive overview takes place ~~in a prototypical at the~~ Valpak office ~~located within corporate headquarters as well as in actual~~ and involves various departments ~~and prepare to prepare~~ the new franchisee for all of the related functions in running a VALPAK® franchise, including:

- Office Operations
- Sales Operations
- VPOffice® Training
- Valpak.com/Digital Strategy
- Network/Intermarket Sales
- My Design Center and Graphics
- Mapping
- Usage of Valpak's intranet (Inside Valpak)
- Customer Service
- Category Research
- Sales Tools

This program is mandatory for all new VALPAK® Franchisees. You (or, if you are an entity, at least 1 of your owners) must attend class after you sign the Franchise Agreement. On request, other key people involved in the operation of your business also may attend for an additional fee of \$500-1,000.

Valpak pays for some of your expenses to attend NFOT-I. Valpak pays for lodging for you (or, if you are a business entity, up to 2 of your owners) at a designated hotel and some meals. Valpak also pays for the travel to Largo for up to 2 people including up to \$200 for reimbursement for a rental car. You pay all compensation and incidental expenses in conjunction with your visit to the corporate headquarters for NFOT-I. All of Valpak's obligations regarding training of franchisees are set forth in Section 5.1 of the Franchise Agreement. If you are part of a special program that reduces training fees, you may be required to pay for your travel expenses.

#### Consultative Selling School

This is a blended learning course that utilizes distance learning and classroom training. The course is up to 5 days of classroom training delivered at headquarters in Largo, Florida. This program is designed to develop the foundational needs of a beginning sales representative/owner. You will learn and practice to become fluent in all aspects of the Valpak sales process by practicing in simulated "real-world" scenarios. This class provides an environment where new sales representatives/owners can critique themselves, make mistakes and identify areas for improvement. Content includes product

knowledge, sales tools, prospecting skills, presentation skills, closing skills, objection handling, and communication skills.

Prerequisites

- 1- Sales representatives must have completed 100 days of employment (or at least 3 mail cycles).
- 2- Must have completed the online course materials prior to attending the classroom training.
- 3- Must have submitted a pre-work checklist and registration form for the program no later than 2 weeks prior to training dates requested, and Valpak's Solution Selling.

You (or, if you are an entity, at least 1 of your owners) must attend the 4<sup>th</sup> Consultative Selling School that is scheduled after you sign the Franchise Agreement (within 120 days). As of the date of this Franchise Disclosure Document, Valpak pays for up to 65 nights lodging, some meals and travel between your hotel and the training office. Valpak also pays for the travel to Largo, Florida for up to 2 people. You pay all compensation and incidental expenses in conjunction with your visit to the corporate headquarters for Consultative Selling School.

Valpak does not require sales representatives to attend Consultative Selling School, but Valpak recommends that all sales representatives attend Consultative Selling School after 100 days (or at least 3 mail cycles) of employment. As of the date of this Franchise Disclosure Document, Valpak pays for your sales representatives' fees for Consultative Selling School, including materials, up to 65 nights lodging at a designated hotel, some meals (breakfast and lunch) and travel between your hotel and the training office. You must pay for transportation and other expenses.

**TRAINING PROGRAM**

<u>Subject</u>	<u>Hours of Classroom Training*</u>	<u>Hours of On-The-Job Training</u>	<u>Location</u>
<b>NEOT</b>			
Office Operations	4	0	Valpak's Headquarters in Largo, FL
Sales Operations	4	0	Valpak's Headquarters in Largo, FL
VPOffice®	2	0	Valpak's Headquarters in Largo, FL
Sales Strategy	4	0	Valpak's Headquarters in Largo, FL
Network/Intermarket Sales	4	0	Valpak's Headquarters in Largo, FL
Usage of Valpak's Intranet	2	0	Valpak's Headquarters in Largo, FL
Sales Tools	4	0	Valpak's Headquarters in Largo, FL
<b>Total Hours for NEOT Training</b>	<b>24</b>	<b>0</b>	

\*Hours are approximate

<u>Subject</u>	<u>Hours of Classroom Training*</u>	<u>Hours of On-The-Job Training</u>	<u>Location</u>
<b>NEOT-I</b>			
Office Operations	8	0	Valpak's Headquarters in Largo, FL
Sales Operations	8	0	Valpak's Headquarters in Largo, FL
VPOffice®	4	0	Valpak's Headquarters in Largo, FL
Valpak.com	4	0	Valpak's Headquarters in Largo, FL
Network/Intermarket Sales	4	0	Valpak's Headquarters in Largo, FL

Subject	Hours of Classroom Training*	Hours of On-The-Job Training	Location
My Design Center and Graphics Mapping	8	0	Valpak's Headquarters in Largo, FL
Usage of Valpak's Intranet	4	0	Valpak's Headquarters in Largo, FL
Customer Service	2	0	Valpak's Headquarters in Largo, FL
Category Research	1	0	Valpak's Headquarters in Largo, FL
Sales Tools	1	0	Valpak's Headquarters in Largo, FL
<b>Total Hours for NFOTI Training</b>	<b>40</b>	<b>0</b>	
<b>CONSULTATIVE SELLING SCHOOL/ONLINE</b>			
Product Knowledge	6	0	Valpak's Headquarters in Largo, FL
Sales Tools	86	0	Valpak's Headquarters in Largo, FL
Prospecting Skills	114	0	Valpak's Headquarters in Largo, FL
Presentation Skills	204	0	Valpak's Headquarters in Largo, FL
Closing Skills	4	0	Valpak's Headquarters in Largo, FL
Objection Handling	34	0	Valpak's Headquarters in Largo, FL
Communication Skills	34	0	Valpak's Headquarters in Largo, FL
Competition	84	0	Valpak's Headquarters in Largo
Client Development & retention	4	0	Valpak's Headquarters in Largo
<b>Total Hours for Consultative Selling School</b>	<b>6740</b>	<b>0</b>	

\*Hours are approximate

### LEADERSHIP DEVELOPMENT PROGRAMS ONLINE TRAINING PROGRAMS

The Leadership Development Program sessions should be attended by owners and/or sales managers prior to hiring sales representatives.

Hiring the Best, is an online module designed to provide owners and managers with skills to help them attract, guide, motivate, retain, develop and maintain successful account representatives. As an owner or manager, this course helps you answer the following:

- How satisfied are the people working with you?
- What assumptions are you making as a manager?
- How do I structure an effective behavior-based interview?

An interactive format provides strategic guidance, business knowledge and tools to help owners and managers build a strong team. The program offers an in-depth look at the hiring process, including how to use Oxicon and/or McQuaig and how to interview using video examples of the process. You will walk through all steps of effective hiring.

Leadership Styles and Coaching for Peak Performance helps you understand your own leadership style and how it affects the development of your people. This course is for the Sales Managers or Franchise Owners that manage teams. Participants learn coaching strategies for developing Account Representatives and reducing the risks of under-supervision or over-supervision.

The Situational Leadership model is introduced and applied to the Valpak® sales organization. Situational Leadership is an approach that helps Sales Managers and Franchise Owners evaluate the performance levels of their Account Representatives in relation to their selling skills in order to effectively coach them to improve performance. Valpak® Sales Leaders will gain an understanding of their own leadership style and a comprehension of the phases individuals go through while learning a new skill or task. The seven “must have” skills for sales success are introduced and discussed in depth. Based on research and proven techniques, participants will learn how to more effectively guide people along the path to becoming Self-Reliant Achievers.

There are many valuable online sales and leadership training modules available on the insidevalpak.com (“INVP”) Valpak University® website.

### Sales Training Seminars

**Regional Schools:** Valpak University offers several courses designed for sales representatives that are specific to sales related topics. Sessions may occur at various U.S. cities at multiple times of the year and are typically 2 1/2 to 3 days in length. Attendance is optional. Attendees are responsible for their own expenses (travel and hotel). Valpak University pays for food (breakfast and lunch) some meals and all related class materials. Available sessions are listed on the Valpak University Student Center.

**Distance Learning:** Valpak University offers a variety of online curriculum for sales representatives and sales leaders. Sessions are offered as live webinars and self-paced online modules accessed through INVP. Sales representative topics vary but generally cover all activities and tools related to the sales process. Sales leader topics include interviewing techniques, coaching and sales representative development.

The materials used in training include the manuals as well as other presentation materials and handouts. The following is a summary of the experience of Valpak’s Field Support Personnel who may also provide training:

NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
Greg Jones	Director of Franchise Financial Consultant Support	10/1999	Prior to joining Valpak, Greg's field support team in 2003. Greg was a Business Manager for our owned and operated locations and a member of Valpak's accounting staff. Prior to that he was an accounting manager with Concannon, Gallagher, Miller & Co, P.C., a public accounting firm in St. Petersburg, Florida, from 1989 to 1999. Greg is a CPA in the State of Georgia.
Lisa E. Maire, E.A.	Director of Franchise Operations Development	5/1998	Prior to joining Valpak, Lisa was an accounting supervisor with Kerkering Barberio & Co., CPAs, P.A., a public accounting firm in Sarasota, FL from 11/87 to 5/98.
Ted French	Director of Business Analysis & Reporting	6/2003	Prior to joining Valpak, Ted worked for McDonald's Corp. between 1989 and 2003. His roles varied from Financial Analyst, to IT application developer, and a Division Franchisee Financial & Operational Support Manager.

NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
Mark H. Anderson	Franchise Development Consultant	4/2003	Prior to joining Valpak, Mark was Director of New Business Development and Sales Operations for Gott Beverages, USA. Mark brings to Valpak more than 30 years experience in sales, sales training, sales and marketing management and business development at the divisional, regional and national level.
Sally Whitchurch	Franchise Development Consultant	10/1996	Prior to joining Valpak's field support team, Sally was the General Manager for <u>Sally joined the Valpak Network in 1991 as a Sales Representative in the Louisville Valpak franchise office. She was General Manager for that office from 8/93 to 10/96:96 when he joined Valpak's corporate office as a Franchise Development Consultant.</u> Prior to that she was a Director of Stores for a clothing store chain.
Louis N. Karides	Franchise Development Consultant	11/1996	Prior to joining Valpak, Mr. Karides was associated with a Valpak franchise as a Sales Manager and partner from 1993 to 1996. While at Valpak, Lou has held a number of positions within the Franchise Support organization, including Regional Director, Director-Franchise Network Development, and now as Franchise Development Consultant. From 2002 to 2005, Lou went to Largo to assist in redeveloping the franchise support team that works with the VALPAK® franchise network. In all of these positions, Lou has worked with franchise owners advising them on business, sales and marketing strategies.
Bob LePage	Franchise Development Consultant	1/2007	Prior to joining Valpak, Bob was a Regional Director of Operations and Franchise Coordinator for Bamie's Coffee & Tea Company, Founder and President for From the Ground Up Coffee Café and Regional Franchise Coordinator for Ideal Image Corporation. Bob brings to Valpak 25 years of operations experience and 10 years of franchise support experience. Bob also was a District Manager for Starbucks and opened both the Minneapolis and Atlanta markets during his three-year tenure.

NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
Melanie Anderson	Director of Franchise Financial Consulting	06/2005	Prior to joining Valpak, Melanie worked in corporate banking as <u>where she held manager positions in Corporate Finance-Manager-overseas-in-Germany, the United Kingdom and Japan.</u> She has <u>Commercial Lending as well as the Merger Acquisition Division.</u> She also worked as the Finance Manager for a small business similar to many Valpak offices in size and operation. Melanie holds a German <u>Master in Finance and Business Administration</u> degree from the <u>Wuerzburg University of Wurzburg</u> in Germany. Prior to her current role, Melanie was a Franchise Financial Consultant for the <u>South-Regienover 4 years.</u>
Tom Caprio	Director of Franchise Development	9/2008	Prior to Director of Franchise Development, Tom joined <u>Valpak in September 2008 as was</u> General Manager for the Minneapolis sales office for the Owned & Operated Division and also ran the New York Owned & Operated franchise for a few months. Prior to joining Valpak, he was CEO/President with Meyer Associates, Inc. for 12 years, a direct marketing company that specializes in supporting business-to-business marketing for many Fortune 100 companies through direct mail, teleservices and internet commerce. Tom <u>has a Bachelors degree in Economics from Potsdam college.</u>
Dan Olstad	Franchise Development Consultant	3/2003	<u>Prior to Franchise Development in his current role, Dan has operated Valpak (transition markets) franchises in Portland, OR; San Diego, CA; and Sacramento, CA. Previously, he advised Valpak franchise owners throughout the Southern Region on business strategy and tactics. Prior to that, Dan spent 2 years as Director of Sales for the Retail-Sales Owned &amp; Operated Division and 2 years as a Sales Manager in the Minneapolis-market, MN. Owned &amp; Operated franchise.</u> Prior to Valpak, his career spanned 15 years in the direct mail industry holding key management roles with ADVO, Metro Marketing and Allied Digital Technologies.
Holly Wirgau	Franchise Operations Specialist	4/1998	Prior to her current role with Valpak, Holly spent 5.5 years as the Mail Schedule and Project Specialist and 4 years as the Senior Payroll Specialist. Currently, she provides on-site and remote operations management and administrative support and training to the franchise network.

NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
Patricia McKee ("Tricia")	Franchise Operations Specialist	08/1982	Prior to joining Franchise Operations, Tricia spent numerous years developing and supporting Valpak.com. She originally started her career with Valpak as a typesetter and worked her way up through the company. Currently, she provides on-site and remote operations management and administrative support and training to the franchise network.
Greg Rauckhorst	Franchise Financial Development Consultant	12/2007	Prior to joining Valpak, Greg was the Controller for Sunbelt Staffing Solutions, Inc. from 2001 to December 2007. Prior to that he was Senior Accountant with Franklin Templeton in the cash disbursement department from 1996 to 2001.
Travis Rivers Hopkins	Franchise Development Consultant	6/2000	Travis has <del>10</del> 11 years Valpak experience in <u>franchise development, sales training, brand marketing management, and communications</u> , sales-training-and-franchise-development. Prior to Franchise Development, Travis was a Sales Development Training Consultant from 2005 to 2008 and coached franchise owners, new sales representatives and achievement club performers; he was Communications Manager from 2003 to 2005, and Media Specialist from 2000 to 2003. Prior to joining Valpak, Travis worked in educational fund raising for Pinellas Education Foundation and Florida State University. Travis has an MBA from the University of South Florida and a bachelors from Florida State University.
Greg Courchane	Franchise Development Consultant	2/2003	Prior to joining Valpak, from June 2000 to February 2003, Greg was a Sales Engineer for Staubli Corp. From January 1998 to May 2000, he was Director of Marketing & Sales for Suspension Systems. While at Valpak, Greg has served as Franchise Development Consultant, Director of New, Small & Micro Markets and General Manager of the Valpak of Houston franchise.

NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
Diane Wyer	Franchise Operations Consultant	3/2007	Diane joined Valpak on March 26, 2007 as Director of Business Services for Chicagoland and Minneapolis/St. Paul markets. On August 2008 she was transferred to Valpak's corporate office in Largo, Florida as Director of Owned and Operated Field Services. In January 2010, she became a Franchise Operations Consultant. Prior to joining Valpak, Diane was Director of Customer Service at Stericycle, the world's largest medical waste provider. Her organization was comprised of 4 departments and 100 employees; Inbound CS Call Center responsible for 35,000 inbound calls per month, Contract Management, National Accounts and Client Retention.
Roger DeRosa	Franchise Development Consultant	04/2010	<del>Prior to re-joining Valpak in April 2010, Roger was the General/Sales Manager for the San Diego Valpak franchise from May 2008. From April 2008 to May 2008, he</del> <u>Roger has held several positions within the Valpak Network both at the corporate and franchise level. Prior to his current position as Franchise Development Consultant for the Southern Region, Roger</u> was Director of Business Planning and Analysis at Valpak. <del>From July 2003 to April 2008, Roger was a Franchise Financial Consultant at Valpak after previously serving as a sales associate for a Valpak franchisee in Columbia, South Carolina and a Franchise Financial consult. On the franchise side, he served as General Manager of Valpak of San Diego from May 2008 and was a Sales Associate at Valpak of Greater Columbia. Combined, Roger has almost 12 years of Valpak experience.</del>
James R. Buckley	Director Digital Sales Development	3/2007	Prior to his current position, Jim was a Franchise Development Consultant from 3/07 to 4/10. Prior to joining Valpak, Jim was the Principal of Donegal Holdings, a business consulting and venture capital firm from 2002-2007. Prior to that time, Jim was the CTO of Leap! Group, a Sarasota, Florida-based venture capital firm from 1998-2001 and CTO of a Phoenix-based Internet startup, Digital Concepts from 1996-1998.



NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
Tom Erwin	Franchise Financial Consultant	12/2010	Prior to joining Valpak, Tom was a Principal of Elizabeth, Thomas & Grace LLC of Tampa, FL, from 2007-2010, a management consulting firm specializing in mergers and acquisitions, business brokerage and business valuation services. Prior to establishing Elizabeth, Thomas & Grace, Tom's professional experience included Financial Analyst and Consulting roles with PriceWaterhouseCoopers LLP from 2006-2007, Tech Data from 2003-2006 and Publix Supermarkets from 2001-2003
Becky Moultrie	Franchise Financial Consultant	2/2008	Prior to joining Valpak, Becky owned and operated a Hallmark Gold Crown Store from 04/1998 to 09/2003. From 10/2003 until she joined Valpak, Becky was involved in real estate investments. Currently she consults and advises our small and micro markets in strategic financial and operational planning.
Rick Hanley	Franchise Financial Consuhant	12/2010	<del>Riek-joined-Valpak-in-the-Franchise-Financial-Support-team-in-December,2010. He consults with franchise owners in financial matters and provides support in strategic financial and operational planning, including budgeting and analysis. Prior to joining Valpak, heRick was Director of Finance at Cott Beverages from May 2008 to December 2010 where he was responsible for the Annual Operating Plan, Strategic Plan and Sales Finance. Prior to that, Rick was Manager of Finance at Catalina Marketing from December 2005 to May 2008.</del>
<u>Heidi R. Belisle</u>	<u>Franchise Development Consultant</u>	<u>8/2010</u>	<u>Prior to joining Valpak, Heidi deployed 25+ years of cross-functional experience in business development, sales cycle management, project management, marketing administration, operations and service delivery in diverse industries and competitive environments including: Medical, manufacturing, legal, financial services and commercial real estate.</u>

NAME	TITLE	VALPAK STARTING DATE	EXPERIENCE
<u>Mike Keenan</u>	<u>Franchise Financial Consultant</u>	<u>2/2012</u>	<u>Prior to joining Valpak, Mike was a Sr. Business Consultant for Nationwide Mutual Insurance company for over 6 years. In this capacity, he consulted Insurance Agency Owners on how to grow sales and become more profitable by focusing on strategic sales planning. Prior to Nationwide, Mike was a Sr. Accounting Manager for Ruan Transportation in Des Moines, Iowa. He will support Valpak's Midwest Region. Mike holds a BA in Finance from the University of Southern Iowa.</u>
<u>Jeff Leruan</u>	<u>Franchise Financial Consultant</u>	<u>3/2009</u>	<u>Prior to joining Valpak's field support team, Jeff was a manufacturing accountant/analyst at the VMC, where he performed Cost of Goods Sold reporting and helped establish budget and performance goals. Previously, he was Sr. Cost Analyst/Continuous Improvement at Weilcraft Marine in Sarasota, Florida from 2/06 to 2/08, where he served as a plant financial liaison and led numerous cost reduction and process improvement projects. Jeff also held the position of Assistant Controller in Oldcastle APG, in Lakeland, Florida from 3/08 -3/09.</u>
<u>Bobby Morelli</u>	<u>Franchise Development Consultant</u>	<u>1/1999</u>	<u>Prior to joining Valpak's field support team, Bobby worked in various areas Valpak, including Online Business Development, Online Strategic Partnerships and Sales Training and Development.</u>

### Franchise Support Services

Valpak will provide you with a New Franchise Owner Kit. This kit will be shipped while you are attending New Franchise Owner Training-I. In addition to receiving the Kit, a Franchise Development Consultant will visit your location to conduct initial on-site training. This on-site training will include a refresher of New Franchise Owner Training-I as well as provide coaching for sales success – the cornerstone of a profitable VALPAK® franchise.

Valpak currently provides additional limited support. You will be ~~part of Team One, a team~~ have an assigned Franchise Development Consultant dedicated to providing support during your first year of operation and ~~led by your Franchise Development Consultant~~. This includes coaching calls, conference calls and assistance as necessary. Valpak support personnel also consist of Franchise Financial Consultants. Franchise Financial Consultants work with Franchise Development Consultants to develop a financial plan and offer operation advice as needed, subject to their availability.

~~Team One~~ Valpak's support personnel primarily work with Franchisees during their first year of business to provide guidance in understanding the VALPAK® System. All salaries, travel, food and lodging expenses of ~~Team One~~ Valpak's support personnel are paid by Valpak. Valpak is not obligated to provide these services and may discontinue them at any time.

While Valpak believes that the support services described above may be helpful to many new Franchisees, there is no assurance that following the advice or recommendations of any of the support personnel will result in the success of your VALPAK® franchise or improve its performance.

### Convention and Business Meetings

Valpak generally holds an Annual Convention or Business Meeting, but is not required to do so. They typically last 3 to 5 days and are open to Franchise Owners and, at times, may be open to General Managers. The Convention offers training including mini-sessions, an array of social events and an opportunity to interact with other members of the VALPAK® network.

### Coupon University®

Coupon University® is the annual VALPAK® sales convention hosted by Valpak University® held each spring/summer in various locations. It typically runs for 3 days and offers training including mini-sessions with numerous topics and a keynote presentation by nationally known speakers, social events and an opportunity to interact with other members of the VALPAK® network.

Courses are taught by VALPAK® Franchisees, successful sales representatives, corporate staff and outside professionals. Coupon University® culminates with an awards banquet to recognize winners in Valpak's annual sales contests. Coupon University® is open to all VALPAK® sales representatives, Franchise Owners and support staff for a nominal fee. Valpak covers the costs of the program, speakers, some meals and materials.

You (or, if you are an entity, at least 1 of your owners) must attend the 1<sup>st</sup> Coupon U held after you sign the Franchise Agreement. In its discretion, Valpak may require you to attend another national meeting instead of Coupon U. Although not obligated to do so, Valpak may pay for some of your expenses to attend Coupon U, or substitute meeting, during your 1<sup>st</sup> year. As of the date of this Franchise Disclosure Document, Valpak pays for your reasonable travel expenses (up to 2 coach airline tickets) for the 1<sup>st</sup> trip, 1 room at a designated hotel and some meals. You must make your travel arrangements for your 1<sup>st</sup> meeting through Valpak.

For all subsequent Coupon Universities®, you must pay for lodging, transportation and all other expenses you incur.

### Sales Support

Selling efforts of Franchisees and their sales representatives are supported by a variety of sales and research materials, newsletters and other promotional tools provided by Valpak, including VALPAK-PLUS®, an online presentation tool. All Franchisees have access to audio and video programs offered by Valpak, and to The Category Resource Center ("CRC"), a 24-hour sales support system. Franchisees and their sales representatives may request samples of client advertising, research and other data from the CRC. Certain fees apply to these services.

## Incentive Programs

From time to time Valpak uses several incentive programs to reward Franchisees, Franchisees' sales representatives and advertisers for the purchase and sale of VALPAK® advertising. Valpak is not obligated to offer any of these programs, and it may discontinue or modify any or all of these programs at any time.

## Computer Requirements

Valpak requires you to use a software program known as VPOffice®. VPOffice® is a business and sales management system tailored to the needs of VALPAK® Franchise Owners. The core of the VPOffice® product is an enhanced order entry module that will provide the communication link to Valpak for all products and services. Basic order entry can occur in a simplified fashion and the system is developed in a way that will make the system easy to learn. VPOffice® will be used to process and track sales transactions for each franchise office. Specific characteristics that are used to create a specific transaction product (i.e. product type, selling price, quantity, NTA® destinations, advertiser information) are captured and stored in the VPOffice® system. The VPOffice® system uses a central database which is located at Valpak and you access it through the internet. You will use Citrix® software to access the VPOffice® system. Information entered into the VPOffice® system will only be accessible by the specific franchise office that created the data and by Valpak's support staff, not by other franchise offices. Specific transaction data pertaining to sale orders will be passed through to a backend ERP package for scheduling and processing of work flow data.

The VPOffice® Addendum is attached as Exhibit "E." The Software License Fee is based on the size of the Franchisee's market and is payable monthly over the first 5 years of the term of the Franchise Agreement. The Software Maintenance and Support fee is also based on the size the Franchisee's market and is payable monthly. (See Item 6 for fee amounts.)

You are required to have specific computer hardware and software available to operate the system efficiently and effectively. VPOffice® is proprietary and no other software package is available that will perform the same functions or integrate with the systems used at Valpak. Valpak will provide a download link to you that will contain the Citrix® software so that you may access the VPOffice® system. The following components constitute the minimum hardware and software requirements for a single VPOffice® user:

Platform:	PC or 100% Compatible Computer
Processor:	Pentium 4/Core 2/AMD Athlon
Memory:	1 GB RAM for Windows XP; 2 GB RAM for Windows Vista, 7
Display:	256 bit color; 1024x768 resolution
Modem/Network:	Broadband (DSL/Cable) connection
Required Disk Space:	100 MB
Operating System	Windows XP, Vista, 7
Accessories:	Keyboard/Mouse, Windows 2000 compatible printer

Specific networking recommendations are available through the Corporate Support Center for franchise offices who plan to have multiple VPOffice® users within their franchise.

Valpak offers commercial grade Dell laptops and desk top PC's as well as certain Dell printers at its wholesale cost.

Updates to the list of components will occur by Valpak. New minimum requirements will be distributed to all franchise offices allowing sufficient time for the upgrades of hardware and software to occur. Franchise offices not complying with the required upgrades will not be allowed to process orders using VPOffice®.

Valpak intends to provide ongoing maintenance, support and software upgrades to all VPOffice® users once it has fully tested new software releases and is satisfied with the performance. As part of the pricing structure of VPOffice®, fees will be charged to cover the costs of upgrades and ongoing maintenance and support. (See Item 6 for Software Maintenance and Support Fees.)

### Office Location

You will need an office from which to conduct the business of your franchise, which may be at your home or at another location. You will be responsible for the location, set up and operation of the office. Valpak does not specify or approve the type or location of your office.

### Start of Franchise Operations

The period between signing the Franchise Agreement and your start of operations will vary, depending primarily on whether you are already familiar with the operation of a business under the VALPAK® System and whether your Territory is a dormant area or an active area (in which there have been recent Mailings) acquired from another VALPAK® Franchisee. A Franchisee who has worked within the VALPAK® System and whose Territory is active may begin operating his or her franchise immediately on execution of the Franchise Agreement if Valpak elects to waive the New Franchise Owner Training I and II requirement. However, for those Franchisees who are new to the VALPAK® System, there may be an interval of 2 to 3 months to allow for training.

Upon request, you are required to provide Valpak with financial information regarding the operation of your franchised business. Valpak may establish and modify the specifications and scope of this financial information in its discretion.

### Production of VALPAK® Envelopes

Valpak, as the sole publisher and distributor in the United States of VALPAK® Envelopes, will publish and distribute: (i) within your Territory, all VALPAK® Envelopes for which you have submitted Insertion Orders, all in accordance with the VALPAK® System; (ii) in such other geographic areas for Mailings ordered by other Dealers in accordance with their franchise agreements and the Intermarket Sales Policy; and (iii) in such other geographic areas as Valpak decides to conduct Mailings from time to time. Valpak will handle the production of all VALPAK® Envelopes to be distributed within your Territory (except for advertiser-supplied inserts approved by Valpak), including, without limitation: 1) the graphics preparation and printing of any Advertising Inserts not supplied by your customers, in accordance with Valpak's policies; 2) collation and insertion of Advertising Inserts; 3) labeling and direct mailing of VALPAK® Envelopes; and 4) any other services provided by Valpak as part of the VALPAK® System. Valpak will have final approval over the form and content of each Advertising Insert prepared by you and the proposed contents submitted by you for each Mailing, taken as a whole. Valpak also will have the authority to determine the appearance and style of VALPAK® Envelopes and to modify them.

Valpak will use all reasonable efforts to place an ordered Mailing into distribution within 9 business days of receipt of an Insertion Order. Valpak will not be liable to either you or your customers for delays in delivery of VALPAK® Envelopes once Valpak delivers them to the U.S. Postal Service.

Valpak will not be in breach of its obligations to you under the Franchise Agreement if errors occur in the production or packaging of Advertising Inserts or in the distribution of VALPAK® Envelopes. However, Valpak may grant you a credit equal to 100% of the printing and insertion charges for those Advertising Inserts (but not postage charges), if Valpak has timely received an error-free final proof for the Advertising Insert from you and if you have fully complied with the Operating Procedures as it applies to that Mailing. While Valpak is only obligated to provide a 100% production credit in such instances, its current policy provides for a 200% production credit in the case of such production error. This policy is subject to change at any time. If Valpak delivers VALPAK® Envelopes to the U.S. Postal Service for 1 of your Mailings, and all or any portion of those envelopes are not delivered or are delivered to the wrong zip codes due to Valpak's error or the error of the U.S. Postal Service, Valpak will re-mail the envelopes to the areas which did not receive VALPAK® Envelopes at no additional charge to you, unless the error is your fault.

If Valpak is unable to produce VALPAK® Envelopes at its plant as the result of a strike, labor dispute, natural disaster, act of God or similar cause, Valpak will use all reasonable efforts to arrange for the production of VALPAK® Envelopes using alternate resources at a reasonable cost, on a reasonable schedule and in such manner as Valpak determines would facilitate the continuation of production for the VALPAK® System as a whole under the circumstances. If Valpak is unable to make such alternative arrangements, Valpak will notify you, and you may arrange for production by alternate sources. Valpak may require you to discontinue using an alternate source based on that source's general reputation for quality and reliability or on its evaluation of the quality of the products and services provided by that source. Valpak will only require discontinuation of the use of a particular source if other sources are available for production of VALPAK® Envelopes at a reasonable cost.

Valpak will pay you, via credits for amounts due from you, for the mailing costs of National Sales Inserts into your Mailings.

[valpak.com](http://valpak.com)

As a VALPAK® Franchisee, you will offer and sell electronic advertising services to advertisers wanting to reach consumers in your Territory. Under this program, you may offer advertising that Valpak distributes from its Internet web site located at [www.valpak.com](http://www.valpak.com). At the web site, customers may search for online coupons by location, category of business and keyword, download and print them from their computers, and then redeem them at the advertisers' businesses.

Under this program, you must obtain written permission from each advertiser to distribute its coupons on the Internet or any comparable electronic medium, and submit an order for each online coupon to Valpak as provided in the Operating Procedures. Valpak will then create the online coupons, and place them on its web site. You may only offer online coupons to businesses located in your Territory, and the coupons may only be redeemed at businesses located in your Territory. See Items 6 and 12 and Exhibit "C-3." Valpak may modify this program in any manner or discontinue it on 30 days' notice to you (see Exhibit "C-1").

## Operating Procedures

During the term of your Franchise Agreement, Valpak will provide you with access to its operating information and procedures, including but not limited to its Production Handbook, Marketing Manual and Sales and Financial Tools (the "Operating Procedures") via its website, [insidevalpak.com](http://insidevalpak.com), at no additional charge. Valpak may modify any of the Operating Procedures at any time to reflect changes in its specifications, standards, policies and operating procedures for the VALPAK® System. Changes to the Operating Procedures must be approved by one of its officers and will become effective upon notice to the VALPAK® franchisees.

## Marketing Support

Valpak currently provides support to its Franchisee network through a variety of marketing programs. These include marketing research conducted by Valpak or independent contractors (including consumer awareness surveys, advertiser satisfaction and envelope design studies), product development, national advertising and public relations. Valpak provides its Franchisees with extensive printed materials to aid in selling VALPAK® advertising. Valpak, through its in-house agency, has developed radio and television ads which are available to you at no charge. If materials are submitted to Valpak for approval and you do not receive a response within 30 days, then such materials are not approved. Valpak may from time to time advertise both in selected national circulation print media and on national television programming. Valpak is not obligated to spend any amount on advertising in your territory. Public relations strategy is aimed at trade publications which represent Valpak's top sales categories, general and business news wires and consumer interest features editors. Valpak also may offer Franchisees the opportunity to participate in special marketing efforts that aid causes and charities, which helps to promote the VALPAK® name and services.

All advertising, promotion and marketing must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and promotion policies that Valpak prescribes from time to time and to conform to regulatory requirements. Samples of all advertising, promotional and marketing materials which Valpak has not prepared nor previously approved must be submitted to Valpak for approval before you use them. If you do not receive written approval within 30 days after our receipt of such material, Valpak will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that Valpak has disapproved.

Valpak has not established an advertising fund.

## Advertising Cooperatives

The VALPAK®-Dealers Franchisees Association is a voluntary membership organization representing the interests of VALPAK® Franchisees. All new Franchisees automatically will be enrolled as members. You may obtain a copy of its governing documents upon request. The VALPAK®-Dealers Franchisees Association charges its members a promotional fee (see Item 6) that it determines by vote of its Board of Directors. It uses this fee to fund national media advertising programs that it decides to run and other authorized purposes. The Franchisees elect a Board of Directors who govern the Association's affairs and appoint any officers. Valpak affiliates that operate as dealers in certain markets, like VPFO, are members. But Valpak does not control the Association in any way and cannot require it to be formed, changed, dissolved or merged. See Items 1 and 12.

The VALPAK®-Dealers Franchisees Association operates from its own written governing documents that you may review on reasonable request. It prepares periodic financial statements that are also available for your review on reasonable request. Valpak does not have the power to require that the VALPAK®-Dealers Franchisees Association, or any other advertising cooperative be formed, changed, dissolved or merged.

## ITEM 12~~ITEM 14~~

### TERRITORY

#### Territory Description

Valpak will insert a description of your Territory in Exhibit A to the Franchise Agreement before its execution. Your Territory will generally be described by counties within a state, although other boundaries may be used. The size of a Franchisee's territory will vary for each franchise. Valpak generally requires a Franchisee's territory to include a minimum of 50,000 Prime Households located in 1 or more MSAs-and-MCSAscounties, although, depending on demographic and other factors, Valpak may grant a franchise for a territory with fewer Prime Households-(located in-MSAs-and-MCSAs-or-outside-MSAs-and-MCSAs). See Item 5.

#### Rights Granted

If you become a VALPAK® Franchisee, Valpak will grant you the following rights under the Franchise Agreement:

- a. a right and license to sell, and place orders for distribution, Advertising Inserts, or other advertising products offered by Valpak to be placed in VALPAK® Envelopes to be distributed in your Territory to: (i) any advertiser which maintains a physical place of business within your Territory, or (ii) a purchasing representative with an office located within your Territory;
- b. a right and license to sell, and place orders for distribution of Advertising Inserts, or other advertising products offered by Valpak, to be placed in VALPAK® Envelopes to be distributed outside your Territory as Intermarket Advertising;
- c. to offer online coupons;
- d. the non-exclusive right to use Valpak's trademarks under the VALPAK® System. Valpak has not granted and will not grant to any other person the right to use Valpak's trademarks in your Territory, except as described under the headings "Intermarket Sales."

Your territorial rights, and the rights of other VALPAK® Franchisees, are affected by the Intermarket Sales Policy and the types of customers. Certain types of customers are handled depending on their advertising profile and are divided into 4 categories: "A", "B," "C" and "F."

- (a) A Category A Account is an advertiser who advertises solely within the single Franchisee Territory where its Purchasing Representative is located, or within a single "Designated Market Area" as defined by Neilson Media Research ("DMA") provided that the Purchasing Representative and a portion of the DMA is located within the Franchisee



Territory. Neither Valpak nor its National Sales Department has the right to solicit or sell advertising inserts, or other advertising products offered by us, to be distributed through the VALPAK® System to Category A Accounts.

- (b) A Category B Account is an advertiser who: (i) advertises in another, or multiple other, Franchisee Territory(ies) outside of the DMA of the Franchisee in whose Territory its Purchasing Representative is located; and (ii) is not listed as a "Category C Account." Our National Sales Department may solicit and sell advertising inserts, or other advertising products offered by us, to be distributed through the VALPAK® System to Category B Accounts if it receives consent from the Territory Franchisee to do so.
- (c) A Category C Account is an advertiser that has minimum annual sales revenues of \$500 million. They are listed on [www.insidevalpak.com](http://www.insidevalpak.com) or such other website Valpak designates. The Category C list will consist of a maximum of 500 Advertisers and Valpak may modify the list at any time. Valpak will publish the list by region or other agreed-upon geographic designation. The National Sales Department may not add accounts to the Category C list: (i) that have had sales activity with a franchisee in the preceding 12 months; or (ii) are listed on a franchisee's Category B Account list. All consumer package goods manufacturers and direct response companies are categorized as Category C Accounts, but are not required to be included on the Category C Account list of 500 Advertisers. Also, Advertisers in the "franchised dining" category (defined in the Food Program section of the Production Handbook) are also not included as Category C Accounts. Our National Sales Department has the right to solicit and sell advertising services to any Category C Account wherever located and for mailings anywhere.
- (d) A Category F Account is an account that is listed on Schedule F of the Intermarket Sales Policy (see Exhibit "C-3" to this Franchise Disclosure Document). Except with respect to Strategic Selling Opportunity (a/k/a "SSO"), Art Reference Directory (a/k/a "ARD"), Network Sales and other similar programs that have been developed by Valpak, approved by the Dealer's Association or other committee appointed by the Dealer's Association, our National Sales Department shall not initiate contact with any F List Account for the purpose of selling VALPAK® advertising.
- (e) "No Call Rule." Franchisees will not call on Category C Accounts listed on the Category C list that are active. An account is considered active if it is an account with which a party can demonstrate that it is using commercially reasonable efforts in an on-going manner, to obtain a VALPAK® Sales Agreement.

#### Intermarket Sales and National Sales

If you want to sell, and place orders for distribution, advertising inserts, or other advertising products offered by Valpak, for distribution through the VALPAK® System outside the Territory, the advertiser from whom you are soliciting business must maintain a purchasing representative within your Territory or you must obtain the written consent from the Franchisee in whose territory the purchasing representative is located or from Valpak if the territory has not been granted to another franchisee. A copy of the current VALPAK® Intermarket Sales Policy is attached as "C-3."

If a purchasing representative for an advertiser who has mailed within the prior 12-month period, or is under current contract to mail over such period, five million or more advertising inserts or other advertising products offered by Valpak for distribution in VALPAK® Envelopes (a "Designated Key

Account") within your Territory relocates to a new Territory, the Designated Key Account will remain your account if: (i) you provide written notice to Valpak and the new Territory Franchisee indicating your intent to continue to solicit and sell to the Designated Key Account; and (ii) the Designated Key Account continues to mail a minimum of five million advertising inserts, or other advertising products offered by us, in VALPAK® Envelopes per year. If the Designated Key Account fails to mail the requisite yearly minimum of VALPAK® Envelopes, its relationship with you is terminated, or if the purchasing representative requests, it will become the account of the Franchisee in whose Territory the purchasing representative has relocated. For the period of time that you retain a Designated Key Account, you must pay a fee to the Franchisee in whose Territory the purchasing representative is newly located.

You must carry any Advertising Inserts or other advertising products sold by another franchisee under the Intermarket Sales Policy or National Sales for distribution in your Territory. However, you will not be obligated to distribute such products if: (a) you reject the order within 3 business days if any of the following circumstances exist: (i) the advertisement violates your community standards; (ii) it is for a brand name product or service that is already scheduled for inclusion in that Envelope; (iii) the advertiser is delinquent in paying fees to you; (iv) the selling franchisee is delinquent in payments to you; (v) the advertiser has a current written VALPAK® Sales Agreement with you; (vi) you believe that it would cause a significant loss of business with advertisers within your Territory or have a substantial negative economic impact on the franchise business as a whole; or (vii) the advertising insert falls into a category of which you are currently carrying 4 or more pieces within an individual neighborhood trade area; or (b) the selling franchisee is 90 days past due in payments to you. You will be compensated for carrying such materials in accordance with our dealer payment matrix then in effect. See Item 16.

If Valpak amends the Intermarket Sales Policy, it will consult with the Dealers' Association in regard to any material changes. To ensure that as many Valpak® Dealers as possible are operating under the same rules, new franchises (like you) must agree to follow the Intermarket Sales Policy as in effect from time to time as published by Valpak. Valpak may change the Intermarket Sales Policy at any time and, if so, your territorial rights may change.

An intermarket order will not receive "must carry" status unless the selling franchisee or National Sales pay you the fee specified in Valpak's current Matrix. If the selling franchisee or National Sales negotiate a lower fee with you than the fee indicated in the Matrix, the order will not receive "must carry" status. See Item 6. If a selling franchisee or National Sales enters into a VALPAK® Sales Agreement with an advertiser with a purchase representative located in your Territory, such selling franchisee or National Sales must pay you the current territory fee specified in the Matrix within 30 days after the mailing period ends. See Item 6. National Sales is not obligated to pay a territory fee for direct response or consumer packaged goods advertising inserts. You may earn compensation if you give referrals to National Sales or otherwise collaborate on sales calls with National Sales. You must pay Valpak its current rates when you use advertising inserts that are printed by third parties, known as Supplied Inserts (See Item 6).

You must notify Valpak prior to the initiation of any aggregation activity. An "Aggregation" effectively consolidates some or all of the purchasing decisions for an advertiser into your Territory and removes the decision-making authority from purchasing representatives of the advertiser that were located in other franchisee territories. In the event of a "top down" Aggregation, you must pay to eligible impacted franchisees applicable territory and Matrix fees and a displacement fee. In the event of a "bottom up" Aggregation, in addition to the foregoing fees, you must also pay to eligible impacted franchisees a service fee. See Item 6 and Exhibit "C-3". If you receive displacement fees from a franchisee or National Sales initiating a "top down" Aggregation, you are prohibited from calling on advertisers participating in such Aggregation, during the term of such Aggregation, for the purpose of

soliciting and selling VALPAK® advertising for the mailing dates in effect for such Aggregation. If you receive displacement and/or service fees from a franchisee or National Sales initiating a “bottom up” Aggregation, you are prohibited from calling on advertisers participating in such Aggregation, during the term of such Aggregation, for the purpose of soliciting and selling VALPAK® advertising for the mailing dates in effect for such Aggregation, but you may solicit and sell VALPAK® advertising for mailing dates not included in such Aggregation and/or other products offered by Valpak not included in such Aggregation.

Under the Intermarket Sales Policy, disagreements between franchisees, among themselves or with the National Sales Department, are resolved by mediation and arbitration by the Dispute Resolution Team. The Dispute Resolution Team is a panel of 3 members, 1 of which is Valpak's Vice President of Franchise Relations (or his or her designee) and 2 "disinterested" members designated by the Valpak Dealers Franchisees Association annually. Decisions of the Dispute Resolution Team may be appealed to Valpak's President. The President's decision is final, except as to decisions which substantially support the National Sales Department or any company owned and operated by Valpak or its affiliates. In that case, a franchisee may file suit otherwise in accordance with the Franchise Agreement.

As described in Item 1, Converted Licensees will in some circumstances have greater rights than new VALPAK® Franchisees. Subject to the conditions described in this paragraph, Converted Licensees may accept orders from and make sales to any advertiser for which the Converted Licensee has previously placed Intermarket Orders (as defined below) regardless of whether that advertiser has an office in the Converted Licensee's Territory. For purposes of this Franchise Disclosure Document, an “Intermarket Order” is an order submitted by a selling Franchisee for a Mailing in a territory which is subject to a license agreement between Valpak and any VALPAK® Franchisee in which neither the selling Franchisee nor any of its owners has a direct or indirect legal or beneficial ownership interest. This grandfather exception to the territorial restrictions contained in the Franchise Agreement will only be available with respect to advertisers for which the Converted Licensee has placed at least 1 Intermarket Order in the period between July 31, 1992 and August 1, 1993, and those advertisers must have been identified on a schedule to that Converted Licensee's Franchise Agreement. This exception will remain in effect only if the Converted Licensee continues to place at least 1 Intermarket Order for that advertiser in each 12-month period thereafter, unless the failure to place the necessary orders is the result of the local VALPAK® Franchisee's refusal to accept the order. The exception described above relates only to sales of advertising and the solicitation of sales, and it does not permit the Converted Licensee to mail advertising in any other VALPAK® Franchisee's territory without obtaining the consent of that other Franchisee.

### Rights Retained by Valpak

In its discretion and without granting any rights to you, Valpak may: 1) operate and grant others the license to operate businesses, including a business in accordance with the VALPAK® System, outside of your Territory; 2) engage in the offer and sale of any advertising services and products and/or engage in the publication and/or distribution of any advertising or promotional materials within your Territory, but only if you, or your owners or affiliates, are engaged in a competitive business with Valpak's consent; 3) identify itself (and its affiliates) by its corporate name in connection with any activity within your Territory, provided that such activity does not adversely affect the reputation and goodwill of the VALPAK® System; 4) use any of the Marks within your Territory in connection with the promotion of the VALPAK® System or any aspect of it; 5) solicit and sell, directly by National Sales, advertising products and services for distribution in your Territory using the Marks subject to the Intermarket Sales Policy; and 6) engage in any activity that is (a) not expressly prohibited by the Franchise Agreement or Intermarket Sales Policy; (b) that is not exclusively granted to you; and/or (c)

that has been offered to you on terms and conditions generally available to other franchisees but for which you have chosen not to participate on such terms.

A Competitive Business means any activity involving or engaging in marketing, promotion or sale of advertising in, franchising or licensing businesses devoted to marketing, promotion or sale of advertising or print services of or for, or the distribution of (1) a Cooperative Direct Mail Advertising Product; (2) any advertising product which consists of advertisements for more than one advertiser which are physically delivered by Direct Mail, to consumers; (3) coupon advertising distributed over the internet (or similar electronic medium) from or through anywhere other than a VALPAK® Site; (4) any product or service the same or similar to products or services subsequently developed and made a part of a Franchised business; or (5) any printing, publishing or packaging services (on a brokerage basis or otherwise) for any: (a) Competitive Business, (b) coupon advertising, or (c) any Cooperative Direct Mail Advertising Product. A Competitive Business does not include: (i) the ownership for investment purposes only of publicly traded securities representing 1% or less of the number of outstanding shares of that class of securities; or (ii) paid subscription products that contain editorial content for 20% or more of its total content or that consist primarily of display advertisements (and not coupons or discount offers) ("Magazine(s)"); or (iii) the operation of a VALPAK® franchise under a written franchise agreement with Valpak.

As used in this Franchise Disclosure Document, the term "consumer packaged goods" means mass-produced goods packaged by manufacturers and sold through retail outlets. Categories include beverage, food, pet supplies, tobacco, household supplies, baby care, cosmetics, dietary supplements, perfume, toiletries and over-the-counter remedies. As used in this Franchise Disclosure Document, the term "direct response advertising" means advertising which solicits consumers to place orders by mail, phone or the Internet for the product or service advertised, but will not include advertising for products or services: (i) to be delivered to or provided at the consumer's home by the advertiser's employees or agents, or (ii) which can be obtained by consumers at any of the advertiser's retail store locations, which, collectively, constitute the major source of sales revenue for such products and/or services being advertised.

Valpak will not establish in your Territory, a company-owned outlet or any other channel of distribution using Valpak's trademarks, except: permitted by the Intermarket Sales Policy; or (ii) if you operate a Competitive Business. Valpak currently offers electronic advertising to its Dealers but reserves the right to offer and sell such services on other terms and conditions or offer them only on its own or through affiliates (described in Item 11 and this Item 12).

## Performance Requirements

### **The Requirements**

The Franchise Agreement contains performance requirements which you must meet to maintain your rights as a VALPAK® Franchisee. If you fail to meet these performance requirements, Valpak may reduce your Territory (if the nonperformance relates only to a distinct "Performance Area," as described below), or terminate the Franchise Agreement. These requirements are summarized as follows:

If you are a new Dealer, and the Territory you are purchasing has not been mailed for an extended period of time, during the first 12 months after the date specified in Exhibit B to the Franchise Agreement, you must place Insertion Orders for at least 10 Mailings. Valpak will also specify the minimum number of Envelopes for each of the 1<sup>st</sup> 10 mailings. After the first 12 months, and for each succeeding 12-month period for the rest of the Term, or if you are a renewing Dealer, you must complete

a minimum of 10 Mailings to be sent to at least 70% of the Prime Households in each ~~MSA and MCSA~~county (or portion of one) within the Territory. Valpak may elect to phase in these performance requirements as described below. If so, they will be reflected on Exhibit B to the Franchise Agreement.

If you are a new Dealer purchasing a Territory that is currently being mailed, unless otherwise specified by Valpak on Exhibit "B," you must place Insertion Orders for Mailings at the same frequency currently existing in the Territory, but not less than 10 times during a 12-month period, to at least 70% of the Prime Households in each ~~MSA and MCSA~~county.

If the Territory does not contain at least 1 ~~MSA and MCSA~~ (or portion of a ~~MSA and MCSA~~)county having more than 50,000 Prime Households, Valpak will establish the number of households within the Territory on which the performance requirements will be determined, based on Valpak's judgment as to the number of households which are sufficiently near each other to form a reasonable mailing group.

Valpak will indicate, in Exhibit B to the Franchise Agreement, the approximate number of Prime Households that are located in each ~~MSA and MCSA~~county in the Territory on the date the Franchise Agreement is executed, and will indicate the number of Prime Households to which you must make Mailings each year. Valpak will round all performance requirements to the nearest 10,000 Prime Households. If Valpak receives information indicating a change in the number of Prime Households, or if Valpak and you agree to adjust the definition of a Prime Household in 1 or more of the ~~MSAs and MCSAs~~counties within the Territory, Valpak will provide you with a new Exhibit "B" reflecting the new performance requirements. Valpak will consult with the Dealers VALPAK Franchisees Association prior to making a final decision to change the definition of Prime Households and will not effectuate any change until it gives 6 months prior notice to the Franchisee. Valpak generally divides a Territory containing more than 1 ~~MSA and MCSA~~county into separate "Performance Areas" on Exhibit B to the Franchise Agreement. If you fail to meet the performance requirements for any ~~MSA and MCSA~~Performance Area, Valpak may unilaterally amend the Franchise Agreement to delete from the definition of the Territory the Performance Area which contains the ~~MSA and MCSA~~ in which you did not meet the performance requirements (i.e., removing a county). If Valpak amends the Franchise Agreement in this manner, you will have no further rights in the Performance Area that was deleted from the Territory.

### Phasing In The Requirements

For your benefit, Valpak, in its discretion, may allow you to phase in the performance requirements during the beginning years of your business. If Valpak does so, you must comply with the substitute performance requirements that Valpak specifies in Exhibit B to the Franchise Agreement, or otherwise in writing. They will not exceed the regular performance requirements (described above) without your consent.

In the past, Valpak has phased in the performance requirements in only a limited number of instances, primarily in markets with more than 100,000 Prime Households where no Mailings have been made for an extended period of time.

Valpak Franchisees (including Converted Licensees) who became Franchisees before the date of this offering may have different performance requirements. Your performance requirements will be those set forth in your Franchise Agreement.

### National Sales Program

Under the National Sales Program, Valpak seeks to sell advertising to companies in certain categories, for Mailings, on a regional or national basis. Each participating Franchisee where such advertising is mailed is entitled to receive a portion of the revenues from that Mailing at a stated amount per thousand advertising pieces mailed, which amount varies depending on the volume of advertising. Valpak paid \$13,315,000 ~~12,072,110~~ to Franchisees participating in this program during the fiscal year ending December 25, 2010 ~~31, 2011~~. If Valpak successfully sells a national Advertising Insert to be mailed in your NTA®, Valpak will compensate you in accordance with the Intermarket Sales Policy. There is no assurance that you will realize any level of revenues from this program or that the level of revenues will bear any relation to the amounts paid to Franchisees in previous years. Furthermore, Franchisees in different markets of comparable size may realize significantly different results from participating in the program. Valpak has no obligation to utilize any minimum level of efforts or resources to generate national sales.

### Competitive Affiliates

VPFO operates VALPAK® franchised businesses in the following geographic areas: Boston, MA (North, South and West); and Los Angeles, CA (Foothills, Antelope Valley, Inland Empire). VPMI operates Valpak franchised businesses in the following geographic area: ~~Portland, OR, San Diego, CA, Sacramento, CA, CA, and Southern Connecticut~~ Memphis, TN. See Items 1 and 20.

As described in Item 1, Cox has interests in a variety of businesses involving advertising, including direct mail advertising. Cox-affiliated direct mail advertising businesses and/or coupon-related businesses that may be material to your consideration of a VALPAK® franchise include the following:

Cox acquired Pagas Mailing Services, Inc. in November 1997 and Advantage Mail Network, Inc. in July 1998. Those combined entities are operated as Cox North Carolina Newspapers, Inc. d/b/a Pagas Mailing Services ("CNCP"), and are wholly owned by Cox Newspapers, Inc, which in turn is wholly owned by Cox. CNCP, which is headquartered in Greenville, North Carolina, distributes loosely-grouped coupons and advertisements (not in envelopes) by direct mail in North Carolina. On February 15, 2008, Pagas Mailing Services, Inc. changed its name to Saving Source Direct, Inc.

~~if you operate a Competitive Business, Valpak (or its affiliates) reserves the right to offer competitive products or services in your Territory.~~

Cox owns The Clipper Inc. ("Clipper"), which until July 1992, published a coupon magazine called "Value Clipper," which was devoted exclusively to advertising. Clipper no longer publishes that coupon magazine, but has licensed the use of the name "Value Clipper" to newspapers owned by Cox in Atlanta, Georgia and Austin, Texas, and to a newspaper owned by Thomson Newspapers, Inc. in Phoenix, Arizona.

Cox-owned newspapers in a number of markets periodically contain coupon books or coupon envelopes which compete with VALPAK® Envelopes.

All of the Cox-affiliated businesses described above (and possibly other Cox media ventures in the future) may conduct business under their own trade names and trademarks, through company-owned or licensed operations, in the same markets in which VALPAK® franchises operate.

If you operate a Competitive Business, Valpak reserves the right to offer competitive products or services in your Territory.

**ITEM 13**~~ITEM-15~~

**TRADEMARKS**

**Registrations, Litigation and Infringing Uses**

Valpak has registered each of the following Marks on the Principal Register of the United States Patent and Trademark Office (the "PTO"). Valpak licenses each of these Marks to you for use in the operation of your franchised business in accordance with the terms of the Franchise Agreement:

MARK	REGISTRATION NO.	CLASS	REGISTRATION DATE
AMERICA'S FAVORITE MAIL	1,605,872	35	July 10, 1990; <u>renewed 07/21/10</u>
CONNECTING ADVERTISERS WITH AUDIENCES	2,624,948	35	September 24, 2002
CONNECTING AUDIENCES WITH ADVERTISERS	2,639,531	35	October 22, 2002
DELIVERING VALUE TO AMERICA	<del>2,109,103</del> <u>2,109,123</u>	35	October 28, 1997; <u>renewed 09/14/07</u>
DOUBLE OVAL DESIGN	2,943,306	16	April 26, 2005
DOUBLE OVAL DESIGN	2,943,307	35	April 26, 2005
ENVELOPE DESIGN	3,608,205	16	April 21, 2009
ENVELOPE DESIGN	3,608,206	35	April 21, 2009
NEIGHBORHOOD TRADE AREA	1,635,692	35	February 19, 1991; <u>renewed 02/07/11</u>
NTA	1,634,955	35	February 12, 1991; <u>renewed 02/07/11</u>
<u>PUSH CLICK TAP</u>	<u>4,050,889</u>	<u>35</u>	<u>November 11, 2011</u>
<u>PUSH THE ENVELOPE CLICK WITH YOUR CUSTOMERS TAP INTO YOUR MARKET</u>	<u>4,050,897</u>	<u>35</u>	<u>November 11, 2011</u>
<u>SOMETIMES SENSIBLE. SOMETIMES SENSATIONAL. ALWAYS SMART</u>	<u>3,966,327</u>	<u>35</u>	<u>May 24, 2011</u>
THE BLUE ENVELOPE	3,568,390	16	January 27, 2009
THE POWER OF THE MAILBOX	2,474,754	35	July 7, 2001
THE SMARTEST VALUES IN YOUR NEIGHBORHOOD	1,937,911	35	November 28, 1995
THERE'S SOMETHING IN IT FOR YOU	2,556,489	16	April 2, 2002
THERE'S SOMETHING IN IT FOR YOU	2,358,701	35	June 13, 2000

MARK	REGISTRATION NO.	CLASS	REGISTRATION DATE
THERE'S SOMETHING IN IT FOR YOU	3,495,907	16	September 2, 2008
<del>THERE'S SOMETHING ONLINE FOR YOU</del>	2,400,885	16	October 31, 2000
<del>THERE'S SOMETHING ON-LINE FOR YOU</del>	2,451,666	35	May 15, 2001
VALPAK	2,585,359	35	June 25, 2002
VALPAK	3,080,040	16	April 11, 2006
VAL-PAK	1,289,322	35	August 7, 1984
<u>VALPAK DEALS</u>	<u>3,965,522</u>	<u>35</u>	<u>May 24, 2011</u>
VALPAK.COM	2,504,294	35	November 6, 2001
WE DELIVER YOUR NEIGHBORHOOD	1,981,914	35	June 25, 1996

Valpak has filed applications to register the following Marks on the Principal Register of the USPTO:

MARK	APPLICATION NO.	CLASS	APPLICATION DATE
PAK-DEALS	85/133314	35	September 20, 2010
<del>PUSH-CLICK-TAP</del>	85/238402	35	February 9, 2011
<del>PUSH-CLICK-TAP-DESIGN-ONLY</del>	85/240658	35	February 11, 2011
<del>PUSH-THE-ENVELOPE-CLICK-WITH-YOUR-CUSTOMERS-TAP-INTO-YOUR-MARKET</del>	85/240589	35	February 11, 2011
<del>SOMETIMES-SENSIBLE-SOMETIMES-SENSATIONAL-ALWAYS-SMART</del>	85/153790	35	October 15, 2010
VALPAKDEALS	85/133305	35	September 20, 2010

We do not have a federal registration for our principal trademarks: ~~PAK-DEALS, PUSH-CLICK-TAP, PUSH-CLICK-TAP-DESIGN-ONLY, PUSH-THE-ENVELOPE-CLICK-WITH-YOUR-CUSTOMERS-TAP-INTO-YOUR-MARKET, SOMETIMES-SENSIBLE-SOMETIMES-SENSATIONAL-ALWAYS-SMART, OR VALPAKDEALS~~ (the "Pending Marks"). Therefore, you do not have many legal benefits and rights as a federally registered trademark. If our right to use the Pending Marks is challenged, you may have to change to an alternative trademark, which may increase your expense.

All affidavits required to maintain registration of the foregoing Marks have been filed, and Valpak has applied for, or obtained any, required renewals.

There are no currently effective determinations of the PTO, the trademark administrator of any state or any court that could materially affect the ownership or use of the Marks, nor are there any pending interference, infringement, opposition or cancellation proceeding or material litigation involving the Marks.

There are no agreements currently in effect that significantly limit the right of Valpak to use or license the use of the Marks in any manner material to you. Valpak does not know of any infringing uses or superior rights that could materially affect your use of the Marks. On occasion, Valpak becomes aware of infringements of its trademark rights and takes action that it considers appropriate to protect its rights.



### Your Obligations Regarding the Marks

You must follow Valpak's rules when you use the Marks, or any additional marks.

You may not at any time contest or assist any other person in contesting Valpak's rights and interest in and ownership of any Mark.

You must identify your franchised business and evidence your ownership of it in a manner Valpak approves. You must operate your VALPAK® Business under an assumed business name approved or specified by Valpak. That name typically will include the Mark "VALPAK" together with words descriptive of your Territory. Except as approved by Valpak, you may not use any Mark in any modified form or with any prefix, suffix or other modifying words, terms, designs or symbols. You may not use any Mark as part of any corporate name or legal business name, nor may you use any Mark to promote the sale of any unauthorized product or service or in any manner not expressly authorized in writing by Valpak.

If it becomes advisable at any time, in Valpak's sole discretion, to modify or discontinue the use of any name or Mark, and/or use one or more additional or substitute Marks, you must comply with Valpak's direction to do so within a reasonable time after notice from Valpak.

### Valpak's Obligations Regarding the Marks

You must notify Valpak immediately of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or in any similar trade name or trademark, of which you become aware. You must not communicate with any person other than Valpak and its counsel about any infringement, challenge or claim described above. Valpak will have sole discretion to take action as it deems appropriate and the right to exclusively control any litigation, PTO proceeding or other administrative proceeding relating to an infringement, challenge or claim to any Mark. You must execute all documents, render such assistance and do such acts as may, in the opinion of Valpak's attorneys, be necessary to protect and maintain Valpak's interests in any litigation, PTO proceeding or other administrative proceeding or to otherwise protect and maintain its interests in the Marks.

If you have timely notified Valpak of any claim or proceeding and have otherwise complied with the Franchise Agreement, and if Valpak has the right to control the defense of that claim or proceeding, Valpak will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Mark in compliance with the Franchise Agreement, and for all costs reasonably incurred by you in the defense of any claim brought against you, or in any proceeding in which you are named as a party.

## ITEM 14 ITEM 46

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

Valpak has various copyrighted materials that it may authorize you to copy or use. However, none of those copyrights are considered to be material to the franchise. Valpak does not own any patents which are licensed to you or material to the franchise. Valpak has proprietary rights in confidential information relating to the VALPAK® System, as described in Section 8.1 of the Franchise Agreement. This information includes all information contained in the Operating Procedures, as well as information

relating to the VALPAK® System including: (a) prices charged by Valpak for its services to you; (b) prices charged by Valpak to advertisers for national or regional sales; (c) prices charged by franchisees for intermarket sales; (d) marketing research conducted by Valpak or on Valpak's behalf; (e) products or services planned or proposed to be offered by Valpak; (f) the Software, including all source codes, passwords, security precautions and databases relating to it; (g) training systems, methods and content; (h) the graphic library compilation; (i) Valpak's publications to franchisees (i.e. *Inside VALPAK.com* and any other electronic communications); (j) production methods and processes; (k) sales and recruiting techniques; and (l) customer lists, proprietary maps and mapping, and demographic studies; except to the extent that any such information has become part of the public domain other than as a result of disclosure of such information by or through a franchisee. You must maintain the confidentiality of this information both during and after the term of your Franchise Agreement.

**ITEM 15**~~ITEM-17~~

**OBLIGATION TO PARTICIPATE IN THE  
ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

Your franchise must be operated under your direct supervision or that of a manager approved by Valpak who has completed Valpak's Franchisee training program (a "Key Person"). Valpak will charge a \$750 fee for the Key Person to participate in Valpak's initial training. The Key Person must execute a confidentiality and non-competition agreement in a form prescribed by Valpak, before Valpak will approve him or her as a Key Person.

**ITEM 16**~~ITEM-18~~

**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must use your best efforts to promote your franchised business in the Territory through the promotion and sale of advertising in VALPAK® Envelopes. You may not use any Mark or the VALPAK® System to promote, offer, sell or otherwise distribute any products or services other than those offered under the VALPAK® System.

As described in Item 12 ("Intermarket Sales and National Sales"), you may not accept or place customer orders for any Advertising Inserts to be distributed outside your Territory, unless the advertiser maintains a purchasing representative with an office located within your Territory, or you have obtained written consent from the VALPAK® Franchisee in whose territory the purchasing representative is located or from Valpak if the purchasing representative is in a territory that has not been granted to another franchisee. Also, as described in Item 12, Converted Licensees are subject to fewer restrictions on intermarket activities than are new VALPAK® Franchisees; however, Converted Licensees are not entitled to mail advertising in any other VALPAK® Franchisee's territory without obtaining the consent of that Franchisee.

Valpak may reject any Advertising Insert which it believes could reflect negatively on Valpak, other Franchisees or other customers, or which could injure the goodwill associated with the Marks. In addition, Valpak has established certain policies and standards for the content of Advertising Inserts which are described in the Operating Procedures.

The Intermarket Sales Policy may restrict, modify or amend your right to accept or place customers for orders of Advertising Inserts to be distributed inside or outside of your Territory. See Item 12 and Exhibit "C-3." The Intermarket Sales Policy requires you to allow certain Advertising Inserts or

coupons sold by Valpak to be included in the VALPAK® Envelopes for mailing. See Item 12 for more information.

Except as described above, there are no restrictions on the customers that you may serve.

Valpak may authorize Franchisees to offer and sell additional products and/or services. You are not required or obligated to offer or sell any goods or services which Valpak may authorize in the future, other than Advertising Inserts to be placed in VALPAK® Envelopes or electronic advertising. Valpak also has the right to change the nature, style and appearance of the VALPAK® Envelope at any time in its discretion.

**ITEM 17/ITEM 19**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of the Franchise Agreement and other related agreements. You should read these provisions in the agreements in Exhibit “C-1” attached to this Franchise Disclosure Document.

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	§12.1; Section 4 Renewal Addendum	Initial 10-year term for Franchise Agreement and 5 years after the effective date of the Renewal Addendum
b. Renewal or extension of the term	§12.2-12.3	5-year renewal term
c. Requirements for franchisee to renew or extend	§12.3	Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing Valpak’s then-current form of franchise agreement, which may be materially different than the form attached to this Disclosure Document. No breach of Franchise Agreement, satisfy performance requirements, deliver timely notice of renewal, execute new form of Franchise Agreement
d. Termination by franchisee	None	Not permitted
e. Termination by franchisor without cause	Not Applicable; Sections 2 and 10 VPOffice® Addendum	Not permitted; The VPOffice® Addendum may be terminated by Valpak whh 60 days prior written notice or if a third party license agreement with Valpak or its affiliates ends.
f. Termination by franchisor with cause	§13	Valpak may terminate for a variety of causes discussed below

PROVISION	SECTION IN AGREEMENT	SUMMARY
g. "Cause" defined – curable defaults	§13.1-13.2	Nonpayment of fees, noncompliance with laws, breach of Agreement (including failure to provide the financial information required by §8.3 of the Franchise Agreement) or Valpak operating procedures
h. "Cause" defined – non-curable defaults	§13.1-13.2	Abandonment or neglect of the business, material misrepresentation in Franchise application or on renewal, criminal conviction, unauthorized Transfer, unauthorized use or disclosure of Confidential Information, two or more breaches of Franchise Agreement within 18-month period, failure to meet performance requirements, insolvency, failure to assign franchise within one year of death or disability of Franchisee or any Owner of Franchisee
i. Franchisee's obligations on termination/renewal	§8.1 and §14	Maintain confidentiality, return materials, payment of all amounts owed to Valpak and other VALPAK® Franchisees, covenant not to compete for 2 years, assignment of phone numbers to Valpak. Your obligation to indemnify Valpak under Section 7.2 of the Franchise Agreement will remain in effect for 2 years after termination.
j. Assignment of contract by franchisor	§11.1; Section 11 VPOffice® Addendum	Valpak may assign its rights in the Franchise Agreement to anyone
k. "Transfer" by franchisee – defined	§2	The voluntary, involuntary, direct or indirect delegation, assignment, sale, division, pledge, grant of a security interest, gift or other conveyance of any interest or right, in whole or in part by operation of law or otherwise held by you (or any person or entity with a direct or indirect legal or beneficial interest in you) in the franchise agreement, the franchise, the ownership of you or substantially all of the assets, including the transfer of ownership or redemption of any equity interest, merger or consolidation or issuance of additional equity interests, any sale of your or your owners' voting stock.
l. Franchisor's approval of transfer by franchisee	§11.2-11.3; Section 11 VPOffice® Addendum	You must obtain Valpak's consent before any Transfer

PROVISION	SECTION IN AGREEMENT	SUMMARY
m. Conditions for franchisor's approval of transfer	§11.3; Section 11 VPOffice® Addendum	Franchisee is in full compliance with agreement; payment of all amounts owed to Valpak and other VALPAK® Franchisees; payment of transfer fee (up to \$1,000, depending on nature of transfer) transferee/buyer must have sufficient experience and resources, and must agree to complete training program, Franchisee/seller must execute general release waiving claims against Valpak and its affiliates, Valpak must approve terms of the transfer and related documents, transfer must comply with all laws, and any financing provided by Franchisee/seller must be subordinate to Valpak's rights; Valpak has chosen not to exercise its right of first refusal.
n. Franchisor's right of first refusal to acquire franchisee's business	§11.6	Valpak has 20 days to decide whether to buy your franchise on the terms offered by a 3rd party
o. Franchisor's option to purchase franchisee's business	None	None other than the right of first refusal
p. Death or disability of franchisee	§11.5	If you die or become disabled, your franchise must be sold to third party approved by Valpak within 1 year.
q. Non-competition covenants during the term of the franchise	§8.2	You cannot engage in a "Competitive Business" during the term of the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	§14.4-14.5	You cannot engage in a Competitive Business operating, selling, promoting or mailing within the Territory or within any other geographic area where we, Valpak's affiliates, or one of Valpak's franchisees is operating or doing mailings for 2 years after termination or expiration.
s. Modification of the agreement	§15.1 and 15.8	Only by mutual written agreement
t. Integration/merger clause	§15.08 and 15.10	Franchisee acknowledges that the Franchise Agreement constitutes the entire agreement between the parties* Nothing is intended to disclaim any representation made in this disclosure document.
u. Dispute resolution by arbitration or mediation	None; except for certain disputes involving the Intermarket Sales Policy. See Section 10 of Exhibit C-3.	Intermarket Sales Policy disputes between franchisees and/or between franchisees and our National Sales Department are resolved through arbitration by a panel of 2 franchisees and Valpak.

PROVISION	SECTION IN AGREEMENT	SUMMARY
v. Choice of forum	§15.7	Federal court in Tampa, Florida, or State Circuit Court in Pinellas County, Florida (subject to state law)
w. Choice of law	§15.7	Florida law governs (subject to state law)

\* References are to the Franchise Agreement itself unless separately noted.

Note: See Exhibit "I" which may contain an addendum or an amendment to the Franchise Agreement under applicable state law.

**ITEM 18**~~ITEM-20~~

**PUBLIC FIGURES**

Valpak does not use any public figure to promote VALPAK® franchises.

**ITEM 19**~~ITEM-21~~

**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 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 performance at a particular location or under particular circumstances.

The following is certain information which you may find useful in formulating your own estimates of the potential cash flow of a VALPAK® franchise. Of course, you will need significantly more information to prepare a meaningful cash flow analysis. Valpak does not present information on some of the key expense items because they vary so significantly among geographic markets and market size, and because many of the expense items you should consider are entirely within your control (such as office rent, car expenses, etc.). Accordingly, this selected information is provided to you with the understanding that you will do your own research to develop data with which to perform your analysis. Valpak suggests that you contact a number of VALPAK® Franchisees to discuss this information and other information and to compare their experiences with the information provided below. In talking to Franchisees about selling prices of coupons, be sure to distinguish between their asking price (also referred to as their "rate card") and their actual selling price for advertising, and to ask what kind of discounts they provide for volume purchases or annual contracts with advertisers.

You should also keep in mind that the performance of Franchisees varies dramatically among markets for a variety of reasons, including differences in sales and management abilities, demographics, proximity to other Valpak franchises, the business environment in a particular market, cost factors, the history of a particular franchise and the strength of competing advertisers in a given market. Therefore, you cannot assume that the information provided to you by a VALPAK® Franchisee is necessarily relevant to your market. Of course, if you are buying an existing VALPAK® franchise, you should ask for the seller's historical financial information, although you should be aware that Valpak does not review

Franchisees' financial statements for accuracy and bears no responsibility for the accuracy of same. Accordingly, you should carefully review any financial information received from a selling Franchisee with your professional financial advisors.

You should also research the prices charged by competing advertisers in your prospective market to determine the degree of price competition you will face. Even if a selling Franchisee has historically sold VALPAK® advertising at above average prices in his or her market, it is not safe to assume that you will be able to charge those same prices in the future, especially if major competitors are providing significant price competition.

Finally, keep in mind that this information does not take into account many of the variables which can affect your cash flow. It is intended merely as a starting place for your analysis. Reviewing this limited amount of information cannot substitute for thorough research on your part and a careful evaluation of this franchise opportunity with professional financial and legal advisors.

Valpak has written substantiation of the financial performance representations and will make substantiation available to you upon reasonable request.

The following definitions will help you understand the information provided in this section.

**Definitions:**

“Advertising Insert(s)” means an individual piece of advertising or promotional material (such as a coupon), whether supplied by an advertiser or purchased by an advertiser from a VALPAK® Franchisee, to be included in VALPAK® envelopes in accordance with the VALPAK® system.

“Local Advertising Insert(s)” means an Advertising Insert sold to an advertiser located within a VALPAK® Franchisees territory for placement in VALPAK® envelopes to be distributed within the selling VALPAK® Franchisees territory.

“Inbound Intermarket Advertising Insert(s)” means an Advertising Insert sold to an advertiser by a VALPAK® Franchisee in another VALPAK® Franchise territory for placement in VALPAK® envelopes being distributed in the VALPAK® territory of the mailing VALPAK® Franchisee.

“Outbound Intermarket Advertising Insert(s)” means an Advertising Insert sold to an advertiser located within a VALPAK® Franchisees territory for placement in VALPAK® envelopes to be distributed in another VALPAK® Franchisees territory.

“National Advertising Insert(s)” means an Advertising Insert sold by Valpak’s National Sales Department for placement in VALPAK® envelopes to be distributed in a VALPAK® Franchisees territory.

“Total Revenue Per NTA®” means the average of all revenues generated from the Local Inbound Intermarket, Outbound Intermarket and National Advertising Inserts per mailing area of 10,000 homes. Revenues in all these definitions does not mean actual collections, but amounts earned. Revenues will be reduced by bad debt.

“Total Pieces Per NTA®” means the average number of Local Inbound Intermarket and National Advertising Inserts per mailing area of 10,000 homes.

“Local Revenue Per NTA®” means the average revenue generated from Local Advertising Inserts per mailing area of 10,000 homes per mailing.

“Local Pieces Per NTA®” means the average number of Local Advertising Inserts per mailing area of 10,000 homes per mailing.

“Inbound Revenue Per NTA®” means the average revenue generated from Inbound Intermarket Advertising Inserts per mailing area of 10,000 homes.

“Inbound Pieces Per NTA®” means the average number of Inbound Intermarket Advertising Inserts per mailing area of 10,000 homes per mailing.

“Outbound Revenue Per NTA®” means the average revenue generated by Outbound Intermarket Advertising Inserts per mailing area of 10,000 homes.

“Outbound Pieces per NTA®” means the average number of Outbound Intermarket Advertising Inserts per mailing area of 10,000 homes.

“National Revenue Per NTA®” means the average revenue generated by National Advertising Inserts per mailing area of 10,000 homes.

“National Pieces Per NTA®” means the average number of National Advertising Inserts per mailing area of 10,000 homes.

“Print & Insert Cost Per NTA®” means the cost paid to Valpak for the printing and inserting services for placement of 10,000 coupons in VALPAK® Envelopes being mailed in a VALPAK® Franchisee’s territory

“Selling Price Per NTA®” means the average retail price based on mailing 10,000 homes. This includes a mix of all products, formats and volumes.

“VALPAK® Franchise” or “Franchise” refers to the VALPAK® franchised business and “VALPAK® Franchisee” or “Franchisee” refers to the owner of the VALPAK® franchised business. For the purposes of this section, “Franchise” includes both Valpak company owned units and independently owned units.

Subject to the foregoing, you may wish to consider the following items:

1. For purposes of preparing cash flow projections, you may find it helpful to assume that you will make the minimum required Mailings per year, taking into account that the minimum requirements may be phased in (as described in Item 12). This suggestion does not constitute any assurance that you will meet the minimum performance requirements.

2. If you are purchasing an established franchise, your seller can provide you with important historical information on piece counts. If you are purchasing a franchise in an inactive market, you will need to contact relatively new VALPAK® Franchisees in similar markets, and make an honest assessment of your own sales ability and that of your planned sales staff. Keep in mind that the average piece count does not represent the minimum number that you should expect to sell. Typically, Franchisees who meet or exceed the averages listed below have efficient operations and are staffed with professional sales people.



For analysis purposes, Valpak defines its Franchises according to size of the market based upon monthly households mailed. Here is the breakdown Valpak uses to define market size:

<u>Micro</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Macro</u>
0-80,000	80,001-150,000	150,001-300,000	300,001-499,999	500,000+

The data presented in this section contains key measurements of VALPAK® Franchises averaged over the 12 mailing periods in the calendar year ending December 31, 2010-2011. "Franchises" (as defined below), represents all current VALPAK® operating franchisees (U.S. only) who started mailing on or before January 1, 2009-2011 and were still operating as of December 31, 2010-2011.

For comparative purposes these charts represent the number of Franchises used in the charts below.

<u>Franchises – Counts by Group</u>	
<u>Group</u>	<u>Total</u>
VP Macro	22
VP Large	2422
VP Medium	4341
VP Small	4536
VP Micro	4336
<b>Totals</b>	<b>177157</b>

The following represents the Total Revenue per NTA® per Mailing and the Total Pieces per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2010-2011 for operating Franchises who started mailing on or before January 1, 2009-2011.

<u>Franchises – Total Rev /NTA®/Per Mailing</u>			
	<u>Avg of Top 20%</u>	<u>Avg of Bottom 20%</u>	<u>Overall Average</u>
VP Macro	\$16,5361 <u>0.632</u>	\$5,929 <u>5.976</u>	\$7,7347.8 <u>42</u>
VP Large	\$11,3831 <u>3.919</u>	\$6,304 <u>5.744</u>	\$8,2618.8 <u>19</u>
VP Medium	\$10,2931 <u>4.148</u>	\$5,083 <u>5.098</u>	\$7,0377.9 <u>49</u>
VP Small	\$8,0768 <u>964</u>	\$4,206 <u>4.545</u>	\$5,6626.5 <u>29</u>
VP Micro	\$7,81410 <u>591</u>	\$3,271 <u>4.272</u>	\$4,9766.2 <u>95</u>
Franchises	\$12,3131 <u>3.017</u>	\$4,297 <u>4.785</u>	\$6,8867.3 <u>51</u>

<u>Franchises – Total Pieces /NTA®/Per Mailing</u>			
	<u>Avg of Top 20%</u>	<u>Avg of Bottom 20%</u>	<u>Total Average</u>
VP Macro	53.55 <u>2.2</u>	36.635.8 <u>2.2</u>	44.843.9 <u>2.2</u>
VP Large	61.85 <u>9.0</u>	35.533.9 <u>9.0</u>	45.243.9 <u>9.0</u>
VP Medium	54.25 <u>7.0</u>	30.531.5 <u>7.0</u>	40.041.2 <u>7.0</u>
VP Small	45.94 <u>6.3</u>	25.028.7 <u>6.3</u>	34.035.7 <u>6.3</u>
VP Micro	43.34 <u>2.6</u>	21.324.4 <u>2.6</u>	30.132.1 <u>2.6</u>
Franchises	54.05 <u>3.3</u>	26.328.6 <u>3.3</u>	37.438.6 <u>3.3</u>

The following represents the Local Revenue per NTA® per Mailing and the Local Pieces per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2010-2011 for operating Franchises who started mailing on or before January 1, 2009-2011.

Franchises - Local Rev /NTA®/Per Mailing				Franchises - Local Pieces /NTA®/ Per Mailing			
	Avg of Top 20%	Avg, of Bottom 20%	Total Average		Avg of Top 20%	Avg, of Bottom 20%	Total Average
VP Macro	\$7,307.071	\$3,626.847	\$4,892.987	VP Macro	38.037.4	45.616.3	23623.8
VP Large	\$9,073.579	\$3,340.666	\$5,220.310	VP Large	49.645.3	14.415.4	25.024.7
VP Medium	\$7,946.848	\$3,141.335	\$4,988.208	VP Medium	35.340.4	13.914.5	21.822.9
VP Small	\$6,748.906	\$2,935.826	\$4,394.424	VP Small	28.828.6	11.411.6	18.118.3
VP Micro	\$6,878.865	\$2,517.972	\$4,231.591	VP Micro	27.227.8	10.111.8	17.218.4
Franchises	\$7,709.813	\$2,934.189	\$4,674.870	Franchises	37.0	47.213.3	20.421.2

The following represents prices charged by Franchisees to advertisers for certain popular products per 10,000 households mailed during the year ending December 31, 2010-2011 for operating Franchisees who started mailing on or before January 1, 2009-2011. Based on the experience of Valpak's affiliate, VPFO, and based on informal discussions with independently owned Franchisees, although this range represents typical pricing of certain popular products, many sales occur outside of this range as well. This does not constitute any representation that you can obtain such prices in your market. The figures for your market will depend on a variety of factors, including among others, your product mix, the size and loyalty of the existing customer base, if any, pricing strategies of local competitors, local economic conditions, and your own sales and sales management abilities:

Franchises - Local Selling Price/NTA®/Per Mailing			
	Avg of Top 20%	Avg of Bottom 20%	Total Average
VP Macro	\$242255	\$179180	\$209213
VP Large	\$242259	\$480191	\$213221
VP Medium	\$276301	\$183186	\$224232
VP Small	\$319300	\$204212	\$248245
VP Micro	\$286341	\$222204	\$251256
Franchises	\$308307	\$487193	\$233236

Collection rates will vary from market to market, especially where a selling Franchisee has allowed clients to pay slowly in the past. One of the keys to success in a Valpak franchise is a strict collection policy.

Valpak has no reliable information on what the average bad debt percentage is among VALPAK® Franchisees as a whole. But Valpak is aware that some Franchisees have bad debt ratios higher than 2% and considers management of this ratio important to a Franchisee's success.

The percentage of sales accounted for by you as the Franchisee rather than by a sales representative is something that is entirely within your control, and you should make the appropriate assumptions as they relate to your circumstances with regard to this figure. To the extent that you use commissioned sales representatives, you are free to pay any amount of commission that you desire. If you are purchasing an existing VALPAK® Franchise, you should obtain information from the seller as to their compensation structure, and you should ask whether there is any additional compensation to sales representatives, such as incentive bonuses. There is no assurance that you will be able to recruit qualified sales representatives. The compensation program you offer is determined by you.

You should include in your analysis all applicable taxes, including those required under federal, state and local law. You should consult with your professional advisors regarding applicable taxes.

The following represents the average Inbound Revenue per NTA® per Mailing and the Inbound Pieces per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2011 for operating Franchises who started mailing on or before January 1, 2011.

Franchises - Inbound Rev /NTA®/Per Mailing				Franchises - Inbound Pieces /NTA®/ Per Mailing			
	Avg of Top 20%	Avg. of Bottom 20%	Total Average		Avg of Top 20%	Avg. of Bottom 20%	Total Average
VP Macro	\$1,227	\$423	\$702	VP Macro	17.7	6.2	10.4
VP Large	\$1,214	\$464	\$739	VP Large	17.8	6.7	10.6
VP Medium	\$1,455	\$387	\$694	VP Medium	19.6	5.4	9.6
VP Small	\$1,078	\$408	\$642	VP Small	14.7	5.4	8.8
VP Micro	\$1,197	\$235	\$463	VP Micro	15.6	3.4	6.3
Franchises	\$1,281	\$357	\$636	Franchises	17.7	5.0	8.9

The following represents the average National Revenue per NTA® per Mailing and the National Pieces per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2011 for operating Franchises who started mailing on or before January 1, 2011.

Franchises - National Rev /NTA®/Per Mailing				Franchises - National Pieces /NTA®/ Per Mailing			
	Avg of Top 20%	Avg. of Bottom 20%	Total Average		Avg of Top 20%	Avg. of Bottom 20%	Total Average
VP Macro	\$305	\$220	\$266	VP Macro	11.4	8.1	9.7
VP Large	\$302	\$179	\$234	VP Large	11.0	6.3	8.6
VP Medium	\$298	\$185	\$237	VP Medium	18.8	7.1	8.8
VP Small	\$284	\$172	\$230	VP Small	10.4	6.6	8.6
VP Micro	\$268	\$139	\$198	VP Micro	9.9	5.3	7.4
Franchises	\$298	\$170	\$230	Franchises	10.9	6.4	8.5

The following represents the average Outbound Revenue per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2010 for operating Franchises who started mailing on or before January 1, 2009.

Franchises - Outbound Rev/NTA®/Per Mailing			
	Avg of Top 20%	Avg of Bottom 20%	Total Average
VP Macro	\$4,7993.8 23	\$893936	\$1,8141.8 88
VP Large	\$6,2508.0 28	\$824935	\$2,0382.5 36
VP Medium	\$11,1691 0,266	\$588589	\$1,9241.8 10
VP Small	\$4,4214.2 81	\$295380	\$8411.23 3
VP Micro	\$7,6947.8 23	\$341312	\$1,0911.0 43
Franchises	\$8,3922.1 46	\$492512	\$1,4761.6 15

The variable costs of production for each advertising insert to be included in VALPAK® Envelopes depends on a number of factors, including the print run quantity and the advertising product sold (2-color v. 4-color, size, special graphics, etc.). The following represents the Print & Insert Cost Per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2010 for operating franchises who started mailing on or before January 1, 2009.

The following represents the average Inbound Revenue per NTA® per Mailing and the Inbound Pieces per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2010 for operating Franchises who started mailing on or before January 1, 2009.

Franchises - Inbound Rev/NTA®/Per Mailing				Franchises - Inbound Pieces/NTA®/Per Mailing			
	Avg of Top 20%	Avg of Bottom 20%	Total Average		Avg of Top 20%	Avg of Bottom 20%	Total Average
VP Macro	\$1,249	\$425	\$715	VP Macro	17.3	6.2	40.5
VP Large	\$1,185	\$446	\$717	VP Large	17.1	6.5	40.5
VP Medium	\$1,295	\$352	\$643	VP Medium	17.8	4.9	9.0
VP Small	\$984	\$297	\$554	VP Small	13.6	4.0	7.5
VP Micro	\$1,266	\$214	\$438	VP Micro	14.1	3.0	5.8
Franchises	\$1,229	\$306	\$590	Franchises	17.0	4.3	8.2

The following represents the average National Revenue per NTA® per Mailing and the National Pieces per NTA® per Mailing averaged over the 12 mailing periods in the year ending December 31, 2010 for operating Franchises who started mailing on or before January 1, 2009.

Franchises - National Rev/NTA®/Per Mailing				Franchises - National Pieces/NTA®/Per Mailing			
	Avg of Top 20%	Avg of Bottom 20%	Total Average		Avg of Top 20%	Avg of Bottom 20%	Total Average

VP-Macro	\$376	-	\$250	\$315	-	VP-Macro	12.5	-	8.5	10.7
VP-Large	\$382	-	\$218	\$288	-	VP-Large	12.6	-	7.4	9.7
VP-Medium	\$387	-	\$187	\$269	-	VP-Medium	12.1	-	6.7	9.2
VP-Small	\$326	-	\$149	\$237	-	VP-Small	11.4	-	5.4	8.3
VP-Micro	\$286	-	\$134	\$206	-	VP-Micro	9.7	-	5.1	7.3
Franchises	\$366	-	\$168	\$254	-	Franchises	12.0	-	6.0	8.8

Print & Insert Cost/NTA®/Per Mailing				
	Avg of Top 20%	-	Avg of Bottom 20%	Total Average
VP Macro	\$7775	-	\$98105	\$8789
VP Large	\$8074	-	\$100111	\$90
VP Medium	\$7977	-	\$101111	\$9095
VP Small	\$80	-	\$109125	\$9199
VP Micro	\$79	-	\$126127	\$9597
Franchises	\$7976	-	\$110119	\$9295

The fixed costs of production for VALPAK® Envelopes for a Mailing to 10,000 homes (1 NTA®) are currently about \$1,8521,910 (including postage, transportation, envelopes and address costs-list data and addressing).

Franchisees will receive production credits (national sales credits) if Valpak has sold and mailed national advertising inserts into your Territory for the same Mailing, which may offset some of the fixed costs of production.

Your own production costs may differ from those set forth above because of the number of variables which affect pricing. Valpak's prices are subject to change at any time. The production costs are also based on a certain product mix which may differ significantly from the product mix which your client's desire.

Your analysis of a VALPAK® Franchise should include estimates of expenses for all applicable items, including office rent, office staff salaries, your own salary, phone/fax charges, postage and courier charges, travel, auto expense, insurance, advertising expenses, Dealers VALPAK Franchisees Association fees and the costs of marketing materials. All of these items are based largely on factors within your control, for which you can obtain information through your own research. Since these amounts are to a great degree a matter of personal preference, Valpak has included no estimates for these items, and you should make appropriate assumptions. Please see Items 6 and 7 for a description of certain expense items which you are likely to incur in operating a VALPAK® Franchise. However, you should also be aware that the expense items listed above and those listed in Items 6 and 7, taken together, are by no means exhaustive. There are likely to be additional expenses that Valpak has not listed, some of which may be unique to your market or situation.

PLEASE BE ADVISED THAT NO ONE OTHER THAN AN OFFICER OF VALPAK IS AUTHORIZED TO PROVIDE A SUPPLEMENTAL EARNINGS CLAIM OR TO DISCUSS THE INFORMATION CONTAINED ABOVE. ACCORDINGLY, EXCEPT FOR A SUPPLEMENTAL EARNINGS CLAIM PROVIDED TO YOU BY AN OFFICER OF THE CORPORATION, WITH A RECEIPT FOR SAME EXECUTED BY YOU AND RETURNED TO VALPAK, YOU SHOULD DISREGARD ANY INFORMATION, ORAL OR WRITTEN, THAT IS PROVIDED TO YOU BY

ANY PERSON, WHETHER EMPLOYED BY VALPAK OR OTHERWISE, WHICH CONFLICTS WITH OR SUPPLEMENTS THE INFORMATION SET FORTH ABOVE.

THE FIGURES PROVIDED IN THIS ITEM 19 SHOULD NOT BE CONSIDERED AS THE ACTUAL OR PROBABLE RESULTS THAT YOU WILL OR CAN REALIZE. YOUR FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE INFORMATION SET FORTH ABOVE IN THIS ITEM 19.

Other than the preceding financial performance representation, Valpak does not make any financial performance representations. Valpak also does not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, Valpak 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 Don McCreery, General Counsel, 8605 Largo Lakes Drive, Largo, Florida 33773, (727) 393-1270, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 ~~ITEM 22~~

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1  
Systemwide Outlet Summary  
For Years Ending December 31, 2011,  
~~December 25, 2010, and December 26, 2009, and December 27, 2008~~ 2009

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2008</del> <u>2009</u>	<del>159</del> <u>164</u>	<del>164</del> <u>159</u>	<del>+5</del> <u>-5</u>
	2009	159	164	+5
	2010	164	157	-7
	2011	157	149	-8
Company-Owned	<del>2008</del> <u>2009</u>	<del>10</del> <u>9</u>	<del>9</del> <u>10</u>	<del>+1</del> <u>-1</u>
	2009	10	9	+1
	2010	9	10	+1
	2011	10	6	-4
Total Outlets	<del>2008</del> <u>2009</u>	<del>169</del> <u>173</u>	<del>173</del> <u>169</u>	<del>+4</del> <u>-4</u>
	2009	169	173	+4
	2010	173	167	-6
	2011	167	155	-12

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**(other than the Franchisor)**  
**For Years Ending December 31, 2011, December 25, 2010,**  
**December 26, 2009, and December 27, 2008**

State	Year	Number of Transfers
Alabama	<del>2008</del> 2009	10
	2009	0
	2010	1
	2011	0
Alaska	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	0
Arizona	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	1
Arkansas	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	0
California	<del>2008</del> 2009	0
	2009	0
	2010	0
	<del>2008</del> 2011	21
Colorado	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	0
Connecticut	<del>2008</del> 2009	10
	2009	0
	2010	0
	2011	1
Delaware	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	0
District of Columbia	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	0
Florida	<del>2008</del> 2009	32
	2009	2
	2010	0
	2011	1

State	Year	Number of Transfers
Georgia	20082009	10
	2009	0
	2010	0
	2011	0
Hawaii	20082009	0
	2009	0
	2010	0
	2011	0
Idaho	20082009	0
	2009	0
	2010	0
	2011	0
Illinois	20082009	0
	2009	0
	2010	0
	2011	0
Indiana	20082009	0
	2009	0
	2010	0
	2011	0
Iowa	20082009	10
	2009	0
	2010	0
	2011	0
Kansas	20082009	0
	2009	0
	2010	0
	2011	0
Kentucky	20082009	0
	2009	0
	2010	0
	2011	0
Louisiana	20082009	0
	2009	0
	2010	1
	2011	0
Maine	20082009	0
	2009	0
	2010	0
	2011	0
Maryland	20082009	0
	2009	0
	2010	0
	2011	0
Massachusetts	20082009	0
	2009	0
	2010	0



State	Year	Number of Transfers
Michigan	2011	0
	<del>20082009</del>	0
	2009	0
	2010	0
	2011	0
Minnesota	<del>20082009</del>	0
	2009	0
	2010	0
	2011	0
	<del>20082009</del>	0
Mississippi	2009	0
	2010	0
	2011	0
	<del>20082009</del>	0
	2009	0
Missouri	2010	0
	2011	0
	<del>20082009</del>	0
	2009	0
	2010	0
Montana	<del>20082009</del>	0
	2009	0
	2010	1
	2011	0
	<del>20082009</del>	0
Nebraska	2009	1
	2010	0
	2011	0
	<del>20082009</del>	0
	2009	0
Nevada	2010	0
	2011	0
	<del>20082009</del>	0
	2009	0
	2010	0
New Hampshire	<del>20082009</del>	0
	2009	0
	2010	0
	2011	0
	<del>20082009</del>	0
New Jersey	2009	2
	2010	0
	2011	0
	<del>20082009</del>	0
	2009	0
New Mexico	2010	0
	2011	0
	<del>20082009</del>	0
	2009	0
	2010	0
New York	<del>20082009</del>	30
	2009	0
	2010	0
	2011	0
	<del>20082009</del>	0
North Carolina	<del>20082009</del>	0

State	Year	Number of Transfers
	20092010	0
	20102011	01
North Dakota	20082009	0
	2009	0
	2010	0
	2011	0
Ohio	20082009	01
	2009	1
	2010	0
Oklahoma	20082009	0
	2009	0
	2010	0
Oregon	20082009	0
	2009	0
	2010	0
	2011	1
Pennsylvania	20082009	0
	2009	0
	2010	0
	2011	2
Rhode Island	20082009	0
	20092010	0
	20102011	0
South Carolina	20082009	0
	20092010	0
	20102011	01
South Dakota	20082009	01
	2009	1
	2010	0
	2011	0
Tennessee	20082009	01
	2009	1
	2010	1
	2011	0
Texas	20082009	20
	20092010	01
	20102011	10
Utah	20082009	0
	2009	0
	2010	0
	2011	0
Vermont	20082009	0
	2009	0
	2010	0
	2011	0

State	Year	Number of Transfers
Virginia	<del>2008</del> 2009	30
	2009	0
	2010	1
	2011	0
Washington	<del>2008</del> 2009	01
	2009	1
	2010	0
	2011	1
West Virginia	<del>2008</del> 2009	0
	2009	0
	2010	0
	2011	0
Wisconsin	<del>2008</del> 2009	10
	2009	0
	2010	0
	2011	0
Wyoming	2008	0
	2009	0
	2010	0
	2011	0
<u>Wyoming</u>	2009	0
	2010	0
	2011	0
Total	<del>2008</del> 2009	189
	2009	9
	2010	6
	2011	10

**Table 3**  
**Status of Franchised Outlets**  
**For Years Ending December 25, 2010, 31, 2011,**  
**December 26, 2009, 25, 2010, and December 27, 2008 26, 2009**

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
Alabama	2008	2	0	0	0	0	0	2
	<del>2009</del>	2	0	0	0	0	0	2
	2010	2	1	0	0	0	0	3
	2011	3	0	1	0	0	0	2
Alaska	2008	1	0	0	0	0	0	1
	<del>2009</del>	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1

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
	2010 2011	1	0	0	0	0	0	1
Arizona	2008 2009	4	01	31	0	0	0	4
	2009 2010	4	40	40	0	0	0	4
	2010 2011	4	0	0	0	0	0	4
Arkansas	2008 2009	1	0	01	0	0	0	40
	2009 2010	40	0	40	0	0	0	0
	2010 2011	0	0	0	0	0	0	0
California	2008 2009	1513	0	31	0	0	0	12
	2009 2010	12	01	42	0	0	0	11
	2010 2011	11	1	20	0	0	0	4012
Colorado	2008 2009	3	0	0	0	0	0	3
	2009 2010	3	0	0	0	0	0	3
	2010 2011	3	0	0	0	0	0	3
Connecticut	2008 2009	2	40	40	0	0	0	2
	2009 2010	2	0	0	0	0	0	2
	2010 2011	2	0	1	0	0	0	1
Florida	2008 2009	1514	03	1	0	0	0	1416
	2009 2010	14	3	1	0	0	0	16
	2010 2011	16	1	1	0	1	0	15
Georgia	2008 2009	2	01	0	0	0	0	23
	2009 2010	23	40	0	0	0	0	3
	2010 2011	3	0	01	0	0	0	32
Hawaii	2008 2009	1	0	0	0	0	0	1
	2009 2010	1	0	0	0	0	0	1
	2010 2011	1	0	0	0	0	0	1
Idaho	2008 2009	2	0	0	0	0	0	2

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
	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
Illinois	2008	4	1	1	0	0	0	4
	2009	4	10	10	0	0	0	4
	2010	4	0	0	0	0	0	4
Indiana	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Iowa	2008	3	0	0	0	0	0	3
	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3
Kansas	2008	2	0	0	0	0	0	2
	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
Kentucky	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
Louisiana	2008	2	10	0	0	0	0	2
	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
Maine	2008	0	0	0	0	0	0	0
	2009	0	10	0	0	0	0	0
	2010	1	0	0	0	0	0	1
Maryland	2008	3	0	0	0	0	0	3
	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3

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
	<u>2011</u>							
Massachusetts	<u>2008</u> <u>2009</u>	2	0	0	0	0	0	2
	<u>2009</u> <u>2010</u>	2	0	0	0	0	0	2
	<u>2010</u> <u>2011</u>	2	0	0	0	0	0	2
Michigan	<u>2008</u> <u>2009</u>	43	0	10	0	0	0	3
	<u>2009</u> <u>2010</u>	3	0	0	0	0	0	3
	<u>2010</u> <u>2011</u>	3	0	0	0	0	0	3
Minnesota	<u>2008</u> <u>2009</u>	0	02	0	0	0	0	02
	<u>2009</u> <u>2010</u>	02	20	01	0	0	0	21
	<u>2010</u> <u>2011</u>	21	0	10	0	0	0	1
Missouri	<u>2008</u> <u>2009</u>	1	0	0	0	0	0	1
	<u>2009</u> <u>2010</u>	1	0	0	0	0	0	1
	<u>2010</u> <u>2011</u>	1	0	0	0	0	0	1
Montana	<u>2008</u> <u>2009</u>	1	0	0	0	0	0	1
	<u>2009</u> <u>2010</u>	1	0	0	0	0	0	1
	<u>2010</u> <u>2011</u>	1	0	0	0	0	0	1
Nebraska	<u>2008</u> <u>2009</u>	1	01	0	0	0	0	12
	<u>2009</u> <u>2010</u>	12	10	0	0	0	0	2
	<u>2010</u> <u>2011</u>	2	0	01	0	0	0	21
Nevada	<u>2008</u> <u>2009</u>	2	0	0	0	0	0	2
	<u>2009</u> <u>2010</u>	2	0	0	0	0	0	2
	<u>2010</u> <u>2011</u>	2	0	0	0	0	0	2
New Hampshire	<u>2008</u> <u>2009</u>	1	0	0	0	0	0	1
	<u>2009</u> <u>2010</u>	1	0	0	0	0	0	1
	<u>2010</u> <u>2011</u>	1	0	0	0	0	0	1

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
New Jersey	2008	8	0	0	0	0	0	8
	2009	8	0	0	0	0	0	8
	2010	8	0	0	0	0	0	8
New Mexico	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
New York	2008	10	0	3	0	0	0	7
	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
North Carolina	2008	7	0	1	0	0	0	6
	2009	6	0	1	0	0	0	5
	2010	5	3	4	0	0	0	4
	2011	4	1	1	0	0	0	4
North Dakota	2008	1	0	1	0	0	0	0
	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
Ohio	2008	8	0	1	0	0	0	7
	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
Oklahoma	2008	2	0	0	0	0	0	2
	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
Oregon	2008	3	0	0	0	0	0	3
	2009	3	0	0	0	0	0	3
	2010	3	0	1	0	0	0	2
	2011	2	1	0	0	0	0	3
Pennsylvania	2008	9	0	0	0	0	0	9
	2009	9	3	1	0	0	0	11
	2010	11	0	2	0	0	0	9

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
	2011	2	1	1	0	0	0	2
Rhode Island	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
South Carolina	2008	3	02	01	0	0	0	34
	2009	34	20	40	0	0	0	4
	2010	4	01	0	0	0	0	45
	2011	4	01	0	0	0	0	45
South Dakota	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
	2010	1	0	01	0	0	0	40
	2011	1	0	01	0	0	0	40
Tennessee	2007	43	0	10	0	0	0	3
	2009	3	0	0	0	0	0	3
	2010	3	0	0	0	0	0	3
	2011	3	0	0	0	0	0	3
Texas	2008	8	01	0	0	0	0	89
	2009	8	4	0	0	0	0	9
	2010	9	1	1	0	0	0	9
	2011	9	0	2	0	0	0	7
	2011	9	0	2	0	0	0	7
Utah	2008	4	0	0	0	0	0	4
	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
	2011	4	0	01	0	0	0	43
Virginia	2008	97	02	20	0	0	0	79
	2009	79	20	01	0	0	0	98
	2010	79	20	01	0	0	0	98
	2011	98	0	1	0	0	0	87
Washington	2008	8	0	0	0	0	0	8
	2009	8	0	0	0	0	0	8
	2010	8	0	01	0	0	0	87
	2011	87	0	1	0	0	0	76
West Virginia	2008	23	40	01	0	0	0	32
	2009	32	0	10	0	0	0	2



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
	<del>2010</del>							
	<del>2010</del>	2	0	0	0	0	0	2
	<del>2011</del>							
Wisconsin	<del>2008</del>	4	10	10	0	0	0	4
	<del>2009</del>	4	0	0	0	0	0	4
	<del>2010</del>	4	0	0	0	0	0	4
Wyoming	<del>2008</del>	0	0	0	0	0	0	0
	<del>2009</del>	0	0	0	0	0	0	0
	<del>2010</del>	0	0	0	0	0	0	0
Totals	<del>2008</del>	<del>165</del> 157	917	<del>17</del> 10	0	0	0	<del>157</del> 164
	<del>2009</del>	157	17	10	0	0	0	164
	2010	164	8	14	1	0	0	157
	2011	157	7	15	0	0	0	149

**Table 4**  
**Status of Company-Owned Outlets**  
**For Years Ending December 31, 2011,**  
**~~December 25, 2010, 2010 and December 26, 2009, and December 27, 2008~~2009**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	<del>2008</del> 2009	21	05	0	0	1	45
	2009	4	5	0	0	4	5
	2010	5	0	2	0	2	5
	2011	5	0	0	0	1	4
Connecticut	<del>2008</del> 2009	0	0	0	0	0	0
	<del>2009</del> 2010	0	0	01	0	0	01
	20102011	01	0	10	0	01	10
Florida	<del>2008</del> 2009	2	0	0	0	02	20
	<del>2009</del> 2010	20	0	0	0	20	0
	20102011	0	0	02	0	01	01
Georgia	<del>2008</del> 2009	1	0	0	0	01	10
	<del>2009</del> 2010	10	0	0	0	10	0
	20102011	0	0	0	0	0	0
Illinois	<del>2008</del> 2009	1	0	0	0	01	10
	<del>2009</del> 2010	10	0	0	0	10	0
	20102011	0	0	0	0	0	0
Massachusetts	<del>2008</del> 2009	1	02	0	0	0	13
	2009	1	2	0	0	0	3
	2010	3	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Minnesota	2011	3	0	0	2	0	1
	20082009	1	0	0	0	0	1
	20092010	1	0	0	0	0	0
	20102011	0	0	0	0	0	0
New York	20082009	1	0	0	0	0	1
	20092010	1	0	0	0	0	1
	20102011	1	0	0	0	0	0
Oregon	20082009	0	0	0	0	0	0
	20092010	0	0	0	0	0	0
	20102011	0	0	0	0	0	0
Texas	20082009	1	0	0	0	0	1
	20092010	1	0	0	0	0	0
	20102011	0	0	0	0	0	0
Virginia	20082009	0	0	0	0	0	0
	20092010	0	0	0	0	0	0
	20102011	0	0	0	0	0	0
Total	20082009	10	0	0	0	0	10
	2009	10	7	0	0	8	9
	2010	9	0	4	0	3	10
	2011	10	0	2	2	4	6

**Table 5**  
**Projected Openings as of December 25, 2010-2011**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	1	0
California	0	2	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	1	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	0	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	0	0	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	0	0	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	1	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	1	0
Texas	0	0	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
Total	0	11	0

The name, business address, and business telephone number of each current franchisee on December 31, 2010 are listed on Exhibit "A-1."

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of the 15 franchisees who have had a VALPAK® Business terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement and who has left the system during the most recently completed fiscal year, or has not communicated with us within 10 weeks of April 26, 2011 listed on Exhibit "A-2."

We are offering for sale as franchises certain of VALPAK® businesses in certain territories that are operated by our affiliate, VPMI ("O&O Businesses"). See Items 1, 12 and 20 of the Franchise Disclosure Document.

The following table provides the following information relating to the following VALPAK® markets over the last 5 fiscal years:

- (i) The name, city and state, current business telephone number, or last known home telephone number of each previous owner;
- (ii) The time period when each owner controlled the franchise;
- (iii) The reason for the change in ownership; and
- (iv) The time period in which VPMI retained control of the franchise, after the change in ownership.

Oregon Territory— Counties of Baker, Clackamas, Clatsop, Columbia, Coos, Crook, Curry, Deschutes, Douglas, Gilliam, Grant, Harney, Hood River, Jefferson, Lake, Lincoln, Malheur, Morrow, Multnomah, Sherman, Tillamook, Umatilla, Union, Wallowa, Wasco, Washington, Wheeler and Yamhill		
Time-Period	Owner-Information	Reason-for-Change-in-Ownership
01/07/1978 to- 01/18/2010	Richard Hili Portland, Oregon (503)-253-8050	Terminated
01/18/2010 to- present	VPMI	

Southern-Connecticut Territory— Counties of Fairfield, Middlesex, New-Haven and New-London		
Time-Period	Owner-Information	Reason-for-Change-in-Ownership
12/06/2004 to- 07/06/2010	Dale Gane Danielle Beyloun Bethel, Connecticut (203)-730-6395	Terminated
07/06/2010 to- Present	VPMI	

Greater Sacramento Territory – Counties of Alpine, Amador, Calaveras, El Dorado, Mariposa, Nevada, Placer, Sacramento, Sierra, Sutter, Tuloumne, Yolo and Yuba		
Time Period	Owner Information	Reason for Change in Ownership
09/12/2008 to 07/23/2010	Bobby and Gloria Adkins Roseville, CA (512) 451-0367	Terminated
07/23/2010 to present	VPMI	

Greater-San-Diego/ <u>Memphis and the Midsouth</u> Territory— San-Diego-County/ <u>Counties of Crittenden, AR (Zip codes 72301 &amp; 72303 only); Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Haywood, Lake, Lauderdale, Madison, McNairy, Obion, Shelby, Tipton and Weakley in TN; Cotmlies of DeSoto, Marhsall, Tate and Tunica in MS</u>		
Time Period	Owner Information	Reason for Change in Ownership

<p align="center"><u>Greater-San-Diego</u><del>Memphis and the Midsouth Territory—</del>  <u>San-Diego County</u><del>Counties of Crittenden, AR (Zip codes 72301 &amp; 72303 only); Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Haywood, Lake, Lauderdale, Madison, McNairy, Obion, Shelby, Tipton and Weakley in TN; Counties of DeSoto, Marhsall, Tate and Tunica in MS</del></p>		
<u>Time Period</u>	<u>Owner Information</u>	<u>Reason for Change in Ownership</u>
<u>03/30/2007</u> <del>06/02/09</del> to <u>4001/04/2010</u> <del>18/12</del>	<del>Bobby and Gloria Adkins</del> <u>Greg Thornbury</u> San-Diego, CA <del>Memphis, TN</del> (858)-618-1600 <u>901</u> 385-0880	Terminated
<u>40/04/2010</u> <del>01/18/12</del> to present	VPMI.	

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the VALPAK® System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The VALPAK Dealers~~Franchisees~~ Association, Inc.; is a Delaware corporation organized by Valpak's franchisees. You can reach them at: 630 DeSoto Drive., St. Petersburg, Florida 33715; (727) 490-7674 or (727) 282-8194; mariavda; [mariavpda@gmail.com](mailto:mariavpda@gmail.com).

**ITEM 21**~~ITEM-23~~

**FINANCIAL STATEMENTS**

Attached as Exhibit "B" to this Franchise Disclosure Document are the audited financial statements of Valpak as of and for the fiscal years ending December 31, 2011, December 25, 2010, and December 26, 2009 and ~~December 27, 2008-2009~~. Our unaudited balance statement and statement of income as of April 28, 2012 are also attached as Exhibit "B."

**ITEM 22**~~ITEM-24~~

**CONTRACTS**

The following agreements are attached as exhibits to this Circular:

<u>AGREEMENT</u>	<u>EXHIBIT</u>
1. Franchise Agreement	C-1
2. Renewal Addendum	C-2
3. Personal Guaranty of Owner/Shareholder	D
4. VOffice® Software License and Support Addendum	E
5. Note and Security Agreement and UCC-1	F
6. Conditional Assignment of Telephone Numbers, Listing, and Addresses	J
7. Franchise Compliance Certificate	K
8. Form of Bill of Sale and Agreement	L-1
9. Territory Purchase Note	L-2
10. Accounts Receivable Promissory Note	L-3

**ITEM 23/ITEM 25**

**RECEIPTS**

Exhibit "M" includes detachable documents acknowledging your receipt of this Franchise Disclosure Document. If these pages or any other pages or exhibits are missing from your copy, please contact Valpak at this address, phone number or e-mail address:

Valpak Direct Marketing Systems, Inc.  
8605 Largo Lakes Drive  
Largo, Florida 33773  
1-800-237-6266  
franchiseinformation@valpak.com

**EXHIBIT A-1**

**LIST OF VALPAK® FRANCHISEES**

## EXHIBIT A-1

### VALPAK® Franchisees As Of December 31, 2010

Except where noted, each listing represents 1 franchise under 1 Franchise Agreement with Valpak. If a single Franchise Agreement covers territory in more than 1 state, a full listing appears under 1 state, with a cross reference to it under the other states covered by the same agreement. If the same person or group of persons has more than 1 VALPAK® Franchise Agreement in a state, the number of agreements, or franchises, that such person or group has is designated. The market size of each franchise is also listed. This indicates the number of NTA®'s each franchise mailed. Macro = 50+ NTA®'s; Large = 31 - 49 NTA®'s; Medium = 16 - 30 NTA®'s; Small = 9 - 15 NTA®'s and Micro = 0 - 8 NTA®'s.

### ALABAMA

Cliff and Julie Somers  
Alpenglow Mktg., Inc.  
d/b/a Valpak of Central Alabama  
2820 Columbiana Road  
~~16 Office Park Circle, Suite 40-C201~~  
Birmingham, AL ~~35223~~35215  
(205) 871-5795  
Small

Anthony & Elizabeth Houssain & Sean Caine  
AIN Media, SC, Inc.  
d/b/a Valpak of North Alabama  
1206012205 County Line Road  
Suite J-281D  
Madison, AL ~~35756~~35758  
(256) 690-1586  
Micro

~~Bill White~~  
~~Biuestar Marketing, LLC~~  
~~d/b/a Valpak of Southwest Alabama~~  
~~1149 Creighton Road, Suite 7~~  
~~Pensacola, Florida 32504~~  
~~(850) 332-7992~~  
~~Micro~~

### ALASKA

Mary Belanger  
d/b/a Valpak of Alaska  
200 West 34th Ave., Suite 658  
Anchorage, AK 99503  
(907) 346-1814  
Small

### ARIZONA

Sue Millikin  
Valpak of the East Valley, Inc.  
d/b/a Valpak of East/Mesa Valley  
1530 North Country Club Drive, Suite 15  
Mesa, AZ 85201  
(480) 962-6792  
Large

Richard and Cynthia Rash  
Sue and Michelle Millikin  
SCR Media, LLC  
d/b/a Valpak of Metro Phoenix  
8611 N. Black Canyon, Suite 117  
Phoenix, AZ 85021  
(602) 995-5600  
Large



Richard TerracinoEric Biafore  
Tucson Direct Marketing, L.L.C.  
d/b/a Valpak of Northern-ArizonaTucson  
8611 N. Black Canyon Hwy. 4558 N. 1st Avenue  
Suite 117150  
Phoenix, AZ 85021 Tucson, AZ 85718  
(928) 775-9445 (520) 795-6672  
Small  
Medium

Erie BiaforeCynthia and Lon Turner  
Tucson Direct Marketing, L.L.C. Val-Pak of Northern  
Arizona, Inc.  
d/b/a Valpak of TucsonNorthern Arizona  
3323 N. Campbell Road, Ste. 5  
P. O. Box 796  
Tucson, AZ 85719 Chino Valley, AZ 86323  
(520) 795-6672 (928) 775-9445  
MediumMicro

#### ARKANSAS

Greg Thornbury  
(see Greg Thornbury listing under Tennessee)

#### CALIFORNIA

Stewart Duboff  
d/b/a Valpak of San Francisco and Valpak of the  
Peninsula  
2171 Junipero Serra Blvd., Suite 500  
Daly City, CA 94014  
(650) 994-1464  
Medium

David Dreyfus  
d/b/a Valpak of Santa Cruz County  
2040 Sellars Court  
P. O. Box 1333  
Capitola, CA 95010  
(408) 462-3862/(408) 479-3340  
Micro

Jim & Joanne Pereyra and Michael Paul  
Direct Marketing Assoc., Inc.  
d/b/a Valpak of Orange County  
2171 Campus Drive, Suite 200  
Irvine, CA 92612  
(949) 757-7500  
Large

Stephen and Susan Good  
d/b/a Valpak of Western Riverside County  
1832 Travis Street  
Hemet, CA 92543  
(951) 925-9650  
Small

Barbara Manlowe and Elizabeth Way  
d/b/a Valpak of Palm Springs  
80137 Pahn Circle Drive  
LaQuinta, CA 92253  
(760) 342-9477  
Small

Jackie DeMaio/Joe Dellaquila  
d/b/a Valpak of North California  
1304 Stockbridge Drive  
P.O. Box 9711  
San Jose, CA 95157  
(408) 985-6660  
Micro

Richard and Patsy Wympe  
Wynne Direct Marketing, Inc.  
d/b/a Valpak of Bay Area  
1333 Willow Pass Road, Suite 200  
Concord, CA 94520  
(925) 603-0699  
Macro

Tami S. McKnight  
Greengo, Inc.  
d/b/a Valpak of Central Coast of CA  
P. O. Box 2368  
Nipomo, CA 93444-2368  
(805) 929-4606  
Micro

Jackie DeMaio / Joe Dellaquila  
d/b/a Valpak of San Jose  
P. O. Box 9711  
San Jose, CA 95157  
(408) 985-6660  
Large

Fred B. Small, Jr., Katherine Grimmer & Jerry D. Allen  
VPLA Marketing, Inc.  
d/b/a Valpak of Los Angeles  
100 Corporate Pointe, Suite 382280  
Culver City, CA 90230  
(310) 642-4447  
Macro

Eugene Adelson & Mark Mauser  
San Diego Targeted Media Consultants, LLC  
d/b/a Valpak of San Diego  
3914 Murphy Canyon Road  
Suite A256  
San Diego, CA 92123  
(858) 737-1770  
Large

#### COLORADO

Don Duncan and Bill Buczek and Don Duncan  
Lionshead Associates, Inc.  
d/b/a Valpak of Denver  
9801 East Easter Ave.  
Centennial, CO 80112  
(303) 843-0943  
Macro

Kurt and Louise Ostrow  
Ostrow, Inc.  
d/b/a Valpak of Southern Colorado  
4525 Northpark Drive  
Suite 202  
Colorado Springs, CO 80918  
(719) 594-9518  
Small

Marty Thomas  
d/b/a Valpak of North Colorado and Southern  
Wyoming  
134 West Harvard, Suite 1  
Fort Collins, CO 80526  
(970) 223-6245  
Medium

#### CONNECTICUT

Mark S. McWhirter and Patrick F. Blois  
MarkPat, LLC  
d/b/a Valpak of Greater Hartford  
1133 Westchester Avenue, Suite S-223  
White Plains, NY 10604  
(914) 694-4082  
Medium

Christopher Goodman  
Hilltop Media Partners, Inc.  
d/b/a Valpak of Spuitem Connecticut  
21 Hickory Hill Road  
Brookfield, CT 06804  
(203) 740-0690  
Medium

DELAWARE

Paul Berman (see listing under Pennsylvania)

DISTRICT OF COLUMBIA

Fred Small (see listing under Virginia)

Dave Ireland and Mark McWhirter  
(see listing under Maryland)

FLORIDA

Bruce A. & Deborah L. Gryniewicz  
d/b/a Valpak of Central Florida  
111 Acadia Terrace  
Celebration, FL 34747  
(407) 973-7357  
Micro

James-L. Mike and Laura-N-Sullivan Lisa Fields  
Navillus-Direct-Response-Solutions,-Ine-Concepts West,  
Im.  
d/b/a Valpak of Jacksonville The Suncoast  
8434 Baymeadows-Way, Ste-3  
Jacksonville, FL-32256  
8374 Market Street, #157  
Lakewood Ranch, FL 34202  
(904) 724-6517 (941) 776-8838  
Small

Mike and Lisa Fields  
Concepts West, Inc.  
d/b/a Valpak of The Suncoast  
8374 Market Street, #157  
Lakewood Ranch, FL-34202  
(941) 776-8838  
Small

Paul-Castro  
d/b/a Valpak of Kendall & Dade-South  
P. O. Box-160171  
Miami, FL-33446  
(305) 274-7835  
Small

Kenny Rodgers and Brad and Jeanie Davis Paul  
Castro  
d/b/a Valpak of Kendall & Dade-South  
P. O. Box 160171  
Miami-Beach, FL 33116  
5423 North State Road 7  
Tamarac, FL-33319  
(305) 891-7287 (274-7835)  
Micro  
Small

Paul-Castro Kenny Rodgers and Brad and Jeannie Davis  
d/b/a Valpak of Miami-Central-&-N.-Dade Beach  
P. O. Box-160171  
5423 North State Road 7  
Miami, FL-33116 Tamarac, FL 33319  
(305) 274-7835 (891-7287)  
Micro

William L. White Paul Castro  
Bluestar Marketing, LLC  
d/b/a Valpak of NW-Florida Miami-Central & N.  
Dade  
1449 Creighton Road, Suite 7  
P. O. Box 160171  
Pensacola, FL 32504 Miami, FL 33116  
(850) 332-7992 (305) 274-7835  
Medium  
Micro

Brad and Jeannie Davis William L. White  
Bluestar Marketing, LLC  
d/b/a Valpak of Ft.-Lauderdale NW Florida & SW  
Alabama  
5423 North State 1449 Creighton Road, Suite 7  
Tamame, FL-33319 Pensacola, FL 32504  
(954) 485-5405 (850) 332-7992  
Large  
Medium

Brad and Jeannie Davis  
d/b/a Valpak of Ft. Lauderdale  
5423 North State Road 7  
Tamarac, FL 33319  
(954) 485-5405  
Large

Bob and Deena Adelson  
d/h/a Valpak of Greater Orlando  
4403 Vineland Road, Suite B13  
Orlando, FL 32811  
(407) 420-4818  
Medium

Bob and Deena AdelsonPhilip I & Jeannie K. Ellington  
Jennick Direct, Inc.  
d/b/a Valpak of Greater OriandeSouthwest Florida  
4403 Vineland Road, Suite B1322  
10681 Airport Pulling Road  
Oriande, FL 32811Naples, FL 34109  
(407) 420-4818(239) 594-3531  
Medium  
Small

Philip I & Jeannie K. EllingtonSteve and Audrey Michaels  
Jennick SMM Direct Marketing, Inc.  
d/b/a Valpak of South West FloridaPalm Beach County  
Suite 22  
10681 Airport Pulling Road  
9075 Alexandra Circle  
Naples, FL 34109Wellington, FL 33414  
(239) 504-3531(561) 204-4505  
Small

Steve and Audrey MichaelsLee S. Moskowitz  
SMM Empire Direct Marketing, Inc.  
d/b/a Valpak of Florida Atlantic Coast  
2740 SW Morton Downs Blvd. #118  
Palm Beach County, FL 34990  
9075 Alexandra Circle  
Wellington, FL 33414  
(561) 204-4505(772) 872-7218  
Small  
Micro

Lee S. Moskowitz  
Empire Direct Marketing, Inc.  
d/b/a Valpak of Florida Atlantic Coast  
2740 SW Morton Downs Blvd. #118  
Palm City, FL 34990  
(772) 872-7218  
Micro

Christopher J. and Jenifer A. Gosgrove  
Gosgrove Media Solutions Inc.  
d/b/a Valpak of Florida Gulf Coast  
5147 Oxford Drive  
Sarasota, FL 34242  
(941) 488-8100  
Micro

William R. Minor & Gary E. Bradley  
Space Coast Valpak, Inc.  
d/b/a Valpak of Space Coast FL  
1335 Gateway Drive, Suite 2008  
Melbourne, FL 32901  
(321) 309-2737  
Micro

Ron M. & Michelle L. Morel  
Daytona Direct Marketing LLC  
d/b/a Valpak of Greater Daytona  
P.O. Box 11407  
Daytona Beach, FL 32120  
(386) 265-5075(226) 4889  
Micro

Dan & Adele Harlacher  
D&A Marketing, Inc.  
d/b/a Valpak of Tampa Bay  
2963 Gulf to Bay Blvd., Suite 250  
Clearwater, FL 33759  
(727) 287-0200  
Macro

Larry & Valeria Owen  
Owen Advertising LLC  
d/b/a Valpak of Florida Gulfcoast  
P. O. Box 511416  
Punta Gorda, FL 33951  
(941) 807-7132  
Micro

### GEORGIA

~~Robert A. Alman~~  
~~One South Media, Inc.~~  
~~d/b/a Valpak of Central Georgia~~  
~~P. O. Box 7634~~  
~~Macon, GA 31209-7634~~  
~~(478)-743-5500~~  
~~Small~~

~~Rick Culbreth, Dennis Barr, Kyle Sims~~  
~~and Deborah Eason~~  
~~Pork-Pak, Inc.~~  
~~d/b/a Valpak of Savannah~~  
~~P.O. Box 24084~~  
~~Savannah, GA 31415~~  
~~(912)-654-9013~~  
~~Small~~

~~Graham Dorian~~ Rick Culbreth, Dennis Barr and  
Kyle Sims  
Valpak-Atlanta-Holdings, Inc. Pork-Pak, Inc.  
d/b/a Valpak of Atlanta Savannah  
5887 Glenridge Drive, Suite 420  
P.O. Box 24084  
Atlanta, GA 30328 Savannah, GA 31415  
(404) 256-9587 (912) 651-9013  
Macro  
Small

Graham Dorian  
Valpak Atlanta Holdings, Inc.  
d/b/a Valpak of Atlanta  
5887 Glenridge Drive, Suite 420  
Atlanta, GA 30328  
(404) 256-9587  
Macro

### HAWAII

Matt Longfellow, Skip Longfellow, George  
Longfellow and, Scott Hall, and Franco-Arange  
Island Direct Marketing LLC  
d/b/a Valpak of Hawaii  
99-061 Koaha Way, Suite 203  
Aiea, HI 96701  
(808) 942-1800 or (808) 944-2000  
Micro

### IDAHO

Reid and Sue Bowen  
d/b/a Valpak of South/East Idaho  
2633 Cavan Circle  
Idaho Falls, ID 83404  
(208) 529-5689  
Small

Michael Aspittle  
d/b/a Valpak of Idaho  
518 N. 13th Street  
Boise, ID 83702  
(208) 331-5011  
Micro

## ILLINOIS

John DeGreve  
(see John DeGreve listing under Iowa)

Bill and Donna Schrack  
(see Bill & Donna Schrack listing under Wisconsin)

Robert and Joen Lane  
R&J Direct Marketing, Inc.  
d/b/a Valpak of Bloomington/Normal  
534 Kenfield Circle  
Bloomington, IL 61704  
(309) 663-2899  
Micro

Felix Zaczek  
d/b/a Valpak of Chicago South/NW  
5401 West 159th Street  
Oak Forest, IL 60452  
(708) 535-9671  
Macro

Jesse A. Keyser Felix Zaczek  
Keyser Media, Inc.  
d/b/a Valpak of Southeast Illinois Chicago  
South/NW  
P.O. Box 3273  
5101 West 159th Street  
Carbondale, IL 62902 Oak Forest, IL 60452  
(618) 241-0239 (708) 535-9671  
Micro  
Macro

Ronald MacDonell & Rex Burr  
RJM Direct Marketing, Inc.  
d/b/a Valpak of Chicagoland  
12 Salt Creek Lane, Suite 325  
Hinsdale, IL 60521  
(630) 920-0230  
Macro

## INDIANA

Felix Zaczek  
(see Felix Zaczek listing under Illinois)

Bob Slattery  
d/b/a Valpak of Indianapolis  
7318 Lakeside Drive, Suite 100  
Fishers, IN 46038  
(317) 806-7821  
Large

## IOWA

John H. DeGreve  
VPQC, Inc.  
d/b/a Valpak of Quad Cities  
2637- 16th Street  
Moline, IL 61265  
(309) 762-1437  
Micro

Rick and Julie Probst  
d/b/a Valpak of Central Iowa  
4921 Douglas Avenue, Suite #6  
Des Moines, IA 50310  
(515) 254-1388/(515) 276-7665  
Medium

John C. Humphries III & Stephanie R. Humphries  
JS Direct Marketing, Inc.  
d/b/a Valpak of Mid East Iowa  
465 Northland Avenue, Suite 200  
Cedar Rapids, IA 52402  
(319) 447-1899  
Micro

KANSAS

Bobby and Gloria Adkins  
d/b/a Valpak of Greater Kansas City  
13550 West 95th Street  
Lenexa, KS 66215  
(913) 438-8440  
Large

Huned A. and Adam E. Gangriwala and Amy E. Bryant  
Direct Mail Solutions, LLC  
d/b/a Valpak of Central Kansas  
3714 E. 3rd Street North  
Wichita, KS 67208  
(316) 218-0322  
Micro

KENTUCKY

Bob Slattery  
d/b/a Valpak of Kentucky  
3036 Breckenridge Lane, Suite 203  
Louisville, KY 40220  
(502) 493-7333  
Medium

LOUISIANA

Gary B. and Denise M. Sledge  
AGNA Marketing, LLC  
d/b/a Valpak of Baton Rouge  
8359 Bastille Street  
Denham Springs, LA 70726  
(225) 667-2985  
Small

John P. and Wende Baudsin  
Acadiana On-Site, LLC  
d/b/a Valpak of Acadiana  
108 Clear Lake Drive  
Lafayette, LA 70506  
(337) 322-5757  
Micro

MAINE

Daniel P. Libby  
Max Bear, LLC  
d/b/a Valpak of Maine  
825 Forest Avenue  
Portland, ME 04103  
(207) 699-4320  
Micro

MARYLAND

Dave Ireland and Mark McWhirter  
Ireland-McWhirter, Inc.  
d/b/a Valpak of Maryland  
1355 Piccard Dr.  
Suite 355  
Rockville, MD 20850  
(301) 770-1313  
Large

Mary & Stanley D. Besecker and David S. Grimm  
(see Mary Besecker listing under Pennsylvania)

Ben Borchelt and Mark Phillips  
Mail It Incorporated  
d/b/a Valpak of Southeastern—MarylandThe  
Chesapeake  
1438 Defense Highway  
Suite 102  
Gambrills, MD 21054  
(301) 925-3244  
Macro

Phil and Rita Schleider  
Greater Baltimore Val-Pak, Inc.  
d/b/a Valpak of Central Maryland  
10 Crossroads Drive, Suite 205  
Owings Mills, MD 21117  
(410) 998-9422  
Macro

#### MASSACHUSETTS

Elaine Shapiro  
JO-EL Marketing, Inc.  
d/b/a Valpak of Cape Cod & the Islands  
P.O. Box 923  
Forestdale, MA 02644  
(508) 477-1219  
Small

Frederick J. Steinman  
Springfield Direct Marketing, Inc.  
d/b/a Valpak of Western Massachusetts  
125 Main Street  
Springfield, MA 01105  
(413) 734-2345  
Medium

#### MICHIGAN

Jeff and Patricia Henkel  
OTWAW, Inc.  
d/b/a Valpak of Northern Michigan  
8830 Dawn Circle  
Traverse City, MI 49686  
(231) 929-1492  
Micro

Bob Slattery  
(see Bob Slattery listing under Ohio)

Don Duncan and Bill Buczek and Don-Duncan  
Valpak Associates, Inc.  
d/b/a Valpak of Southeast Michigan  
28180 Schoolcraft Rd.  
Livonia, MI 48150  
(734) 522-0100  
Macro

Don Duncan and Bill Buczek  
Valpak Associates, Inc.  
d/b/a Valpak of Western Michigan  
1500 E. Beltline Avenue, SE, Suite 240  
Grand Rapids, MI 49506  
(616) 261-2626  
Medium

#### MINNESOTA

Rand Gottlieb  
Cooper Mead Investments, LLC  
d/b/a Valpak of Minneapolis/St. Paul  
1711 West Country Road B 200 S  
Roseville, MN 55113  
(651) 603-0603  
Macro



## MISSISSIPPI

Greg Thornbury  
(see Greg Thornbury listing under Tennessee)

## MISSOURI

Bobby & Gloria Adkins  
d/b/a Valpak of Greater St. Louis  
929 Fee Road, Suite 204  
Maryland Heights, MO 63043  
(314) 962-2442  
Large

## MONTANA

Rodney and Toni L. Harsell  
Harsell Media LLC  
d/b/a Valpak of Montana  
2501 Garland Drive  
Missoula, MT 59803  
(406) 251-1411  
Micro

## NEBRASKA

Scott Farkas & Mary P. Rogers-Farkas  
d/b/a Valpak of Omaha  
P. O. Box 241987  
Omaha, NE 68124  
(402) 330-3492  
Micro

William Jeffery  
Gibraltar Holdings, Inc.  
d/b/a Valpak of Lincoln  
5940 R Street, Suite 200  
Lincoln, NE 68505  
(402) 643-2382  
Micro

## NEVADA

Mike Aspittle  
d/b/a Valpak Reno and Northern Nevada  
335 Cheney Street  
Reno, NV 89502  
(702) 448-9500  
Small

Douglas Bramble  
Lone Pahn, Inc.  
d/b/a Valpak of Las Vegas  
3625 S. Town Center Drive, Suite 100  
Las Vegas, NV 89135-3017  
(702) 248-9600  
Large

NEW HAMPSHIRE

Gerald P. McGrath, Jr.  
d/b/a Valpak of New Hampshire  
Park II West  
13 Orchard View Drive, Suite 4  
Londonderry, NH 03053  
(603) 432-2211/(603) 432-2282  
Medium

NEW JERSEY

Jeff and Marsha Cohen  
Garden State Val-Pak, Inc.  
d/b/a Valpak of Garden State West  
1055 Parsippany Boulevard  
~~600-South Livingston Ave., Suite 407308~~  
Livingston, NJ 07039~~Parsippany, NJ 07054~~  
(973) 994-9424  
Small

William Reichert  
d/b/a Valpak of South Jersey  
P.O. Box 3845  
Cherry Hill, NJ 08034  
(856) 424-6699  
Medium

Margaret M. Hordt  
JBT Marketing LLC  
d/b/a Valpak of Jersey Coast  
503-Highway 74  
1116 Arnold Avenue  
~~Spring Lake Heights, NJ 07762~~Point Pleasant, NJ  
08742  
(732) 359-7445475-6668  
Medium

Joseph N. and Nicolina C. Trilling  
NJ Gold Coast Marketing, LLC  
d/b/a Valpak of NJ Gold Coast  
255 Warren Street, #1104  
Jersey City, NJ 07302  
(201) 451-2620  
Micro

Robyn A. and Michael J. Lozier  
Lozier Marketing, Inc.  
d/b/a Valpak of Garden State East  
101 Eisenhower Parkway  
~~600-Somh-Livingston Avenue, Suite 405108~~  
Livingston, NJ 07039~~Roseland, NJ 07068~~  
(973) 994-9424364-0100  
Medium

Nunzio Pappagallo  
Boost Omnimedia Inc.  
d/b/a Valpak of Central Jersey  
225 Willowbrook Rd., Unit B  
Freehold, NJ 07728  
(732) 294-0808  
Macro

Thomas & David Karfunkel & Paul Gerstner  
Topeka Agency, LLC  
d/b/a Valpak of New Jersey  
336 West Passaic Street  
Rochelle Park, NJ 07662  
(201) 488-6688  
Large

Jack-Henry  
d/b/a-Valpak-of-Cumerland/Salem  
8605-Largo-Lakes-Drive  
~~Largo, FL 33773~~  
(727) 399-3000  
Miero

## NEW MEXICO

Tom and Christina Scott and Shirley Fisk  
Prickley Pear Associates, Inc.  
d/b/a Valpak of Albuquerque  
6301 Candelaria NE  
Albuquerque, NM 87110  
(505) 294-6297  
Medium

## NEW YORK

Thomas & David Karfunkel & Paul Gerstner  
(see Thomas & David Karfunkel & Paul Gerstner  
listing under New Jersey)

Vincent Vigorito  
d/b/a Valpak of Long Island  
1 DuPont Street  
Suite 210  
Plainview, NY 11803  
(516) 342-9846  
Large

Mark McWhirter  
McWhirter Direct Marketing, Ltd.  
d/b/a Valpak of Southern New York  
109 Montgomery Avenue  
Scarsdale, NY 10583  
(914) 725-8888  
Large

Gary S. Berger  
d/b/a Valpak of Mid Hudson Valley  
668 Dutchess Turnpike, Suite 205  
Poughkeepsie, NY 12603  
(845) 452-3300  
Small

Chuck Hill  
Val-Pak of Western New York, Inc,  
d/b/a Valpak of Western New York  
580 Cayuga Road  
Buffalo, NY 14225-1312  
(716) 633-0625  
Medium

Sean Conaghan and Jimmy Murray  
d/b/a Valpak of Staten Isl/Gr. Brooklyn  
501 Oakland Avenue  
Staten Island, NY 10310  
(718) 448-0101  
Large

Glen Campbell, Dale Campbell  
and Craig Campbell  
Campbell Enterprises, Inc.  
d/b/a Valpak of Northeast New York  
23 Executive Park Drive  
Halfmoon, NY 12065  
(518) 383-2000  
Medium

Christopher P. Jacobs  
d/b/a Valpak of Rochester  
16 Fletcher Road  
Pittsford, NY 14534  
(585) 586-6410  
Micro

Rodney Lowenstein  
New York Direct Mktg. Corp.  
d/b/a Valpak of New York  
875 Avenue of the Americas  
Suite 910  
New York, NY 10001  
(212) 560-9400  
Large

#### NORTH CAROLINA

~~Damy—Damron~~Mark S. McWhirter, David M. Ireland & Patrick F. Blois  
Atlantic Direct Marketing, LLC  
d/b/a Valpak of PiedmontCharlotte  
P. O. Box 445708  
Stokesdale, NC 27357Matthews, NC 28106  
(336)643-4133(704) 970-4300  
Medium

~~Mark S. McWhirter, Stuart Weiss & David M. Ireland & Patrick F. Blois~~Hughes  
Atlantic Direct Marketing, LLCCoastal Media LLC  
d/b/a Valpak of Charlottethe Triangle  
P. O. Box-708  
189-104 Wind Chime Court  
Matthews, NC 28106Raleigh, NC 27615  
(704)970-4300(919) 846-9394  
Medium

~~Stuart Weiss & David Hughes~~Michael A. Halpern  
Coastal Media-LLC  
Port City Holdings, Inc.  
d/b/a Valpak of the TriangleCoastal Carolina  
189-104 Wind Chime Court  
1209 Market Street, Suite A  
Raleigh, NC 27615Wilmington, NC 28401  
(919)846-9394(910) 395-0000  
Medium  
Micro

~~Michael A. Halpern~~Carissa M. Cole  
Port City Holdings, Inc.  
Blue Ridge Media Solutions, LLC  
d/b/a Valpak of CoastalWestern North Carolina  
1209 Market Street, Suite-A  
R. O. Box 1922  
Wilmington, NC 28401Fairview, NC 28730  
(910)395-0000(828) 628-6818  
Micro

#### OHIO

Bob Slattery  
d/b/a Valpak of Cincinnati/Dayton  
9850 Redhill Dr.  
Cincinnati, OH 45242  
(513) 794-4100  
Large

Gina Schrader (see Gina Schrader listing under West Virginia)

Frank Zbiegien  
SFZ Corporation  
d/b/a Valpak of Cleveland  
881 East 222<sup>nd</sup> Street  
Euclid, OH 44123  
(216) 731-5309  
Large

James E. Dixon  
d/b/a Valpak of Central Ohio/Columbus  
P. O. Box 16868  
Columbus, OH 43216-1737  
(614) 486-7168  
Macro

Richard Nurrenbrock  
d/b/a Valpak of Troy  
305 South Market St., Suhe 15  
Troy, OH 45373-3228  
(937) 335-0330  
Small

Eric D. Frey  
Multiples, LLC  
d/b/a Valpak of Northeast Ohio  
6953 Secrest Circle  
Medina, OH 44256  
(330) 725-7800  
Micro

Bob Slattery/Jim Slattery  
d/b/a Valpak of Northwestern Ohio  
4303 Talmadge Road  
Toledo, OH 43623  
(419) 475-4100  
Large

Frank Zbiegien  
JAMS Valpak, hnc.  
d/b/a Valpak of West Cleveland  
881 East 222nd Street  
Euclid, OH 44123  
(216) 731-5309  
Large

#### OKLAHOMA

Brett and Theresa Bowden  
BeDirect Marketing LLC  
d/b/a Valpak Oklahoma  
4100 Perimeter Center Drive, Suite 120  
Oklahoma City, OK 73112  
(405) 943-2457  
Medium

Am Hanford  
d/b/a Valpak of Tulsa  
1715 South Boston Ave.  
Tulsa, OK 74119  
(918) 747-0990  
Small

#### OREGON

Bob and Joan Isaacs  
d/b/a Valpak of Southern Oregon  
P. O. Box 3162  
Central Point, Oregon 97502  
(541) 665-3640  
Micro

John and Susan Schulte  
Willamette Graphics, Inc.  
d/b/a Valpak of Salem, OR  
170 Ellendale #514, Suite 103  
Dallas, OR  
(503) 831-0191  
Micro

Sherman Alldredge and Norman Myhr  
NW Media, Inc.  
d/b/a Valpak of the Northwest  
106 S.E. 11th Avenue  
Portland, OR 97214  
(503) 223-5010  
Medium

PENNSYLVANIA

Paul Berman  
d/b/a Valpak of Philadelphia  
816 W. Springfield Road  
Springfield, PA 19064  
(610) 325-3535  
Macro

Les, Donna, Mike and Mark Patmore  
d/b/a Valpak of Erie  
1148 Boyer Road  
Erie, PA 16511  
(814) 898-2131  
Small

Mary & Stanley D. Besecker and David S. Grimm  
d/b/a Valpak of Cumberland Valley  
1829 Howell Road, Suite 1  
Hagerstown, MD 21740-6606  
(301) 791-7304  
Small

Al Starman  
d/b/a Valpak of Eastern Pennsylvania  
2989 Burton Drive  
Gilbertsville, PA 19525  
(610) 970-8800  
Small

Joel Katzman  
d/b/a Valpak of Lehigh Valley  
3418 Hamilton Blvd., Suite 165  
Allentown, PA 18103  
(610) 838-7540  
Medium

Bob and Jim Slattery  
d/b/a Valpak of Western Pennsylvania  
100 Mulberry Lane  
Pittsburgh, PA 15235  
(412) 244-1400  
Large

Al Starman  
d/b/a Valpak of Central Pennsylvania  
2989 Burton Drive  
Gilbertsville, PA 19525  
(610) 970-8800  
Small

Phil-Schleider-and-Shelley-CollinsPaul Berman: Donna  
Cirillo & Kathi Dunlap  
Best-Target-Marketing, L.L.C.  
REDUP, LLC  
d/b/a Valpak of South-Central PA Lancaster  
10 Crossroads Drive, Suite 205  
Owings Mills, MD 21117  
816 W. Springfield Road  
Springfield, PA 19064  
(410)-998-9422(610) 325-3535  
Small

Paul Berman, Donna Cirillo & Kathi DunlapAL  
Starman  
REDUP, LLC  
d/b/a Valpak of Lancaster Lion Country  
816 W. Springfield Road  
Box 11  
Springfield, PA 19064Gilbertsville, PA 19525  
(610)-325-3535(800) 865-1058  
Small  
Micro

RHODE ISLAND

Edward P. and Sandra Corning  
Cove Media LLC  
d/b/a Valpak of Rhode Island  
150 Midway Road, Suite 171  
Cranston, RI 02920  
(401) 943-0741  
Medium

SOUTH CAROLINA

Jason L. Snyder  
J-BO, htc.  
d/b/a Valpak of Greater Columbia  
608 Holly Street  
Columbia, SC 29205  
(803) 743-9777  
Small

Dennis Hogeboom  
Palmetto Direct Mktg. LLC  
d/b/a Valpak of Myrtle Beach  
P. O. Box 2425  
Pauleys Island, SC 29585  
(843) 971-9526  
Micro

Gary and Joanne Hogeboom  
d/b/a Valpak of Upstate South Carolina  
166 S. Bates Road  
Taylors, SC 29687  
(864) 848-4022  
Medium

Mark McWhirter, Dave Ireland & Patrick Blois  
(see Mark McWhirter, Dave Ireland & Patrick Blois  
Listing under North Carolina)

~~Dennis Barr~~ Thomas J. Noviski  
Marketing Solutions of Greater Charleston, LLC  
d/b/a Valpak of Greater Charleston  
717 Old Trolley Rd., Suite 6-310  
Summerville, SC 29485  
(see Dennis Barr listing under Georgia) 843  
793-8031  
Small

~~Thomas J. Noviski~~ Michele R. Hunter  
Marketing Solutions of Greater Charleston  
Target Media, LLC  
  
d/b/a Valpak of Greater Charleston The Low Country  
717 Old Trolley Rd., Suite 6-310  
R. O. Box 2322  
Summerville, SC 29485 Bluffton, SC 29910  
(843) 793-8031 757-0021  
Small  
Micro

SOUTH DAKOTA

Keith A. Starks  
d/b/a Valpak of South Dakota/Aberdeen  
1407 S. 3rd Street  
Aberdeen, SD 57401  
(605) 380-8124  
Micro

## TENNESSEE

Scott A. and Judy A. Haines  
Holiday Marketing, Inc.  
d/b/a Valpak of East Tennessee  
11130 Kingston Pike, Suite 1-226  
Knoxville, TN 37934  
(865) 671-1978  
Micro

Gregory L. Thornbury  
Thornbury Enterprises, Inc.  
d/b/a Valpak of Memphis & the Mid-South  
2800 Whitten Road, Suite 5  
1615 Coleheme Cove  
Memphis, TN 38133 Collierville, TN 38017  
(901) 385-0880  
Medium

Thomas R. Jervis, Jr. & Lynne B. Jervis  
Jervis Enterprises, Inc.  
d/b/a Valpak of Nashville  
3055 Lebanon Pike, Suite 2104  
1881 General Geroge Patton Drive  
Nashville, TN 37214 Franklin, TN 37067  
(615) 361-3553  
Medium

## TEXAS

Joe F. & Theresa G. Ernest  
Red Bird Direct, Ltd.  
d/b/a Valpak of San Antonio  
4737 Shavano Oak, Suite 103  
San Antonio, TX 78249  
(210) 341-7300  
Medium

Vivian Davis  
Dallas Value, Inc.  
d/b/a Valpak of Dallas  
2812 Trinity Square Dr.  
#106  
Carrollton, TX 75006  
(972) 478-8191  
Macro

Hunter L. and Kimberley Kimberly K. Dunn  
Dallas Target Media, Inc.  
d/b/a Valpak of East Dallas  
4925 Greenville Ave., Suite 480  
Dallas, TX 75206  
(972) 238-1581  
Medium

Bobby D. & Gloria L. Adkins  
d/b/a Valpak of Austin  
8900 Business Park Drive, Suite 200  
Austin, TX 78759  
(512) 451-0367  
Medium

~~Michael R. Jones~~ Eugene B. Adelson II & Mark  
Mauser  
~~SoTex Solutions, LLC~~ Houston Targeted Media  
Consultants, LLC  
d/b/a Valpak of Corpus Christi Greater Houston  
13921 Flintlock Drive  
13201 Northwest Freeway, Suite 101  
Corpus Christi, TX 78418 Houston, TX 77040  
(361)-949-2700 2811 846-2800  
Micro  
Macro

~~Eugene B. Hunter L. Adelson II & Mark Mauser &~~  
Kimberly K Dunn  
~~Houston Targeted Dallas Target Media Consultants,~~  
~~LLC Inc.~~  
d/b/a Valpak of Greater Houston Southwest Dallas  
13201 Northwest Freeway 4025 Greenville Ave., Suite  
101480  
Houston, TX 77040 Dallas, TX 75206  
(281)-846-2800 9721 238-1581  
Macro  
Small



Hunter L. & Kimberly K. Duan  
Dallas Target Media, Inc.  
d/b/a Valpak of Southwest Dallas  
4025 Greenville Ave., Suite 480  
Dallas, TX 75206  
9972) 238-1584  
Small

Scott R. Farkas, Mary P. Rogers Farkas and Keith  
Workman  
Results, Results, Results X-2, Inc.  
d/b/a Valpak of The Texas Panhandle  
4323 Omaha Avenue  
Amarillo, TX 79106  
(806) 477-0684  
Micro

Jerry D. Allen & Fred B. Small, Jr.  
VP Ft. Worth Marketing, Inc.  
d/b/a Valpak of Greater Fort Worth  
1200 Summit Avenue  
1701 River Run Road, Suite 901750  
Ft. Worth, TX 7610776102  
(817) 390-0400  
Large

#### UTAH

Gary S. Heaton  
Super Saver Coupon, Inc.  
d/b/a Valpak of Salt Lake City  
9160 South 300 West, Suite 3  
Sandy, UT 84070  
(801) 255-4150  
Large  
Medium

~~Matthew Aspittle and Dane Searle~~ Gary Stanley  
d/b/a Valpak of Northern Southern Utah  
4729 South 1900 West  
2773 Tobin Circle  
Roy, UT 84067 St. George, UT 84790  
(801) 775-9719 (35) 628-7743 or (435) 229-6138  
Small  
Micro

~~Gary S. Heaton Matthew Aspittle and Dane Searle~~  
Super Saver Coupons, Inc.  
d/b/a Valpak of Central Northern Utah  
9160 4729 South 300 1900 West, Suite 3  
Sandy Roy, UT -84070 84067  
(801) ~~221-4841~~ 775-9719  
Small

Gary Stanley  
d/b/a Valpak of Southern Utah  
130-B-200 North  
St. George, UT 84770  
(435) 628-7743 or (435) 229-6138  
Micro

#### VIRGINIA

Mike and Helene Meyer and Bernard Wittkamp III  
Coupon, Inc.  
d/b/a Valpak of Central Virginia  
6421 Rigsby Road  
Suite 201  
Richmond, VA 23226-2916  
(804) 673-7373  
Large

Albert Fisher, Sr., Gretchen Fisher and Albert Fisher, Jr.  
d/b/a Valpak of Southern Virginia  
P. O. Box 5572  
Virginia Beach, VA 23471  
(757) 481-3300  
Large

Deborah Kindig  
Marketing Horizons, Inc.  
d/b/a Valpak of Fredericksburg  
3516 Plank Road, Suite 6B  
Fredericksburg, VA 22407  
(540) 785-1942  
Micro

Fred Small  
Val-Pak of Virginia, Inc.  
d/b/a Valpak of Virginia  
21720 Red Rum Drive  
Suite 187  
Ashburn, VA 20147  
(703)-761-4144/918-4353  
Macro

Peter W. White  
d/b/a Valpak of Roanoke Valley  
2615 Rosalind Avenue, S.W.  
Roanoke, VA 24014  
(540) 343-6378  
Small

~~Timothy C. Walker~~ Fred Small & Katherine Grimmer  
~~Cavalier Advertising, LLC~~ VYP Marketing LLC  
d/b/a Valpak of Shenandoah-Valley Winchester  
~~R.O. Box 31~~  
21720 Red Rum Drive, Suite 187  
~~Crozet, VA 22932~~ Ashburn, VA 20147  
(434)-823-1900/703) 761-4144  
Micro

~~Fred Small & Katherine Grimmer~~ Kenneth L. & Elizabeth A. Fuchs  
~~VPGuerrilla Marketing LLC~~  
d/b/a Valpak of Winchester Charlottesville, VA  
~~21720 Red Rum Drive, Suite 187~~  
P. O. Box 738  
~~Ashburn, VA 20147~~ Charlottesville, VA  
22902-0738  
(703)-761-4144/341 202-8129  
Micro

~~Kenneth L. & Elizabeth A. Fuchs~~  
Guerrilla Marketing LLC  
d/b/a Valpak of Charlottesville, VA  
P.O. Box 738  
Charlottesville, VA 22902-0738  
(434)-202-8129  
Micro

#### WASHINGTON

Richard and Annette Bowie  
d/b/a Valpak of Western Washington/North  
23607 Highway 99, Suite 3B  
Edmonds, WA 98026  
(425) 778-3900  
Large

~~Lee Jeff and Linden-Gonnely~~ Kim Goodman  
d/b/a Valpak of Western Washington/East N.W.  
~~600 Oakesdale Avenue-SW~~ 1333 King Street, Suite  
403C  
~~Renton, WA-98057~~ Bellingham, WA 98266  
(425)-455-8285/360) 734-6072/(360) 647-1597  
Large  
Medium

~~Jeff and Kim Goodman~~  
d/b/a Valpak of Western Washington-N.W.  
~~1333 King Street, Suite C~~  
~~Bellingham, WA 98266~~  
(360)-734-6072/(360)-647-1597  
Medium

~~Mike and Dianne Ersser~~  
d/b/a Valpak of Western Washington/West  
~~P.O. Box 2955~~  
~~Silverdale, WA 98383~~  
(206)-780-9847  
Small

~~Davidson-Corry~~ Mike and Dianne Ersser  
~~Corrson, Inc.~~  
d/b/a Valpak of South Puget Sound Western  
Washington/West  
6537-Husky-Way-SE  
P. O. Box 2955  
Olympia, WA-08503 Silverdale, WA 98383  
(360) 412-6000 (206) 780-9847  
Micro  
Small

~~Val-Workman~~ Davidson Corry  
~~VWORKMAN~~ Corrson, Inc.  
d/b/a Valpak of the Inland Northwest Southwest  
Washington  
210-North-University-Road, #200  
6537 Husky Way SE  
Spokane Valley, WA-99206 Olympia, WA 98503  
(509)-892-6334 (360) 412-6000  
Small  
Micro

~~Steve-Dewman~~ Val Workman  
~~EagleDirect-Marketing-LLC~~  
VWORKMAN, Inc.  
d/b/a Valpak of Western-Washington-South the  
Inland Northwest  
600 Oakesdale Avneue, SW #103  
210 North University Road, #200  
Renton, WA-98057 Spokane Valley, WA 99206  
(253)-926-8334 (509) 892-6334  
Large  
Small

~~Steve Dowman~~  
EagleDirect Marketing LLC  
d/b/a Valpak of Western WA East/South  
600 Oakesdale Avneue, SW #103  
Renton, WA 98057  
(253) 926-8334  
Macro

Shannan Alldrege & Norman Myhr  
(See Listing under Oregon)

#### WEST VIRGINIA

Gina Schrader  
d/b/a Valpak of Western Virginia West VA  
408 Tennessee Avenue  
Charleston, WV 25302  
(304) 342-8236/(304) 357-7111  
Micro

Mary & Stanley D. Besecker / David S. Grimm (see  
Mary & Stan Besecker / David Grimm listing under  
Pennsylvania)

Cathie L. Parker and Jay Stright  
CatPar, LLC  
d/b/a Valpak of West Virginia  
859 Cobblestone Blvd.  
Scott Depot, WV 25560  
(304) 757-0932  
Micro

Cliff and Lynn Halley  
d/b/a Valpak of N.E. Wisconsin  
1620 S. Lawe Street  
Appleton, WI 54915  
(920) 735-0301  
Large

David E. and Deborah L. Barrett  
DEB Marketing LLC  
d/b/a Valpak of Chippewa Valley  
4102 Meadowwood Drive  
Eau Claire, WI 54701  
(715) 832-3626  
Micro

Rand Gottlieb  
(See Rand Gottlieb listing under Mimesota)

Marty Thomas  
(see Marty Thomas listing under Colorado)

#### WISCONSIN

William and Donna Schrack  
Sales & Marketing Solutions, Inc.  
d/b/a Valpak of Southeast Wisconsin & N. Illinois  
5129 W. Franklin Drive  
Franklin, WI 53132  
(414) 448-1005  
Large

William and Donna Schrack  
Target Marketing Solutions of Madison, LLC  
d/b/a Valpak of Madison  
5129 W. Franklin Drive  
Franklin, WI 53132  
(414) 448-1005  
Medium

#### WYOMING

**EXHIBIT A-2**

**LIST OF FORMER VALPAK® FRANCHISEES**

**EXHIBIT A-2**

**Persons Who Ceased  
Operating a VALPAK® Franchise During  
The 12 Months Ended December 31, 2010/2011**

Each of the former VALPAK® Franchisees listed below ceased doing business as a VALPAK® Franchisee within a specific VALPAK® territory or who did not communicate with Valpak within 10 weeks of April 26, 2011-May 23, 2012.

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

**ALABAMA**

Eileen O'Brien  
Fair Business Solutions, Inc.  
d/b/a-Valpak of Southwest Alabama  
Daphne, AL 36526  
(251) 447-0766

**CALIFORNIA**

Bobby & Gloria Adkins  
d/b/a-Valpak of Greater Sacramento  
Roseville, CA 95678  
(512) 451-0367  
Medium

Bobby & Gloria Adkins  
d/b/a-Valpak of Greater San Diego  
San Diego, CA 92127  
(8582) 618-1600  
Maere

**CONNECTICUT**

Dale M. Gane & Danielle R. Boyleuni  
Results Advertising, LLC  
d/b/a-Valpak of Southern Connecticut  
Bethel, CT 06801  
(203) 730-6395  
Large

**LOUISIANA**

Shannon S. and Robert M. Stone  
KHBA Enterprises, LLC  
d/b/a-Valpak of Acadiana  
103 Millerest Drive  
Lafayette, LA 70508  
(337) 298-7353  
Miere

**MINNESOTA**

Steven V. and Sherry L. Harms  
S&S Harms, Inc.  
d/b/a Valpak of Duluth Superior, MN WI  
Gilbert, MN 55741-0836  
(218) 865-7110  
Micro

**MONTANA**

Mike Spenner  
d/b/a Valpak of Missoula  
310 Burlington  
Missoula, MT 59801  
(406) 549-8741  
Micro

**NORTH CAROLINA**

Jeel & June Langley  
d/b/a Valpak of Western North Carolina  
Asheville, NC 28806  
(828) 277-2727  
Micro

Clayton & Susae Gsell  
Val Pak of Coastal Carolina, LLC  
d/b/a Valpak of Coastal Carolina  
Wilmington, NC 28405  
(910) 395-0000  
Small

Fred & Cathi Cox  
d/b/a Valpak of Eastern Carolina  
Raleigh, NC 27615  
(919) 846-9394  
Medium

Stuart Weiss & David Hughes  
Coastal Media LLC  
Wilmington, NC 28412  
(910) 395-0000  
Micro

**OREGON**

Richard Hill  
d/b/a Valpak of Oregon  
Portland, OR 97216  
(503) 253-8050  
Large

**PENNSYLVANIA**

Kathteen A. Williams  
KA Williams Marketing, LLC  
d/b/a Valpak of Lion Country  
State College, PA 16804  
(814) 234-3222  
Micro

Joseph R., Robert R. and Ryan Aderoft  
Aderoft Advertising Agency, LLC  
d/b/a Valpak of Northeast PA  
Scranton, PA 18510  
(570) 909-9441  
Micro

**TEXAS**

Eugene B. Adeison  
Val Pak of Tarrant County, Inc.  
d/b/a Valpak of Tarrant County  
Ft. Worth, TX 76107  
(817) 390-0400  
Large

Tedd R. Cook  
TRC Ventures, LP  
d/b/a Valpak of South Texas  
McAllen, TX 78504-7  
(956) 739-7419  
Miero

**VIRGINIA**

Adam Swan  
Swan Marketing, LLC  
d/b/a Valpak of Lynchburg  
Crozet, VA 22932-0143  
(434) 823-3852  
Miero

Adam Swan  
Swan Marketing, LLC  
d/b/a Valpak of Charlottesville  
Crozet, VA 22932-0143  
(434) 823-3852  
Miero

**WASHINGTON**

Cristina Harris  
Richard and Carole Mumma  
Prestige Direct Marketing, LLC  
d/b/a Valpak of Southeast Washington  
Richland, WA 99354-1540  
(509) 375-4186  
Miero

**ALABAMA**

Bill White  
Bluestar Marketing, LLC  
d/b/a Valpak of Southwest Alabama  
Pensacola, FL 32504  
(850) 332-7992  
Micro

**FLORIDA**

Christopher J. and Jenifer A. Cosgrove  
Cosgrove Media Solutions, Inc.  
d/b/a Valpak of Florida Gulfcoast  
Sarasota, FL 34242  
(941) 488-8100  
Micro

James L. and Laura N. Sullivan  
Navillus Direct Response Solutions, Inc.  
d/b/a Valpak of Jacksonville  
Jacksonville, FL 32256  
(904) 724-6517  
Small

**GEORGIA**

Robert A. Alman  
One South Media, Inc.  
d/b/a Valpak of Central Georgia  
Macon, GA 31209-7631  
(478) 743-5500  
Small



ILLINOIS

Robert and Ioan Lane  
R&J Direct Marketing, Inc.  
d/b/a Valpak of Bloomington/Normal  
Bloomington, IL 61704  
(309) 663-2899  
Micro

Jesse A. Keyser  
Keyser Media, Inc.  
d/b/a Valpak of Southern Illinois  
Carbondale, IL 62902  
(618) 241-0239  
Micro

MAINE

Daniel P. Libby  
Max Bear, LLC  
d/b/a Valpak of Maine  
Portland, ME 04103  
(207) 699-4320  
Micro

NEBRASKA

William Jeffery  
Gibraltar Holdings, Inc.  
d/b/a Valpak of Lincoln  
Lincoln, NE 68505  
(402) 613-2382  
Micro

NEW JERSEY

Jack Henry  
d/b/a Valpak of Cumberland/Salem  
Largo, FL 33773  
(727) 399-3000  
Micro

NORTH CAROLINA

Danny & Phyllis Damron  
Piedmont Coupons, Inc.  
d/b/a Valpak of Piedmont  
Stokesdale, NC 27357  
(336) 643-4133  
Medium

PENNSYLVANIA

Phil Schleider & Shelley Collins  
Best Target Marketing, L.L.C.  
d/b/a Valpak of South Central PA  
Owings Mills, MD 21117  
(410) 998-9422  
Small

SOUTH DAKOTA

Keith A. Starks  
Valpak of South Dakota/Aberdeen  
Aberdeen, SD 57401  
(605) 380-8124  
Micro

Michael R. Jones  
SoTex Solutions, LLC  
d/b/a Valpak of Corpus Christi  
Corpus Christi, TX 78418  
(361) 949-2700  
Micro

Gary S. Heaton  
Super Saver Coupons, Inc.  
d/b/a Valpak of Central Utah  
Sandy, UT 84070  
(801) 221-4811  
Small

Lee and Linden Connelly  
Direct Mail Works, Inc.  
d/b/a Valpak of Western Washington/East  
Renton, WA 98057  
(425) 455-8285  
Large

TEXAS

Scott R. Farkas, Mary P. Rogers-Farkas and  
Keith Workman  
Results, Results, Results x2, Inc.  
d/b/a Valpak of The Texas Panhandle  
Amarillo, TX 79106  
(806) 477-0684  
Micro

UTAH

WASHINGTON

**EXHIBIT B**

**FINANCIAL STATEMENTS**

**Valpak Direct**  
**Marketing Systems, Inc.**  
(A Wholly Owned Subsidiary of VP Holdings, Inc.)

Financial Statements as of and for the  
Fiscal Years Ended December 31, 2011,  
December 25, 2010, and December 26, 2009,  
and Independent Auditors' Report

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

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Statements of Stockholder's Equity	5
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of  
Valpak Direct Marketing Systems, Inc.:

We have audited the accompanying balance sheets of Valpak Direct Marketing Systems, Inc. (the "Company"), a wholly owned subsidiary of VP Holdings, Inc., as of December 31, 2011, December 25, 2010, and December 26, 2009, and the related statements of income and comprehensive income, stockholder's equity, and cash flows for the fiscal years then ended. 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 audits.

We conducted our audits 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011, December 25, 2010, and December 26, 2009, and the results of its operations and its cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.



April 25, 2012

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2011, DECEMBER 25, 2010, AND DECEMBER 26, 2009**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS:</b>			
Cash	\$ -	\$ -	\$ -
Accounts receivable — net of allowance for doubtful accounts of \$11,856,433, \$12,854,478, and \$10,014,036 in 2011, 2010, and 2009, respectively	20,769,929	23,124,732	24,198,760
Other receivables	157,081	197,423	246,929
Notes receivable — current maturities — net of allowance for doubtful accounts of \$2,879,239, \$3,021,829, and \$4,270,628 in 2011, 2010, and 2009, respectively (Note 3)	453,804	397,618	310,404
Inventories (Note 4)	3,938,013	5,555,987	4,558,296
Prepaid expenses and other current assets	<u>1,556,965</u>	<u>4,500,682</u>	<u>5,482,057</u>
Total current assets	<u>26,875,792</u>	<u>33,776,442</u>	<u>34,796,446</u>
<b>PROPERTY, PLANT, AND EQUIPMENT — Net (Note 5)</b>	<u>178,947,187</u>	<u>189,037,039</u>	<u>200,043,142</u>
<b>GOODWILL</b>	<u>1,088,403</u>	<u>1,088,403</u>	<u>1,088,403</u>
<b>OTHER INTANGIBLE ASSETS:</b>			
Dealer network	10,375,000	10,375,000	10,375,000
Franchise agreement	<u>1,611,314</u>	<u>1,611,314</u>	<u>1,611,314</u>
	11,986,314	11,986,314	11,986,314
Less accumulated amortization	<u>(11,986,314)</u>	<u>(11,986,314)</u>	<u>(11,986,314)</u>
Other intangible assets — net	<u>-</u>	<u>-</u>	<u>-</u>
<b>NOTES RECEIVABLE — Net of allowance for doubtful accounts of \$128,738, \$212,999, and \$486,994 in 2011, 2010, and 2009, respectively (Note 3)</b>	<u>10,417</u>	<u>167,255</u>	<u>433,935</u>
<b>OTHER ASSETS</b>	<u>3,555,592</u>	<u>1,253,717</u>	<u>1,325,632</u>
<b>TOTAL</b>	<u>\$210,477,391</u>	<u>\$225,322,856</u>	<u>\$237,687,558</u>

(Continued)

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**BALANCE SHEETS**

**AS OF DECEMBER 31, 2011, DECEMBER 25, 2010, AND DECEMBER 26, 2009**

	2011	2010	2009
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 4,212,955	\$ 13,005,924	\$ 4,404,553
Accrued expenses and other liabilities	3,249,810	3,986,002	3,272,713
Deferred revenue	<u>87,368</u>	<u>1,129,477</u>	<u>1,067,836</u>
Total current liabilities	7,550,133	18,121,403	8,745,102
<b>OTHER LIABILITIES</b>	<u>653,633</u>	<u>854,860</u>	<u>215,705</u>
Total liabilities	<u>8,203,766</u>	<u>18,976,263</u>	<u>8,960,807</u>
<b>COMMITMENTS (Note 8)</b>			
<b>STOCKHOLDER'S EQUITY:</b>			
Common stock (100 shares \$0.01 par value, issued and outstanding) and additional paid-in capital	13,883,024	13,883,024	13,883,024
Retained earnings	<u>267,931,989</u>	<u>241,548,717</u>	<u>217,774,026</u>
Total	281,815,013	255,431,741	231,657,050
Due from Cox Enterprises, Inc. (Note 9)	<u>(79,541,388)</u>	<u>(49,085,148)</u>	<u>(2,930,299)</u>
Total stockholder's equity	<u>202,273,625</u>	<u>206,346,593</u>	<u>228,726,751</u>
<b>TOTAL</b>	<u>\$210,477,391</u>	<u>\$225,322,856</u>	<u>\$237,687,558</u>

See notes to financial statements.

(Concluded)



**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011, DECEMBER 25, 2010,**  
**AND DECEMBER 26, 2009**

	2011	2010	2009
NET SALES (Note 9)	<u>\$189,433,791</u>	<u>\$196,567,141</u>	<u>\$197,426,018</u>
COSTS AND EXPENSES (Note 9):			
Cost of sales	103,249,804	107,603,658	113,383,719
Selling, general, and administrative	52,167,898	58,074,862	61,806,742
Interest (income) expense — net	(4,673)	(25,137)	3,590,794
Amortization	340,444		
Loss on sale of assets		491,060	6,617
Restructuring costs			<u>(33,795)</u>
Total costs and expenses	<u>155,753,473</u>	<u>166,144,443</u>	<u>178,754,077</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	33,680,318	30,422,698	18,671,941
PROVISION (BENEFIT) FOR INCOME TAXES (Note 7)	<u>7,297,046</u>	<u>6,648,007</u>	<u>(10,956,753)</u>
NET INCOME	<u>26,383,272</u>	<u>23,774,691</u>	<u>29,628,694</u>
COMPREHENSIVE INCOME	<u>\$ 26,383,272</u>	<u>\$ 23,774,691</u>	<u>\$ 29,628,694</u>

See notes to financial statements.

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**STATEMENTS OF STOCKHOLDER'S EQUITY**  
**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011, DECEMBER 25, 2010,**  
**AND DECEMBER 26, 2009**

	Common Stock and Additional Paid-In Capital	Retained Earnings	Due to (from) Cox Enterprises, Inc.	Total Stockholder's Equity
BALANCE — December 27, 2008	\$ 13,883,024	\$ 188,145,332	\$ 34,930,849	\$ 236,959,205
Transaction with Cox Enterprises, Inc. (Note 9)			(37,861,148)	(37,861,148)
Net income		<u>29,628,694</u>		<u>29,628,694</u>
BALANCE — December 26, 2009	13,883,024	217,774,026	(2,930,299)	228,726,751
Transaction with Cox Enterprises, Inc. (Note 9)			(46,154,849)	(46,154,849)
Net income		<u>23,774,691</u>		<u>23,774,691</u>
BALANCE — December 25, 2010	13,883,024	241,548,717	(49,085,148)	206,346,593
Transaction with Cox Enterprises, Inc. (Note 9)			(30,456,240)	(30,456,240)
Net income		<u>26,383,272</u>		<u>26,383,272</u>
BALANCE — December 31, 2011	<u>\$ 13,883,024</u>	<u>\$ 267,931,989</u>	<u>\$ (79,541,388)</u>	<u>\$ 202,273,625</u>

See notes to financial statements.

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011, DECEMBER 25, 2010,**  
**AND DECEMBER 26, 2009**

	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 26,383,272	\$ 23,774,691	\$ 29,628,694
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,643,937	11,219,488	11,663,011
Loss on sale of assets	340,444	491,060	6,617
Provision for bad debts	936,870	4,694,561	6,604,023
Restructuring costs			(33,795)
Changes in assets and liabilities which provided (used) cash:			
Accounts receivable	1,579,767	(3,620,533)	(1,208,482)
Other receivables	(121,492)	49,506	237,557
Notes receivable	100,652	179,466	471,882
Inventories	1,617,974	(997,691)	2,290,834
Prepaid expenses	2,943,717	981,375	(1,144,731)
Other assets	(2,301,875)	71,915	68,889
Accounts payable	(8,792,969)	8,601,371	(1,985,751)
Accrued expenses and other liabilities	(726,192)	863,289	(852,042)
Deferred revenue	(1,042,109)	61,641	(375,126)
Other liabilities	(201,226)	639,155	720,733
Net cash provided by operating activities	<u>31,360,770</u>	<u>47,009,294</u>	<u>46,092,313</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property, plant, and equipment	(910,480)	(872,324)	(4,234,609)
Proceeds from disposal of property, plant, and equipment	<u>12,495</u>	<u>45,500</u>	<u>113,358</u>
Net cash used in investing activities	<u>(897,985)</u>	<u>(826,824)</u>	<u>(4,121,251)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Change in due from Cox Enterprises, Inc.	(30,462,785)	(46,182,470)	(41,195,211)
Payments on capital lease obligation	<u>                    </u>	<u>                    </u>	<u>(775,851)</u>
Net cash used in financing activities	<u>(30,462,785)</u>	<u>(46,182,470)</u>	<u>(41,971,062)</u>
CHANGE IN CASH	-	-	-
CASH — Beginning of year	<u>                    </u>	<u>                    </u>	<u>                    </u>
CASH — End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**STATEMENTS OF CASH FLOWS**  
**SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES**  
**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2011, DECEMBER 25, 2010,**  
**AND DECEMBER 26, 2009**

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During the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, the Company paid \$0, \$0, and \$775,851, respectively, in interest incurred on a capital lease.

Transfers of property, plant, and equipment from an affiliated entity amounted to \$6,544, \$27,621, and \$134,064 during the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively.

As disclosed in Note 7, Cox allocates current income tax expense to Valpak. Valpak credits the income tax payable to the Due from Cox Enterprises, Inc., account in the accompanying balance sheets. Income tax expense (benefit) was \$7,297,046, \$6,648,007, and \$(10,956,753) for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively.

During the year ended December 26, 2009, Cox paid \$3,200,000 to terminate a lease agreement. This resulted in a reduction in the lease obligation and an increase to the Due to Cox Enterprises, Inc., account in the accompanying balance sheet.

See notes to financial statements.

(Concluded)

**VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**(A Wholly Owned Subsidiary of VP Holdings, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEARS ENDED**  
**DECEMBER 31, 2011, DECEMBER 25, 2010, AND DECEMBER 26, 2009**

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**1. COMPANY OPERATIONS**

Valpak Direct Marketing Systems, Inc. (the "Company" or "Valpak") prints coupons, flyers, and other promotional materials and distributes them to residences throughout the United States of America. The Company markets these products through a network of franchises. The Company's common stock is wholly owned by VP Holdings, Inc. ("VPH"). VPH is a direct wholly owned subsidiary of Cox Target Media, Inc. ("CTM"). CTM is an indirect wholly owned subsidiary of Cox Enterprises, Inc. ("Cox" or "CEI"). Additionally, the Company owns 50% of Val-Pak Canada, Ltd. ("VP Canada"). The Company's investment in VP Canada is accounted for under the equity method. The investment in VP Canada is included in "other assets" on the accompanying balance sheets. The equity investment in VP Canada is not significant to the Company.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Inventories** — During the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, raw materials inventories are stated at the lower of weighted-average cost or market, and work-in-process and finished goods inventories are stated at the lower of standard cost or market.

**Property, Plant, and Equipment** — Property, plant, and equipment is stated at cost. Eligible costs associated with the Company's St. Petersburg production facility (described in Note 8) have been capitalized. These costs include all direct labor and materials, as well as various indirect costs. For property, plant, and equipment purchased after December 28, 1997, the Company utilizes the straight-line method of depreciation for financial statement purposes with the exception of certain types of machinery and equipment placed into service at the St. Petersburg production facility. Assets acquired before December 28, 1997, are depreciated using an accelerated method for financial statement purposes.

During the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, certain machinery and equipment placed into service at the St. Petersburg production facility are depreciated using units-of-production method, which entails estimating the total number of hours (units) the assets are expected to be in use over the terms of their expected lives. Hours (units) range from 104,000 to 138,000. Depreciation expense is determined by applying the calculated cost per unit to the aggregate number of hours the assets are in use during the fiscal year.

Effective January 1, 2010, the Company changed the method of depreciation for certain collation plant assets at the St. Petersburg production facility from units-of-production to straight-line method. The change of depreciation method is considered a change in accounting estimate affected by a change in accounting principle to be accounted for prospectively. The straight-line depreciation method is grounded on the assumption that depreciation of these assets is primarily a function of time. The change to a straight-line method was based on information obtained by continued observation of the pattern of

benefits derived from the collation plant assets and is preferable to a units-of-production method as it results in depreciation that is more reflective of the use of the assets. The effect of the change in depreciation method decreased 2010 income before provision for income taxes and net income by approximately \$1,100,000 when compared to the results using the units-of-production method.

For assets depreciated under the straight-line method, depreciation is computed over the following useful lives with the exception of leasehold improvements whereby amortization is computed over the lesser of the estimated useful lives or lease terms:

Machinery and equipment	7–20 years
Building	30 years
Computer equipment and software	3 years
Furniture and fixtures	7 years
Leasehold improvements	20 years

Amortization of **Other Intangible Assets and Goodwill** — Other intangible assets are stated at cost. Goodwill relates to the acquisition of the Company from predecessor owners. Amortization of intangible assets is computed using the straight-line method over the following estimated useful lives:

Intangible assets:	
Dealer network	18 years
Franchise agreement	15 years

As of December 27, 2008, these intangible assets were fully amortized.

Goodwill is not amortized but is instead tested for impairment at least annually and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. Fair value is estimated by management of the Company by utilizing an independent third-party appraisal performed at Cox as of December 31 of each year. The Company determined that no impairment existed as of December 31, 2011, December 25, 2010, and December 26, 2009.

**Notes Receivable — Territory Sales** — The Company accounts for its notes receivable resulting from the sales of territories in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (“Codification”) regarding consolidation of variable interest entities (VIEs). The guidance requires consolidation of entities with certain equity characteristics that are controlled through interests other than a majority of voting rights. The Company has evaluated its notes receivable from territory sales as of December 31, 2011, and based upon this analysis, it is the Company’s opinion that the notes do not qualify the underlying territories as VIEs requiring consolidation.

**Revenue Recognition** — The Company requires advance payment for some of its mailings. Revenue generally is recognized when the Company completes mailings for customers. Payments received for mailings, which were not completed at year-end, are reflected as customer deposits, and advanced billings to customers for coupons ordered, but not mailed, are included in deferred revenue on the accompanying balance sheets. Beginning January 1, 2011, the Company changed its policy to no longer print and hold coupons for customers. The Company periodically offers sales discounts to its customers in the form of incentive credits. The Company accrues for the sales discounts as a reduction of revenue based on the estimated number of incentives that will ultimately be earned. Revenue from the sale of franchise territories on which promissory notes are received is deferred and recognized on the installment basis as the revenue is collected over an extended period as no reasonable basis exists for estimating collectibility.

**Rental Expense Recognition** — Scheduled rent increases and incentives under operating leases are recognized on a straight-line basis over the term of the related leases. The deferred portion of these items is included in “other liabilities” in the accompanying balance sheets.

**Income Taxes** — The Company is included in the consolidated federal and state income tax returns of Cox. All income taxes are allocated to the Company on a “parent company down” basis (see Note 7). Provision (benefit) for current income taxes is credited (debited) against the Due from Cox Enterprises, Inc. account on the accompanying balance sheets and the related deferred tax assets and liabilities are included in the Due from Cox Enterprises, Inc. account on the accompanying balance sheet.

**Fiscal Year-End** — The fiscal year ended December 31, 2011, contained 53 weeks; the fiscal year ended December 25, 2010, contained 52 weeks; and the fiscal year ended December 26, 2009, contained 52 weeks.

**Use of Estimates** — The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

**Impairment of Long-Lived Assets** — Periodically, the Company evaluates the recoverability of the net carrying value of its property, plant, and equipment and other intangible assets by estimating the future undiscounted cash flows, which is compared to the respective carrying amounts in the financial statements. A deficiency in such cash flows relative to the carrying amount is an indication of possible impairment. If the carrying amount of property, plant, and equipment; other intangible assets; or franchise rights has been impaired, such carrying amount would be written down to the fair value, and a loss on impairment recognized by a charge to earnings.

**Fair Value Measurements** — Valpak uses the framework established by the FASB for measuring fair value and disclosures about fair value measurements. This framework asserts that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The estimated fair value of amounts reported in the financial statements has been determined using available market information and valuation methodologies, as applicable. The carrying value of all current assets and liabilities approximates the fair value because of their short-term nature. The carrying value of notes receivable approximates fair value as the interest rate is based on market rates for similar instruments and is reassessed periodically as market conditions change.

The framework established by the FASB for measuring fair value classifies the inputs used to measure fair value into the following hierarchy:

*Level 1* — Unadjusted quoted prices in active markets for identical assets or liabilities.

*Level 2* — Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other-than-quoted prices that are observable for the asset or liability.

*Level 3* — Unobservable inputs for the assets or liabilities.

Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that its notes receivable are currently Level 2 in the fair value hierarchy.

**Concentrations of Credit Risk** — Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, and notes receivable. Cash and cash equivalents consist primarily of cash demand accounts held with high-credit-quality financial institutions. The Company grants credit to its franchisees in the form of short-term accounts and notes receivable. Cash and cash equivalents, accounts receivable, and notes receivable are regularly monitored by management.

**Software and Web Site Development Costs** — The Company follows the provisions of the FASB Codification for accounting for the costs of computer software developed or obtained for internal use, and for accounting for Web site development costs. This guidance requires entities to capitalize certain costs incurred in the development of internal-use software. This guidance also establishes accounting and reporting standards for costs incurred to develop a Website.

**Subsequent Events** — The Company considers events that occur after the balance sheet date but before the financial statements are issued to determine appropriate accounting and disclosure for those events. The Company evaluated all events or transactions that occurred subsequent to December 31, 2011, and through the time of issuance of this report. The Company is not aware of any significant events that occurred subsequent to December 31, 2011, but prior to the issuance of this report that would have a material impact on the Company's financial statements.

**New Accounting Pronouncements** — In July 2010, the FASB issued guidance related to allowances for credit losses and credit quality of financing receivables. This guidance applies to all entities, both public and nonpublic and affects all entities with financing receivables, excluding short-term trade receivables or receivables measured at fair value or the lower of cost or fair value. Under this guidance, an entity is to provide disclosures that facilitate financial statement users' evaluation of the following: 1. The nature of credit risk inherent in the entity's portfolio of financing receivables, 2. How that risk is analyzed and assessed in arriving at the allowance for credit losses, and 3. The changes and reasons for those changes in the allowance for credit losses. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The Company adopted these requirements for the year ended December 31, 2011. The adoption did not have an effect on Valpak's financial statements.

In September 2011, the FASB amended the guidance on the annual testing of goodwill for impairment. The amended guidance will allow companies to assess qualitative factors to determine if it is more-likely-than-not that goodwill might be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This guidance will be effective for the Company's fiscal year ending December 29, 2012, with early adoption permitted. The Company has determined that this new guidance will not have an effect on Valpak's financial statements.



### 3. NOTES RECEIVABLE

Notes receivable net of allowance for doubtful accounts as of December 31, 2011, December 25, 2010, and December 26, 2009, are composed of the following:

	2011	2010	2009
Notes receivable — territory sales	\$ 464,221	\$ 564,873	\$ 744,339
Less current maturities	<u>453,804</u>	<u>397,618</u>	<u>310,404</u>
Total — long term	<u>\$ 10,417</u>	<u>\$ 167,255</u>	<u>\$ 433,935</u>

Notes receivable are collateralized by the franchisee territories and in some cases by retail accounts receivable and personal assets. Interest rates on the notes receivable outstanding as of December 31, 2011, range from prime rate 3.25% plus 2% to prime rate plus 7% and are repayable with terms ranging from 90 days to 7 years.

### 4. INVENTORIES

Inventories as of December 31, 2011, December 25, 2010, and December 26, 2009, are composed of the following:

	2011	2010	2009
<b>Raw materials:</b>			
Paper	\$ 1,675,755	\$ 3,074,638	\$ 1,711,822
Envelopes	291,364	357,605	289,865
Other	<u>380,985</u>	<u>611,916</u>	<u>504,468</u>
	2,348,104	4,044,159	2,506,155
Work in process	842,223	844,615	834,600
Finished goods	<u>747,686</u>	<u>667,213</u>	<u>1,217,541</u>
Total inventory	<u>\$ 3,938,013</u>	<u>\$ 5,555,987</u>	<u>\$ 4,558,296</u>

## 5. PROPERTY, PLANT, AND EQUIPMENT — NET

Property, plant, and equipment — net as of December 31, 2011, December 25, 2010, and December 26, 2009, is composed of the following:

	2011	2010	2009
Land and building	\$ 64,421,423	\$ 64,415,380	\$ 64,374,864
Machinery and equipment	163,471,244	164,158,899	164,639,780
Computer equipment and software	8,004,298	9,969,002	10,600,792
Furniture and fixtures	878,926	878,926	894,794
Leasehold improvements	1,185,053	1,060,905	5,253,508
Construction in process	434,100	335,224	24,200
	<u>238,395,044</u>	<u>240,818,336</u>	<u>245,787,938</u>
Less accumulated depreciation and amortization	<u>(59,447,857)</u>	<u>(51,781,297)</u>	<u>(45,744,796)</u>
Total	<u>\$ 178,947,187</u>	<u>\$ 189,037,039</u>	<u>\$ 200,043,142</u>

The Company recorded depreciation and amortization expense related to property, plant, and equipment of \$10,643,937, \$11,219,488, and \$11,663,011 for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively. The depreciation and amortization expense reflected in cost of sales was \$10,546,152, \$11,038,274, and \$11,281,480 and in selling, general, and administrative expenses, it was \$97,785, \$181,214, and \$381,530 in the statements of income and comprehensive income for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively. In addition, the December 31, 2011, December 25, 2010, and December 26, 2009, property, plant, and equipment balance includes \$12,410,136, respectively, of capitalized interest relating to the Company's St. Petersburg, Florida production facility. The interest capitalized in the Company's property, plant, and equipment balance represented the portion of Cox's interest cost attributable to Cox's funding of the Company's capital expenditures during the fiscal year ended December 29, 2007, and previous years.

No interest cost was capitalized for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009.

## 6. PENSION AND POSTRETIREMENT BENEFITS

Eligible employees participate in the qualified supplemental pension plan of Cox, which covers substantially all of the Company's employees, and certain key employees of the Company also participate in a Cox nonqualified supplemental pension plan. The plans call for benefits to be paid to eligible employees at retirement based primarily upon the years of service with the Company and compensation rates during those years. Additionally, Cox provides certain health care and life insurance benefits to substantially all retirees of Cox and certain of its subsidiaries, including Valpak. Cox uses a measurement date of December 31 for its pension and postretirement benefit plans.

Pension expense allocated to Valpak was \$3,264,121, \$3,067,776, and \$2,312,475 for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively. Postretirement health care expense was \$84,357, \$243,991, and \$778,140 for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively.

The Company participates in the Cox 401(k) plan. For the fiscal years December 31, 2011, December 25, 2010, and December 26, 2009, the Company's matching contribution to the Cox 401(k) plan was approximately \$511,707, \$513,299, and \$503,420, respectively.

## 7. INCOME TAXES

The provision (benefit) for income taxes for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, consisted of the following:

	2011	2010	2009
Current:			
Federal	\$5,642,781	\$2,101,129	\$ (8,166,841)
State	<u>(2,670,325)</u>	<u>(339,574)</u>	<u>(4,538,242)</u>
Total current	<u>2,972,456</u>	<u>1,761,555</u>	<u>(12,705,083)</u>
Deferred:			
Federal	8,259,626	4,554,845	859,467
State	<u>(3,935,036)</u>	<u>331,607</u>	<u>888,863</u>
Total deferred	<u>4,324,590</u>	<u>4,886,452</u>	<u>1,748,330</u>
Net income tax provision (benefit)	<u>\$7,297,046</u>	<u>\$6,648,007</u>	<u>\$(10,956,753)</u>

Cox allocates income taxes to the Company on a "parent company down" approach, whereby the consolidated amount of current and deferred tax expense for a period is allocated to the Company based on Cox's effective tax rate, which the Company has determined to be a systematic and rational approach that is consistent with the broad principles established under the FASB Codification regarding accounting for income taxes.

The manner in which Cox applies the "parent company down" approach results in the Company reflecting an effective income tax rate equivalent to Cox's consolidated rate on continuing operations, which was 21.67%, 21.85%, and (58.68)% for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively. The difference between the federal statutory rate of 35% and the effective rate for each of the years presented was due to a combination of factors, including differences in book and tax treatment associated with transactions, state income taxes, the effect of adjustments for the actual or expected resolution of income tax audits, and tax credits.

Cox adopted the provisions of the FASB Codification relating to accounting for uncertain tax positions on January 1, 2007. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest benefit that is greater than 50% likely of being realized upon settlement. Cox adjusts its estimates of uncertain tax positions periodically because of ongoing examinations by, and settlements with, various taxing authorities, as well as changes in tax laws, regulations, and interpretations. The 2009, 2010, and 2011 effects of changes in unrecognized tax benefits are reflected in Cox's effective tax rate and are therefore allocated to the Company through the "parent company down" approach described above.

## 8. COMMITMENTS

**Leases** — The Company leases various production, warehousing, and office facilities under noncancelable operating leases, many of which contain renewal and escalation clauses. Rental expense associated with these leases was approximately \$1,092,650, \$1,211,681, and \$2,656,441 for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively.

On February 1, 2010, Valpak entered into a new five-year lease agreement for its corporate building and Largo production building with its landlord. As an inducement for this new lease agreement, the landlord granted Valpak \$938,000 in free rent, commencing in May 2010 through February 2011, which is being amortized on a straight-line basis over the lease term.

Valpak has applied the provisions of FASB Codification related to accounting for leases to account for lease arrangements that contain scheduled rent escalations by recognizing rent expense on a straight-line basis over the lease term. The difference between the straight-line rent expense and the cash payment made is recorded as a rental obligation and is classified within other liabilities on the accompanying balance sheets. The rental obligation was \$317,127, \$330,722, and \$215,050 as of December 31, 2011, December 25, 2010, and December 26, 2009, respectively. Future minimum lease payments under noncancelable operating leases are as follows:

2012	\$ 1,270,770
2013	1,309,264
2014	1,348,576
2015	<u>112,654</u>
Total	<u>\$4,041,264</u>

On July 23, 2004 and August 13, 2004, the Company entered into a 20-year lease agreement for its production facility under construction in Gateway Centre West in St. Petersburg, Florida, according to the Company's specifications. The Company commenced leasing the facility in April 2007.

On August 16, 2005, the above agreement was amended and restated. Cox loaned the landlord \$59,100,000 at an interest rate of 6.3% in exchange for a mortgage on the property. The agreement, as amended and restated, required the Company to pay the landlord's repayments to Cox on behalf of the landlord throughout the lease term. Such loan repayments were considered in the ultimate payments to the landlord on the lease agreement.

In accordance with the FASB Codification regarding the effect of lessee involvement in asset construction, the Company retained substantially all risks associated with construction of the facility and therefore was deemed owner of the facility during the construction period. Accordingly, payments that the Company was obligated to make in connection with the construction project were capitalized within property, plant, and equipment on the balance sheets. Because of certain conditions defined in the FASB Codification guidance on leases, Valpak was required to account for the building as a financing transaction at the completion of the construction period and commencement of the lease term in 2007. Accordingly, the building continued to be reported in Valpak's financial statements and the building lease was classified as a capital lease. The lease obligation of \$3,194,122 was included in other liabilities on the accompanying balance sheets as of December 27, 2008.

As of December 27, 2008, the Company incurred approximately \$59,085,521 in construction costs on behalf of the landlord. Such costs are included in property, plant, and equipment — net on the accompanying balance sheets. The Company's obligation to Cox for the funding of these costs was included in the Due to Cox account on the accompanying balance sheets as of December 27, 2008.

On August 28, 2009, Cox paid \$3,200,000 to the lessor to terminate the lease agreement and obtain title to the land, building, and improvements. This payment was paid on Valpak's behalf by Cox and was credited to the Due to Cox account on the accompanying balance sheets. This termination payment reduced Valpak's lease obligation to \$0. The difference between the lease obligation balance and the termination payment at the lease termination date was not significant.

**Litigation** — The Company is involved in various legal actions and claims arising from the normal course of business. In the opinion of management, the ultimate outcome of these matters will not have a material impact on the Company's results of operations, cash flows, or financial position.

**Purchase Commitments** — At December 31, 2011, the Company had approximately \$500,000 of outstanding purchase commitments for additions to property, plant, and equipment.

## 9. RELATED-PARTY TRANSACTIONS

The Company transfers cash to Cox on a daily basis and, when cash is needed for disbursements by the Company, Cox transfers cash to Valpak. The resulting excess of cash transfers to Cox over cash transfers from Cox is debited to the Due from Cox Enterprises, Inc. intercompany equity account on the accompanying balance sheets.

For the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, the Company was allocated expenses of approximately \$1,486,424, \$2,476,000, and \$3,905,434, respectively, for administrative services, including technical support, human resource services, corporate financial services, and materials management services provided by Cox. These allocations considered both management's estimates of relative requirements and the Company's proportionate size as indicated by net sales, total assets, and employee headcount.

In addition to the foregoing allocation by Cox, for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, the Company was allocated expenses of approximately \$39,785,166, \$40,861,648, and \$41,920,566, respectively, for administrative services, including technical support and accounting services provided by CTM. These allocations considered both management's estimates of relative requirements and the Company's proportionate size as indicated by employee headcount and monthly activity. The allocations from Cox and CTM are debited to "selling, general, and administrative" on the accompanying statements of income and comprehensive income and credited to the Due from Cox Enterprises, Inc. intercompany equity account on the accompanying balance sheets.

Certain Valpak and CTM employees are participants in the Cox Performance Plan (the "Performance Plan"), which began in 2008. The Performance Plan provides for payment of benefits in the form of cash to certain key employees generally five years after the date of award. Unit benefits under the CEI Performance Plan are based on growth in CEI's financial results as measured through operating results and debt reduction. The cost of awards made under the Performance Plan is charged to selling, general, and administrative expense over the applicable vesting periods. Performance Plan (income) expense of \$(39,000), \$225,900, and \$168,300 was recognized in the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively.

Prior to 2009, certain Valpak and CTM employees were participants in the Cox Unit Appreciation Plan (the "UAP Plan") which provided for payment of benefits in the form of cash to certain key employees generally five years after the date of award. A portion of the awards granted to key employees were applied toward the purchase of Cox common stock. In 2009, the Cox Capture Value Award Plan (the "CVA Plan"), began as a one-time replacement for the UAP Plan awards received by participants from 2004 to 2007. The CVA Plan provides for payment of benefits in the form of cash to certain key employees in two installments over the next five years. The first payment will be after the 60% vesting milestone (December 31, 2010) and the remaining 40% will be paid after the end of the five-year vesting schedule (December 31, 2013). The CVA Plan is based on the appreciation from the beginning base price established for each UAP Plan year to the December 13, 2007, established ending price multiplied by UAP Plan units outstanding. The CVA Plan can grow incrementally above the ending price based on the same measures used to calculate the value of the Performance Plan disclosed above. The cost of the awards made under the CVA Plan is charged to selling, general, and administrative expense over the applicable vesting periods. CVA Plan expense of \$139,000, \$725,800 and \$1,069,000 was recognized in the fiscal years ended December 31, 2011, December 25, 2010 and December 26, 2009 respectively.

Certain Valpak and CTM employees are participants in the Cox Free Cash Flow Award (the "FCF Award"), which began in 2010. The FCF Award, which measures and vests over an initial five-year performance period, provides for payment of benefits in the form of cash to certain key employees. Awards will be paid after the end of the five-year vesting schedule (December 31, 2013). Awards under the Cox FCF Award are based on achieving Cox's cumulative free cash flow growth total. The cost of awards made under the FCF Award is charged to selling, general, and administrative expense over the applicable vesting periods. FCF Award expense of \$1,031,000 and \$396,200 was recognized in the fiscal year ended December 31, 2011 and December 25, 2010 respectively.

For the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, related-party sales to Val-Pak Franchise Operations (VPFO), an affiliated company, were approximately \$4,088,000, \$6,582,000, and \$23,046,000, respectively. The amounts receivable were credited against the Due from Cox Enterprises, Inc. account. In addition, the Company paid and expensed approximately \$49,000, \$316,000, and \$618,000 for the fiscal years ended December 31, 2011, December 25, 2010, and December 26, 2009, respectively, to VPFO for rights to certain short-term contracts.

The amount due from Cox as of December 31, 2011, December 25, 2010, and December 26, 2009, was \$(79,541,388), \$(49,085,148), and \$(2,930,299), respectively.

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**THE FOLLOWING FINANCIAL STATEMENTS, IF ANY, ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED SOME OF THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

**UNAUDITED**

VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
(A Wholly Owned Subsidiary of VP Holdings, Inc.)  
Balance Sheet

4/28/2012

**ASSETS:****CURRENT ASSETS:**

Cash and cash equivalents	-
Accounts receivable - net of allowance for doubtful accounts of \$12,755,751	30,501,108
Other receivables	203,873
Notes receivable - current maturities - net of allowance for doubtful accounts of \$2,878,578	231,852
Inventories	4,177,345
Prepaid expenses	1,633,001
Total current assets	<u>36,747,179</u>

PROPERTY, PLANT AND EQUIPMENT - Net 176,166,527

**OTHER INTANGIBLE ASSETS:**

Dealer network	10,375,000
Franchise agreement	1,611,314
	<u>11,986,314</u>
Less accumulated amortization	(11,986,314)

OTHER INTANGIBLE ASSETS - Net -

GOODWILL 1,088,403

NOTES RECEIVABLE, LONG TERM - net of allowance  
for doubtful accounts of \$128,738 6,250

OTHER ASSETS 3,909,968

Total Assets 217,918,327

**LIABILITIES AND STOCKHOLDER'S EQUITY:****CURRENT LIABILITIES:**

Accounts payable	5,473,641
Accrued expenses and other liabilities	4,143,092
Customer deposits	110,847
Deferred revenue	48,410
Total current liabilities	<u>9,775,990</u>

DEFERRED LEASE OBLIGATIONS 572,118

Total liabilities 10,348,108

**STOCKHOLDER'S EQUITY:**

Common stock (100 shares \$.01 par value issued and outstanding) and additional paid-in capital	13,883,024
Retained earnings	273,455,073
Accumulated comprehensive income	-
Total	<u>287,338,097</u>

Due From Cox Enterprises (79,767,879)

Total stockholder's equity 207,570,219

Total Liabilities & Stockholder's Equity 217,918,327



**UNAUDITED**

VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
(A Wholly Owned Subsidiary of VP Holdings, Inc.)  
Statement of Income and Comprehensive Income

4/28/2012

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NET SALES	\$62,145,529
COSTS AND EXPENSES:	
Cost of Sales	32,319,962
Selling, general and administrative	19,726,646
Interest expense - net	759
Loss on sale of assets	(22,090)
Total costs and expenses	<u>52,025,278</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	10,120,252
PROVISION FOR INCOME TAXES	4,597,168
NET INCOME	<u>5,523,084</u>
OTHER COMPREHENSIVE GAIN	-
COMPREHENSIVE INCOME	<u>\$ 5,523,084</u>

**EXHIBIT C-1**

**FRANCHISE AGREEMENT**

**VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT**

**WITH**

---

**DATED**

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**FOR A TERRITORY LOCATED IN**

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**List of Exhibits**

- A Territory
- B Performance Requirements
- C Training
- D Security Agreement

VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY"), with its principal office at 8605 Largo Lakes Drive, Largo, Florida 33773, and \_\_\_\_\_, a(n) \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (the "FRANCHISEE").

1. PREAMBLES.

COMPANY is engaged in the business of publishing and distributing by direct mail promotional literature and packages known as VALPAK® Envelopes and of promoting and selling advertising services associated with Advertising in the VALPAK® Envelopes and the Marks. COMPANY grants, to persons it approves, franchises to (and subject to using COMPANY's methods, formats, systems, specifications, standards, operating policies and procedures, and Marks): offer and sell, in designated geographic areas, advertising in VALPAK® Envelopes to be distributed within such designated geographic areas; offer and sell Electronic Advertising for placement on VALPAK® Sites or otherwise distributed through electronic medium; and to engage in certain types of Intermarket Advertising in accordance with COMPANY's Intermarket Sales Policy.

2. DEFINITIONS.

2.1 Current Definitions. As used in this Agreement, the terms below have the meanings which follow them:

"Advertiser" means a business that supplies or purchases, and has authority to supply or purchase, Advertising Inserts or other advertising products offered by COMPANY for distribution through the VALPAK® System from a Dealer/Franchisee or National Sales.

"Advertising Insert" means any individual piece of advertising or promotional material (such as a coupon), whether supplied by Advertiser or purchased by Advertiser from COMPANY, to be included in VALPAK® Envelopes and Electronic Advertising in accordance with the VALPAK® System.

"Affiliate" (whether or not spelled with an initial capital letter) means any person, directly or indirectly, owned or controlled by a person, under common control with a person, or controlling a person.

"Business Office" means the premises of the site for the office where FRANCHISEE conducts the Franchised Business.

"Carry" means the inclusion of an Advertising Insert, or other advertising products offered by COMPANY in a VALPAK® Envelope, for distribution in the Territory, which was sold by another FRANCHISEE or National Sales in accordance with the terms and conditions of this Agreement.

~~"CBSA" means Core-Based-Statistical-Area (or-successor-term) as defined by the U.S. Office of Management and Budget (or-its-successor-agency):~~

"COMPANY" means Valpak Direct Marketing Systems, Inc. or its successors and assigns.

"Claim Notice" means the written notice from an Indemnified Party specifying the nature of the claim or demand requiring indemnification.

**"Competitive Business"** means any activity involving or engaging in the marketing, promotion or sale of advertising in, franchising or licensing businesses devoted to marketing, promotion or sale of advertising or print services of or for, or the distribution of: (1) a Cooperative Direct Mail Advertising Product; (2) any advertising product which consists of advertisements for more than one advertiser which are physically delivered, by Direct Mail, to consumers; (3) coupon advertising distributed over the internet (or similar electronic medium) from or through anywhere other than a VALPAK® Site; (4) any product or service the same or similar to products and services subsequently developed and made a part of a Franchised Business; or (5) any printing, publishing or packaging services (on a brokerage basis or otherwise) for any: (a) Competitive Business, (b) coupon advertising or (c) any Cooperative Direct Mail Advertising Product. Notwithstanding anything to the contrary in this Agreement, a Competitive Business does not include: (i) the ownership for investment purposes only of publicly traded securities representing one percent (1%) or less of the number of outstanding shares of that class of securities; or (ii) paid subscription products that contain editorial content for 20% or more of its total content or that consist primarily of display advertisements (and not coupons or discount offers) ("Magazine(s)"); or (iii) the operation of a VALPAK® DealerFranchisee under a written franchise agreement with COMPANY.

**"Confidential Information"** means all information contained in the Operating Procedures, as well as all information relating to the VALPAK® System including: (a) prices charged by COMPANY for its services to VALPAK® DealerFranchisees; (b) prices charged by COMPANY to advertisers for national or regional sales, (c) prices charged by VALPAK® DealerFranchisees for intermarket sales (d) marketing research conducted by or on behalf of COMPANY, (e) products or services planned or proposed to be offered by COMPANY; (f) the Software, including all source code, passwords, security precautions, and databases relating to it; (g) training systems, methods and content; (h) the graphic library compilation; (i) COMPANY publications to DealerFranchisees (i.e., Inside VALPAK.com and any other electronic communications); (j) production methods and processes; (k) sales and recruiting techniques; and (l) customer lists, proprietary maps and mapping, and demographic studies; except to the extent that any such information has become part of the public domain other than as a result of disclosure of such information by or through FRANCHISEE.

**"Consent of DealerFranchisees"** means the approval of DealerFranchisees (including O&O DealerFranchisees) that accounted for at least 70% of the total Mailing Volume by VALPAK® Envelopes mailed during the calendar year preceding the notice requesting the approval. For this purpose, a DealerFranchisee's failure to respond or vote on the particular proposed request within 3 business days constitutes approval.

**"Control"** (whether or not spelled with an initial capital letter) means the power to direct or cause the direction of management and policies and will be presumed in any situation where a person, directly or indirectly, has beneficial ownership of 25% or more of the voting or equity securities or ownership interests of another person.

**"Coupon U"** means periodic meetings COMPANY may, but is not required to, host for DealerFranchisees.

**"Cooperative Direct Mail Advertising Product"** means an envelope or other form of packaging or binding, including without limitation, a magazine, containing advertisements from more than one advertiser and distributed by direct mail.

**"Covenant Period"** means the time period of two (2) years commencing on the effective date of termination or expiration of this Agreement or upon any Transfer.

**"Customer"** means any business, entity or person who supplies or purchases Advertising Inserts.



~~"Dealer" means any person who is party to a franchise agreement with COMPANY including FRANCHISEE and O&O Dealers. This term is synonymous with the term "franchisee" (when not spelled in all capital letters).~~

"Direct Mail" (whether or not spelled with an initial capital letter) means delivery directly to a prospective consumer's or business location, property, residence, physical street address, route mailing address, or post office box (serving a similar purpose) via the U.S. Postal Service, a private delivery company, independent contractor offering physical delivery services or otherwise.

"Electronic Advertising" means any advertising for placement on any VALPAK® Sites or to be distributed via other electronic means (like e-mail), which include, without limitation, electronic coupons, ad banners, framing, pop-ups and the like, and local promotional advertising.

"Electronic Advertising Services" means the services provided by COMPANY which make available printable electronic coupons and other advertising to consumers on the VALPAK® Sites or other electronic means.

"Entity Owner" means any entity having a direct or indirect legal or beneficial interest in FRANCHISEE (e.g., a corporate stockholder of a corporate FRANCHISEE) that is not a natural person (e.g., an Owner that is a corporation).

"Franchise" means the bundle of rights granted by COMPANY to FRANCHISEE in Section 3.1.

"FRANCHISEE" (in all capital letters) means the party who signs this Agreement other than COMPANY as identified at the beginning of this Agreement.

~~"Franchisee" means any person who is party to a franchise agreement with COMPANY including FRANCHISEE and O&O Franchisees. This term is synonymous with the term "franchisee" (when not spelled in all capital letters).~~

"Franchisees' Association" means the body or association, if any, which in COMPANY's sole judgment, represents the largest number of VALPAK® Franchisee at such time.

"FRANCHISEE Confidential Information" means all information specific to FRANCHISEE, and identified as FRANCHISEE, relating to: (a) financial information or data concerning such FRANCHISEE, (b) Customer list and information, and (c) financial information or data concerning Competitive Businesses operated by such FRANCHISEE; except to the extent that any such information has become part of the public domain other than as a result of disclosure of such information by or through COMPANY. FRANCHISEE Confidential Information does not include information concerning FRANCHISEE that: (i) is included in intermarket reports by COMPANY to DealersFranchisees; (ii) constitutes part of information distributed concerning the VALPAK® System and DealerFranchisee Network that does not specifically identify such information as pertaining solely to FRANCHISEE; (iii) consists of FRANCHISEE's NTAs, MSAs and MCSAs the Territory, Mailing volume and market penetration; and/or (iv) is used by COMPANY to collect amounts due it, to enforce this Agreement, or to conduct operations in the Territory once this Agreement expires or terminates.

"Franchised Business" means the business of purchasing and selling Advertising that is operated by FRANCHISEE pursuant to the Franchise and this Agreement.

**"Indemnified Party"** means a party, its affiliates, and their respective stockholders, officers, directors, employees, agents, successors and assigns, who are entitled to indemnification by the other party under this Agreement.

**"Insertion Order"** means any order for a Mailing submitted by FRANCHISEE to COMPANY and for which COMPANY has received all of the following: (1) final proofs approved by Customers and FRANCHISEE for any Advertising Inserts to be printed by COMPANY; (2) any Advertising Inserts not to be printed by COMPANY in quantity sufficient for the ordered Mailing to at least one of the NTA®s in which such Mailing was ordered to have been made in accordance with the VALPAK® System; (3) an adequate description, in accordance with the VALPAK® System, of the geographic areas and types of addresses to which the VALPAK® Envelopes are to be distributed; (4) payment of the amount due with Insertion Order under FRANCHISEE's credit arrangements with COMPANY, if any, then in effect; and (5) any other information required by COMPANY to complete the Production of the ordered Mailing in accordance with the VALPAK® System. This term is synonymous with the term "Final Order."

**"Intermarket Advertising"** means the selling by a FRANCHISEE of Advertising Inserts, or other advertising products offered by COMPANY, for distribution through the VALPAK® System to households or businesses located in a geographic area that COMPANY has licensed to another FRANCHISEE or into an area that is not licensed to any FRANCHISEE.

**"Intermarket Sales Policy"** means those policies designated as such in the Operating Procedures, Production Handbook or other publication (electronic or otherwise) which govern intermarket sales transactions under the VALPAK® System, as such policies may be amended from time to time.

**"Key Person"** means the person designated by FRANCHISEE and reasonably approved by COMPANY who: (1) has satisfactorily completed COMPANY's new owner training; and (2) directly supervises the Franchised Business.

**"Mailing"** means a distribution by COMPANY of VALPAK® Envelopes by direct mail or by such other means as may be mutually agreed upon by COMPANY and FRANCHISEE, which FRANCHISEE requests to be made within a specified geographic area in the Territory and within a specified period of time.

**"Marks"** means the trade names, trademarks, logos or other commercial symbols used from time to time to identify the goods and advertising services which are part of the VALPAK® System, including, without limitation, the trademark "VALPAK®," a federally registered trademark (Reg. No. 2585359) and associated logos.

~~"MCSA" means Metropolitan Statistical Area (or successor term) as defined by the U.S. Office of Management and Budget (or its successor agency).~~

~~"MSA" means Metropolitan Statistical Area (or successor term) as defined by the U.S. Office of Management and Budget (or its successor agency).~~

**"National Sales"** means the division or department of COMPANY and/or its affiliates and their employees, agents or representatives that offer, promote and sell VALPAK® products and services, all of whom will be subject to COMPANY's obligations or restrictions for sales activities under the Intermarket Sales Policy. National Sales does not include O&O Dealers Franchisees, or any Affiliate of COMPANY engaged in a Competitive Business (other than Cox Target Media, Inc. and its successors).

**"NTA®"** means a neighborhood trade area, the boundaries of which are identified by FRANCHISEE, generally consisting of approximately 10,000 Prime Households, which number may be adjusted by

COMPANY from time to time, as to FRANCHISEE, and will be set forth on Exhibit "B." However, if COMPANY changes NTA® on a system-wide basis, it will do so only with the Consent of DealersFranchisees.

"O&O DealerFranchisee" means any FRANCHISEE that is owned and operated by COMPANY or its affiliates.

"Operating Procedures" means the materials provided by COMPANY which contain the specifications, standards, policies and operating procedures prescribed by COMPANY for the operation of franchised businesses operating under the VALPAK® System, including the Production Handbook. Such materials may be periodically amended, modified, replaced and/or supplemented by COMPANY and will be provided in writing, electronically, via online access or in any other format or means so selected by COMPANY. COMPANY's changes to the Operating Procedures will not materially and detrimentally alter the substantive rights and obligations of the FRANCHISEE under this Agreement without the Consent of DealersFranchisees.

"Owner" means any person, natural or otherwise, with a direct or indirect legal or beneficial ownership interest or voting power in FRANCHISEE.

"Performance Area" means the geographic area(s) within which FRANCHISEE's performance is measured, as indicated on Exhibit "B" to this Agreement. It may consist of the Territory in its entirety, but if the Territory contains more than one MSA-and-MGSAcounty, then the Performance Areas willmay consist of each MSA-and-MGSAcounty within the Territory and such other portions of the Territory as COMPANY specifies.

"Person" (whether or not spelled with an initial capital letter) means any natural person and any artificial entity or business organization (e.g., corporations, partnerships, etc.).

"Prime Households" are households within a given VALPAK® territory that are considered to be desirable recipients of VALPAK® Envelopes. In addition to certain other demographic criteria, Prime Households are chosen on the basis of a range of total household income. Currently, the range is determined by eliminating the top 5% and the bottom 15% of household incomes in each VALPAK® territory with annual gross income of \$20,000 or more. On request, Valpak may agree to adjust the definition of Prime Households in a territory based on the territory's demographics.

"Production" means the publication of VALPAK® Envelopes for a Mailing and all the services performed in connection therewith, including but not limited to, graphics preparation, printing, addressing, collation and insertion.

"Purchasing Representative" means a person: (1) who has been duly authorized by an Advertiser to execute legally binding agreements with COMPANY and FRANCHISEE, on behalf of the Advertiser, for the purchase of Advertising Inserts, or other advertising products offered by COMPANY, for distribution through the VALPAK® System; and (2) who is additionally duly authorized to obligate the Advertiser to pay for such purchases of Advertising Inserts, or other advertising products offered by COMPANY, for distribution through the VALPAK® System. When an Advertiser has more than one Purchasing Representative, the term only refers to the Purchasing Representative with authority to bind the Advertiser to the Participation Agreement for the sales activity in question.

"Section" means a section of this Agreement.

"**Software**" means any and all software licensed by COMPANY to FRANCHISEE or purchased from COMPANY by FRANCHISEE, or purchased or licensed by FRANCHISEE from third parties approved by COMPANY, from time to time (including VPOffice® and its successor systems).

"**Term**" means the time period beginning on the commencement of this Agreement and ending on the last day of the calendar month in which the tenth (10<sup>th</sup>) anniversary of such commencement date occurs, unless this Agreement is terminated sooner in accordance with its terms. The word "Term" also means any extension of this Agreement in accordance with its terms.

"**Territory**" means the geographic area described in Exhibit "A" to this Agreement.

"**Transfer**" means and includes: the voluntary, involuntary, direct or indirect delegation, assignment, sale, division, pledge, grant of a security interest, gift or other conveyance of any interest or right, in whole or in part, by operation of law or otherwise, held by FRANCHISEE (or any person or entity with a direct or indirect legal or beneficial interest in FRANCHISEE) in: (1) this Agreement; (2) the Franchise; (3) the ownership of FRANCHISEE or any Entity Owner; or (4) substantially all of the assets, or any portion of the income of, the Franchised Business (including any rights to accounts or solicitation rights other than pursuant to and in accordance with the terms and conditions of the Intermarket Sales Policy). An assignment, sale or other conveyance shall, without limitation, include the following events: (a) the transfer of ownership or redemption of capital stock, partnership interest or other equity interest of FRANCHISEE or any Entity Owner; (b) merger or consolidation or issuance of additional securities representing an ownership interest in FRANCHISEE or any Entity Owner; (c) any sale of voting stock of FRANCHISEE or any security convertible to voting stock of FRANCHISEE or any Entity Owner; or (d) transfer of an interest in FRANCHISEE or any Entity Owner, this Agreement, the Franchise or the Franchised Business in a divorce, insolvency, corporate or partnership dissolution proceeding, foreclosure proceeding, or otherwise by operation of law.

"**VALPAK® Envelope**" means an envelope or other form of packaging or binding identified by one or more of the Marks, together with the Advertising Inserts, prepared for distribution by COMPANY to specified types of households or addresses within designated areas.

"**VALPAK® Site**" means any of COMPANY's internet worldwide web sites, www.valpak.com, or other websites designated by COMPANY or otherwise identified by the VALPAK® Marks.

"**VALPAK® System**" means (1) the methods, formats, systems, specifications, standards, and operating policies and procedures established by COMPANY from time to time for use in the offer and sale of advertising in VALPAK® Envelopes and such other advertising products as COMPANY may offer to its DealersFranchisees from time to time, and the Production and distribution of VALPAK® Envelopes (and such other products, if any), by COMPANY (including Software); and (2) the methods of operation of, and benefits from, and features associated with, participation in the network of DealersFranchisees.

### 3. **GRANT OF FRANCHISE.**

3.1 **Grant.** Subject to, and in accordance with, the remainder of this Section, COMPANY grants to FRANCHISEE, and FRANCHISEE accepts from COMPANY, a right, license and obligation:

(a) to sell, and place orders for distribution of advertising, Advertising Inserts, or other products and/or services offered by COMPANY, to be placed in VALPAK® Envelopes to be distributed within the Territory, to: (i) any Advertiser which maintains a physical place of business within the Territory; or (ii) a Purchasing Representative with an office located within FRANCHISEE'S Territory;

(b) to sell Electronic Advertising to: (i) any Advertiser which maintains a physical place of business within the Territory; or (ii) a Purchasing Representative with an office located within the Territory;

(c) to sell, and place orders for distribution of advertising, or other products offered by COMPANY, or Advertising Inserts to be placed in VALPAK® Envelopes or in the form of Electronic Advertising to be distributed outside of the Territory as Intermarket Advertising so long as: (i) the Advertiser from which the FRANCHISEE is soliciting business maintains a Purchasing Representative with an office located within the FRANCHISEE's Territory; or (ii) FRANCHISEE has first obtained written consent from the FRANCHISEE in whose territory the Purchasing Representative is located, or from COMPANY if the Purchasing Representative is located in an area that has not been granted to another FRANCHISEE; and

(d) to use the Marks in connection with the foregoing activities in accordance with the VALPAK® System.

### 3.2 Intermarket Sales - FRANCHISEE Rights and Obligations.

(a) Intermarket Compensation. In accordance with the Intermarket Sales Policy as in effect from time to time, compensation will be paid to FRANCHISEES who both (1) grant consent pursuant to this Agreement, and (2) satisfy the terms and conditions of the Intermarket Sales Policy. And, if FRANCHISEE is obligated, pursuant to the Intermarket Sales Policy, to Carry in VALPAK® Envelopes, any Advertising Inserts, or other advertising products offered by COMPANY, sold by other FRANCHISEES or National Sales, FRANCHISEE will be compensated in accordance with the "DealerFranchisee Payment Matrix" (also known in this Agreement as the "Matrix") included as part of the Intermarket Sales Policy.

(b) Intermarket Compliance. FRANCHISEE agrees to comply in all respects with all applicable provisions of the Intermarket Sales Policy in effect from time to time (including, without limitation, as it relates to Electronic Advertising and Electronic Advertising Services).  
FRANCHISEE:

- (i) will abide by the Intermarket Sales Policy as adopted from time to time by COMPANY;
- (ii) acknowledges that the COMPANY may change, replace and modify the Intermarket Sales Policy from time to time to reflect market conditions and other factors, as well as the desires of the distribution network for products sponsored by the COMPANY;
- (iii) will sell and place orders for Electronic Advertising related to a geographic area outside of the FRANCHISEE's Territory, only so long as FRANCHISEE complies with this Section;
- (iv) must carry in VALPAK® Envelopes, any Advertising Insert, or other advertising products offered by COMPANY that have been sold in accordance with the terms and conditions of this Agreement or the Intermarket Sales Policy by another FRANCHISEE or National Sales for distribution within FRANCHISEE's Territory.

COMPANY may change the Intermarket Sales Policy as it relates to Schedules B, C, G and H and Electronic Advertising or Electronic Advertising Services as it determines appropriate in its sole judgment. Other than the foregoing, COMPANY will not amend the Intermarket Sales Policy unless and until: (1) it has consulted with the VALPAK Dealers Association, Inc. ("Franchisees Association"); (2) it gives three (3) months prior notice to FRANCHISEE before

the amendment becomes effective; and (3) within two (2) months from the date of such notice COMPANY has obtained Consent of DealersFranchisees. Unless authorized in accordance with the foregoing, no amendment by COMPANY to the Intermarket Sales Policy shall serve to reduce or infringe upon the rights granted to FRANCHISEE under this Agreement. Notwithstanding the foregoing, COMPANY and the DealerFranchisee's Association, upon mutual written agreement, reserve the right to make changes, material or otherwise, to the Intermarket Sales Policy, that may become immediately necessary to maintain the day-to-day operational and/or fiscal integrity of the VALPAK® System.

(c) Modifications to Electronic Advertising and Other Rights: Notwithstanding anything to the contrary in this Section 3.2, FRANCHISEE agrees and acknowledges that: (i) Advertiser categories, and the rights and obligations of the parties with respect to the sale of Electronic Advertising or VALPAK® Envelopes to Advertisers in each category, are described in the Intermarket Sales Policy; (ii) COMPANY may, at any time, vary the duties, rights, obligations, compensation, pricing and vary the terms and conditions by which FRANCHISEE may participate in the sale and distribution of Electronic Advertising and Electronic Advertising Services, either as part of changes to the Intermarket Sales Policy, or otherwise; (iii) COMPANY may cancel its offering of Electronic Advertising and Electronic Advertising Services at any time upon six (6) months notice; (iv) all such changes and/or cancellations will be effective, valid and binding on the FRANCHISEE on notice by the COMPANY to FRANCHISEE; and (v) any such cancellation, changes or modifications will have no other effect on the rights, duties and obligations of the parties under the Agreement.

3.3 COMPANY Reserved Rights. COMPANY reserves the right, among others, in its sole judgment and without granting any right to FRANCHISEE other than those identified in Sections 3.1, 3.2 and 3.6 to: (a) operate and grant to others the license to operate businesses, including, without limitation, a business in accordance with the VALPAK® System, outside the Territory, on such terms and conditions as the COMPANY deems appropriate; (b) engage in the offer and sale of any advertising services and products and/or engage in the publication and/or distribution of any advertising or promotional materials within the Territory, but only if FRANCHISEE, or its Owners or affiliates, are engaged in a Competitive Business with the COMPANY's consent as may be permitted pursuant to and in accordance with this Agreement; (c) identify itself (and its affiliates) by its corporate name in connection with any activity within the Territory, provided that such activity does not adversely affect the reputation and goodwill of the VALPAK® System; (d) use any of the Marks within the Territory in connection with the promotion of the VALPAK® System or any aspect of the VALPAK® System; (e) solicit and sell, directly by National Sales, advertising products and services for distribution in the Territory using the Marks subject to the terms and conditions of the Intermarket Sales Policy; and (f) engage in any activity: (i) that the COMPANY is not otherwise expressly prohibited from engaging in by the terms and conditions of this Agreement or the Intermarket Sales Policy; and/or (ii) that is not exclusively granted to FRANCHISEE pursuant to Sections ~~3.1 and 3.1~~, 3.2 and 3.6 of this Agreement (anything not expressly granted by COMPANY to FRANCHISEE is reserved by COMPANY); and/or (iii) that has been offered to FRANCHISEE on terms and conditions generally available to other DealersFranchisees but for which FRANCHISEE has chosen not to participate on such terms.

3.4 Limitations. The Franchise granted by this Agreement does not include any right on the part of FRANCHISEE to itself print, publish or distribute VALPAK® Envelopes or Advertising Inserts bearing the Marks or to cause any third party to do any of the foregoing, or to use the Marks other than in connection with the offer, sale and promotion of advertising in VALPAK® Envelopes in accordance with the VALPAK® System, and FRANCHISEE is expressly prohibited from engaging in any of such activities.

3.5 Best Efforts. During the Term, FRANCHISEE shall at all times: (a) faithfully, honestly and diligently perform its obligations hereunder; and (b) continuously exert FRANCHISEE's best efforts to: (i) promote and enhance the VALPAK® System; and (ii) the sale of Advertising Inserts, Electronic Advertising and all other products and services COMPANY authorizes FRANCHISEE to sell, in the Territory.

3.6 Other Products and Services. COMPANY may from time to time offer FRANCHISEE the right to promote, market, sell and distribute other products and services. COMPANY will specify the terms and conditions by which FRANCHISEE may participate in doing so, and may vary them from time to time. In addition, COMPANY may, but will not be obligated to, develop new products and services which may be available to FRANCHISEE and become part of the Franchised Business. In doing so, COMPANY may consult with the DealersFranchisees Association for advice. COMPANY may market, promote, sell and distribute such products and services anywhere through National Sales and through O&O DealersFranchisees as part of its development, testing and introduction of such products consistent with the territorial rights contained in this Agreement and the Intermarket Sales Policy. If it wants to include FRANCHISEE in such development, testing and introduction, it will ask FRANCHISEE and FRANCHISEE, upon agreeing to do so, will participate in such development, testing and introduction without compensation from COMPANY and will provide information, data, recommendations and advice to COMPANY relating to such products and services in accordance with the means developed by COMPANY for doing so. COMPANY may require FRANCHISEE to sign a confidentiality agreement relating to such products and services and FRANCHISEE agrees to do so. FRANCHISEE agrees that its participation in such testing and development programs is at its own risk, that the terms of participation may vary, and that any products and services so introduced, developed and tested will constitute products and services that are part of a Competitive Business, unless COMPANY specifies otherwise in writing. If COMPANY decides such new product or service should constitute part of the Franchised Business, and has obtained the Consent of DealersFranchisees to do so, then: (a) FRANCHISEE must utilize its best efforts to promote, market, sell and distribute such products and services in its Territory on the terms and conditions as have been approved by the Consent of DealersFranchisees, and that the sale or promotion of the same or similar products and services will also constitute a Competitive Business for all other purposes of this Agreement; and (b) if FRANCHISEE fails to do so within 6 months notice from COMPANY, then COMPANY or its designees may market, promote, sell and distribute such products and services in the Territory without restriction or compensation to FRANCHISEE.

#### 4. GRANT OF SOFTWARE LICENSES.

4.1 Software. FRANCHISEE must utilize, and license or purchase from COMPANY or its designees, as COMPANY may designate from time to time, all computer or other electronic device Software and related systems that COMPANY designates from time to time (currently known as VPOffice®). Pursuant to one or more separate written license agreements, COMPANY will, subject to this Agreement, license the Software to FRANCHISEE on a nonexclusive, nontransferable basis in accordance with the policies and procedures COMPANY designates for the use of such Software. FRANCHISEE will sign and deliver to COMPANY such license agreements for the Software as COMPANY then currently requires. Upon the expiration (without renewal) or earlier termination of this Agreement, COMPANY will have full access to all data input in the Software for any purpose whatsoever, and FRANCHISEE's rights to use all such Software, and the related license agreements, will terminate. FRANCHISEE will be solely responsible for obtaining, maintaining and operating at its expense all computer hardware and software necessary for the use of the Software. COMPANY will not require FRANCHISEE to purchase, license or use any Software unless COMPANY reasonably believes that FRANCHISEE's use of such Software will: (i) improve FRANCHISEE's performance under this Agreement; (ii) improve communication and dissemination of information between and among COMPANY and its DealersFranchisees or with customers and Advertisers; (iii) enable transmission of graphics, advertising copy, copyrighted designs, artwork and other information or data concerning VALPAK® products and services between and among Advertisers, DealersFranchisees and COMPANY;

and/or (iv) enable FRANCHISEE to furnish financial information to COMPANY and utilize such financial information to improve the operation of the Franchised Business.

4.2 Restrictions on Use. Except as expressly provided in this Agreement or as may be designated by COMPANY in the Operating Procedures, FRANCHISEE: may use the Software solely for internal business purposes related to the Franchised Business; and must not transfer, sublicense or otherwise assign its rights in the Software to any third party nor allow any third party to access or use the Software. FRANCHISEE shall not have the right to alter or modify the Software without the express prior authorization of COMPANY. FRANCHISEE shall not have the right to, and must not, reverse engineer the Software to develop any other computer program or business system or methods. FRANCHISEE may make a reasonable number of object code copies of the Software for archival purposes. FRANCHISEE may not otherwise copy all or any part of the Software without COMPANY'S consent.

4.3 New or Replacement Business Systems. COMPANY may, in its sole judgment, designate new or replacement business systems, accounting systems, software, prospecting client/management systems from time to time, which FRANCHISEE must utilize and which COMPANY may require FRANCHISEE to license or purchase from COMPANY, its designees or third parties. FRANCHISEE must keep all types of data COMPANY designates in such or relating to such systems current, in accordance with the standards COMPANY may designate from time to time. FRANCHISEE must use and adhere to the accounting, bookkeeping, recordkeeping, prospecting/client management, and similar systems specified by COMPANY from time to time in the Operating Procedures. Some of these systems may be added to the Software or may be software acquired at FRANCHISEE's expense from third parties.

## 5. TRAINING, GUIDANCE AND SERVICES.

5.1 Training. COMPANY will provide to FRANCHISEE (or, if FRANCHISEE is a business entity, up to two Owners) and, unless COMPANY otherwise agrees in writing, FRANCHISEE (or, if FRANCHISEE is a business entity, at least one Owner) will attend and complete to COMPANY's satisfaction the new franchise owner training I offered after the execution of this Agreement. In addition, COMPANY will provide to FRANCHISEE (or, if FRANCHISEE is a business entity, at least one Owner) and, unless COMPANY otherwise agrees in writing, FRANCHISEE (or, if FRANCHISEE is a business entity, at least one Owner) will attend and complete to COMPANY's satisfaction the first Consultative Selling School offered after the execution of this Agreement. In its discretion, COMPANY may offer new franchise owner training I and Consultative Selling School to additional persons associated with FRANCHISEE. COMPANY may charge, and FRANCHISEE will pay, COMPANY'S then-current standard fees for furnishing new franchise owner training I and/or Consultative Selling School to additional persons. New franchise owner training I and Consultative Selling School will occur at such places and times as COMPANY designates.

In addition to new franchise owner training I and Consultative Selling School, FRANCHISEE and/or its Owners shall attend and complete such supplemental, refresher or new or additional training programs as COMPANY, in its discretion, may require. COMPANY will provide sales training to large and regional Advertisers at such times and in such frequency as it determines appropriate based on the demand of ~~Dealers~~Franchisees in general and the number of trainees qualified to undertake such training, and FRANCHISEE may attend such training if it has qualified for it, has the potential customers and marketplace to justify attending, and resources to implement the training in its business. COMPANY may charge and FRANCHISEE will pay COMPANY'S then-current standard fees for furnishing such training programs.

COMPANY may, but is not required to, host periodic Business Meetings for ~~Dealers~~Franchisees. Unless COMPANY otherwise agrees in writing, FRANCHISEE (or, if FRANCHISEE is a business entity, at least one Owner) will attend the first Coupon U COMPANY hosts after the execution of this Agreement.



Coupon U will occur at times and places COMPANY designates. In its discretion, COMPANY may require FRANCHISEE (or if FRANCHISEE is a business entity, at least one Owner that is not an Entity Owner and/or the Key Person) to attend, and FRANCHISEE will attend, another COMPANY-affiliated national meeting instead of the first Coupon U.

Unless COMPANY otherwise agrees, FRANCHISEE shall be solely responsible for all compensation, travel, lodging and living expenses incurred by FRANCHISEE, its Owners and employees in connection with attendance at new franchise owner training I, Consultative Selling School, supplemental and refresher training programs, Coupon U and all other meetings and training sessions held by COMPANY.

Unless COMPANY and FRANCHISEE otherwise agree, COMPANY will provide to FRANCHISEE a New Franchise Owner Kit to assist FRANCHISEE with the start-up of the Franchised Business.

5.2 Operating Procedures. During the Term, COMPANY will provide FRANCHISEE with access to the Operating Procedures, at no additional charge by COMPANY. COMPANY has the right to modify the Operating Procedures periodically to reflect changes in the specifications, standards, policies and operating procedures prescribed for franchised businesses operating under the VALPAK® System. All changes to the Operating Procedures shall be approved by an officer of COMPANY and shall become effective on the later of (i) 20 days after the date on which COMPANY gives notice of such change to FRANCHISEE, or (ii) such later date as COMPANY may specify in its notice to FRANCHISEE. The Operating Procedures maintained by COMPANY at its principal office will be considered the master copy and will be controlling in the event of a dispute related to its contents.

5.3 COMPANY's Publication of VALPAK® Envelopes. If FRANCHISEE is not in breach of any monetary obligations to COMPANY, and is otherwise in substantial compliance with this Agreement and any related agreements with COMPANY, and with the Operating Procedures, then COMPANY, as the sole publisher and distributor of VALPAK® Envelopes, agrees to publish and distribute VALPAK® Envelopes: (1) within the Territory in Mailings for which FRANCHISEE has submitted Insertion Orders, all in accordance with the VALPAK® System; (2) in such other geographic areas for Mailings ordered by other DealersFranchisees in accordance with and subject to their franchise agreements and the Intermarket Sales Policy; and (3) in such other geographic areas (that may be outside the VALPAK® DealerFranchisee network) as COMPANY decides in its sole discretion to conduct Mailings from time to time. Notwithstanding the foregoing, COMPANY will not be liable for, or be in breach of this Agreement due to, the failure to mail, distribute, or for the Production of, VALPAK® Envelopes anywhere other than in the Territory.

(a) Content: FRANCHISEE and COMPANY acknowledge and agree that COMPANY:

- (i) shall have final approval over the form and content of each individual item to be included in a VALPAK® Envelope;
- (ii) shall have the sole discretion to determine the appearance and style of VALPAK® Envelopes, and to modify them from time to time, after consulting with the DealerFranchisee's Association, but the content of the Envelope itself (as opposed to the contents inside the Envelope) is at COMPANY's sole discretion;
- (iii) shall have the right to reject any Advertising Insert if COMPANY believes that such Advertising Insert: (1) would violate any state, federal or local law; (2) would violate any common law, intellectual property, statutory or

contractual right of any person or entity; or (3) the Customer ordering such Advertising Insert could, by association, reflect negatively on COMPANY, its franchisees or on other customers or which could injure the goodwill associated with the Marks; and

- (iv) shall produce and distribute, or arrange for the Production and distribution, of all VALPAK® Envelopes to be distributed in accordance with this Agreement, which Production shall include, without limitation: (1) the graphics preparation and printing, from final proofs provided by FRANCHISEE, of all Advertising Inserts other than those supplied by FRANCHISEE in accordance with Section 9.2; (2) collation and insertion of Advertising Inserts, including those supplied by FRANCHISEE in accordance with Section 9.2; (3) labeling and direct mailing of VALPAK® Envelopes; and (4) any other services provided by COMPANY as part of the VALPAK® System.

(b) **Mailings:** COMPANY shall use its reasonable efforts to place an ordered Mailing into distribution within nine (9) business days, or such shorter time as COMPANY may from time to time specify, following its receipt of an Insertion Order. COMPANY shall not be deemed to be in breach of its obligations to FRANCHISEE as a result of errors in the Production or distribution of VALPAK® Envelopes. However, in the event that COMPANY delivers a Mailing to the U. S. Postal Service and all or any portion of such Mailing is not delivered or is delivered to the wrong zip codes due to COMPANY's error or the error of the U.S. Postal Service, and through no fault of FRANCHISEE, COMPANY will re-mail VALPAK® Envelopes at no additional charge to FRANCHISEE. COMPANY shall publish in its Operating Procedures its policies regarding credits for production errors, as such policies may be amended from time to time.

(c) **Disruptions / Alternatives:** In the event COMPANY is unable to accomplish the Production of VALPAK® Envelopes as a result of a strike, labor dispute, natural disaster, fire, war, act of terror, act of God or other event beyond the reasonable control of COMPANY, COMPANY shall use reasonable efforts to arrange for the Production of VALPAK® Envelopes using alternate resources. If COMPANY is unable to arrange for Production through an alternate source, then COMPANY shall so notify FRANCHISEE, and FRANCHISEE shall then be entitled to make arrangements for the Production of VALPAK® Envelopes using its own sources; provided however, that COMPANY may require FRANCHISEE to discontinue using such alternate source at any time based on the general reputation of such source for quality and reliability, or on COMPANY's evaluation of the quality of the products and services provided by such source, provided that other sources are then available on reasonable terms. FRANCHISEE shall resume using COMPANY for all Production at such time as COMPANY notifies FRANCHISEE that COMPANY is again able to perform Production services.

## 6. MARKS.

6.1 Ownership and Goodwill of Marks. FRANCHISEE acknowledges that FRANCHISEE has no right, title or interest in the Marks other than the limited right to use the Marks in strict accordance with this Agreement, and that FRANCHISEE's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Franchised Business pursuant to and in compliance with this Agreement and all applicable specifications, standards, policies and operating procedures prescribed by COMPANY from time to time. Any unauthorized use of the Marks by FRANCHISEE shall constitute an infringement of the rights of COMPANY in and to the Marks.

FRANCHISEE agrees that all usage of the Marks by FRANCHISEE and any goodwill established thereby shall inure to the exclusive benefit of COMPANY, and FRANCHISEE acknowledges that this

Agreement does not confer any goodwill or other interest in the Marks upon FRANCHISEE. FRANCHISEE shall not, at any time during the Term or after its termination or expiration, contest COMPANY's rights and interest in and to the Marks, or COMPANY's ownership of any of the Marks, or assist any other person in contesting COMPANY's rights and interest in and to the Marks or COMPANY's ownership of any of the Marks, or the application for registration of any of the Marks as trademarks, service marks or trade names. FRANCHISEE further agrees that it will not, during the term hereof or thereafter, register or seek to register as a trademark, service mark, trade name or corporate name, federally or in any state, territory, district or foreign country, any of the Marks or any trademark, service mark, trade name or corporate name similar to or derivative of any of the Marks.

All provisions of this Agreement applicable to the Marks apply to any additional trademarks, logo forms and commercial symbols hereafter authorized for use by and licensed to FRANCHISEE pursuant to this Agreement.

6.2 Limitation on FRANCHISEE's Use of Marks. FRANCHISEE agrees to identify COMPANY and its ownership thereof in a manner prescribed or approved in writing by COMPANY and shall identify itself as a franchisee of COMPANY and a licensed user of the Marks. If FRANCHISEE uses a fictitious or assumed name in connection with the operation of the Franchised Business, it shall file appropriate fictitious or assumed name affidavits in the jurisdictions where it is conducting business. FRANCHISEE shall not use any Mark as part of any corporate or legal business name, or (except in its assumed or fictitious business name approved by COMPANY) with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. FRANCHISEE shall not use any Mark in connection with the offer or sale of any products or services other than advertising in VALPAK® Envelopes, or in a manner that may result in liability of COMPANY for any indebtedness or obligation of FRANCHISEE, or in any other manner not expressly authorized in writing by COMPANY. Any advertising or promotional materials used by FRANCHISEE that use the Marks must be in compliance with COMPANY's requirements relating to such use of the Marks and with COMPANY's standards for advertising. FRANCHISEE agrees to display the Marks prominently and in the manner prescribed by COMPANY on signs, stationery and forms, and to use only the Marks as the names or marks in connection with the Franchised Business. FRANCHISEE agrees not to use the Marks in any manner which could adversely affect the reputation of COMPANY. In each instance that FRANCHISEE uses the name "VALPAK®," it shall use the symbol ® immediately after such name to denote the federal registration of the VALPAK® name. FRANCHISEE shall furnish to COMPANY upon request, at any time and from time to time, samples of all materials on which FRANCHISEE uses any of the Marks.

6.3 Modification or Substitution. If it becomes advisable at any time, in COMPANY's sole discretion, for COMPANY and/or FRANCHISEE to modify or discontinue use of any Mark, and/or to use one or more additional or substitute trademarks, FRANCHISEE agrees to comply with COMPANY's directions to do so immediately upon receipt of notice thereof by COMPANY, and FRANCHISEE shall have no right to compensation or reimbursement from COMPANY for any loss arising from the loss of the use of such Marks. COMPANY will consult with the DealersFranchisees Association prior to making a final decision to modify or discontinue the VALPAK® mark..

6.4 Notification of Infringements and Claims. FRANCHISEE shall notify COMPANY of any apparent infringement of or challenge to FRANCHISEE's use of any Mark, or claim by any person of any rights in any Mark as soon as reasonably practicable but in no event later than ten days of the receipt by FRANCHISEE of notice of any of the foregoing. FRANCHISEE shall not communicate with any person other than COMPANY and COMPANY's counsel in connection with any such infringement, challenge or claim. COMPANY shall take such action, if any, as it, in its sole and absolute discretion, deems appropriate, and shall have the right to exclusively control any litigation or Patent and Trademark Office proceeding or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark,

and FRANCHISEE agrees to execute any and all instruments and documents, render such assistance and do such acts and things as may, in the opinion of COMPANY's counsel, be necessary or advisable to protect and maintain the interests of COMPANY in any such litigation or Patent and Trademark Office proceeding or other proceeding or to otherwise protect and maintain the interests of COMPANY in the Marks. COMPANY will reimburse FRANCHISEE for its reasonable out-of-pocket expenses incurred in complying with specific requests made by COMPANY under this Section 6.4.

## 7. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

7.1 Relationship of Parties. The parties agree that this Agreement does not create a fiduciary relationship between them, that FRANCHISEE shall be an independent contractor, and that nothing in this Agreement is intended to make either party a general or special agent, legal representative, joint venturer, partner or employee of the other party for any purpose. FRANCHISEE shall conspicuously identify itself in all dealings with Customers, advertisers, suppliers, public officials and others as the independent owner of the Franchised Business under a license from COMPANY, and shall place such other notices of independent ownership on such signs, forms, stationery, advertising and other materials as COMPANY may require from time to time. COMPANY and/or its affiliates will be solely responsible for all use and sales taxes imposed by any state on the sale of advertising, printing services and sales or use of other products and services by National Sales.

Neither COMPANY nor FRANCHISEE shall make any express or implied agreements, guarantees or representations on behalf of the other, or incur any debt in the name of or on behalf of the other, or represent that FRANCHISEE has any relationship with COMPANY other than as a FRANCHISEE of COMPANY pursuant to this Agreement. COMPANY shall not be obligated by or have any liability under any agreements or representations made by FRANCHISEE, nor shall COMPANY be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business.

COMPANY shall have no liability for any sales, service, value added, use, excise, gross receipts, property or other taxes, whether levied upon FRANCHISEE, the Franchised Business or its assets, or upon COMPANY, in connection with sales made, services performed or business conducted by FRANCHISEE, or payments made to COMPANY by FRANCHISEE, except for (i) any taxes which COMPANY actually collects from FRANCHISEE with respect to purchases from COMPANY; (ii) any taxes due upon COMPANY's taxable income; or (iii) taxes imposed by the State of Florida on the sale of COMPANY's services to FRANCHISEE, provided that such taxes relate to Insertion Orders submitted by FRANCHISEE before COMPANY's receipt of notice of such assessment, or to the first Insertion Order submitted by FRANCHISEE thereafter. COMPANY agrees to notify FRANCHISEE of receipt of any such notice of assessment within a reasonable time thereafter.

### 7.2 Indemnification by FRANCHISEE.

(a) Scope: FRANCHISEE agrees to indemnify and hold all COMPANY-affiliated Indemnified Parties harmless against any loss, liability, expense or damages, which any of them may suffer or incur, which arises from or in connection with FRANCHISEE's breach of its obligations hereunder, FRANCHISEE's ownership or operation of the Franchised Business, the use of the Marks by FRANCHISEE in a manner which is inconsistent with COMPANY's instructions with respect thereto, any advertising insert or any other material provided to COMPANY by FRANCHISEE, or by reason of the transfer or sublicensing of any interest in this Agreement, the Franchise, the Franchised Business, or the ownership of FRANCHISEE. For purposes of this Section, damages shall include all reasonable costs and expenses incurred by an Indemnified Party in connection with any claim, suit, proceeding or investigation against such Indemnified Party,

including without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

(b) Procedure: If any claim or demand is asserted against or sought to be collected from an Indemnified Party by a third party, said Indemnified Party shall send a Claim Notice to FRANCHISEE within thirty (30) days of the receipt of such claim or demand; provided however, that any failure to give such COMPANY Claim Notice shall not constitute a waiver of any rights of the Indemnified Party hereunder unless such failure materially prejudices the defense of the third party claim. The Indemnified Party shall have the right to exercise exclusive control over the defense of any such claim or demand in such manner as it, in its sole discretion, deems appropriate or desirable. The Indemnified Party shall state in its Claim Notice whether it elects to control the defense of such claim or demand; provided however, that an election by the Indemnified Party not to control the defense of such claim or demand shall not preclude the Indemnified Party from subsequently assuming control of such defense, which it may do at any time during the pendency of such claim or demand by delivering written notice to FRANCHISEE of such election.

(c) Defense: Regardless of whether COMPANY elects to exercise control over the defense of any claim or demand in which COMPANY is a named party, in no event shall FRANCHISEE concede liability on its own behalf or on behalf of COMPANY, or compromise or offer to compromise such claim without COMPANY's prior written consent, nor will FRANCHISEE take any other action which might impair COMPANY's ability to defend such claim.

(d) Limitations: An Indemnified Party shall have no right to seek or obtain indemnification from FRANCHISEE under this Section unless it sends a Claim Notice to FRANCHISEE during the Term or within two years from its expiration or termination.

(e) Remedies: FRANCHISEE acknowledges and agrees that the provisions of this Section do not constitute an exclusive remedy, and COMPANY retains all remedies which it may otherwise have at law or in equity for the duration of the applicable statute of limitations.

### 7.3 Indemnification by COMPANY

(a) Scope: COMPANY agrees to indemnify and hold all FRANCHISEE-affiliated Indemnified Parties harmless against any loss, liability, expense or damages, which any of them may suffer or incur, which arises from or in connection with:

- (i) National Sales;
- (ii) operation of COMPANY's or National Sales' business and their sale of advertising services and products, and any Advertising Insert or any other material provided by COMPANY; and
- (iii) infringement claims by third parties due to FRANCHISEE's use of the Marks pursuant to and in compliance with this Agreement.

For purposes of this Section, damages shall include all reasonable costs and expenses incurred by an Indemnified Party in connection with any claim, suit, proceeding or investigation against such Indemnified Party, including without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses.

(b) Procedure: If any claim or demand is asserted against or sought to be collected from an Indemnified Party by a third party, said Indemnified Party shall send a Claim Notice to COMPANY within thirty (30) days of the receipt of such claim or demand (or within 10 days for claims involving the VALPAK® Mark); provided however, that any failure to give such FRANCHISEE Claim Notice shall not constitute a waiver of any rights of the Indemnified Party

hereunder unless such failure materially prejudices the defense of the third party claim. COMPANY shall have the right to exercise exclusive control over the defense of any such claim or demand in such manner as it, in its sole discretion, deems appropriate or desirable. Notwithstanding the foregoing, COMPANY shall have the right (but not the obligation) to exercise exclusive control over the defense of any such claim or proceeding involving infringement claims by giving written notice to FRANCHISEE of its intent to do so at any time during the pendency of such claim or proceeding or during any appeal relating thereto.

(c) **Defense:** In no event shall COMPANY concede liability on its own behalf or on behalf of FRANCHISEE, or compromise or offer to compromise such claim without FRANCHISEE's prior written consent, nor will COMPANY take any other action which might impair FRANCHISEE's ability to defend such claim, unless COMPANY is responsible for satisfying the claim without contribution from FRANCHISEE.

(d) **Limitations:** An Indemnified Party shall have no right to seek or obtain indemnification from COMPANY under this Section unless it sends a Claim Notice to COMPANY during the Term or within two years from its expiration or termination.

(e) **Remedies:** COMPANY acknowledges and agrees that the provisions of this Section do not constitute an exclusive remedy, and FRANCHISEE retains all remedies which it may otherwise have at law or in equity for the duration of the applicable statute of limitations.

## 8. CONFIDENTIAL INFORMATION/EXCLUSIVE RELATIONSHIP.

8.1 **Confidential Information.** COMPANY has a proprietary interest in all Confidential Information. Certain Confidential Information will be disclosed to or learned by FRANCHISEE in connection with its ownership and operation of the Franchised Business.

(a) **Limitations On Use:** The Confidential Information is made available to FRANCHISEE by COMPANY solely on the condition that FRANCHISEE agrees, and FRANCHISEE does hereby agree, that FRANCHISEE (and each of its Owners): (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the Term; (3) will not make copies of any Confidential Information provided to FRANCHISEE in writing; (4) will not reduce to writing any Confidential Information provided to FRANCHISEE in an unwritten form; and (5) will adopt and implement all reasonable procedures prescribed from time to time by COMPANY to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosure thereof to FRANCHISEE's employees and contractors, and the use and enforcement of nondisclosure clauses in employment agreements or service contracts with such persons. FRANCHISEE (and its Owners) shall be responsible for any breach of this Section by any of FRANCHISEE's officers, directors, employees, agents and representatives, and shall take all reasonable measures not prohibited by law, including but not limited to legal action, to restrain a violation hereof by any of such persons.

(b) **FRANCHISEE Compelled Disclosure:** In the event that FRANCHISEE (or its Owners), or FRANCHISEE's officers, directors, employees, agents, or representatives receives a request or is required (by deposition interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the Confidential Information, FRANCHISEE (and its Owners) agree to (i) immediately notify COMPANY of the existence, terms and circumstances surrounding such a request, (ii) consult with COMPANY on the advisability of taking legally available steps to resist or narrow such request, and (iii) assist COMPANY in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that COMPANY waives compliance with the provisions hereof, (1) FRANCHISEE may disclose to any tribunal only that portion of the Confidential Information which FRANCHISEE is advised by written opinion of counsel is legally required to be disclosed or else stand liable for contempt or suffer other censure or penalty, and shall exercise FRANCHISEE's best

efforts to obtain assurance that confidential treatment will be accorded such and (2) FRANCHISEE shall not be liable for such disclosure unless disclosure to any such tribunal was caused by or resulted from a previous disclosure by FRANCHISEE (or its Owners), or FRANCHISEE's officers, directors, employees, agents or representatives in violation of this Agreement.

(c) **FRANCHISEE Confidential Information:** FRANCHISEE has a proprietary interest in all FRANCHISEE Confidential Information. Certain FRANCHISEE Confidential Information will be disclosed to or learned by COMPANY in connection with its relationship to FRANCHISEE and the Franchised Business. The FRANCHISEE Confidential Information is made available to COMPANY by FRANCHISEE solely on the condition that COMPANY agrees, and COMPANY does hereby agree, that COMPANY: (1) will not use the FRANCHISEE Confidential Information in any other business or capacity; (2) will adopt and implement all reasonable procedures prescribed from time to time by COMPANY to prevent unauthorized use or disclosure of the FRANCHISEE Confidential Information, including without limitation, restrictions on disclosure thereof to COMPANY's, affiliates, employees and contractors, and the use and enforcement of nondisclosure clauses in employment agreements or service contracts with such persons. COMPANY shall be responsible for any breach of this Section by any of COMPANY's officers, directors, employees, agents and representatives, and shall take all reasonable measures not prohibited by law, including but not limited to legal action, to restrain a violation hereof by any of such persons. This Agreement supersedes any and all software license agreements between COMPANY and FRANCHISEE pertaining to FRANCHISEE Confidential Information. COMPANY agrees that it will not disclose any of the Confidential Information to any person or entity for the purpose of using the Confidential Information in a Competitive Business, unless such disclosure relates to a product to be distributed primarily through the VALPAK® System.

(d) **COMPANY Compelled Disclosure:** In the event that COMPANY, or COMPANY's officers, directors, employees, agents, or representatives, receives a request or is required (by deposition interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose all or any part of the FRANCHISEE Confidential Information, COMPANY (and its Owners) agree to (i) immediately notify FRANCHISEE of the existence, terms and circumstances surrounding such a request, (ii) consult with FRANCHISEE on the advisability of taking legally available steps to resist or narrow such request, and (iii) assist FRANCHISEE in seeking a protective order or other appropriate remedy.

8.2 Competitive Activities. FRANCHISEE acknowledges and agrees that COMPANY would be unable to protect its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and any information among DealerFranchisees if FRANCHISEE were permitted to hold interests in, or engage in, directly or indirectly, any Competitive Business that has not been approved by COMPANY in writing.

(a) Therefore, during the Term, neither FRANCHISEE (nor any of its Owners or affiliates) shall:

- (i) have any direct or indirect interest as an owner, investor, partner, member, manager, lender, director, officer, employee, consultant, representative or agent, or in any other capacity, in or otherwise engage in, directly or indirectly, any Competitive Business which does business in either: (1) the Territory; (2) any other geographic area, MSA, MCSA, NTA, or county, parish or comparable political unit, in which COMPANY, one or more of its affiliates, or a DealerFranchisee distributes or sells advertising in VALPAK® Envelopes or through Electronic Advertising; or (3) any area in which COMPANY, one or more of its affiliates and/or a DealerFranchisee has distributed VALPAK® Envelopes or through Electronic Advertising

within the past year; and/or (4) any area in which COMPANY is attempting to sell a VALPAK® franchise; or

- (ii) promote, market, solicit or sell any products or services of a Competitive Business (to the extent such activity may otherwise be permitted with the consent of COMPANY pursuant to and in accordance with this Agreement) to customers of FRANCHISEE, COMPANY or any DealerFranchisee unless done otherwise in accordance with the terms and conditions of this Agreement, but in any event not for distribution outside of the Territory.

(b) COMPANY may, in its sole discretion, grant a waiver from the provisions of this Section to FRANCHISEE or any other DealerFranchisee. Any such waiver must be in writing and signed by a duly authorized officer of COMPANY. COMPANY will determine the standards and qualifications for this purpose which may change from time to time, which will include the following:

- (i) the Competitive Business is not subject to control or restriction by any Person other than FRANCHISEE (or its Owner(s));
- (ii) FRANCHISEE does not share any Confidential Information with the Competitive Business and takes precautions satisfactory to COMPANY (including written and other substantiating evidence) to ensure Confidential Information is neither disclosed to, nor used by, the Competitive Business;
- (iii) the Competitive Business is not associated with any of the Marks in any way;
- (iv) the Competitive Business is conducted solely within the Territory, and will not involve the distribution, marketing, sale or publication of advertising products or services outside the Territory, unless written consent of the COMPANY and the DealersFranchisees operating in the Territory affected have been obtained; and
- (v) the Competitive Business does not involve an advertising product which is substantially similar to an advertising product which is included in the VALPAK® System.

(c) If engaged in a Competitive Business with approval from COMPANY, FRANCHISEE must:

- (i) provide COMPANY with a detailed listing of all customers of the Competitive Business, both customers that use the services of both the Franchised Business and the Competitive Business, as well as any customers for whom the Competitive Business provides services or distributes advertising outside of the Territory, along with an obligation to update that list on a monthly basis or as otherwise requested by COMPANY from time to time;
- (ii) provide COMPANY with a detailed listing, with annual or periodic updates, of all advertising services and products provided by the Competitive Business, the markets in which the Competitive Businesses operate and the degree to which such businesses promote, market, sell, service and otherwise operate outside of the Territory; and



- (iii) provide COMPANY with a list of directors, officers, partners, managers and all personnel in a management or sales level position with the Competitive Business and updates such information as changes occur.
- (d) Information supplied by FRANCHISEE to COMPANY pursuant to the foregoing will constitute FRANCHISEE Confidential Information.
- (e) FRANCHISEE will not enter into any contracts or business relationships that would either: (i) result in a violation of this Agreement; or (ii) restrict FRANCHISEE's performance under this Agreement.
- (f) Notwithstanding the foregoing or any other contrary provision of this Agreement, during the Term, FRANCHISEE must not engage, directly or indirectly, in any business that involves cooperative direct mail advertising or the sale, marketing, promotion, printing or distribution of any Cooperative Direct Mail Advertising Products, other than Magazines.

8.3 Other Businesses. FRANCHISEE must operate the Franchised Business on a full-time basis or have a Key Person doing so. FRANCHISEE may be engaged in other business activities (other than a Competitive Business which is addressed in Section 8.2 above) subject to its obligation to dedicate its best efforts and commitments to operating the Franchised Business and selling advertising products and services authorized by COMPANY, only on the following terms and conditions:

- (a) FRANCHISEE represents and warrants to the COMPANY that it has fully disclosed to the COMPANY, prior to entering into this Agreement, all other business interests and investments of any kind or nature, other than passive investments in publicly traded securities or mutual funds if the FRANCHISEE or its Owners or affiliates own or control less than 5% of the voting and equity securities of such publicly traded company or mutual fund.
- (b) During the Term, FRANCHISEE must notify the COMPANY before entering into any other businesses either directly, or separately, via its Owners or affiliates. Furthermore, FRANCHISEE (and its Owners) agree to promptly, truthfully, accurately and completely disclose all other business interests to COMPANY as and when COMPANY requests, and on such forms and other documents as COMPANY directs.

8.4 Discontinuation. If FRANCHISEE is engaged in a Competitive Business (directly or indirectly) as of May 2003, and COMPANY has approved (in writing or otherwise) FRANCHISEE's engagement in such Competitive Business prior to May 2003, but COMPANY is not willing to approve FRANCHISEE's involvement in such Competitive Business going forward, then FRANCHISEE will have one year from the effective date of this Agreement to sell or otherwise discontinue all of its operations and ownership in such Competitive Business and will not be considered in violation of this Agreement if it does so.

## 9. COVENANTS OF FRANCHISEE.

9.1 Specifications, Standards and Operating Procedures. FRANCHISEE shall provide prompt and courteous service to its Customers at all times. FRANCHISEE acknowledges that the operation of the Franchised Business in an ethical and professional manner is essential to preserve customer relations and the goodwill associated with the VALPAK® System.

9.2 VALPAK® Envelope Requirements. COMPANY has developed standards and specifications for the products and services used in the Production of VALPAK® Envelopes, and in order to protect and maintain the reputation and goodwill of the VALPAK® System, COMPANY will provide all goods and services in connection with the Production of VALPAK® Envelopes, except as otherwise provided herein. COMPANY will permit FRANCHISEE to supply certain components of VALPAK® Envelopes to be distributed within the Territory to a limited extent in accordance with the policies, conditions and procedures

for FRANCHISEE-supplied components established by COMPANY in its sole discretion from time to time, it being agreed by the parties, however, that a material premise and condition of this Agreement upon which COMPANY relies is that COMPANY shall be the main source of the components of VALPAK® Envelopes. The policies, conditions, and procedures under which such components of VALPAK® Envelopes may be supplied by FRANCHISEE will be established in the discretion of COMPANY based upon factors that may include (but are not limited to) COMPANY's existing and planned production capabilities and capacities, COMPANY's arrangements with outside sources, COMPANY's standards and requirements for the efficient, accurate and timely publication and distribution of VALPAK® Envelopes and the continuation of COMPANY's ability to maintain such standards, the accommodation of certain types of customers, and the testing and introduction of new products and procedures. The conditions and limitations on the use of FRANCHISEE-supplied components may include, without limitation, additional service charges, review and pre-approval conditions and procedures, the entering of appropriate licensing and restrictive agreements with COMPANY by suppliers of such components, and restrictions or requirements pertaining to the time and place of delivery. In addition, any components of VALPAK® Envelopes to be supplied by FRANCHISEE must meet the standards and specifications of quality, function, and appearance established by COMPANY from time to time. COMPANY has no obligation to use in the Production of a Mailing any components of VALPAK® Envelopes not prepared or supplied by COMPANY (or its agents or subcontractors) except as provided by, and on the condition that there has been full compliance with, the terms of this Section and COMPANY's policies, conditions and procedures established hereunder.

9.3 Management and Personnel of the Franchised Business. The Franchised Business shall at all times be under the direct supervision of FRANCHISEE (or its Owners, if applicable), or with COMPANY's written permission, a Key Person. In order to be qualified as a Key Person, the Key Person must first: (i) have been approved by COMPANY; and (ii) shall have satisfactorily completed COMPANY's new franchise owner training at FRANCHISEE's expense. As a condition to the designation of a Key Person, FRANCHISEE shall require such person to execute an agreement containing confidentiality and non-compete provisions, which agreement shall be in the form prescribed by COMPANY for such purpose. FRANCHISEE shall be exclusively responsible for the terms of employment or engagement and for the proper training of all employees or contractors involved in the operation of the Franchised Business.

9.4 Performance Requirements. Without limiting FRANCHISEE's other obligations under this Agreement, during the first 12 months after the date specified in Exhibit "B" to this Agreement, FRANCHISEE will place Insertion Orders for at least 10 Mailings. COMPANY will specify the minimum number of Envelopes for each of the first 10 mailings. The number of Prime Households to which Mailings must be made under this Section will be rounded to the nearest increment of 10,000. After the first 12 months and for each succeeding 12-month period and each calendar year thereafter, FRANCHISEE must complete a minimum of 10 Mailings sent to at least 70% of the Prime Households in each MSA-and-MCSAcounty (or portion thereof) that falls within the Territory for the remainder of the Term, or higher frequency and market penetration rates as have been established by COMPANY. COMPANY will not: (a) change the formula for determining the definition of Prime Households without the consent of the DealersFranchisees Association board of directors; or (b) increase the required frequency of Mailings or the percentage of Prime Households for such Mailings unless it has obtained Consent of DealersFranchisees. If you are a new DealerFranchisee purchasing an existing Territory, except as otherwise provided on Exhibit "B," FRANCHISEE must place Insertion Orders for Mailings at the same frequency currently existing in the Territory, but not less than 10 times during a 12-month period, to at least 70% of the Prime Households in the Territory.

COMPANY, in its discretion, may elect to phase in the performance requirements for the benefit of FRANCHISEE. If COMPANY chooses to do so, FRANCHISEE will comply with substitute performance requirements specified by COMPANY. The substitute performance requirements will not exceed the performance requirements stated above, unless FRANCHISEE consents. COMPANY will specify the substitute performance requirements in Exhibit "B" to this Agreement, or otherwise in writing.

~~In the event that~~ If the Territory does not contain at least one MSA-and-MCSAcounty (or portion thereof) having more than 50,000 Prime Households, then COMPANY will establish the number of households within the Territory on which the performance requirements will be determined, based on COMPANY's judgment as to the number of households which are sufficiently near each other to form a viable mailing group.

If the Territory contains more than one MSA-and-MCSAcounty, the Territory shall ~~may~~ be divided into separate Performance Areas indicated on Exhibit "B" attached hereto. Failure by FRANCHISEE to satisfy the performance requirements set forth herein with respect to any MSA-and-MCSAcounty or Performance Area shall entitle COMPANY to unilaterally delete such Performance Area or MSA-and-MCSAcounty from the Territory by delivering written notice of such deletion to FRANCHISEE, and in such event, FRANCHISEE shall have no further rights with respect to such Performance Area.

Notwithstanding the foregoing, in the event that FRANCHISEE (or an Owner holding a controlling interest in FRANCHISEE) dies or becomes permanently disabled during the Term, the performance requirements applicable for the performance period in which such event occurs (or at FRANCHISEE's option, the next performance period) shall be reduced by one Mailing, but the performance requirements thereafter shall be as set forth above. FRANCHISEE agrees to provide COMPANY with such information as COMPANY specifies for each Mailing to be made in each calendar year during the Term no later than April 30 of the previous calendar year or such other date as may be agreed to by COMPANY and the DealersFranchisees' Association. Such information will include, without limitation, frequency, NTA@s and Prime Households.

Nothing in this Agreement shall be construed as a representation by COMPANY that FRANCHISEE can or will achieve the performance requirements in this Section. FRANCHISEE'S failure to satisfy any performance requirement in this Section shall constitute a material breach of this Agreement and cause for termination, unless: (a) the Territory contains more than one Performance Area; and (b) such failure relates to less than all of FRANCHISEE's Performance Areas. However, if FRANCHISEE, or its Owners or affiliates, own or operate a Competitive Business, then FRANCHISEE must meet all performance requirements in this Section for all Performance Areas.

9.5 Compliance with Laws and Good Business Practices. FRANCHISEE shall secure and maintain in force all required licenses and permits relating to the operation of the Franchised Business, and shall operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations, including without limitation, all government regulations regarding workers' compensation insurance, unemployment insurance, and withholding and payment of federal, state, and local taxes. All advertising and promotion used by FRANCHISEE shall be accurate in all material respects and conform to the highest standards of ethical advertising, and shall meet specifications issued by COMPANY from time to time. FRANCHISEE agrees to refrain from any business or advertising practice which may be harmful to the business of COMPANY, the goodwill associated with the Marks, or other VALPAK® DealersFranchisees. FRANCHISEE shall notify COMPANY in writing as soon as reasonably practicable, but in no event later than ten days after FRANCHISEE receives notice of or otherwise becomes aware of the commencement of any action, suit, proceeding or investigation, or of the receipt of any notice of the issuance of any order, writ, injunction, award or decree of any court, agency or governmental unit which involves an alleged violation by FRANCHISEE of any law, ordinance or regulation which may adversely affect the operation, financial condition or reputation of COMPANY or any other VALPAK® DealerFranchisee, or which may materially adversely affect the operation, financial condition or reputation of FRANCHISEE.

9.6 Marketing Materials. FRANCHISEE shall use its reasonable efforts to maintain at all times a complete set of then-current marketing materials available to VALPAK® DealersFranchisees for use

in the promotion of VALPAK® Envelopes and the sale of advertising services in connection therewith, and the first set of such materials shall be provided to FRANCHISEE by COMPANY at no charge. If required by FRANCHISEE, COMPANY will at any time furnish FRANCHISEE with a complete additional set of then-current marketing materials, and COMPANY shall have the right to charge a reasonable fee as established by COMPANY from time to time to cover its direct and indirect costs of providing such materials to FRANCHISEE. COMPANY will make available to FRANCHISEE from time to time such sales, marketing and promotional materials that it or National Sales utilize from time to time for marketing, promoting and selling VALPAK® advertising and services, to the extent COMPANY determines such materials will be beneficial for use by FRANCHISEE in the Franchised Business, that FRANCHISEE is fully trained and qualified to use them, and that FRANCHISEE has both the market of potential customers and the resources to maximize the use of such materials. This provision does not apply to client-targeted or specific account marketing materials; but only to generic ones. Such materials will be available for such reasonable charges and fees as COMPANY establishes from time to time, and only upon written request by FRANCHISEE. All such fees, costs, shipping and handling charges must be paid by FRANCHISEE prior to shipment by COMPANY. FRANCHISEE agrees to participate in, cooperate with, and encourage its Customers to complete, such evaluation forms and surveys as COMPANY periodically prescribes, whether performed directly by COMPANY, FRANCHISEE, or others designated by COMPANY. FRANCHISEE must immediately correct or repair any unsatisfactory conditions COMPANY specifies.

9.7 **Inspections.** FRANCHISEE shall, during the one-year period commencing on the date specified in Exhibit "B" to this Agreement or for such longer period as COMPANY may specify, provide COMPANY with such financial information regarding the operation of the Franchised Business as COMPANY may require, on a monthly basis or at such other intervals as COMPANY may specify. The specifications and scope of this financial information shall include, but will not be limited to, an income statement, balance sheet, accounts receivable aging report, commissions earned and cash disbursement journal. During any time period in which FRANCHISEE is not in compliance with this Agreement, FRANCHISEE must provide COMPANY with the information described above, and COMPANY or its designated agents have the right on 48 hours' prior notice to FRANCHISEE, during FRANCHISEE's regular business hours, to:

(a) Inspect FRANCHISEE's Business Office, and any other facility or location where FRANCHISEE conducts business activities and:

- (i) Observe the operations of the Franchised Business for such consecutive or intermittent periods as COMPANY deems necessary;
- (ii) Interview personnel, suppliers, subcontractors, service providers and customers of the Franchised Business;
- (iii) Inspect, access and copy any books, records and documents relating to the operation of the Franchised Business; and
- (iv) Require the FRANCHISEE to provide COMPANY complete and accurate copies of all of FRANCHISEE's bank records, loan applications, tax records and other documents requested by COMPANY which reflect the Franchised Business.

(b) Inspect and audit, or cause to be inspected and/or audited: the Business Office business records, bookkeeping and accounting records, licensing applications and reports, sales, payroll and income tax or banking records and returns and other records of the Franchised Business (and such documents of any corporation or partnership which is the Owner of the Franchised Business under this Agreement).

(c) FRANCHISEE agrees to cooperate fully with COMPANY in connection with any such inspections, observations and interviews. FRANCHISEE agrees to cooperate fully with and provide unrestricted access for such inspection or audits to COMPANY's representatives and independent accountants it may hire to conduct any such inspection or audit.

(d) FRANCHISEE will allow COMPANY to inspect all books and records of any Competitive Business for purposes of determining compliance with this Agreement, on the same terms as otherwise granted to COMPANY with respect to the Franchised Business.

(e) The foregoing rights or remedies are in addition to COMPANY's other rights and remedies under this Agreement and applicable law.

9.8 Conditional Assignment. FRANCHISEE must sign and deliver to COMPANY its Conditional Assignment of Telephone Numbers, Listings, and Addresses maintained at any location in the form attached as an exhibit to the Disclosure Document.

9.9 Security Agreement. FRANCHISEE grants to COMPANY a security interest in all of its inventory, equipment, supplies, intangibles, goods, customer accounts, accounts receivables and any other assets of the FRANCHISEE used in the Franchised Business. FRANCHISEE agrees to execute and deliver to COMPANY the security agreement and UCC financing statements in the form attached as Exhibit "D." FRANCHISEE covenants and agrees that at any time, and from time to time, it will execute and deliver such additional instruments and take such actions as may be reasonably requested by COMPANY to confirm or perfect or otherwise to carry out the intent and purposes of this Section. The Security Agreement and security interest will be effective at all times in which FRANCHISEE owes any amounts to COMPANY.

9.10 Insurance. During the term of this Agreement, FRANCHISEE must obtain and maintain in force, at its expense, such policies and types of insurance as COMPANY prescribes from time to time. COMPANY may prescribe the types, amounts, terms and conditions of insurance coverage FRANCHISEE is required to carry; standards for underwriters and insurers of policies; COMPANY's protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to COMPANY; periodic verification of insurance coverage that must be furnished to COMPANY; COMPANY's right to obtain insurance coverage at FRANCHISEE's expense if it fails to obtain required coverage. COMPANY may specify the terms and conditions in the manner it specifies including in the Operating Procedures. COMPANY may periodically change required coverages, amounts and policy terms.

## 10. FEES.

10.1 Initial Fees. Upon execution of this Agreement, FRANCHISEE shall pay COMPANY an initial franchise fee in the amount of Two Thousand and 00/100 Dollars (\$2,000.00) for an operating franchise or Two Thousand Five Hundred and 00/100 Dollars (\$2,500.00) for a dormant franchise, which shall be non-refundable and fully earned by COMPANY upon execution of this Agreement. If you qualify for the VetFran Program sponsored by the International Franchise Association, we will reduce this fee by twenty percent (20%) to One Thousand Six Hundred and 00/100 Dollars (\$1,600.00) for an operating franchise or Two Thousand and 00/100 Dollars (\$2,000.00) for a dormant franchise. Unless otherwise provided in Exhibit "C" to this Agreement, FRANCHISEE shall pay COMPANY a training fee of Thirteen Thousand and 00/100 Dollars (\$13,000.00) for an operating franchise or Fifteen Thousand and 00/100 Dollars (\$15,000.00) for a dormant franchise upon execution of this Agreement, which shall be non-refundable and fully earned by COMPANY upon execution of this Agreement. If you qualify for the VetFran Program sponsored by the International Franchise Association, we will reduce this fee by twenty percent (20%) to Ten Thousand Four Hundred and 00/100 Dollars (\$10,400.00) for an operating franchise or Twelve Thousand and 00/100 Dollars (\$12,000.00) for a dormant franchise. FRANCHISEE shall also pay COMPANY a territory acquisition fee (if applicable) in the amount and on the terms set forth in Exhibit "A" to this Agreement.

10.2 Payments for Mailings and Purchases. COMPANY will publish from time to time schedules of the prices charged by COMPANY to its VALPAK® Dealers Franchisees for the products and services provided by COMPANY in connection with the Production of the VALPAK® Envelopes, Electronic Advertising and other products or services it makes available to FRANCHISEE, which prices shall be established by COMPANY in its reasonable discretion. FRANCHISEE agrees to pay COMPANY for Production of the VALPAK® Envelopes for all Mailings within the Territory, and for any other products and services ordered from COMPANY, in accordance with such price schedules as amended by COMPANY from time to time.

(a) Mailings: For the first 6 Mailings following the date of this Agreement, FRANCHISEE must pay COMPANY in full for each Mailing together with the Insertion Order for that Mailing. If FRANCHISEE establishes a satisfactory credit record with COMPANY over the course of FRANCHISEE's first 6 Mailings (unless waived by COMPANY in writing) and provided further that FRANCHISEE is in compliance with all of the terms of this Agreement, FRANCHISEE will pay for its Mailings as follows:

- (i) Mailings 7-12: 50% due on Insertion Order date; balance on Mailing Date;
- (ii) Mailings 13-18: Payments for prior Mailings must be paid in full before Insertion Order Date of next Mailing;
- (iii) Mailings 19-End: Payments for prior Mailings must be paid in full before Mailing Date of next Mailing.

If you are purchasing an existing territory, this schedule may be modified.

(b) Electronic Advertising Fees: Payment obligations for Electronic Advertising Services are calculated as a flat fee per month per mailed NTA in accordance with its then-current rate card for Electronic Advertising Fees, which may change from time to time at Valpak's discretion.

(c) Deficiencies: If payment terms are not met, COMPANY may suspend its performance and require payments for any Mailings on or before the associated Insertion Order Date or Mailing Date, in COMPANY's discretion. All such payments shall be made on the basis of a good faith estimate by COMPANY of all cost items. FRANCHISEE hereby agrees that in the event that such charges exceed COMPANY's estimates thereof, it will pay such deficiency to COMPANY within ten (10) days of receipt of notice of such deficiency.

10.3 Interest on Late Payments. All amounts due for Mailings ordered by FRANCHISEE and other amounts which FRANCHISEE owes to COMPANY or its affiliates shall bear interest commencing ten (10) days after the due date at the highest applicable legal rate for an account business credit, not to exceed one and one-half percent (1.5%) per month. FRANCHISEE acknowledges that this Section 10.3 shall not constitute COMPANY's agreement to accept such payments after same are due or a commitment by COMPANY to extend credit to, or otherwise finance FRANCHISEE's operation of, the Franchised Business. Further, FRANCHISEE acknowledges that its failure to pay all such amounts when due shall constitute an event of default.

10.4 Intermarket Sales and Electronic Advertising. FRANCHISEE must pay to COMPANY or to such other franchisee as COMPANY may designate, all applicable fees or compensation designated in the Intermarket Sales Policy or COMPANY's Policy for Electronic Advertising (e.g., as may be defined in the Intermarket Sales Policy, without limitation: Turf Fees, Matrix Fees, Over-weight Postage Fees, Collaboration Fees, Electronic Advertising Fees, and the like). On a periodic basis, at times and in the manner determined by COMPANY (which may be by electronic means only), COMPANY will report to FRANCHISEE information to enable FRANCHISEE to determine its compensation and costs

associated with National Sales activities and Intermarket transactions. COMPANY will design the format of these reports and will consult with the Dealers Franchisees Association from time to time to improve the method and content of such reports. COMPANY may specify such reporting in the Intermarket Sales Policy.

10.5 Application of Payments. COMPANY shall have sole discretion to apply any payments received from FRANCHISEE or any indebtedness of COMPANY to FRANCHISEE to any past due indebtedness of FRANCHISEE for Mailings ordered by FRANCHISEE, purchases from COMPANY or any other indebtedness of FRANCHISEE to COMPANY or its corporate affiliates.

## 11. TRANSFER.

11.1 Transfer by COMPANY. This Agreement and COMPANY's interests under it are fully assignable by COMPANY, and shall inure to the benefit of any transferee or other legal successor to COMPANY's interests herein.

11.2 FRANCHISEE May Not Transfer Without Approval. FRANCHISEE understands and acknowledges that the rights and duties created by this Agreement are personal to FRANCHISEE and that COMPANY has granted the Franchise to FRANCHISEE in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of FRANCHISEE (or the Owners, where FRANCHISEE is a business entity). Accordingly, neither this Agreement nor the Franchise (or any interest therein), nor any part or all of the ownership of FRANCHISEE or the Franchised Business (or an interest therein) may be transferred without the prior written approval of COMPANY, which it may, except as set forth in Sections 11.3, 11.4 and 11.6, grant or deny in its sole discretion, and any such Transfer without such approval shall constitute a breach hereof and shall convey no rights to or interests in this Agreement, the Franchise, FRANCHISEE, or the Franchised Business. It is expressly agreed that FRANCHISEE shall not be permitted to grant or offer to grant any associate dealership Franchiseeship or sublicense with respect to the Franchise, the Marks or the Franchised Business.

11.3 Conditions for Approval of Transfer by FRANCHISEE. If FRANCHISEE (or its Owners) desires to make a Transfer, then COMPANY shall not unreasonably withhold its approval of a Transfer that meets all the requirements of this Section. The conditions set forth below shall also apply to any Transfer which is not subject to COMPANY's right of first refusal pursuant to Section 11.6 but to which COMPANY, acting in its sole discretion, consents after receipt of a written request from FRANCHISEE.

A Transfer of ownership or rights to the assets or income of the Franchised Business may be made only in conjunction with a Transfer of the Franchise. As to any Transfer, all of the following conditions must be met prior to or concurrently with the effective date of the Transfer:

- (a) FRANCHISEE and its Owners must be in full compliance with this Agreement;
- (b) FRANCHISEE must pay all amounts owed to COMPANY or its affiliates or to other VALPAK® Dealers Franchisees which are then due and unpaid;
- (c) the transferee (and each of its owners, if applicable) must: (i) have sufficient business experience, aptitude, and financial resources to successfully operate the Franchised Business; (ii) be of good character; and (iii) meet COMPANY's then-applicable standards for VALPAK® Dealers Franchisees (including all credit standards and financial capability, recognizing that COMPANY's standards may be greater for an operating Franchised Business than for a startup);
- (d) transferee (or its representative approved by COMPANY) must agree: (i) to complete COMPANY's training program to COMPANY's satisfaction at the transferee's own expense; and (ii) to be bound (jointly and severally with respect to owners of the transferee, if any) and execute COMPANY's then-current form of franchise agreement or at COMPANY's election (however, Consent of Dealers Franchisees or Board of Directors must have been obtained for a change

in any provision in the then-current agreement that would have required such consent to change this Agreement), execute an assignment agreeing to be bound by all the terms and conditions of this Agreement for the remainder of its Term; and (iii) regardless of the form of franchise agreement, the transferee must agree to place Insertion Orders for Mailings at the same or greater frequency as FRANCHISEE at the time of transfer, but not less than 10 times during each 12-month period to at least 70% of the Prime Households in the Territory.

(e) FRANCHISEE (and each of its Owners) must execute a general release, in a form satisfactory to COMPANY, of any and all claims against COMPANY, its affiliates, and their respective officers, directors, employees and agents;

(f) FRANCHISEE must pay COMPANY a transfer fee in the amount of \$1,000, which amount may be increased from time to time in the reasonable discretion of COMPANY;

(g) COMPANY must have approved the material terms and conditions of the assignment and related contracts, and must have determined to its satisfaction (without representing same to transferee or FRANCHISEE) that the price and terms of payment are not so burdensome as to adversely affect the operation of the Franchised Business by the transferee (provided that FRANCHISEE and transferee acknowledge in writing that such approval shall not constitute a representation by COMPANY to transferee or FRANCHISEE as to the fairness of the contract terms or otherwise, or the agreement by COMPANY to any modification of this Agreement or a waiver by COMPANY of any of its rights under this Agreement or otherwise);

(h) FRANCHISEE shall have demonstrated to the satisfaction of COMPANY that the Transfer complies with all applicable state, federal, and local laws;

(i) if FRANCHISEE finances any part of the sale price of the transferred interest, FRANCHISEE (and its Owners) must agree that all obligations of the transferee to make payments to FRANCHISEE (and/or its Owners) under or pursuant to any promissory notes or agreements shall be subordinate to the transferee's obligations to pay COMPANY any amounts due to COMPANY or its affiliates and to otherwise satisfy its obligations to COMPANY. Notwithstanding the foregoing, in the event that FRANCHISEE has financed the sale of the transferred interest and has provided copies of all financing documents in connection with obtaining COMPANY's consent to such Transfer, should the transferee default on its obligations to COMPANY prior to the repayment in full of such transferee's indebtedness to FRANCHISEE, COMPANY shall, at its option, either (a) provide FRANCHISEE with 15 days notice and opportunity to cure prior to exercising COMPANY's right to terminate the Franchise, or (b) if COMPANY elects to terminate the Franchise without prior notice to FRANCHISEE, COMPANY will permit FRANCHISEE to reacquire the Franchise from COMPANY, subject to the provisions hereof. In the event that FRANCHISEE desires to reacquire the Franchise pursuant to the immediately preceding sentence, the exercise of such right shall be subject to (1) cure by FRANCHISEE of all of the defaults which were the basis for termination of the Franchise, including without limitation, the payment of all past due amounts, together with interest accrued thereon at the rate of two percent over the prime rate of interest, as published in the Wall Street Journal; (2) execution by FRANCHISEE of COMPANY's then current form of Franchise Agreement; and (3) payment by FRANCHISEE to the terminated dealer Franchisee of any amounts which may be required by applicable law in connection with such termination;

(j) COMPANY may require that the transferee abide by the payment terms for Mailings that it then currently offers new Dealers Franchisees as a condition for approving the Transfer or other terms that may differ from the payment terms enjoyed by FRANCHISEE at the time of the Transfer, based on COMPANY's sole judgment;

(k) FRANCHISEE (and its Owners) must have fully complied with, and COMPANY must have chosen not to exercise, the right of first refusal described in Section 11.6; and

(l) if FRANCHISEE, its Owners or affiliates, own or operate a Competitive Business, then after the Transfer, neither the transferee nor its affiliates shall own or operate a Competitive Business without COMPANY's prior written approval and compliance with all terms and



conditions, in this Agreement or the franchise agreement governing the transferee, for a franchisee's involvement with a Competitive Business.

Subsection 11.3(d) will not apply to transfers made pursuant to Section 11.4 below. Transfers made due to death or disability of FRANCHISEE or any Owner are subject to Section 11.5 below and only conditions 11.3(b), (c), (d), (f), (g), (i) – but first sentence only, (j) (k) and (l) above.

11.4 Transfer to a Wholly-Owned Corporation. Subject to the provisions of this Section 11.4, this Agreement and the Franchise may be assigned by FRANCHISEE to a newly-formed corporation with no debts or liabilities and which conducts no business other than the Franchised Business (and other VALPAK® franchised businesses), which FRANCHISEE actively manages, and in which FRANCHISEE is the sole legal and beneficial owner of all of the issued and outstanding capital stock. Such corporation must agree to assume and be bound by all the terms and conditions of this Agreement. FRANCHISEE (and each Owner) shall continue to be personally bound by this Agreement, jointly and severally. FRANCHISEE and such corporation shall be required to execute a form of assignment and assumption agreement then prescribed or approved by COMPANY for such assignments. Transfers of interests in such corporation will be subject to the terms and conditions of this Section 11.

11.5 Death or Disability of FRANCHISEE. ~~Upon~~Subject to the terms and conditions of Section 11.6 below, upon the death or permanent disability of FRANCHISEE (or any Owner), the executor, administrator, or other representative of such person, upon receipt of payment of the fair market value therefor, shall assign the interest of FRANCHISEE (or such Owner) in this Agreement and the Franchise (or such interest in FRANCHISEE), to a third party approved by COMPANY. Such disposition of this Agreement and the Franchise or such interest in the FRANCHISEE shall be completed within a reasonable time, not to exceed one year from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to Transfers contained in Section 11.3. Failure to so transfer the interest in this Agreement and the Franchise or such interest in FRANCHISEE within the specified period shall constitute a breach of this Agreement. Notwithstanding the foregoing, the provisions of Section 11.3 (other than subparagraphs (c) and (d) thereof) and Section 11.6 below shall not be applicable to a Transfer to a family member of FRANCHISEE (or Owner, if FRANCHISEE is not a natural person) upon the death or disability of FRANCHISEE (or Owner), provided that such Transfer is consummated within one year of the date of such death or disability. For purposes of this Section, a member of a FRANCHISEE's (or Owner's) family shall mean such person's spouse, lineal descendants or adopted children, ancestors, siblings or the lineal descendants or adopted children of siblings.

11.6 COMPANY's Right of First Refusal.

(a) Offer: If FRANCHISEE (or its Owners) shall at any time determine to make any Transfer (other than by gift or bequest), FRANCHISEE (or its Owners) shall obtain a bona fide, executed written firm offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to COMPANY. Any such offer must separate the Franchised Business being sold from any other business FRANCHISEE, its Owners or affiliates are selling or disposing of; including separate price and payment terms. Any contingency condition or term in such offer that makes the transaction contingent on the purchase or sale of both the Franchised Business and any other business or asset will not be binding on the COMPANY.

(b) COMPANY Option: COMPANY shall have the right, exercisable by written notice delivered to FRANCHISEE within twenty (20) days from the date of delivery of an exact copy of such offer to COMPANY, to purchase such assets or interest for the price and on the terms and conditions contained in such offer, provided that if COMPANY exercises such purchase right, it shall have sixty (60) days to prepare for closing. If the offer applies to assets or businesses in addition to the Franchised Business, then the COMPANY will have sixty (60) days to make its decision and one hundred twenty (120) days to prepare for closing. At the COMPANY's option, it

may either acquire the Franchised Business and all other assets or businesses described in the offer on the same terms and conditions; or substitute for the price specified in the offer for the Franchised Business, a price to be determined by the following appraisal process.

(c) Closing: In the event that COMPANY exercises its rights hereunder, FRANCHISEE shall deliver to COMPANY at closing all customer lists, sales data and other information which COMPANY may reasonably request regarding FRANCHISEE's operations. If COMPANY has not exercised its right of first refusal within the applicable time period (through no fault of FRANCHISEE or its Owners), FRANCHISEE (or its Owners) may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to COMPANY's approval of the Transfer and fulfillment of all conditions otherwise set forth in Section 11.3, which approval shall not be unreasonably withheld. However, if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to COMPANY, or if there is a material change in the terms of the proposed Transfer, COMPANY shall again have the right of first refusal herein provided.

(d) Appraisal: If FRANCHISEE is transferring assets or businesses in addition to the Franchised Business as part of the transaction, and COMPANY elects to acquire the Franchised Business only, then:

- (i) When COMPANY makes its election, it will specify a purchase price and pay a deposit of 50% of the proposed price to be held in escrow by a mutually acceptable escrow agent;
- (ii) If FRANCHISEE and COMPANY have not agreed on a purchase price within the next 30 days, FRANCHISEE will obtain, at its expense, an appraisal of the Franchised Business from a reputable firm qualified to value businesses acceptable to COMPANY;
- (iii) If such appraisal is lower than the price offered by COMPANY, then it will be the purchase price;
- (iv) If such valuation is higher, then COMPANY may either purchase at such higher price or obtain a final and conclusive appraisal from another reputable and qualified appraiser (with the appraisal costs split between the parties), chosen by consent of both parties, and the purchase price determined by such appraiser will be final and binding;
- (v) The purchase price will be paid at the earlier of the closing or 10 business days following determination;
- (vi) If the purchase price is determined by appraisal because the FRANCHISEE does not accept COMPANY's proposed price, then transfer and possession of the Franchised Business will occur on payment of the deposit and payment of the balance will be a condition subsequent to closing.

## 12. TERM AND RENEWAL.

12.1 Term. The Term and the Franchise shall commence on the date hereof and expire on the last day of the calendar month in which the tenth (10<sup>th</sup>) anniversary of the date hereof occurs, unless this Agreement is terminated sooner in accordance with its terms.

12.2 Renewal Rights. Subject to the following terms and conditions, upon expiration of the Term, FRANCHISEE will have the right to renew the Franchise for a renewal period of five (5) years.

12.3 Renewal Conditions. In order to renew the Franchise, FRANCHISEE must satisfy all of the following conditions:

(a) FRANCHISEE must have substantially complied with all material provisions of this Agreement during the Term and at the time of renewal must be in full compliance with the terms hereof and not be in breach of any of its obligations to COMPANY or its affiliates under any other agreement.

(b) Without limiting (a) above, during the Term, FRANCHISEE must have substantially satisfied the performance requirements as set forth in Section 9.4.

(c) FRANCHISEE must give COMPANY written notice of its desire to renew the Franchise not more than one hundred eighty (180) days and not less than ninety (90) days prior to the expiration of the Term.

(d) FRANCHISEE (and FRANCHISEE's Owners) must, within thirty (30) days after delivery thereof to FRANCHISEE, execute and deliver to COMPANY a franchise agreement and any ancillary agreements then customarily used by COMPANY in the grant or renewal of franchises for the operation of businesses under the VALPAK® System, which shall be in the form and on the terms then customarily being offered by COMPANY in the grant or renewal of VALPAK® franchises (however, Consent of Dealers/Franchisees or Board of Directors must have been obtained for a change in any provision in the then-current agreement that would have required such consent to change this Agreement), but with appropriate modifications solely to reflect that such agreements relate to the renewal of the Franchise in accordance with the terms of this Agreement (i.e., no initial fee or training and a term of 5 years, etc.).

Failure by FRANCHISEE or its Owners to fulfill the conditions set forth in (c) and (d) above shall be deemed an election by FRANCHISEE not to renew the Franchise. If FRANCHISEE gives COMPANY the notice of renewal as set forth in (c) above but COMPANY determines that FRANCHISEE has not met the conditions for renewal, COMPANY will, within thirty (30) days of receiving FRANCHISEE's notice of its intent to renew, give FRANCHISEE written notice stating the reasons for COMPANY's refusal to renew the Franchise.

### 13. TERMINATION.

13.1 Termination/Default. Upon the occurrence of any of the events set forth below, each of which shall constitute an event of default, COMPANY shall have the right, in addition to all other rights and remedies available to COMPANY, to terminate this Agreement by delivering a written notice to FRANCHISEE stating that COMPANY elects to terminate this Agreement, which notice shall describe the event of default and FRANCHISEE's right to cure, if applicable. Termination shall be effective immediately upon delivery of such notice in those instances in which FRANCHISEE has no right to cure and shall be effective immediately upon the expiration of any cure period to the extent such default remains uncured, in whole or in part, at the expiration of the relevant cure period. Termination of this Agreement shall constitute a termination of the Franchise. It shall be an event of default if FRANCHISEE (or any of its Owners):

(a) fails to timely pay any fees, payments for Mailings, or other amounts due to COMPANY, unless such failure is cured within ten (10) days after delivery by COMPANY of notice of such failure;

(b) abandons or neglects in any material respect the overall operation of the Franchised Business;

(c) has made any material misrepresentation or omission in the application for the Franchise or any renewal thereof, or in connection with any amendment to this Agreement;

(d) is convicted of or pleads no contest to any criminal offense likely to adversely affect the reputation of COMPANY, FRANCHISEE, or the VALPAK® System;

(e) fails, within ten (10) days after notification of noncompliance, to comply with any federal, state or local law applicable to FRANCHISEE or the operation of the Franchised Business; provided however, that such noncompliance shall not constitute an event of default so long as FRANCHISEE contests such legal requirement in good faith and at its own expense by appropriate legal proceedings, and provided further that such legal proceedings effectively forestall any action by any governmental body which would materially and adversely affect the operation of the Franchised Business;

(f) makes an unauthorized Transfer (including without limitation by sublicense) of an interest in this Agreement, the Franchise, the Franchised Business, or an ownership interest in FRANCHISEE;

(g) makes any unauthorized use or disclosure of any Confidential Information or makes any unauthorized use of any of the Marks;

(h) breaches (i) any provision of this Agreement (other than those otherwise described in any other subsection of this Section 13.1) or any specification, standard, or operating procedure prescribed by COMPANY, unless such breach is cured within thirty (30) days after delivery of COMPANY's notice of such breach; (ii) the same provision of this Agreement (other than the performance requirements referred to in Section 9.4) on two or more separate occasions within any period of twelve (12) consecutive months, whether or not such breaches are cured after receipt of notice thereof; or (iii) any provision of this Agreement (other than the performance requirements referred to in Section 9.4) on three (3) or more separate occasions within any period of eighteen (18) consecutive months, whether or not such breaches are cured after receipt of notice thereof;

(i) becomes insolvent or files or has filed against it a petition in bankruptcy;

(j) fails to assign an interest within a one year period upon death or disability of FRANCHISEE (or any Owner); or

(k) fails to satisfy the performance requirements pursuant to Section 9.4 of this Agreement, but if the FRANCHISEE, its Owners or affiliates do not own or operate a Competitive Business, and the Territory contains more than one Performance Area and such failure relates to less than all of such Performance Areas, then it will not constitute an event of default.

### 13.2 Termination / Performance Requirements.

(a) **No Competitive Business:** Notwithstanding the foregoing, if FRANCHISEE, its Owners and affiliates are not engaged in any way in a Competitive Business, and has failed to satisfy the performance requirements pursuant to Section 9.4 of this Agreement or COMPANY reasonably believes in good faith that FRANCHISEE has not met its obligation under Section 3.5, then:

(i) COMPANY will not terminate this Agreement or the Franchise unless it has given FRANCHISEE 180 days prior written notice and FRANCHISEE has not cured the event of default;

(ii) as a condition of such forbearance, COMPANY may require FRANCHISEE to adopt and adhere to a business plan mutually developed and designed to accomplish the FRANCHISEE's attainment of the performance standards; and

(iii) COMPANY will not terminate this Agreement and the Franchise due to the FRANCHISEE's violation of the performance requirements specified in Section 9.4 or for failing to meet its obligations under Section 3.5, if FRANCHISEE cures such violations within the 180-day period, unless

FRANCHISEE has violated those performance requirements on three (3) or more separate occasions within any period of 24 consecutive months, whether or not such breaches are cured after receipt of notice thereof

(b) **Competitive Business:** If FRANCHISEE (its Owners or Affiliates) are engaged in a Competitive Business, and has failed to satisfy the performance requirements specified in Section 9.4 of this Agreement or COMPANY reasonably believes in good faith that FRANCHISEE has not met its obligations under Section 3.5, then COMPANY may terminate this Agreement:

- (i) on sixty (60) days prior written notice; or
- (ii) immediately if FRANCHISEE has violated those provisions on three (3) or more separate occasions within any period of twenty-four (24) consecutive months, whether or not such violations are cured after receipt of notice thereof

#### 14. POST-TERMINATION OBLIGATIONS.

14.1 Marks and Confidential Information. FRANCHISEE agrees that after the termination or expiration of the Franchise, FRANCHISEE will: (i) not disclose to any other person or use, directly or indirectly, any Confidential Information disclosed to or otherwise learned by FRANCHISEE; (ii) not use any Mark or colorable imitation thereof, or any other commercial symbol suggesting or indicating a connection with COMPANY, in any manner or for any purpose; (iii) immediately return to COMPANY any materials containing any Mark, Confidential Information, or otherwise relating to the VALPAK® System, including but not limited to any printed copies of the Operating Procedures; (iv) immediately cancel all fictitious or assumed name or equivalent registrations which incorporate any of the Marks or which are confusingly similar thereto; and (v) immediately furnish to COMPANY evidence satisfactory to COMPANY of FRANCHISEE's compliance with the foregoing obligations.

14.2 Continuing Obligations. All obligations of COMPANY and FRANCHISEE which expressly or by their nature survive the termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination, and until they are satisfied or by their nature expire.

14.3 Payment of Amounts Owed to COMPANY. Immediately upon the effective date of termination or expiration of the Franchise, FRANCHISEE shall pay any fees and amounts owed for products or services purchased by FRANCHISEE from COMPANY, and all other amounts owed to COMPANY or its corporate affiliates or to other VALPAK® Dealers/Franchisees which are then unpaid, and furnish a complete accounting of all such amounts owed to COMPANY, its affiliates, or other creditors of the Franchised Business. Within fifteen (15) days after the effective date of termination or expiration of the Franchise, COMPANY shall pay to FRANCHISEE any amounts which it then owes to FRANCHISEE, less any amounts then owed by FRANCHISEE to COMPANY.

14.4 Covenant Not to Compete. FRANCHISEE (and each Owner) agrees that for the Covenant Period, FRANCHISEE (and each Owner) shall not have any direct or indirect interest as an owner, investor, partner, member, manager, lender, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business operating, selling, promoting or mailing: (a) within the Territory; or (b) within any other geographic area where COMPANY, its affiliate, or a Dealer/Franchisee is operating or doing Mailings.

14.5 Non-solicitation. FRANCHISEE (and each Owner) covenants and agrees that during the Covenant Period, FRANCHISEE (and each Owner) will not, directly or indirectly, solicit or accept

business from any person or entity which was a client of FRANCHISEE, COMPANY or another DealerFranchisee at or prior to the date of termination or expiration of this Agreement, or from any person actively sought as a prospective client of FRANCHISEE, COMPANY or another DealerFranchisee prior to the date of termination or expiration of this Agreement, by or on behalf of any Competitive Business.

14.6 Continuation of Business by COMPANY. FRANCHISEE acknowledges and agrees that upon termination or expiration of the Franchise, COMPANY may sell advertising in VALPAK® Envelopes within the Territory to Customers who were procured by FRANCHISEE during the term hereof, or it may grant any third party the right to sell such advertising, and in neither such event shall FRANCHISEE (or any of its Owners) be entitled to compensation or reimbursement from COMPANY or any such VALPAK® DealerFranchisee.

14.7 Assignment to COMPANY. At any time after termination of the Franchise, upon request by COMPANY, FRANCHISEE (or its Owners, if applicable) shall: (a) assign to COMPANY, without payment of any compensation to FRANCHISEE or its Owners (all in accordance with the Conditional Assignment of Phone Numbers and Listings that FRANCHISEE must sign and deliver to COMPANY simultaneously with this Agreement): (i) its right to use all existing telephone numbers used by FRANCHISEE in connection with the operation of the Franchised Business and shall notify the local telephone company of such assignment; and (ii) any and all U.S. Postal Service post office boxes used in any way in the Franchised Business; and (b) grant COMPANY access to, and allow it to make copies of and extracts from, all business records that pertain in any way to the Franchised Business.

## 15. MISCELLANEOUS.

15.1 Severability and Substitution of Valid Provisions. Each provision of this Agreement and any portion thereof shall be considered severable and if, for any reason, any such provision of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which COMPANY is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement. Such other portions shall continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if FRANCHISEE is a party thereto, otherwise upon FRANCHISEE's receipt of a notice of non-enforcement thereof from COMPANY. To the extent that any provision is deemed unenforceable by virtue of its scope in terms of area, length of time, and/or business activity prohibited, but could be made enforceable by reducing any or all thereof, FRANCHISEE and COMPANY agree that same shall be enforced to the fullest extent permissible under applicable law.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by COMPANY is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions hereof, and COMPANY shall have the right, in its sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable.

15.2 No Waiver. Either party may unilaterally waive or reduce any obligation of or restriction upon the other party under this Agreement, effective upon delivery of written notice thereof to the other, or upon such other effective date stated in the notice of waiver. Whenever this Agreement requires COMPANY's prior approval or consent, FRANCHISEE shall make a timely written request therefor, and such approval must be in writing to be effective.

COMPANY makes no warranties or guarantees upon which FRANCHISEE (or its Owners) may rely, and assumes no liability or obligation to FRANCHISEE (or its Owners), by granting any waiver, approval or consent to FRANCHISEE, or by reason of any neglect, delay or denial of any request therefor. Any waiver granted by COMPANY shall be without prejudice to any other rights which either party may have, will be subject to continuing review by COMPANY, and may be revoked, in COMPANY's sole discretion, at any time and for any reason, effective upon delivery to FRANCHISEE of ten (10) days' prior written notice.

Neither party shall be deemed to have waived or impaired any right, power or option reserved by this Agreement by virtue of (a) any custom or practice of the parties at variance with the terms hereof; (b) any failure, refusal or neglect of COMPANY or FRANCHISEE to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations hereunder, including, without limitation, any specification, standard or operating procedure; (c) any waiver, forbearance, delay, failure or omission by COMPANY to exercise any right, power or option with respect to other Dealers Franchisees; or (d) the acceptance by COMPANY of any payments due from FRANCHISEE after any breach of this Agreement.

15.3 Force Majeure. Except as otherwise provided in this Agreement, neither party shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (i) transportation shortages, inadequate supply of material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency thereof; (iii) acts of God or, other similar events beyond the reasonable control of COMPANY or FRANCHISEE; (iv) acts or omissions of the other party; or (v) fires, strikes, embargoes, war, acts of terror or riot. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance in whole or in part, as may be reasonable, but in no event shall this provision act to extend or excuse any obligation of FRANCHISEE to pay any amount to COMPANY with respect to that portion of a Mailing for which all or any part of the Production and the mailing has been performed prior to the date of the occurrence of an event of the nature described in the immediately preceding sentence.

15.4 Injunctive Relief. Nothing in this Agreement shall bar COMPANY or FRANCHISEE from obtaining injunctive relief or specific performance under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

15.5 Cumulative Rights. The rights of the parties under this Agreement are cumulative, and no exercise of any right under this Agreement by either party shall preclude the exercise or enforcement by either party of any other right which that party is entitled to enforce under this Agreement, or under applicable law.

15.6 Attorneys' Fees. In the event of any dispute or litigation between COMPANY and FRANCHISEE or its Owners arising from or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party all reasonable costs and expenses incurred in connection therewith, including without limitation, reasonable attorneys' fees.

15.7 Governing Law/Consent to Jurisdiction. This Agreement shall be governed by and interpreted in accordance with the laws of the state of Florida. The parties agree that in any action arising out of this Agreement, exclusive jurisdiction shall be vested in the United States District Court for the Middle District of Florida in Tampa, Florida or, if for any reason such court shall not have jurisdiction, then in the Circuit Court of the Sixth Judicial Circuit in and for Pinellas County, Florida, and FRANCHISEE irrevocably

submits to the jurisdiction of such courts and waives any objection it may have to either the jurisdiction or venue of such courts.

15.8 Construction. Section headings in this Agreement are for convenience only, and shall not affect interpretation. This Agreement: (i) is the entire agreement of the parties with respect to its subject matter; (ii) can be amended only in writing signed by both parties, except in the event that amendments to this Agreement may be necessary to comply with or to make this Agreement enforceable under applicable laws and regulations; (iii) shall, except as otherwise herein provided, bind and inure to the benefit of the parties and their respective successors and assigns; (iv) may be executed in any number of counterparts; and (v) does not confer any rights or remedies upon any person not a party hereto.

15.9 Notices. All written notices and payments permitted or required by the provisions of this Agreement shall be deemed to be delivered at the time delivered by hand, one (1) business day after transmission by any electronic system, or three (3) business days after being placed in the U.S. Mail by registered or certified mail, addressed to the other party to be notified at its address given on the first page of this Agreement, or at such other business address of which the notifying party shall have been notified from time to time in accordance with this Section. Any required payment or report not actually received by COMPANY during regular business hours on the date due, or properly placed in the U.S. Mail and postmarked by postal authorities at least two (2) business days prior thereto, shall be deemed delinquent.

15.10 Entire Agreement. This Agreement supersedes any and all prior negotiations, understandings, representations and agreements. However nothing in this or any related agreement is intended to disclaim the representations COMPANY made in the Franchise Disclosure Document that the COMPANY furnished to FRANCHISEE.

15.11 Acknowledgments. FRANCHISEE (and each Owner) has read this Agreement and COMPANY's Franchise Disclosure Document and understands and accepts the terms, conditions, and covenants contained in this Agreement as being reasonably necessary to maintain COMPANY's standards and thereby to protect and preserve the goodwill of the Marks and the VALPAK® System. FRANCHISEE represents that it has conducted an independent investigation of the business venture described in this Agreement, and recognizes that it involves business risks and that its success is dependent upon FRANCHISEE's own business abilities. COMPANY expressly disclaims making, and FRANCHISEE acknowledges that it has not received or relied upon, any guaranty, express or implied, as to the revenues, profits or success of the venture described in this Agreement or any representation as to the value of the Marks. FRANCHISEE acknowledges that it has not received or relied upon any representations about the Franchise by COMPANY, or its officers, directors, employees, or agents, that are contrary to the statements made in COMPANY's Franchise Disclosure Document or to the terms herein. FRANCHISEE acknowledges that in all of their dealings with FRANCHISEE, the officers, directors, employees and agents of COMPANY act only in a representative capacity and not in an individual capacity. FRANCHISEE further acknowledges that this Agreement, and all business dealings between FRANCHISEE and such individuals as a result of this Agreement, are solely between FRANCHISEE and COMPANY. FRANCHISEE further represents to COMPANY, as an inducement to its entry into this Agreement, that FRANCHISEE has made no misrepresentation in obtaining the Franchise.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement in counterparts as of the day and year first above written.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation

FRANCHISEE:

FRANCHISEE Signature:



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

\_\_\_\_\_  
(Name of company)

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

**Owners of Company:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT A

TO THE FRANCHISE AGREEMENT  
BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_

Territory

The Territory referred to in Section 2 of this Agreement is:

Based on information available to COMPANY, the number of Prime Households contained in the Territory is approximately \_\_\_\_\_.

Territory Acquisition Fee

If FRANCHISEE is acquiring the Franchise directly from COMPANY rather than through a purchase from an existing VALPAK® DealerFranchisee, or an affiliate of COMPANY operating a franchise, FRANCHISEE shall pay to COMPANY a Territory Acquisition Fee in the amount of \$\_\_\_\_\_, upon execution hereof or as stated below for a dormant territory. The Territory Acquisition Fee shall be fully earned by COMPANY upon execution hereof and shall be non-refundable.

Dormant Territory

If FRANCHISEE is acquiring the Franchise from the COMPANY for a dormant territory, then the Territory Acquisition Fee will be paid in installments as follows:

- (a) \$ \_\_\_\_\_ upon execution hereof; and
- (b) \$ \_\_\_\_\_ prior to mailing any geographic area in your Territory that we have allowed you to defer as a phase-in.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation

FRANCHISEE:

FRANCHISEE Signature:

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

\_\_\_\_\_  
(Name of company)

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

Individual Signatures:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT B-1

TO THE FRANCHISE AGREEMENT  
BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_

Performance Requirements

1. Commencement Date. Commencement Date for Performance Requirements (if other than Effective Date of Franchise Agreement): \_\_\_\_\_

2. Performance Area.

a. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_

b. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_

c. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_

3. Performance Requirements. (rounded to the nearest 10,000 increment)

MSA-and-MCSA County(ies)	Approx. Prime Household Count-(MSA-and-MGSA-Only)	Penetration Requirements In First Year (Minimum Of 10 Mailings Per Year)	Penetration Requirements After First Year (70% With Minimum Of 10 Mailings Per Year)
		Envelopes Per Mailing	Envelopes Per Mailing
		Envelopes Per Mailing	Envelopes Per Mailing
		Envelopes Per Mailing	Envelopes Per Mailing

4. Changes in Prime Household Count. -In-the-event-thatIf COMPANY receives information indicating a change in the number of Prime Households contained in any MSA-and-MCSAcounty or counties (or the Territory generally), or inif the-event-that COMPANY modifies the definition of the term "Prime Household," COMPANY will provide FRANCHISEE a copy of the revised Exhibit "B" reflecting the adjusted performance requirements, and such revised Exhibit "B" shall be substituted in place hereof without the necessity of execution thereof by FRANCHISEE.

VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation

FRANCHISEE:  
FRANCHISEE Signature:

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

\_\_\_\_\_  
(Name of company)

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

Individual Signatures:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT B-2

TO THE FRANCHISE AGREEMENT  
BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_

Performance Requirements

1. Commencement Date. Commencement Date for Performance Requirements (if other than Effective Date of Franchise Agreement): \_\_\_\_\_.
2. Territory With Less Than 50,000 Prime Households. If the Territory does not contain at least one MSA-and-MCSAcounty (or portion of a MSA-and-MCSAcounty) having more than 50,000 Prime Households, then COMPANY will establish the number of households within the Territory on which the performance requirements will be determined, based on COMPANY's judgment as to the number of households which are sufficiently near each other to form a reasonable mailing group.
3. Performance Requirements. Performance Requirements (rounded to the nearest 10,000 increment)

Approximate Prime Household Count In Applicable Performance Area	Penetration Requirements In First Year (With Minimum Of 10 Mailings Per Year)	Penetration Requirements After First Year (70% With Minimum Of 10 Mailings Per Year)
	_____ Envelopes Per Mailing	_____ Envelopes Per Mailing

4. Changes in Prime Household Count. In the event that if COMPANY receives information indicating a change in the number of Prime Households contained in any MSA-and-MCSAcounty or counties (or the Territory generally), or in if the event that COMPANY modifies the definition of the term "Prime Household," COMPANY will provide FRANCHISEE a copy of the revised Exhibit "B" reflecting the adjusted performance requirements, and such revised Exhibit "B" shall be substituted in place hereof without the necessity of execution thereof by FRANCHISEE.

VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation

FRANCHISEE:  
FRANCHISEE Signature:

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

\_\_\_\_\_  
(Name of company)

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

Individual Signatures:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT B-3**

**TO THE FRANCHISE AGREEMENT  
BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_**

**Performance Requirements**

1. **Commencement Date.** Commencement Date for Performance Requirements (if other than Effective Date of Franchise Agreement): \_\_\_\_\_

2. **Performance Area**

a. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_  
;

b. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_  
;

c. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_  
;

3. **First Year Performance Requirements** (rounded to the nearest 10,000 increment)

<b>MSA—md- MCSA Count y(ies)</b>	<b>Approx. Household Count (MSA-and- MCSA Only)</b>	<b>1<sup>st</sup> Mailing</b>	<b>2<sup>nd</sup> Mailing</b>	<b>3<sup>rd</sup> Mailing</b>	<b>4<sup>th</sup> Mailing</b>	<b>5<sup>th</sup> Mailing</b>
		Envs.	Envs.	Envs.	Envs.	Envs.
		Envs.	Envs.	Envs.	Envs.	Envs.

<b>MSA-and- MCSA Count y(ies)</b>	<b>Approx. Household Count (MSA-and- MCSA-Only)</b>	<b>6<sup>th</sup> Mailing</b>	<b>7<sup>th</sup> Mailing</b>	<b>8<sup>th</sup> Mailing</b>	<b>9<sup>th</sup> Mailing</b>	<b>10<sup>th</sup> Mailing</b>
		Envs	Envs	Envs	Envs	Envs
		Envs	Envs	Envs	Envs	Envs

4. **Performance Requirements** (rounded to the nearest 10,000 increment)

MSA and MGSACounty(ies)	Approx. Prime Household Count (MSA and MCSA Only)	Penetration Requirements After First Year (70% With Minimum Of 10 Mailings Per Year)
		Envelopes Per Mailing
		Envelopes Per Mailing
		Envelopes Per Mailing

5. **Changes in Prime Household Count.** Inj the event that COMPANY receives information indicating a change in the number of Prime Households contained in any MSA and MCSA county or counties (or the Territory generally), or inj the event that COMPANY modifies the definition of the term "Prime Household," COMPANY will provide FRANCHISEE a copy of the revised Exhibit "B" reflecting the adjusted performance requirements, and such revised Exhibit "B" shall be substituted in place hereof without the necessity of execution thereof by FRANCHISEE.

**VALPAK DIRECT MARKETING SYSTEMS, INC.,** a Delaware corporation

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

**FRANCHISEE:**  
**FRANCHISEE Signature:**

\_\_\_\_\_  
(Name of company)

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

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT B-4**  
**TO THE FRANCHISE AGREEMENT**  
**BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.**  
**AND \_\_\_\_\_**  
**DATED \_\_\_\_\_**

**Performance Requirements**

1. **Commencement Date.** Commencement Date for Performance Requirements (if other than Effective Date of Franchise Agreement): \_\_\_\_\_.

2. **Performance Area**

a. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_  
 \_\_\_\_\_;

b. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_  
 \_\_\_\_\_;

c. \_\_\_\_\_ Performance Area: consists of Counties \_\_\_\_\_  
 \_\_\_\_\_;

3. **Performance Requirements** (rounded to the nearest 10,000 increment)

MSA and- MCSA County (ies)	Approx. Prime Household Count (MSA and- MCSA- Only)	Penetration Requirements In First Two Years (Minimum Of _____ Mailings Per Year)	Penetration Requirements After First Two Years (70% With Minimum Of 10 Mailings Per Year)
		Envelopes Per Mailing	Envelopes Per Mailing
		Envelopes Per Mailing	Envelopes Per Mailing
		Envelopes Per Mailing	Envelopes Per Mailing

4. **Changes in Prime Household Count.** inIf the-event-that COMPANY receives information indicating a change in the number of Prime Households contained in any MSA-and-MCSAcounty or counties (or the Territory generally), or inIf the-event-that COMPANY modifies the definition of the term "Prime Household," COMPANY will provide FRANCHISEE a copy of the revised Exhibit "B" reflecting the adjusted performance requirements, and such revised Exhibit "B" shall be substituted in place hereof without the necessity of execution thereof by FRANCHISEE.

VALPAK DIRECT MARKETING  
 SYSTEMS, INC., a Delaware corporation

**FRANCHISEE:**  
**FRANCHISEE Signature:**

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

\_\_\_\_\_  
 (Name of company)

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

**Individual Signatures:**

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---



**EXHIBIT C**

**TO THE FRANCHISE AGREEMENT  
BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_**

**Training**

[Initial the paragraphs that apply]

New Franchise Owner Training-I. FRANCHISEE (or at least 1 Owner of FRANCHISEE) shall attend new franchise owner training I scheduled to be conducted at COMPANY's principal office on \_\_\_\_\_

Waiver of New Franchise Owner Training-I. FRANCHISEE (or the following individual Owner of FRANCHISEE: \_\_\_\_\_) has completed new franchise owner training I. Accordingly, COMPANY agrees that neither FRANCHISEE nor any of its Owners are required to attend new franchise owner training I, and the training fee is reduced by \$500.

Consultative Selling School. FRANCHISEE (or at least 1 Owner of FRANCHISEE) shall attend Consultative Selling School scheduled to be conducted at COMPANY's principal office on \_\_\_\_\_

Waiver of Consultative Selling School. FRANCHISEE (or the following individual Owner of FRANCHISEE: \_\_\_\_\_) has completed Consultative Selling School. Accordingly, COMPANY agrees that neither FRANCHISEE nor any of its Owners are required to attend Consultative Selling School, and the training fee is reduced by \$500.

Waiver of Coupon U. FRANCHISEE (or the following individual Owner of FRANCHISEE: \_\_\_\_\_) has attended Coupon U or other COMPANY-affiliated meeting. Accordingly, COMPANY agrees that neither FRANCHISEE nor any of its Owners are required to attend Coupon U or other meeting, and the training fee is reduced by \$1,000.

Waiver of New Franchise Owner Kit. FRANCHISEE has or is otherwise not in need of a New Franchise Owner Kit. Accordingly, COMPANY and FRANCHISEE agree that COMPANY will not provide a New Franchise Owner Kit to FRANCHISEE, and the training fee is reduced by \$500.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware corporation

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

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

(Name of company) \_\_\_\_\_

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

Individual Signatures:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT D**

**TO THE FRANCHISE AGREEMENT  
BETWEEN VALPAK DIRECT MARKETING SYSTEMS, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_**

**SECURITY AGREEMENT (this "Agreement")**

Effective as of \_\_\_\_\_, 20020\_\_\_\_\_, \_\_\_\_\_, a \_\_\_\_\_ (the "FRANCHISEE"), for value received, grants to VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY"), a security interest in its Valpak® franchise, its Franchise Agreement with COMPANY dated \_\_\_\_\_, \_\_\_\_\_ (the "Franchise Agreement"), all of the office equipment and other equipment utilized in the operation of its franchised business, any accounts receivables, office supplies, customer contracts, deposits, customer accounts, intangibles and all proceeds that the FRANCHISEE receives from the sale of any such items (all of which is referred to as "Collateral"), to secure the payment of that certain indebtedness and obligations under the Franchise Agreement, any other agreement or extension of credit and under any promissory note signed by the FRANCHISEE, and all extensions and renewals thereof, and all other liabilities of the FRANCHISEE to COMPANY or any of its affiliates, whether absolute or contingent, direct or indirect, due or not due, now existing or hereafter arising, and whether created directly by or acquired by COMPANY by assignment, participation or otherwise (all hereinafter called the "Obligations").

FRANCHISEE represents and agrees that:

1. The Collateral will be kept at the FRANCHISEE's principal business office as reported to COMPANY (the "Business Location"). The FRANCHISEE will promptly notify COMPANY of any change in the location of the Collateral; and the FRANCHISEE will not remove the Collateral from the Business Location, as described above, without the written consent of COMPANY.

2. The borrowing relationship between the FRANCHISEE and COMPANY is to be a continuing one and is intended to cover any and all of the Obligations. Accordingly, this Agreement and the security interest created by it (the "Security Interest") secures payment of any and all of the Obligations of the FRANCHISEE to COMPANY.

3. The FRANCHISEE will not cause or permit the Collateral to become a fixture to real estate or an accession to other goods.

4. The Collateral is acquired or used primarily for business use in the Business Location, and the FRANCHISEE will immediately notify COMPANY in writing of any change in any the FRANCHISEE's Business Location.

5. Except for the Security Interest granted hereby, the FRANCHISEE is the owner of the Collateral free from any adverse lien, security interest or encumbrance and the FRANCHISEE will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

6. No Financing Statement covering any Collateral or any proceeds thereof is on file in any public office. The FRANCHISEE authorizes COMPANY to file, in jurisdictions where this authorization will be given effect, a Financing Statement signed only by COMPANY describing the Collateral; and from time to time at the request of COMPANY, sign one or more Financing Statements and such other documents (and pay the cost of filing or recording the same in all public offices deemed necessary or desirable by COMPANY) and do such other acts and things, all as COMPANY may request to establish and maintain a valid security

interest in the Collateral (free of all other liens and claims whatsoever) to secure the payment of the Obligations. A form of Financing Statement is attached as Exhibit "A."

7. The FRANCHISEE will not sell, transfer, lease, or otherwise dispose of any of the Collateral or any interest therein, or offer to do so, outside the ordinary course of business, without the prior written consent of COMPANY unless the FRANCHISEE shall promptly replace such Collateral with substitute collateral of like kind and value.

8. The FRANCHISEE will at all times keep the Collateral insured in amounts not less than the full insurable value thereof, against loss, damage, theft, and such other risks as COMPANY may require in such companies and under such policies and in such form, and for such periods, as are satisfactory to COMPANY.

9. The FRANCHISEE will at all times keep the Collateral free from any adverse lien, security interest, or encumbrance and in good order and repair and will not waste or destroy the Collateral or any part thereof; and the FRANCHISEE will not use the Collateral in violation of any statute or ordinance; and COMPANY may examine and inspect the Collateral at any time, wherever located.

10. The FRANCHISEE will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this Agreement or upon any note evidencing the Obligations.

11. At its option, COMPANY may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, may pay for insurance on the Collateral, and may pay for the maintenance and preservation of the Collateral. The FRANCHISEE agrees to reimburse COMPANY on demand for any payment made, or any expense incurred by COMPANY pursuant to the foregoing authorization. Such payments by COMPANY will not affect any rights under this Agreement, and every payment so made bears interest from the date thereof at the rate of 12% per annum and each such payment and interest thereon are secured by this Agreement. Until default, the FRANCHISEE may have possession of the Collateral and use it in any lawful manner not inconsistent with this Agreement and not inconsistent with any policy of insurance thereon.

12. The FRANCHISEE is in default under this Agreement upon the happening of any of the following events or conditions: (a) failure or omission to pay when due any Obligation (or any installment thereof or interest thereon), or default in the payment or performance of any obligation, covenant, agreement, or liability whatsoever due to COMPANY, provided that the FRANCHISEE shall have received written notice of such default and failed to cure the default within 10 days of receipt of such notice; (b) any warranty, representation, or statement made or furnished to COMPANY by or on behalf of the FRANCHISEE proves to have been false in any material respect when made or furnished, provided that the FRANCHISEE shall have received written notice of such default and failed to cure the default within 10 days of receipt of such notice; (c) loss, theft, substantial damage, destruction, or encumbrance to or of any of the Collateral, or the making of any levy, or attachment thereof or thereon, provided that the FRANCHISEE shall have received written notice of such default and failed to cure the default within 10 days of receipt of such notice; (d) any Obligor (which term, as used herein, means the FRANCHISEE and each other party primarily or secondarily or contingently liable on any of the Obligations) becomes insolvent or unable to pay debts as they mature or makes an assignment for the benefit of creditors, or any proceedings are instituted by or against any Obligor alleging that such Obligor is insolvent or unable to pay debts as they mature; (e) entry of any judgment against any Obligor which will have a material affect on the Obligor's ability to fulfill its obligations under this Agreement; (f) dissolution, merger or consolidation, or transfer of a substantial part of the property of any Obligor; (g) appointment of a receiver for the Collateral or any part thereof or any property in which the FRANCHISEE has an interest; (h) FRANCHISEE fails to pay the required percentage of the estimated charges for any Insertion Order (as defined in the Franchise Agreement; or (i) FRANCHISEE is in breach of its obligations under any agreement with COMPANY or any of COMPANY's affiliates now or hereafter in effect, including, without limitation, the Franchise Agreement, and all other agreements heretofore or hereafter entered into regarding

the purchase or operation by FRANCHISEE of a VALPAK® franchise and such breach is not cured within the applicable cure period, if any, provided for in such agreement; or (j) FRANCHISEE sells or otherwise assigns or transfers any interest in the Franchise Agreement or the business conducted thereunder; or (k) FRANCHISEE fails to provide the income statement, balance sheet, accounts receivable aging report, commissions earned report and cash disbursement journal for each month required under the Franchise Agreement, together with any other information specifically requested by COMPANY, no later than the 20th of the following month, then FRANCHISEE shall be in default hereunder and the entire balance of the Obligations shall become immediately due and payable, without demand or notice which are hereby waived by FRANCHISEE.

13. Upon the occurrence of any such default or at any time thereafter, COMPANY may, at its option, declare all Obligations secured hereby, or any of them (notwithstanding any provisions thereof), immediately due and payable without demand or notice of any kind and the same thereupon immediately becomes and is due and payable without demand or notice (but with such adjustments, if any, with respect to interest or other charges as may be provided for in any note or other writing evidencing such liability), and COMPANY will have and may exercise from time to time any and all rights and remedies available to it under any other applicable law; and upon request or demand of COMPANY, the FRANCHISEE will, at its expense, assemble the Collateral and make it available to COMPANY at a convenient place acceptable to COMPANY; and the FRANCHISEE will promptly pay all costs of COMPANY for collection of any and all of the Obligations, and enforcement of rights hereunder, including reasonable attorney's fees and legal expenses and expenses of any repairs to any of the Collateral and expenses of any repairs to any realty or other property to which any of the Collateral may be affixed or be a part. COMPANY will give the FRANCHISEE reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice are met if such notice is mailed, postage prepaid, to any FRANCHISEE at the address of the FRANCHISEE shown at the beginning of this Agreement or at any other address shown on the records of COMPANY, at least ten (10) days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling, or the like, includes COMPANY's reasonable attorney's fees and legal expenses. Upon disposition of any Collateral after the occurrence of any default hereunder, the FRANCHISEE is and remains liable for any deficiency; and COMPANY will account to the FRANCHISEE for any surplus, but COMPANY has the right to apply all or any part of such surplus (or to hold the same as a reserve against) all or any of the Obligations, whether or not they, or any of them, be then due, and in such order of application as COMPANY may from time to time elect.

14. No waiver by COMPANY of any default, representation or warranty hereunder operates as a waiver of any other default or of the same default on a future occasion. No delay or omission on the part of COMPANY in exercising any right or remedy operates as a waiver thereof, and no single or partial exercise by COMPANY of any right or remedy precludes any other or further exercise thereof or the exercise of any other right or remedy. Time is of the essence of this Agreement. The provisions of this Agreement are cumulative and in addition to the provisions of any note secured by this Agreement and COMPANY has all the benefits, rights and remedies of and under any note secured hereby. The singular pronoun, when used herein, includes the plural. If this Agreement is not dated when executed by the FRANCHISEE, COMPANY is authorized, without notice to the FRANCHISEE, to date this Agreement. This Agreement becomes effective as of the date of this Agreement. All rights of COMPANY hereunder inures to the benefit of its successors and assigns; and all Obligations of the FRANCHISEE bind the heirs, executors, administrators, transferees, affiliates, successors and assigns of the FRANCHISEE.

15. This Agreement has been delivered in the State of Florida and will be construed in accordance with the laws of Florida. Wherever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement will be prohibited by or invalid under applicable law, such provision will be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. The parties agree that in any action arising out of this Agreement, exclusive jurisdiction shall be vested in the United States District Court for the Middle District of Florida in Tampa, Florida or, if for any reason such court shall not have jurisdiction, then in the Circuit Court of the Sixth Judicial Circuit in and for Pinellas

County, Florida, and FRANCHISEE irrevocably submits to the jurisdiction of such courts and waives any objection it may have to either the jurisdiction or venue of such courts.

This Agreement is effective \_\_\_\_\_, 200\_\_, regardless of the actual date of signature.

Signed, Sealed and Delivered  
in the Presence of:

**"FRANCHISEE"**

\_\_\_\_\_ a \_\_\_\_\_

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

Signed, Sealed and Delivered  
in the Presence of:

**"COMPANY"**

**VALPAK DIRECT MARKETING  
SYSTEMS, INC.**  
a Delaware corporation

\_\_\_\_\_  
Print Name: \_\_\_\_\_

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

\_\_\_\_\_  
Print Name: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

Exhibit A to Security Agreement

STATE OF FLORIDA UNIFORM COMMERCIAL CODE  
FINANCING STATEMENT FORM

A. NAME & DAYTIME PHONE NUMBER OF CONTACT PERSON

B. SEND ACKNOWLEDGEMENT TO:

Name  
Address  
Address  
City/State/Zip

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

L DEBTOR'S EXACT FULL LEGAL NAME - INSERT ONLY ONE DEBTOR NAME (1a OR 1b) - Do Not Abbreviate or Combine Names

1a. ORGANIZATION'S NAME				
1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY USA
1d. TAX ID#	REQUIRED ADD'L INFO RE: ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	If JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID#  <input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - INSERT ONLY ONE DEBTOR NAME (2a OR 2b) - Do Not Abbreviate or Combine Names

2a. ORGANIZATION'S NAME				
2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY
2d. TAX ID#	REQUIRED ADD'L INFO RE: ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID#  <input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P)- INSERT ONLY ONE SECURED PARTY NAME (3a OR 3b)

3a. ORGANIZATION'S NAME				
3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS		CITY	STATE	POSTAL CODE COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATE DESIGNATION (if applicable)	LESSEE/LESS OR	CONSIGNEE/CONSIGN OR	BAILEE/BAILOR
	AG. LIEN	NON-UCC FILING	SELLER/BUYER

6. Florida DOCUMENTARY STAMP TAX -- YOU ARE REQUIRED TO CHECK EXACTLY ONE BOX

- All documentary stamps due and payable or to become due and payable pursuant to s.201.22 F.S., have been paid.
- Florida Documentary Stamp Tax is not required.

7. OPTIONAL FILER REFERENCE DATA

STANDARD FORM - FORM UCC-1 (REV.12/2001)                      Filing Office Copy                      Approved by the  
 Secretary of State, State of Florida

Document comparison by Workshare Professional on Wednesday, May 30, 2012  
6:45:22 PM

<b>Input:</b>	
Document 1 ID	intenwovenSite://DMS/ACTIVE/10194669/2
Description	#10194669v2<ACTIVE> - Valpak - Franchise Agreement
Document 2 ID	intenwovenSite://DMS/ACTIVE/10194669/6
Description	#10194669v6<ACTIVE> - Valpak - Franchise Agreement
Rendering set	standard

<b>Legend:</b>	
<u>Insertion</u>	
<del>Deletion</del>	
<del>Moved from</del>	
<u>Moved to</u>	
Style change	
Format change	
<del>Moved-deletion</del>	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

<b>Statistics:</b>	
	Count
Insertions	171
Deletions	165
Moved from	2
Moved to	2
Style change	0
Format changed	0
Total changes	340



**EXHIBIT C-2**

**RENEWAL ADDENDUM TO THE VALPAK® FRANCHISE AGREEMENT**

**RENEWAL ADDENDUM TO  
VALPAK®  
FRANCHISE AGREEMENT**

THIS RENEWAL ADDENDUM (this "Addendum") between VALPAK DIRECT MARKETING SYSTEMS, INC. ("COMPANY") and \_\_\_\_\_ ("FRANCHISEE") is effective \_\_\_\_\_, 20\_\_ (the "Effective Date"). This Addendum supplements, amends and supersedes the Franchise Agreement dated as of the Effective Date and other addenda, if any (collectively, the "Agreement").

1. **Precedence and Defined Terms.** This Addendum is an integral part of, and is incorporated into, the Agreement. Nevertheless, this Addendum supersedes any inconsistent or conflicting provisions of the Agreement. Terms not otherwise defined in this Addendum have the meanings as defined in the Agreement.

2. **Status.** FRANCHISEE has been operating a VALPAK® Business under a franchise agreement dated \_\_\_\_\_ (the "Prior Agreement") with COMPANY. The Prior Agreement is expiring on, \_\_\_\_\_, 20\_\_ (the "Expiration Date"). FRANCHISEE wants to renew the Franchise. Accordingly, the parties are simultaneously entering into the Agreement. This Addendum modifies certain aspects of the Agreement to reflect the fact that FRANCHISEE is obtaining a renewal Franchise and that FRANCHISEE is an experienced Dealer.

3. **Initial Training.** COMPANY is not required to furnish, and FRANCHISEE is not required to attend, new franchise introduction, new-franchise-owner training and Consultative Selling School.

4. **Term.** The Term and the Franchise shall commence on the Effective Date and expire on the last day of the calendar month in which the fifth (5<sup>th</sup>) anniversary of the Effective Date occurs, unless the Agreement is terminated sooner in accordance with its terms.

5. **Performance Requirements.** FRANCHISEE must complete a minimum of 10 Mailings sent to at least 70% of the Prime Households in each MSA and MCSA (or portion thereof) that falls within the Territory during each 12-month period of the Term and fulfill all other performance requirements described in the Agreement.

6. **Initial Fees.** FRANCHISEE is not required to pay COMPANY any of the initial fees described in Section 10.1 of the Agreement. The Initial Franchise Fee is not applicable.

7. **Payments for Mailings and Purchases.** FRANCHISEE will pay for each prior Mailing in full before the Mailing Date of the next Mailing.

8. **Security Interest.** If at any time you owe COMPANY any amounts, you agree to comply with Section 9.9 of the Agreement.

9. **Remaining Terms Unaffected.** The remaining terms of the Agreement are unaffected by this Addendum and remain binding on the parties.

Intending to be bound, FRANCHISEE and COMPANY sign and deliver this Addendum to each other as of the Effective Date (regardless of the actual date of signature) as shown below:

FRANCHISEE:

COMPANY:

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

VALPAK DIRECT MARKETING  
SYSTEMS, INC.

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

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

Name: \_\_\_\_\_

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

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

**EXHIBIT C-3**

**VALPAK® INTERMARKET SALES POLICY**

# **INTERMARKET SALES POLICY**

**As Amended by the 2010 Amendment No. 1**

Copyright © 2002-2010 Valpak Direct Marketing Systems, Inc.

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4/28/11-  
5/30/12

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# VAL-PAK® INTERMARKET SALES POLICY

[Effective January 1, 2011]

## INTRODUCTION

Sections 3.1 through Section 3.4 of the Franchise Agreement (as amended by the 2004 Amendment, and as may be further amended from time to time, the “Franchise Agreement”) define the rights and obligations of the parties to an intermarket sales transaction and to sales by the COMPANY’S National Sales Department. The sales rules that form the basis of these rights and obligations, and further define how parties to an intermarket sales transaction and to sales by the COMPANY’S National Sales Department interact with one another in order to comply, are set forth in this Intermarket Sales Policy.

*Changes made as a result of the 2010 Amendment No. 1 are in italicized print for quick reference, portions of which are subject to review September 30, 2012.*

## 1. DEFINITIONS

As used in this Intermarket Sales Policy, the terms below shall have the meanings which follow them. Other capitalized terms used herein, and not defined below, shall have the meanings ascribed to them in the Franchise Agreement, as amended.

“50/50 Split” means variable profit available divided by two. [“Variable profit” is calculated in the following manner: retail selling price – print cost – insert cost – marketing fee – overweight postage – variable selling expenses (calculated at 13% of retail selling price) = variable profit]

*“Advertising Agency” means a business organization set up to provide a variety of advertising related services to clients, including, without limitation, the creation, design, scheduling and placement of advertising messages in an assortment of media, who seek assistance in their advertising activities and operates as the authorized Purchasing Representative.*

“Aggregation” occurs when an Advertiser, through a single Purchasing Representative, centralizes the authority to make decisions regarding the purchase of VAL-PAK® Advertising for an organization that collectively, prior to this decision, had the foregoing purchasing decisions made independently by separate Purchasing Representatives. An “aggregation” effectively consolidates some or all of the purchasing decisions into the Territory of one Franchisee and removes the decision-making authority from two or more separate Purchasing Representatives that were located in other franchisee territories and that may have had such authority prior to the “aggregation”.

“Top Down” Aggregation: “Top Down” Aggregation occurs when an Advertiser’s corporate headquarters, or its advertising agency of record, initiates a national or regional advertising purchase on behalf of its local franchises (or distributors) using either (i) corporate funds; or (ii) marketing or advertising funds contributed by the local franchise (or distributor) to corporate headquarters or its advertising agency of record for such general purposes.

**“Group Buy (“Bottom Up”) Aggregation”:** Group Buy (“Bottom Up”) Aggregation occurs when an Advertiser’s corporate headquarters, or its advertising agency of record, coordinates, facilitates and approves a national or regional advertising purchase on behalf of its local franchises (or distributors), but which, as opposed to a Top Down Aggregation, is paid for directly by its local franchises (or distributors) through its corporate headquarters or advertising agency of record.

*“Consumer Packaged Goods” (“CPG”) means mass-produced goods packaged by manufacturers and sold through retail outlets. Categories of CPG products include beverage, food, pet supplies, tobacco, household supplies, baby care, cosmetics, dietary supplements, perfume, toiletries and over-the-counter remedies.*

**“CPMP”** means circulation per Mailing Period.

**“Current Intermarket Business – Inbound”** means any Advertising Insert accepted by the Mailing Franchisee from another Franchisee or National Sales for distribution in VAL-PAK® Envelopes in the Mailing Franchisee’s Territory and mailed at least one (1) time within the prior six (6) month period.

**“Dealer Payment Matrix”** means the schedule of fees specified in Schedule A (also referred to as the “Matrix”).

**“Designated Key Account”** means an Advertiser (i) who has mailed within the prior twelve (12) month period; or (ii) who is under current contract to mail over a twelve (12) month period, five million (5,000,000) or more Advertising Inserts, or other advertising products offered by COMPANY, for distribution in VAL-PAK® Envelopes.

**“Direct Response Advertising”** means advertising which solicits consumers to place orders by mail, phone or the Internet for the product or service advertised, but shall not include (i) advertising for products or services to be delivered to or provided at the consumer’s home by the Advertiser’s employees or agents, or (ii) advertising for products or services which can be obtained by consumers at any of Advertiser’s retail store locations which, collectively, constitute the major source of sales revenue for such products and/or services being advertised.

**“F List Account”** means the top thirty (30) VAL-PAK® Dealer Advertisers measured by the Advertiser’s total annual VAL-PAK® Advertising circulation and the greatest number of VAL-PAK® Dealers selling such VAL-PAK® Advertising. F List Accounts are listed on Schedule F which will be updated by COMPANY on an annual basis.

**“Franchisee”** means a party who has executed a Franchise Agreement with COMPANY that grants certain rights with respect to the VAL-PAK® System to such party for a defined Territory (as opposed to FRANCHISEE (all capital letters), which under a Franchise Agreement means that particular party to the Franchise Agreement).

**“Intermarket Consent Form”** means the form to be delivered by a Territory Franchisee that, upon execution, and subject to the terms and conditions of the Franchise Agreement and the

Intermarket Sales Policy, grants the right to a Selling Franchisee to sell to an Advertiser in said Territory Franchisee's Territory VAL-PAK® Advertising regardless of the area of distribution. The current form is attached as Schedule E.

“Mailing Activity” means a sequence of two or more Mailings for a single Advertiser without an intervening period of time greater than twelve consecutive Mailing Periods.

“Mailing Franchisee” means a Franchisee in whose Territory VAL-PAK® Envelopes are being distributed.

“Mailing Period” means the period of time required for an Advertising Insert, or other advertising products offered by COMPANY, distributed in a VAL-PAK® Envelope, to complete a single national mailing cycle in all COMPANY mailing regions.

“Matrix” – see “Dealer Payment Matrix” above.

“Matrix Analysis Period” means the month of June of each year.

“National Sales Rules” means the provisions of Section 3 of this Intermarket Sales Policy that govern the activities of National Sales hereunder.

“VAL-PAK® Advertising” means Advertising Inserts, or other advertising products offered by COMPANY, for distribution through the VAL-PAK® System.

“VAL-PAK® Sales Agreement” means the contract form executed by and between a Franchisee or National Sales, as applicable, and an Advertiser for the sale of VAL-PAK® Advertising Inserts, or other advertising products offered by COMPANY, to be distributed through the VAL-PAK® System.

“Remnant” means an Advertising Insert that is accepted by a Mailing Franchisee on a space-available, randomly scheduled basis.

“Selling Franchisee” means a Franchisee who sells VAL-PAK® Advertising under the terms and conditions of a Franchise Agreement with COMPANY and/or in accordance with the VAL-PAK® System and the terms and conditions of this Intermarket Sales Policy.

“Territory” means the geographic area described and designated as the “Territory” in a Franchise Agreement entered into between COMPANY and Franchisee.

“Territory Franchisee” means a Franchisee in whose Territory another Franchisee, or National Sales, wishes (i) to sell VAL-PAK® Advertising; or (ii) to solicit and sell to Advertisers VAL-PAK® Advertising for intermarket distribution.

“Territory Fee” means a fee that is paid by National Sales or a Selling Franchisee to a Territory Franchisee following the execution of a VAL-PAK® Sales Agreement with an Advertiser, where such VAL-PAK® Sales Agreement was executed by National Sales or the Selling Franchisee



with a Purchasing Representative located in the Territory Franchisee's Territory. Territory Fees are listed on Schedule A.

"Unduplicated Circulation" means the number of individual households or business addresses distributed per Mailing Period.

## 2. SALES RULES GOVERNING FRANCHISEE TRANSACTIONS

- 2.1 A Selling Franchisee must obtain written consent from the applicable Territory Franchisee, or COMPANY if the territory is not owned by a Franchisee, prior to any discussions with a Purchasing Representative related to the sale of VAL-PAK® Advertising if the Purchasing Representative is located outside of the Selling Franchisee's Territory.
- 2.2 The Intermarket Consent Form must be used in all instances where prior consent is required under the Intermarket Sales Policy. Intermarket Consent Forms and related notices shall be sent via email. Dealers shall be permitted to negotiate additional conditions for consent which are not included in the Intermarket Consent Form.
- 2.3 Selling Franchisees, Territory Franchisees and COMPANY shall be required to maintain copies of all Intermarket Consent Forms to which they have been a party. At any time, COMPANY shall have the right to request, and Franchisee shall be obligated to provide to COMPANY, copies of any, and all, Intermarket Consent Forms. Franchisee's failure to comply with any COMPANY request for copies of Intermarket Consent Forms shall be grounds for default under the Franchise Agreement.
- 2.4 Territory Franchisees shall be required to respond to all Selling Franchisee consent requests within three (3) business days of receipt of an Intermarket Consent Form from a Selling Franchisee. Should the Territory Franchisee (i) fail to respond to a Selling Franchisee's Intermarket Consent Form within the requisite three (3) day time period, or (ii) expressly deny such consent request, COMPANY reserves the right, after making a determination, in its sole and binding discretion that the Territory Franchisee has not made, or will not make, a commercially reasonable effort to procure the advertising business of the Advertiser listed on the Intermarket Consent Form, to grant the Selling Franchisee the right to sell to the Advertiser listed on the Intermarket Consent Form VAL-PAK® Advertising into Selling Franchisee's Territory.
- 2.5 Upon execution of any sale that is made as a result of a validly executed Intermarket Consent Form, or the grant of such rights by COMPANY pursuant to section 2.4 above, the Selling Franchisee shall be obligated to pay the Territory Franchisee the Territory Fee specified in Schedule A unless agreed otherwise.
- 2.6 Validly executed Intermarket Consent Forms shall remain in effect for so long as Mailing Activity continues. A Territory Franchisee is prohibited from calling on an Advertiser, for the purpose of selling VAL-PAK® Advertising, during the time period that a validly executed Intermarket Consent Form is in effect. At such time that a twelve (12) month

period elapses between Mailings for an Advertiser listed on an Intermarket Consent Form, the rights and obligations of the parties established under the applicable Intermarket Consent Form shall terminate immediately. Furthermore, if the Selling Franchisee, after receiving consent from the Territory Franchisee or COMPANY, as the case may be, fails to obtain a written agreement for the sale of VAL-PAK® Advertising within ninety (90) days, the Intermarket Consent Form, and all related rights, shall terminate. Notwithstanding the foregoing, a Selling Franchisee may request successive ninety (90) day extensions, if appropriate. A Territory Franchisee, or COMPANY, may not unreasonably withhold consent to such request. In any event, extensions granted in accordance with the foregoing conditions shall not exceed one (1) year from the date of the initial grant of consent unless otherwise mutually agreed upon in writing.

- 2.7 An Intermarket Consent Form may be terminated at any time (i) by the Selling Franchisee, or (ii) by mutual consent of the parties. Any such termination shall not relieve a party of any obligations it has incurred under the Intermarket Consent Form.
- 2.8 A Territory Franchisee may not grant consent to a Selling Franchisee to call on an account in Territory Franchisee's Territory without the express written consent of COMPANY once the Territory Franchisee has given notice to COMPANY that it has offered its Territory for sale and COMPANY has listed such Territory for sale.

### 3. RULES GOVERNING NATIONAL SALES TRANSACTIONS

The following categories determine the rights and obligations of Franchisee and National Sales (each a "party", or collectively referred to as the "parties") with respect to the activities of National Sales regarding the solicitation and sale of VAL-PAK® Advertising.

- 3.1 Category A Accounts. A "Category A Account" is an Advertiser who advertises solely within the single Dealer Territory where its Purchasing Representative is located, or within a single "Designated Market Area" as defined by Neilson Media Research ("DMA") provided that the Purchasing Representative and a portion of the DMA is located within the Dealer Territory. COMPANY agrees that neither it, nor National Sales, shall have the right to solicit or sell VAL-PAK® Advertising to Category A Accounts.
- 3.2 Category B Accounts. A "Category B Account" is an Advertiser who (i) advertises in another, or multiple other, Dealer Territory(ies) outside of the DMA of the Dealer in whose Territory its Purchasing Representative is located; and (ii) is not listed as a "Category C Account". National Sales *may* solicit and sell VAL-PAK® Advertising to Category B Accounts if it receives consent from the Territory Franchisee to do so.

#### (a) National Sales Consent Requests

- (i) National Sales may solicit and sell VAL-PAK® Advertising to Category B Accounts but only after it has received consent from the Territory Franchisee to do so. Such consent must be received (i) prior to any

discussions with a Purchasing Representative related to the sale of VAL-PAK® Advertising if the contact was initiated by a National Sales representative; or (ii) prior to any discussions with a Purchasing Representative related to pricing if the contact was initiated by the Advertiser. If consent is received, National Sales will add the Advertiser to the National Sales Category B Account list as an “active” account (as described below).

- (ii) Territory Franchisees must respond to all National Sales consent requests within three (3) days.
- (iii) If National Sales does not receive consent, either by the Territory Franchisee expressly denying such consent or by failing to respond to a consent request within the three (3) day period, Territory Franchisee will be notified by COMPANY that it will be obligated to contact the Advertiser within five (5) days for the purpose of soliciting and selling VAL-PAK® Advertising.
- (iv) Unless otherwise agreed to by the parties, any failure on behalf of the Territory Franchisee to contact the Advertiser within the requisite five (5) day period may result in a notification from COMPANY that National Sales will proceed to contact the Advertiser for the purpose of soliciting and selling VAL-PAK® Advertising and add the Advertiser to the National Sales Category B Account list as an “active” account (as defined below).
- (v) Notwithstanding the foregoing, Territory Franchisees operating under a notice of default from COMPANY, pursuant to the Franchise Agreement, are prohibited from denying a National Sales consent request for any reason.

(b) Category B Account Lists

- (i) *National Sales and Territory Franchisees shall maintain a list of their “active” Category B Accounts. An account is “active” if it is an account with which a party can demonstrate that it is using commercially reasonable efforts, in an on-going manner, to obtain a Valpak® Sales Agreement. Evidence of such on-going efforts shall be mutually agreed upon and shall include, at a minimum, items verifying two-way contact with the account such as call reports, and frequent communications by phone or email.*
- (ii) If, after meeting the foregoing requirements, a party fails to obtain a written agreement with an account within one (1) year of its initial contact, the account will no longer be considered “active” and should be removed from the Category B Account list. An extension of six (6) months may be granted if a party can demonstrate that commercially

reasonable efforts are continuing in the effort to obtain a written VAL-PAK® Advertising Agreement. In the event an account is removed from a Territory Franchisee's Category B List in accordance with this section, National Sales, upon notification to the Territory Franchisee, will be permitted to call on such account without obtaining consent.

- (iii) All Franchisee and National Sales Category B Accounts lists in effect as of the effective date of this 2004 Intermarket Sales Policy shall remain in effect.
- (c) All Franchisee and National Sales Category B Accounts lists in effect as of the effective date of this 2004 Intermarket Sales Policy shall remain in effect in accordance with the 2002 Intermarket Sales Policy rules pertaining to such accounts.

### 3.3 Category C.

- (a) *A "Category C Account" is an Advertiser that has minimum annual sales revenues of \$500 million. Category C Accounts are listed on www.insidevalpak.com, or other such web site designated by COMPANY from time to time (the "Category C List"). The Category C List will consist of a maximum of five hundred (500) Advertisers, with COMPANY reserving the right to edit the list at any time (i.e. a "rolling list"), and will be published by region or other agreed upon geographic designation. National Sales may not add accounts to the Category C List (i) that have had sales activity with a Franchisee in the last twelve (12) months; or (ii) are listed on a Franchisee's Category B Account list. All Consumer Packaged Goods manufacturers and Direct Response companies shall be categorized as Category C Accounts, but are not required to be included on the Category C List of five hundred (500) Advertisers. Additionally, Advertisers in the "franchised dining" category as defined in the "Food Program" section of the Production Handbook shall not be included as Category C Accounts. National Sales shall have the right to solicit and sell advertising services to any Category C Account wherever located and for mailings anywhere. Prior to COMPANY meeting on-site with a Category C Account, National Sales shall use its best efforts to notify the Territory Dealer of the time and date of such on-site meeting.*
- (b) *"No Call Rule". Franchisee agrees not to call on Category C Accounts listed on the Category C List that are "active", as defined in Section 3.2(b)(i).*
- (c) *Large and Multi-National Corporations. Distinct, name brand divisions of large companies that (i) have a designated Purchasing Representative, and (ii) qualify as Category C Accounts, must be listed as separate entities on the Category C List. For example: if calling on the Macy's and/or Bloomingdale's division of Federated Department Stores, each division must be listed separately, not Federated Department Stores. Additionally, if a Category C Account has multiple Purchasing Representatives, each must be listed separately.*

- 3.4 Category F ("F List Accounts"). Except with respect to Strategic Selling Opportunity (a/k/a "SSO"), Art Reference Directory (a/k/a "ARD"), Network Sales, and other similar programs that have been developed by COMPANY and approved by the Dealer's Association (or other such committee appointed by the Dealer's Association to conduct such approval process), National Sales shall not initiate contact with any F List Account for the purpose of selling VALPAK® Advertising. So long as an Advertiser is participating in a Group Buy Aggregation it cannot be categorized as an F List Account and added to Schedule F when the annual update of Schedule F occurs. Any Dealer negatively affected by an action of the Dealer's Association under this Section 3.4 may appeal such action to the Dispute Resolution Team, whose decision shall be final.

#### 4. DESIGNATED KEY ACCOUNTS

- 4.1 In the event a Purchasing Representative for a Designated Key Account changes or relocates, the Designated Key Account shall remain the account of the original Selling Franchisee, or National Sales, as the case may be, (both being referred to in this section as the "Current Seller") under the following conditions:
- (a) Written notification is sent by the Current Seller to both COMPANY and the new Territory Franchisee informing them of its intent to continue to call on and sell VALPAK® Advertising to the Designated Key Account; and
  - (b) The Designated Key Account continues to mail a minimum of five million (5,000,000) Advertising Inserts in VALPAK® Envelopes per year.

At the point that the Designated Key Account fails to mail the requisite yearly minimum of five million (5,000,000) Advertising Inserts, or its relationship with the Current Seller is terminated, it will become the account of the Franchisee in whose Territory the Purchasing Representative is located. Notwithstanding the foregoing, a Designated Key Account will become the account of the Franchisee into whose Territory the new Purchasing Representative is located if the new Purchasing Representative so requests.

When a Purchasing Representative for a Designated Key Account changes or relocates, and subsequently chooses to sever relations with the Current Seller and commence relations with the new Territory Franchisee, an "Account Relocation Fee" of \$1.50/M is due and payable by the new Territory Franchisee to the Current Seller. The Account Relocation Fee is based on total circulation mailed by the Advertiser after commencing relations with the new Territory Franchisee. The term of payment of Account Relocation Fees is equal to the length of time the Advertiser qualified as a Designated Key Account with the former Selling Franchisee (or National Sales), but shall not exceed four (4) years. Account Relocation Fees apply only to the most recent relocation between the new Territory Franchisee(s) and former Selling Franchisee(s) (or National Sales).

- 4.2 For the period of time that the Current Seller retains the Designated Key Account, it shall pay the Franchisee in whose Territory the Purchasing Representative is newly

located a Territory Fee in accordance with the Territory Fee provisions described in Section 5.4(b) below.

*If the Purchasing Representative change involves an Agency, Current Seller discussions with the Agency are limited to those pertaining strictly to the Advertiser Current Seller is doing business with. Notwithstanding anything to the contrary contained herein, any account that, by way of its own decision, achieves or loses status as an aggregated account, in whole or in part, shall not qualify as a Designated Key Account regardless of whether or not it has met, or continues to meet, Designated Key Account type circulation requirements, and, as such, the Franchisee (or National Sales) of the formerly, or presently, aggregated account shall not be entitled to continue to call on the account, nor receive an Account Relocation Fee as described in this Section 4.*

## 5. "MUST CARRY" AND THE DEALER PAYMENT MATRIX

### 5.1 "Must Carry"

- (a) Subject to the "Must Carry Exceptions" listed below, a Mailing Franchisee shall be obligated to fulfill ("Must Carry") any inbound intermarket order for which it is offered the applicable compensation specified on the Dealer Payment Matrix.
- (b) Mailing Franchisees shall be notified by Selling Franchisee or COMPANY in all instances where "Must Carry" intermarket orders are being placed in their Territory.

### 5.2 Intermarket Must Carry Exceptions

- (a) *Must Carry intermarket orders for VAL-PAK® Advertising are automatically placed for distribution in the Mailing Franchisee's Territory unless the Mailing Franchisee rejects the order within three (3) business days of receipt of the notice of the proposed intermarket order provided the notice for an intermarket order contains the correct trade name and category of the intermarket Advertiser. If the foregoing requirements are satisfied, and none of the following circumstances apply, a Mailing Franchisee may not refuse to accept a Must Carry intermarket order.*
  - (i) *The Mailing Franchisee determines in its reasonable discretion that the advertisement would violate local community standards. Such advertisements may include, but shall not be limited to, advertisements of a suggestive sexual nature, advertisements promoting political candidates or politically sensitive issues, advertisements promoting organized religion or church groups, advertisements for family planning-abortion clinics, advertisements for gaming activities, advertisements that promote tobacco products, advertisements for psychic services or advertisements that violate federal, state or local law. Notwithstanding Franchisee's right to reject advertisements under this Section 5.2(b)(i), COMPANY reserves the right, at any time, to refuse any advertisement that does not meet*

*COMPANY standards, violates any federal, state or local law, or may, by its nature, reflect negatively on the goodwill and reputation of COMPANY.*

- (ii) The Advertising Insert is for the same brand name product(s) and/or service(s) as an Advertising Insert that is already scheduled to be included in the same Val-Pak® Envelope.
- (iii) *The Advertising Insert is from an Advertiser for which the Mailing Franchisee is owed fees for prior mailings. Such fees must be from two (2) to, but not greater than, twelve (12) months delinquent and must be owed by the same business entity. A Mailing Franchisee may reject a Must Carry intermarket order pursuant to this Section 5.2(a)(iii) at any time regardless of whether or not the Must Carry intermarket order was accepted on a date prior to the occurrence of the past due fees.*
- (iv) *The Advertising Insert is from a Selling Franchisee that owes the Mailing Franchisee past due amounts for other intermarket orders. A Mailing Franchisee may reject a Must Carry intermarket order pursuant to this Section 5.2(a)(iv) at any time regardless of whether or not the Must Carry intermarket order was accepted on a date prior to the occurrence of the past due fees.*
- (v) The Advertising Insert, or other advertising product offered by COMPANY, for distribution in VAL-PAK® Envelopes, is from an Advertiser that has a current written VAL-PAK® Sales Agreement in place with the Mailing Franchisee for VAL-PAK® Advertising.
- (vi) *Any Advertising Insert from an Advertiser that a Mailing Franchisee reasonably believes would, if accepted by the Mailing Franchisee as an intermarket order, (i) cause a significant loss of business with a specific Advertiser located and currently mailing within Franchisee's Territory; or (ii) have a substantial negative economic impact on the franchise business as a whole. Specific Advertisers qualifying for this exception must be listed on Schedule D. All Advertisers a Mailing Franchisee desires to list on Schedule D are subject to the prior written approval of COMPANY. The Schedule D may be updated by the Mailing Franchisee on June 1, 2011 to take effect January 1, 2012. On January 1, 2013, Schedule D will terminate and category exclusivity will no longer exist*
- (vii) *The Advertising Insert falls into a category of which the Mailing Franchisee is currently carrying four (4) or more pieces within an individual NTA. Advertising Inserts cannot be rejected under this Section 5.2(a)(vii) if the Inbound Advertiser has mailed in the NTA® three (3) times within the last twelve (12) months. The rejection must be based on a specific category (NAIC sub-category). For example, pizza restaurants – not dining establishments, carpet cleaners – not household cleaning*

*services, handyman services – not building or remodeling contractors. Dealers who have sub-categories that are subject to this exception must list them, and maintain such list, on [www.insidevalpak.com](http://www.insidevalpak.com) in an area designated by COMPANY.*

- (b) Notwithstanding Section 5.2(a), a Mailing Franchisee may reject a specific intermarket order at any time after it has become ninety (90) days past due in payments owed by the Selling Franchisee for such intermarket order.

### 5.3 *Intermarket Agreements Executed Prior to January 1, 2011*

*Ejfective January 1, 2011, Schedule A will contain two (2) “Dealer Payment Matrix” tables (as more fully described below). One Dealer Payment Matrix table will apply to active intermarket agreements executed prior to January 1, 2011 (“Matrix Table I”); the other Dealer Payment Matrix table (“Matrix Table II”) will apply to new Advertisers who have not previously purchased Advertising Inserts to be included in Valpak® Envelopes and from Advertisers meeting the criteria set forth in the following paragraph.*

*Intermarket agreements subject to Matrix Table I shall remain so until such time that the Advertiser is no longer active (i.e. no mailing activity has occurred under an intermarket agreement for the past twelve (12) months). If an account begins to mail after it has not mailed for an extended period of twelve (12) months or more, it will be considered new business and will become subject to Matrix Table II for any intermarket fees due and payable. Once an Intermarket Agreement becomes subject to Matrix Table II, it cannot revert back to Matrix Table I unless Matrix Table II is not renewed under the terms of paragraph 17 of this Amendment*

### 5.4 Intermarket Compensation

#### (a) The “Matrix Fee”

- (i) In order for an intermarket order to receive “Must Carry” status, a Selling Franchisee or National Sales, must, in addition to the insertion and association fees, pay to the Mailing Franchisee the applicable “Matrix Fee”, as specified in the “Dealer Payment Matrix” listed on Schedule A. The required Matrix Fee payment is based on the total number of Advertising Inserts mailed during a Mailing Period and must be paid within thirty (30) days of the mailing.
- (ii) Regardless of whether an Advertiser has ceased doing business, or has tiled for bankruptcy protection, or for any reason has not paid the Selling Franchisee, the Selling Franchisee shall remain obligated to pay the applicable Matrix, Insert and Association Fees for any intermarket mailing completed in accordance with the Intermarket Sales Policy.
- (iii) A Selling Franchisee or National Sales shall be permitted to negotiate and offer compensation fees for intermarket orders, including, without



limitation, orders for Remnants, that are lower than those listed on the Dealer Payment Matrix with the Mailing Franchisee. Agreed to intermarket compensation below Matrix rates is not subject to Must Carry rules.

(b) The "Territory Fee"

- (i) If a Selling Franchisee or National Sales executes a VAL-PAK® Sales Agreement for the sale of VAL-PAK® Advertising with an Advertiser with a Purchasing Representative located within the Territory Franchisee's Territory, the Selling Franchisee or National Sales shall be obligated to pay the appropriate "Territory Fee" to the Territory Franchisee, as specified in Schedule A. The appropriate Territory Fee is due on all NTA's® mailed as a result of the foregoing VAL-PAK® Sales Agreement, including NTA's® located within the Territory Franchisee's Territory.
- (ii) Selling Franchisees shall pay Territory Fees directly to Territory Franchisees. COMPANY shall issue credits to Territory Franchisees for Territory Fees due from National Sales. Territory Fees shall be due and payable thirty (30) days after the Mailing Period ends.
- (iii) National Sales has no obligation to pay a Territory Fee to any Territory Franchisee for Direct Response Advertising inserts or Consumer Packaged Goods Advertising inserts placed in VAL-PAK® Envelopes.

(c) Matrix Fee Changes and Postage Rate Adjustments

- (i) Matrix Fees are subject to review and change (increase/decrease) by COMPANY on an annual basis in the manner provided below. COMPANY will communicate Matrix Fee changes to VAL-PAK® Dealers during the month of July and any such changes will be effective January 1 of the following calendar year.
- (ii) *All Franchisee and National Sales intermarket transactions paid pursuant to Schedule A, for the prior twelve (12) month period (June 1 to May 31), will be analyzed each year during the Matrix Analysis Period to determine the effect of Matrix Fees on Selling Franchisee and National Sales intermarket transaction profitability. The analysis will take place as described in Section 5.4(c)(iii) below. Notwithstanding the foregoing, intermarket transactions of 3,000,000 CPMP or more will not be analyzed or adjusted pursuant to Section 5.4(c)(iii).*
- (iii) *Intermarket transaction profitability for all Matrix transactions paid pursuant to Schedule A will be calculated by the following method: If the Selling Franchisee or National Sales variable profit split with the Mailing Franchisee falls below forty-five percent (45%), or exceeds fifty-five*

*percent (55%), in any circulation quantity range (as listed on Schedule A), then Matrix Fees for those CPMP quantities will be adjusted, up to a maximum ten percent (10%) increase or decrease from the current Matrix Fee rates, in order to achieve a 50/50 Split profit ratio.*

Calculations for Matrix Fee adjustments are subject to audit by an independent auditing firm, hired by the Valpak Dealer's Association, duly qualified and approved by COMPANY. Any such audits shall be made during the Matrix Analysis Period, at reasonable times, and with ten (10) days prior notice.

#### 5.5 Reimbursement for Overweight Postage

National Sales and Selling Franchisees will pay, and Mailing Franchisees will be reimbursed for, overweight postage under the following conditions:

##### (a) Payment of Overweight Postage Fees

- (i) National Sales shall reimburse Mailing Franchisee for overweight Advertising Inserts inserted into VAL-PAK® Envelopes for distribution which have achieved overweight status or will achieve overweight status by virtue of the inclusion of the overweight Advertising Insert.
- (ii) A Selling Franchisee must pay the overweight postage fee listed on Schedule B on each individual overweight intermarket Advertising Insert mailed. Such overweight postage fee shall be paid to, and administered by, COMPANY in accordance with this Intermarket Sales Policy.
- (iii) For those intermarket agreements that are subject to the terms and conditions of Section 5.3 above, and were not executed in accordance with the 2002 Intermarket Sales Policy, the Mailing Franchisee shall be obligated to pay the overweight postage fee listed on Schedule B for each individual overweight intermarket Advertising Insert mailed. Such overweight postage fees shall be paid to, and administered by, COMPANY in accordance with this Intermarket Sales Policy.

##### (b) Reimbursement of Overweight Postage Fees

- (i) Mailing Franchisees shall be entitled to reimbursement, from National Sales and/or Selling Franchisees, for the payment of applicable overweight postage fees in instances where an overweight Advertising Insert is inserted for distribution into a VAL-PAK® Envelope that has achieved overweight status.
- (ii) In the event Selling Franchisee and National Sales have both inserted overweight Advertising Inserts into a VAL-PAK® Envelope for distribution, and the VAL-PAK® Envelope has achieved overweight

status, overweight postage fees due for reimbursement as a result of the insertion of such inserts shall be divided between Selling Franchisee and National Sales proportionately.

An Advertising Insert and a VAL-PAK® Envelope achieve overweight status when they *equal or exceed* the weights listed on Schedule B for a “Standard Advertising Insert” and a “Standard VAL-PAK® Envelope”.

## **6. SUPPLIED INSERTS PRINTED BY THIRD PARTIES**

Mailing Franchisees will pay COMPANY the insertion rates listed on Schedule C for those Advertising Inserts included in VAL-PAK® Envelopes in a Mailing that meets all VAL-PAK® standards and are printed by third parties. Notwithstanding the terms and conditions of the Franchise Agreement, the COMPANY may review and adjust the rates listed on Schedule C at its sole discretion upon six (6) months prior written notice.

## **7. MARKETING AND SALES ASSISTANCE**

In certain instances, Franchisee may give referrals to National Sales, or Franchisee and National Sales may collaborate on sales calls to Advertisers for the purpose of selling VAL-PAK® Advertising. Depending on the outcome, compensation may be due to one or more of the parties. Any compensation due shall be negotiated in accordance with the guidelines of the “Collaboration Fee Schedule” listed below. In all instances where referral or sales assistance is provided as described herein, the parties shall remain separate entities and in no way shall such activities constitute a joint venture. The activities described in this Section 7 are subject to the terms and conditions of the Franchise Agreement and the Intermarket Sales Policy.

### **COLLABORATION FEE SCHEDULE**

#### **Marketing and Sales Assistance Compensation Rates**

##### **7.1 “Intra Territory Passive Referral”**

Franchisee refers the name of a contact at an advertising prospect’s place of business to a National Sales Account Executive and assists National Sales in obtaining an appointment. Prior to this referral Franchisee has made no contact with the Advertiser for the purpose of selling VAL-PAK® Advertising. The National Sales Account Executive accepts the referral and calls on the Advertiser. Franchisee relinquishes any future rights that it may have in the account as long as there is Mailing Activity for the Advertiser.

If a Sale is made:

(i) COMPANY will pay Franchisee a two (2%) percent referral fee in addition to a Territory Fee based on the “retail insertion fee” collected from the Advertiser for VAL-PAK® Advertising for one (1) year. Franchisee may designate the consecutive twelve (12) month period upon which referral fees shall be calculated, however, Franchisee must make such designation within twenty-four (24) months of the first Mailing, otherwise Franchisee will lose the right to receive such referral fees. (For the purposes of this Section 7, “retail insertion fee” shall be equal to the total print and insert gross rate less the wholesale print cost.)

(ii) Subsequent to the referral fee payment period, and for so long as Mailing Activity continues, COMPANY will pay Franchisee a Territory Fee and a Matrix Fee for the portion of the Mailing mailed inside of Franchisee's Territory and a Territory Fee for everything mailed outside of the Franchisee's Territory.

#### **7.2 "Intra Territory Active Referral"**

Franchisee makes the initial sales call on the advertising prospect. Franchisee determines that it does not wish to service the account. Franchisee then offers to turn the account over to National Sales for sales and service, relinquishing any future rights that Franchisee may have in the account National Sales accepts as long as there is Mailing Activity for the Advertiser.

If a Sale is made:

(i) COMPANY will pay Franchisee an eight (8%) percent referral fee in addition to a Territory Fee based on the retail insertion fee collected from the Advertiser for VAL-PAK® Advertising for one (1) year. Franchisee may designate the consecutive twelve (12) month period upon which referral fees shall be calculated, however, Franchisee must make such designation within twenty-four (24) months of the first Mailing, otherwise Franchisee will lose the right to receive such referral fees.

(ii) Subsequent to the referral fee payment period, and for so long as Mailing Activity, continues, COMPANY will pay Franchisee a Territory Fee and a Matrix Fee for the portion of the Mailing mailed inside of Franchisee's Territory and a Territory Fee for everything mailed outside of Franchisee's Territory.

#### **7.3 "Inter Territory Passive Referral"**

A Franchisee may, in the manner described in Section 7.1 above, refer an account located in another Franchisee's Territory to National Sales. Such referral is subject to the Territory Franchisee's right of first refusal and consent. It shall be the obligation of National Sales to ensure that Territory Franchisee's right of first refusal has been exercised prior to any discussions related to pricing with the advertising prospect.

If a Sale is made:

(i) Beginning with the first Mailing, and for so long as Mailing Activity continues, COMPANY will pay the Territory Franchisee a Territory Fee and a Matrix Fee for the portion of the Mailing mailed inside of the Territory Franchisee's Territory and a Territory Fee for everything mailed outside of Franchisee's Territory.

(ii) COMPANY will pay the referring Franchisee a two (2%) percent referral fee based on the retail insertion fee collected from the Advertiser for VAL-PAK® Advertising for one (1) year. Franchisee may designate the consecutive twelve (12) month period upon which referral fees shall be calculated, however, Franchisee must make such designation within twenty-four (24) months of the first Mailing, otherwise Franchisee will lose the right to receive such referral fees.

#### **7.4 "Inter Territory Active Referral"**

A Franchisee may, in the manner described in Section 7.2 above, and subsequent to receiving consent from the Territory Franchisee to call on such account, refer an account located in another Franchisee's Territory to National Sales. Such referral is subject to the Territory Franchisee's right of first refusal and

consent. It shall be the obligation of National Sales to ensure that Territory Franchisee's right of first refusal has been exercised prior to any discussions related to pricing with the advertising prospect.

If a Sale is made:

(i) Beginning with the first Mailing, and for so long as Mailing Activity continues, COMPANY will pay the Territory Franchisee a Territory Fee and a Matrix Fee for the portion of the Mailing mailed inside of the Territory Franchisee's Territory and a Territory Fee for everything mailed outside of Franchisee's Territory.

(ii) COMPANY will pay the referring Franchisee an eight (8%) percent referral fee based on the retail insertion fee collected from the Advertiser for VAL-PAK® Advertising for one (1) year. Franchisee may designate the consecutive twelve (12) month period upon which referral fees shall be calculated, however, Franchisee must make such designation within twenty-four (24) months of the first Mailing, otherwise Franchisee will lose the right to receive such referral fees.

#### 7.5 "National Sales On-site Presentation"

National Sales provides sales tools and a National Sales Account Executive to Franchisee for a one-day on-site sales presentation. The account remains a Franchisee account.

If a sale is made Franchisee shall pay to COMPANY a two (2%) percent referral fee based on the retail insertion fee collected from the Advertiser for inserts mailed during the first year beginning with the first Mailing. Regardless of whether a sale is made or not, Franchisee shall pay all actual out-of-pocket expenses incurred by the National Sales Account for the on-site presentation, including travel and out-of-pocket costs.

#### 7.6 "COMPANY Financed Franchisee Account"

Franchisee provides primary, day-to-day, contact to Advertiser for the purposes of sales and service. COMPANY provides financing and administrative services (the "Administrative Services") and authorizes and provides pricing for all VAL-PAK® Advertising Insert sales activity with Advertiser.

COMPANY will pay Franchisee a fifteen (15%) percent sales commission on the retail insertion fees collected from the Advertiser for so long as COMPANY provides Administrative Services and pricing.

Sales volumes will be credited towards "Achievement Club" totals of Franchisee's sales representative if appropriate.

## 8. AGGREGATION

### 8.1 "Top Down" Aggregation:

- (a) A Selling Franchisee, or National Sales must notify COMPANY *prior* to the initiation of *any* Aggregation activity, including, without limitation, any discussions with a Purchasing Representative related to the pricing of

VAL-PAK® Advertising. Upon such notification by a party of its desire to “aggregate” the advertising business of an Advertiser, COMPANY will provide the Selling Franchisee(s) and/or National Sales with a detailed analysis and assessment of the effects the proposed Aggregation will have on all parties involved.

- (b) Any party desiring to aggregate must provide COMPANY and all affected Selling Franchisee(s) (the “Impacted Dealers”) with a list of all of the Advertiser locations being proposed for “aggregation” and any, and all, business or trade names under which the Advertiser conducts business.
- (c) COMPANY will post aggregated Advertisers in a location accessible to all Dealers and National Sales (e.g. [www.insidevalpak.com](http://www.insidevalpak.com)) with a brief description of the aggregated activity.
- (d) “Top Down” Aggregations are *not* subject to payment of any fees by Selling Franchisee or National Sales to Impacted Dealers other than applicable Territory and Matrix fees, and a Displacement Fee equal to that described in Section 8.2 below.
- (e) Franchisees receiving Displacement Fees are prohibited from calling on Advertisers participating in Top Down Aggregations, during the term of the Top Down Aggregation, for the purpose of soliciting and selling VAL-PAK® Advertising for the Mailing dates in effect for the Top Down Aggregation.
- (f) Selling Franchisee and National Sales must complete a “Top Down” Aggregation through contacts with corporate headquarters, or its advertising agency of record, and may not have any contact with the local independent or company owned franchise (or distributor) without written permission of the Territory Dealer.

**8.2 Group Buy (“Bottom Up”) Aggregation:** As with Top Down Aggregations, Group Buy Aggregations must be cleared through COMPANY in the manner provided in Section 8.1(a) and 8.1(b) above prior to any discussions with a Purchasing Representative related to the pricing of VAL-PAK® Advertising.

In the event a Group Buy occurs, Impacted Dealers may be eligible for additional fees (“Impacted Seller Compensation”). Impacted Seller Compensation fees are as follows:

- (a) **Service Fee.** The Service Fee is \$30.00 per 10,000 unduplicated circulation, which is paid by the Selling Franchisee or National Sales, and is in addition to the applicable Matrix Fee. The purpose of the Service Fee is to compensate Territory Franchisees for their efforts in maintaining customer relations with accounts that have been aggregated, and encourage them to continue mailing by participating in the Group Buy.
- (b) **Displacement Fee.** Territory Franchisees, who have sold local accounts that have mailed in the previous twelve (12) months, and have been aggregated as a result

of the Group Buy (“Displaced Sellers”), are eligible for Displacement Fees. Displacement Fees are due and payable at the same time Matrix Fees are paid by the Selling Franchisee or National Sales in accordance with the following schedule:

(i) For unduplicated circulation previously sold and mailed within Franchisee’s Territory:

\$30.00 per 10,000 increments

(ii) For unduplicated circulation previously sold and mailed as outbound intermarket:

\$15.00 per 10,000 increments

(iii) Displacement Fees are due only for those mailings and circulation that have been “displaced” at the time of the initial Group Buy, which shall remain a set figure for the purposes of calculating maximum Displacement Fees due as described herein.

(iv) Displacement Fees are calculated on 10,000 increments of unduplicated circulation mailed in the twelve (12) months prior to the first Group Buy, in-Territory and/or outbound orders. Increments of less than 10,000 will be pro-rated.

(v) Eligible Franchisees will receive Displacement Fees for four (4) years from the date of the first Group Buy, or up to the last mailing of the Group Buy, whichever occurs first.

Franchisees receiving Displacement Fees and/or Service Fees are prohibited from calling on Advertisers participating in a Group Buys, during the term of the Group Buy, for the purpose of soliciting and selling VAL-PAK® Advertising for the Mailing dates in effect for the Group Buy, but may solicit and sell VAL-PAK® Advertising for Mailing dates not included in the Group Buy, and/or other products offered by COMPANY not included in the Group Buy. Franchisees are encouraged however, and in the case of those receiving Service Fees are required, to contact Advertisers participating in Group Buys to encourage the Advertiser to continue participating in the Group Buy.

(c) Any transaction that can be categorized as a Group Buy in effect, and under contract, as of the effective date of this 2005 Intermarket Sales Policy, and that otherwise complies with this Agreement, shall not be subject to any Service or Displacement Fees, as described herein, for the term of such transaction.

## **9. AGENCIES**

- 9.1 A Selling Franchisee or National Sales shall be permitted to transact business with an agency that is acting as a Purchasing Representative on behalf, and at the direction of, an Advertiser who desires to purchase VAL-PAK® Advertising. Any such transactions must be executed in accordance with the terms and conditions of the Franchise Agreement, as amended, and the Intermarket Sales Policy.
- 9.2 Selling Franchisee and National Sales acknowledge and agree that it shall not be permitted to retain, establish, or transact business with an agency for the purpose of circumventing the terms and conditions of the Franchise Agreement or the Intermarket Sales Policy. Any such action will be subject to the dispute resolution process.

## 10. DISPUTE RESOLUTION

When any violative actions, actual or attempted, arise under this Intermarket Sales Policy, it is the responsibility of the parties involved to negotiate a settlement. However, in those cases where the involved parties are unable to arrive at a mutually satisfactory agreement, the following arbitration procedure will be implemented:

- (a) Both parties are to submit, in writing, to the Vice-President of Franchise Relations of COMPANY, all information which they may have regarding the dispute. This information will include, but is not limited to, a narrative description of the dispute, copies of all related agreements, invoices, layouts, proofs, intermarket confirmation forms, and checks, as well as a description of any attempts previously made to settle the dispute.
- (b) The Vice-President of Franchise Relations (or his or her designee) will select two "disinterested" members from a panel of Franchisee's designated by the VAL-PAK® Dealer's Association annually and the three will serve to mediate the dispute (the "Dispute Resolution Team").
- (c) Decisions of the Dispute Resolution Team are binding and it is expected that the actions required by their decisions will be implemented immediately. If financial transactions are necessary to carry out the mandate of the Dispute Resolution Team, and these transactions do not occur within ten (10) working days of the notification of the Dispute Resolution Team's decision, COMPANY retains the right to use a "credit/debit" system (i.e. debit "at-fault" Franchisee's VAL-PAK® account, credit injured Franchisee's VAL-PAK® account) to ensure compliance. Furthermore, in those instances where the Dispute Resolution Team has determined that a franchisee has been financially harmed by the actions of another as a result of violations of the Intermarket Sales Policy, it may award damages retroactive over the length of the violation, or two (2) years, whichever is less. Such damages may include up to two hundred percent (200%) of the profits obtained by the breaching franchisee as a result of its violative actions. Repayment plans covering damage awards shall be at the discretion of the Dispute Resolution Team, but in no instance shall the length of any such plan exceed two (2) years.



- (d) Decisions of the Dispute Resolution Team may be appealed to the President of COMPANY, but such appeal must be made in writing no later than ten (10) working days after notification of the Dispute Resolution Team's decision. The President's decision is final except as to decisions which substantially support the position of National Sales or any company owned and operated VAL-PAK® Franchise, in which event, the Dealer's Association shall, in its sole discretion, have the authority and standing to appeal the decision by filing suit in the jurisdiction and venue provided in the Franchise Agreement seeking actual damages and/or injunctive relief along with reasonable attorney's fees and costs, otherwise, the affected Dealer may have such similar right.
- (e) Violations of any section of the Intermarket Sales Policy shall constitute a breach of the Franchise Agreement.
- (f) **Safe Harbor.** The following shall not be deemed to be violations of the Intermarket Sales Policy rules:
  - (i) If a Selling Franchisee or National Sales seeks and obtains a written opinion from the Vice-President of Franchise Relations concerning the propriety of a specific sales contact or act and upon receipt of such opinion, substantially complies with the opinion in good faith, such party shall not be in violation of this Intermarket Sales Policy if such opinion was given in error or is subsequently modified or withdrawn, provided, such party complies with the revised opinion upon notice thereof. Any VAL-PAK® Sales Agreement entered into prior to such notice shall remain valid.
  - (ii) If a Selling Franchisee or National Sales responds to a request from an agency for information without knowledge of the identity of the Advertiser represented by such agency prior to complying with the requirements of Section 9, it shall not be a violation of this Intermarket Sales Policy, provided that neither party quotes any specific price for VAL-PAK® Advertising.

## 11. ELECTRONIC ADVERTISING

- 11.1 Electronic Advertising Services Availability. In order to maintain the right and license to sell Electronic Advertising a Selling Franchisee must pay to COMPANY Electronic Advertising fees in accordance with Schedule H (the "Electronic Advertising Fees"). If a Selling Franchisee becomes thirty (30) days past due in its payment of Electronic Advertising Fees, COMPANY may discontinue Electronic Advertising Services to such Selling Franchisee in addition to removing any Electronic Advertising for Advertisers which resulted from orders placed by the Selling Franchisee prior to the default in payment.

- 11.2 Sales Rules. Subject to Section 11.4 below, all rules in the Intermarket Sales Policy that pertain to the sale of VAL-PAK® Advertising shall likewise apply to the sale of Electronic Advertising Services.
- 11.3 Acceptance of Electronic Advertisements.
- (a) If a Mailing Franchisee accepts an intermarket order for VAL-PAK® Advertising pursuant to Section 5 above, such Mailing Franchisee shall be obligated to accept any Electronic Advertising that was sold as part of the accepted intermarket order.
  - (b) Intermarket orders for Electronic Advertising which stand alone and are not part of an intermarket order for VAL-PAK® Advertising shall be subject to the same Must Carry exceptions listed in Section 5.2(a), and as a result a Territory Franchisee may reject an Electronic Advertisement intended for zip codes in the Territory Franchisee's Territory.
- 11.4 Intermarket Fees. With the exception of Territory Fees, which shall be paid to the Territory Franchisee by the Selling Franchisee or National Sales in accordance with Schedule H, no Intermarket fees described in this Intermarket Sales Policy, including, without limitation Matrix Fees and Marketing and Sales Assistance Compensation Rates, shall apply to the sale of Electronic Advertising.
- 11.5 Electronic Advertising Services Fees. The schedule of prices charged for Electronic Advertising Services is listed on Schedule H, which, pursuant to Section 10, "FEES", of the Franchise Agreement, is subject to change from time to time by COMPANY in its reasonable discretion.
- 11.6 COMPANY Reserved Rights. Subject to the terms and conditions of the Franchise Agreement, COMPANY reserves the right, in its sole discretion, to maintain all aspects of any COMPANY owned and operated Internet web site, including, without limitation, the design, look-and-feel, operational access, and content.

SCHEDULE A

*The Dealer Payment Matrix (the "MATRIX")*

*"MATRIX FEE" and "TERRITORY FEE" payments are per NTA® mailed per Mailing Period.  
Rates do not apply to multi-advertiser flyers and booklets.*

MATRIX TABLE I

<i>Circulation per Mailing Period</i>	<i>MATRIX</i>	<i>TERRITORY FEE</i>
<i>5,000 – 14,999</i>	<i>\$90.00</i>	<i>\$20.00</i>
<i>15,000 – 39,999</i>	<i>\$87.50</i>	<i>\$17.50</i>
<i>40,000 – 99,999</i>	<i>\$82.50</i>	<i>\$16.50</i>
<i>100,000 – 179,999</i>	<i>\$75.00</i>	<i>\$15.00</i>
<i>180,000 – 269,999</i>	<i>\$67.50</i>	<i>\$13.50</i>
<i>270,000 – 499,999</i>	<i>\$62.50</i>	<i>\$12.50</i>
<i>500,000 – 749,999</i>	<i>\$54.00</i>	<i>\$12.00</i>
<i>750,000 – 1,499,999</i>	<i>\$50.00</i>	<i>\$10.00</i>
<i>1,500,000 – 2,999,999</i>	<i>\$39.60</i>	<i>\$8.00</i>
<i>3,000,000 Plus</i>	<i>\$32.60</i>	<i>\$6.00</i>

MATRIX TABLE II

<i>Circulation per Mailing Period</i>	<i>MATRIX</i>	<i>TERRITORY FEE</i>
<i>5,000 – 14,999</i>	<i>\$90.00</i>	<i>\$20.00</i>
<i>15,000 – 39,999</i>	<i>\$78.80</i>	<i>\$17.50</i>
<i>40,000 – 99,999</i>	<i>\$74.30</i>	<i>\$16.50</i>
<i>100,000 – 179,999</i>	<i>\$67.50</i>	<i>\$15.00</i>
<i>180,000 – 269,999</i>	<i>\$60.80</i>	<i>\$13.50</i>
<i>270,000 – 499,999</i>	<i>\$56.30</i>	<i>\$12.50</i>
<i>500,000 – 749,999</i>	<i>\$48.60</i>	<i>\$12.00</i>
<i>750,000 – 1,499,999</i>	<i>\$50.00</i>	<i>\$10.00</i>
<i>1,500,000 – 2,999,999</i>	<i>\$39.60</i>	<i>\$8.00</i>
<i>3,000,000 – 6,999,999</i>	<i>\$32.60</i>	<i>\$6.00</i>
<i>7,000,000 – 14,999,999</i>	<i>\$25.00</i>	<i>\$6.00</i>
<i>15,000,000 Plus</i>	<i>\$19.00</i>	<i>\$6.00</i>

**SCHEDULE B**

Overweight Postage Fee Schedule

*Standard Valpak® Advertising Insert: 0.041 ounces*

*Standard Valpak® Envelope: 3.3 ounces*

<i>Material</i>	<i>Weight (oz.)</i>	<i>Overweight Postage Fee/NTA®</i>
<i>CP44</i>	<i>0.041</i>	<i>\$0.04</i>
<i>CP40</i>	<i>0.041</i>	<i>\$0.04</i>
<i>CP20</i>	<i>0.041</i>	<i>\$0.04</i>
<i>3FP44</i>	<i>0.120</i>	<i>\$0.12</i>
<i>2FP40</i>	<i>0.080</i>	<i>\$0.08</i>
<i>CP41-C</i>	<i>0.096</i>	<i>\$0.09</i>
<i>CP40-C</i>	<i>0.096</i>	<i>\$0.09</i>
<i>3FB44</i>	<i>0.116</i>	<i>\$0.11</i>
<i>3FP44</i>	<i>0.120</i>	<i>\$0.12</i>
<i>3FP40</i>	<i>0.120</i>	<i>\$0.12</i>
<i>CMP44</i>	<i>0.230</i>	<i>\$0.22</i>
<i>CMP40</i>	<i>0.195</i>	<i>\$0.19</i>
<i>CMB44</i>	<i>0.116</i>	<i>\$0.11</i>
<i>CMB40</i>	<i>0.161</i>	<i>\$0.16</i>
<i>3FP41-C</i>	<i>0.288</i>	<i>\$0.28</i>
<i>3FP40-C</i>	<i>0.288</i>	<i>\$0.28</i>
<i>C2P40</i>	<i>0.082</i>	<i>\$0.08</i>
<i>C2P44</i>	<i>0.082</i>	<i>\$0.08</i>

*Supplied inserts, and other future formats not listed, weighing more than 0.041 oz. will be assessed a fee based upon the following formula: (actual weight oz. / 0.041) X 0.04*

**SCHEDULE C**

**Third Party Supplied Insert Rates\***

± ORDER QUANTITY		± COUPONS POSTCARDS 3-PANEL FLYERS
<del>5,000</del>	<del>499,000</del>	\$62.50
<del>500,000</del>	<del>749,999</del>	\$55.00
<del>750,000</del>	<del>999,999</del>	\$50.00
	1,000,000 - 1,499,999 ±	\$47.50/62.50
<del>1,500,000</del>	±	\$35.00

Rates are per NTA® and apply only to coupons, postcards and 3-Panel Flyers supplied in accordance with the VAL-PAK® System. All other advertising pieces are subject to COMPANY quote.

**SCHEDULE D**

**Specific Advertiser Must Carry Exceptions**

<b>Advertiser Name</b>	<b>NTA's Affected</b>	<b>Reason for Exception</b>
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. _____	_____	_____
9. _____	_____	_____
10. _____	_____	_____
11. _____	_____	_____

[Add additional pages if necessary]

**SCHEDULE E**

**Intermarket Consent Form**

[Form appears in VPOffice®]

SCHEDULE F

ADVERTISERS EXEMPT FROM COMPANY ACTIVITY

ACE HARDWARE

ANDY ON CALL

BENJAMIN FRANKLIN PLUMBERS PLUMBING

BUDGET BLINDS

CHEM DRY

CURVES

DAIRY QUEEN

~~DENNY'S~~

~~DOMINOS PIZZA~~

DUNKIN DONUTS

EDIBLE ARRANGEMENTS

FANTASTIC SAMS

GNC

GOLDS GYM

GRANITE TRANSFORMATIONS

~~HONEY BAKED HAM~~

IHOP

JIFFY LUBE

~~LITTLE CAESARS~~

MAACO

MASSAGE ENVY

MELTING POT

MERRY MAIDS

MOLLY MAID

MR HANDYMAN

OXI FRESH CARPET

PAPA JOHNS

PAPA MURPHYS

~~RE-BATH RENEWAL BY ANDERSEN~~

SERVICE MASTER

STANLEY STEEMER



SUBWAY  
THE MAIDS  
UPS STORE  
WINDOW WORLD

**SCHEDULE G**

**"C" LIST**

[List appears on [www.insidevalpak.com](http://www.insidevalpak.com)]

## SCHEDULE H

### 1. ~~Electronic Advertising Fee~~ ELECTRONIC ADVERTISING FEE

The Electronic Advertising Fee is calculated as a flat fee per month per mailed NTA in accordance with its then-current rate card for Electronic Advertising Fees, which may change from time-to-time at COMPANY'S discretion. The initial number of mailed NTA's will be determined from Franchisee's 2005 forecast as of January 1, 2005. For Franchisees with uneven mailing volumes, an average of the monthly volume will be determined using this formula: total volume divided by the number of mailings.

For Franchisees who do not mail every month, the monthly fee will be determined by: total volume divided by number of mailings times 12. Valpak.com services are available 365 days a year thus, billing will be every month even if a Franchisee does not mail 12 times annually.

With this payment, Franchisee will receive:

- i. The ability to post any number of Valpak.com "Value" coupons (does not include "upsells") on the Valpak.com website with any or all distribution geography within its mailed Valpak territory.
- ii. The ability to sell additional Valpak.com "Premium" features such as weblinks, logos, featured position, and multiple offers available on the fee schedule listed below.
- iii. The ability to intermarket advertisers into other Valpak Franchisee markets as well as dormant or unmapped territories available on the fee schedule below.
- iv. Self administered website reporting tools via VPOffice.
- v. VPOffice order entry, reporting, & billing functionality.

Definition: "Value Coupon" means posting on the Valpak.com website within any or all distribution geography within the Franchisee's mailed Valpak territory and shall include one offer per Advertiser.

### 2. ~~Premium Placement Fee~~ PREMIUM PLACEMENT FEE

- i. 2 cents per 10,000 Households per Day (with a cap of 500,000 HHs)
- ii. Cost is inclusive of the following features:
  - a. Featured Positioning
  - b. Logo on coupon and results page
  - c. Link to Advertiser's Website and/or Email Address
  - d. Up to 3 distinct offers

### 3. Intermarket Fees – Dealer Payable to COMPANY

1 cent per day per 10,000 households for placement of “Value” coupons outside of the Franchisee’s mailed NTA’s based on the attached schedule. Where Franchisee is placing electronic coupons into geography identified by mailed NTA’s, it will be deemed to represent 10,000 Households. Where franchisee is placing electronic coupons into geography NOT identified by mailed NTA’s, the fee will be based on the number of existing households within that geography per the most recent US Census Bureau report. Where electronic coupons are placed into entire DMA’s or states, or a combination of states, within the United States, statistics based on the most recent US Census Bureau reporting will be used. Statistics for Canadian households will be determined by a comparable statistical reporting source.

2 cents per day per 10,000 households for placement of “Premium” electronic coupons outside of the Franchisee’s mailed NTA’s based on the attached schedule. Where Franchisee is placing electronic coupons into geography identified by mailed NTA’s, it will be deemed to represent 10,000 Households. Where Franchisee is placing electronic coupons into geography NOT identified by mailed NTA’s, the fee will be based on the number of existing households within that geography per the most recent US Census Bureau report. Where electronic coupons are placed into entire DMA’s or states, or a combination of states, within the United States, statistics based on the most recent US Census Bureau reporting will be used. Statistics for Canadian households will be determined by a comparable statistical reporting source.

### Intermarket Fees – Dealer Payable to Dealer

Territory Franchisees will receive no compensation for any “Value” electronic coupons placed into their territory by a Selling Franchisee and those electronic coupons will appear on the website within the Territory Franchisee’s “Value” electronic coupons.

Territory Franchisee will receive a report every six months indicating the quantity of “Premium” electronic coupons placed into their territory by a Selling Franchisee. It is the responsibility of the Territory Franchisee to then invoice the Selling Franchisee for 1 cent per day per 10,000 households for the “Premium” placement. “Premium” electronic coupons will appear on the website within the Territory Franchisee’s “Premium” electronic coupons.

### 4. ~~Territory Fee Schedule for Electronic Advertising~~ TERRITORY FEE SCHEDULE FOR ELECTRONIC ADVERTISING

Upon execution of a VAL-PAK® Sales Agreement for Electronic Advertising, a flat fee of one hundred (\$100.00) dollars shall be paid by the Selling Franchisee or National Sales to the Territory Franchisee. Such flat fee shall be paid one time per calendar year per Advertiser regardless of the term of the VAL-PAK® Sales Agreement.

**EXHIBIT D**

**PERSONAL GUARANTY OF OWNER/SHAREHOLDER**

**PERSONAL GUARANTY OF OWNER/SHAREHOLDER**

This Guaranty must be signed by the principal owners (referred to as "you" for purposes of this Guaranty only) of \_\_\_\_\_ (the "Franchisee") under Valpak Direct Marketing Systems, Inc. Franchise Agreement (the "Agreement") dated \_\_\_\_\_, 20\_\_.

1. **Scope of Guaranty.** In consideration of and as an inducement to, the signing and delivery of the Agreement by Valpak Direct Marketing Systems, Inc. ("us," or "our" or "we"), each of you signing this Guaranty personally and unconditionally: (a) guarantees to us and our successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and any other agreement, promissory note or other obligation with, to or owed to us (collectively, "Obligations"); and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement and/or of the Obligations.

2. **Waivers.** Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed by you; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed by you; (d) any right you may have to require that an action be brought against the Franchisee or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Franchisee arising as a result of your execution of and performance under this Guaranty; and (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors.

3. **Consents and Agreements.** Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty are joint and several; (b) you must render any payment or performance required under the Agreement and/or of the Obligations upon demand if the Franchisee fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchisee or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Valpak may periodically grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; and (e) this Guaranty will continue and is irrevocable during the term of the Agreement and, if required by the Agreement, after its termination or expiration.

4. **Enforcement Costs.** If Valpak is required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

5. **Effectiveness.** Your obligations under this Guaranty are effective on the Agreement Date, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Florida law and may be enforced in the courts of Pinellas County, Florida. Each Guarantor irrevocably submits to the jurisdiction and venue of such courts.

Each of the principal owners now signs and delivers this Guaranty as of the date of the Agreement.

**PERCENTAGE OF OWNERSHIP  
INTEREST IN FRANCHISE**

**GUARANTORS**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**DATE** \_\_\_\_\_

**EXHIBIT E**

**VPOFFICE® SOFTWARE LICENSE AND SUPPORT ADDENDUM**

**VPOFFICE® SOFTWARE LICENSE ADDENDUM  
TO  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT**

THIS VPOFFICE® SOFTWARE LICENSE ADDENDUM (this "Addendum") to VALPAK DIRECT MARKETING SYSTEMS, INC. FRANCHISE AGREEMENT is entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") by and between VALPAK DIRECT MARKETING SYSTEMS, INC. ("COMPANY") and \_\_\_\_\_ ("FRANCHISEE") and supplements and amends the Valpak Direct Marketing Systems, Inc. Franchise Agreement dated \_\_\_\_\_ between the parties, as heretofore amended (the "Agreement"). Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Agreement.

WHEREAS, COMPANY has developed software known as VPOFFICE which shall be utilized in the day-to-day operation of FRANCHISEE'S business (the "Software"); and

WHEREAS, FRANCHISEE desires to utilize such Software in conjunction with FRANCHISEE'S business operations; and

WHEREAS, COMPANY and FRANCHISEE believe it is in their mutual interest and desire to enter into an agreement whereby FRANCHISEE shall use COMPANY'S Software pursuant to the terms and conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual covenants of this Addendum, the Parties hereto agree as follows:

**1. GRANT OF LICENSE**

a. COMPANY hereby grants to FRANCHISEE, and FRANCHISEE hereby accepts from COMPANY, subject to the terms and conditions of this Addendum, a nonexclusive, nontransferable right and license to use the Software provided to FRANCHISEE pursuant to this Addendum.

b. FRANCHISEE acknowledges that COMPANY shall own all intellectual property rights related to any software (including, without limitation, the Software), e-names or e-commerce methods, techniques, and processes licensed to FRANCHISEE pursuant to this Addendum, including any patents, copyrights, trademarks and trade secrets, usage data, customer data, or the like, of, in or relating to the Software. FRANCHISEE is not acquiring any right, title or interest of any nature whatsoever in any software or information derived from or through it except the license to use (in strict compliance with the policies and procedures designated by the COMPANY) the Software granted hereunder. FRANCHISEE shall take no steps in attempting to reverse engineer the Software or make any unauthorized disclosure or use of the Software.

**2. TERM AND TERMINATION**

FRANCHISEE'S right and license to use the Software begins as of the date of this Addendum and ends automatically on the earlier of the termination or expiration of the Agreement, the occurrence of a Transfer (in which case the license transfers to the transferee) or the COMPANY designates replacement or additional software (the "Software Term"). COMPANY may terminate the license for any software (including, without limitation, the Software) upon written notice to FRANCHISEE should

FRANCHISEE: (a) breach its obligations in Sections 1(b) or 3 of this Addendum, and/or Sections 9, 10.1 or 10.2 of the Agreement, or any standards of the VALPAK® System relating to such Software and fail to cure that breach immediately after receiving written notice from COMPANY; or (b) breach in any material respect any other material term of the Agreement or this Addendum and fail to cure that breach immediately after receiving written notice from COMPANY. Additionally, if the Agreement between the parties expires or terminates, then the Software Term, and all of FRANCHISEE's rights or license in or to the Software, and any e-names or e-commerce COMPANY designates as related to such Software immediately terminate and revert to COMPANY. Upon such termination, FRANCHISEE shall discontinue the use of and shall return to COMPANY all copies of the Software and/or related documentation and shall, at COMPANY'S direction, destroy, and document in writing such destruction of, any embodiments of these materials stored in or on a reusable electronic or similar medium, including, but not limited to, memory, disk packs, tape, and other peripheral devices. Termination of the license by FRANCHISEE or COMPANY shall in no event entitle FRANCHISEE to a refund of any license fees.

### 3. RESTRICTIONS ON USE

Except as expressly provided herein, FRANCHISEE may use the Software solely for internal business purposes related to the Franchised Business. Except as otherwise expressly provided herein, FRANCHISEE shall not, and shall not be permitted to, transfer, sublicense or otherwise assign its rights in the Software to any third party nor allow any third party to access or use the Software. FRANCHISEE shall not have the right to alter or modify the Software without the express prior authorization of COMPANY. FRANCHISEE shall not have the right to reverse engineer the Software to develop any other computer program. Client may not otherwise copy all or any part of the Software without COMPANY'S consent.

### 4. FRANCHISEE RESPONSIBILITY

FRANCHISEE shall be solely responsible for obtaining, maintaining and operating at its expense all computer hardware and software necessary for the use of the Software being licensed pursuant to this Agreement, as more fully described in the Operating Procedures from time to time and incorporated by reference herein. FRANCHISEE agrees to fully cooperate with COMPANY in the performance of COMPANY'S Software support services, including by providing COMPANY with such timely, accurate and complete information and reasonable access to FRANCHISEE's personnel and facilities as COMPANY may require or request. To the extent FRANCHISEE delays or fails to satisfy FRANCHISEE's obligations to COMPANY, COMPANY (but not FRANCHISEE) will be relieved of its obligations hereunder. COMPANY will have no responsibility for: (x) any use of the Software after COMPANY has notified FRANCHISEE to discontinue use; (y) the combination or use of the Software with content, assets, technology or other materials not supplied by COMPANY; or (z) alteration of the Software in any form.

### 5. SOFTWARE LICENSE FEES

During the Term (and any renewal or extension) FRANCHISEE shall pay to COMPANY the monthly Software License Fee set forth in the Operating Procedures from time to time on the first day of each month beginning on the date of this Addendum, or on such other day as COMPANY may designate in the Operating Procedures from time to time. In the event that FRANCHISEE'S market size increases or decreases, COMPANY shall increase or decrease FRANCHISEE'S Software License Fee accordingly,



but shall not increase or decrease FRANCHISEE'S Software License Fee more than one (1) time per year. If COMPANY licenses additional software, it may charge additional fees.

## 6. UPDATES AND ENHANCEMENTS

a. Updates. All updates, patches, bug fixes, modifications, enhancements and new versions of the Software and all other deliverables and work product COMPANY licenses or develops for such Software and Franchised Business provided to FRANCHISEE will be subject to the terms and conditions of this Addendum as modified by the COMPANY from time to time, unless otherwise expressly agreed in writing by COMPANY. COMPANY'S Software support services for such Software, if any, extend only to the Software free of any additions or modifications that have not been made by COMPANY or its agents, or approved by COMPANY in writing. Further, such support services extend only to the most current version of the Software as used on or in the hardware, platforms and operating environment(s) designated by COMPANY for use with the Software. COMPANY'S support services also do not include the following and COMPANY has no responsibility or liability for:

(i) Addressing errors, defects, or damage in or to the Software resulting from causes other than those arising in the ordinary permitted use of the Software, or from the use of third party software, firmware or data, or from the use of hardware not meeting COMPANY'S minimum recommended configuration;

(ii) Providing hardware-related services;

(iii) Providing training to FRANCHISEE's personnel except as described in this Agreement; or

(iv) Developing or otherwise providing FRANCHISEE with additional features, functionality, or customizations to the Software.

b. Enhancements. Any enhancements or modifications made by COMPANY to the Software shall be promptly provided to FRANCHISEE and automatically deemed to be the Software.

## 7. CONFIDENTIALITY

FRANCHISEE recognizes that the Software is the proprietary and confidential property of COMPANY. Accordingly, FRANCHISEE shall not, without the prior written consent of COMPANY, during the term of this Addendum and for five (5) years thereafter, disclose or reveal to any third party or utilize for its own benefit other than pursuant to this Addendum, any Software or services provided by COMPANY, provided that such information was not previously known to FRANCHISEE or to the general public. FRANCHISEE further agrees to take all reasonable precautions to preserve the confidentiality of COMPANY'S Software and shall assume responsibility that its employees will similarly preserve this information against third parties. The provisions of this clause shall survive termination of this Addendum.

COMPANY shall have the right to access all data input into the Software at any time. COMPANY acknowledges that data input by FRANCHISEE into the Software may be FRANCHISEE'S confidential information and COMPANY will treat it as such. However, COMPANY may access all such data and retrieve, analyze, compile and utilize information from such data at any time in order to: (i)

provide services to FRANCHISEE, (ii) resolve disputes, (iii) assist in transfers or terminations, (iv) provide financial analysis, (v) compile statistical and sales and expense information for the benefit of the VALPAK® System and Dealer network, (vi) monitor intermarket activities, (vii) analyze compensation programs, (viii) analyze and monitor receivables management, (ix) analyze mailing trends, and pricing and product information; and/or (x) any other reason COMPANY decides is for the best interest of the VALPAK® System and network of Dealers. During the term of the Agreement, COMPANY will not share or distribute any FRANCHISEE confidential information, as described herein, with any COMPANY affiliate or any other third party without the express written consent of FRANCHISEE. If the Agreement is terminated, COMPANY will have full access to all data input in the Software for any purpose whatsoever.

## 8. SOFTWARE MAINTENANCE SERVICES

COMPANY shall perform those maintenance and support services described in and designated in the "Software Service Level" section of the Operating Procedures from time to time. Except as set forth in the Software Service Levels, COMPANY has no obligation to provide any maintenance with respect to any Software.

## 9. WARRANTIES AND REPRESENTATIONS

a. COMPANY represents and warrants that it has no actual knowledge that FRANCHISEE'S use of the Software infringes any valid rights of any third party.

b. COMPANY represents and warrants that the Software will perform in accordance with the specifications provided by COMPANY to FRANCHISEE, a copy of which will accompany this Addendum or be incorporated into the Operating Procedures. THE WARRANTY PROVIDED HEREIN IS IN LIEU OF ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, THAT MAY ARISE EITHER BY AGREEMENT BETWEEN THE PARTIES OR BY OPERATION OF LAW, INCLUDING THE WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

c. Exclusive Remedies. In the event of a claim by FRANCHISEE under this warranty, COMPANY shall have the option to either repair or replace the Software. If any FRANCHISEE data is lost due to any failure of the Software to perform in accordance with the specifications, COMPANY shall make all commercially reasonable efforts to replace the lost data as soon as practicable (with 5 business days as the goal) and reimburse FRANCHISEE for any expenses incurred by FRANCHISEE to replace the lost data. COMPANY'S liability for any Software defects will not, under any circumstances, exceed the amount of Software License and Maintenance Fees paid by FRANCHISEE.

THE FOREGOING REMEDIES ARE EXCLUSIVE AND SHALL BE FRANCHISEE'S SOLE REMEDIES WITH RESPECT TO ANY CLAIM ARISING OUT OF OR RELATING TO THE PRODUCTS AND SERVICES PROVIDED PURSUANT TO THIS ADDENDUM, WHETHER BASED IN CONTRACT, BREACH OF WARRANTY OR TORT. EXCEPT TO THE EXTENT OF THE REFUNDS SPECIFIED ABOVE, COMPANY SHALL NOT BE LIABLE TO CLIENT FOR DAMAGES OF ANY NATURE WHATSOEVER.

d. Limitation of Liability. IN NO EVENT SHALL COMPANY BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, INCLUDING LOSS OF PROFITS, REVENUE, DATA OR USE, INCURRED BY FRANCHISEE OR ANY THIRD PARTY, WHETHER IN AN ACTION IN CONTRACT, BREACH OF WARRANTY OR TORT, EVEN IF

COMPANY OR ANY OTHER PERSON HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

**10. FORCE MAJEURE**

Neither Party shall be liable for, or will be considered in breach of or default under this Addendum on account of, any delay or failure to perform as required by this Addendum as a result of any causes or conditions that are beyond such Party's reasonable control and that such Party is unable to overcome through the exercise of commercially reasonable diligence. If any force majeure event occurs, the effected Party will give prompt written notice to the other Party and will use commercially reasonable efforts to minimize the impact of the event.

**11. ASSIGNMENT**

FRANCHISEE'S rights described in this Addendum are an integral part of the Franchise and are neither assignable, transferable, nor divisible to anyone else under any circumstances whatsoever, except as part of the transfer of the Franchise pursuant to the Agreement and in accordance with its terms. Any other purported transfer or assignment of this Addendum shall be void. However, COMPANY may assign or delegate its rights and obligations under this Addendum.

**12. REMAINING TERMS UNAFFECTED**

The remaining terms and conditions of the Agreement are unaffected by this Addendum and remain binding on the Parties.

**13. EFFECTIVE DATE**

This Addendum is effective as of \_\_\_\_\_, 20\_\_ regardless of the actual date of signature.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound hereby, have each caused to be affixed hereto its or his/her hand and seal as shown below.

**VALPAK DIRECT MARKETING  
SYSTEMS, INC.:**

**FRANCHISEE:**

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

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

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



## Service Level Agreement & Procedures

Copyright © 2001-2003 Valpak Direct Marketing Systems, Inc.  
VPOffice® and Valpak® are registered trademarks of Valpak Direct Marketing Systems, Inc.

## Service Elements

### Section I

Purpose  
Term  
Franchise Application Support Team  
Second Level Support Group  
Hours of Support  
Emergency Contact Information  
Annual Software Support and Maintenance Fees

### Section II

COMPANY Responsibilities  
FRANCHISEE Responsibilities

### Section III

Severity Level Definitions  
Response Time Frames

### Section IV

Business Critical Calls  
Escalation Procedures  
Escalation Path

## SECTION I

### Purpose

This Service Level Agreement for VPOffice (the "Maintenance Agreement") will define the support standards that the Franchise, the Franchise Application Support Team, Second Level Support Groups, and the Corporate Support Center (CSC) have agreed to. This document will list hours and scope of support and will specify the depth of support to be provided. It will also formulate a plan for evaluating the quality of support and identify any weaknesses in the support plan. This is a living document subject to revision, by COMPANY in its sole discretion, when necessary.

### Term

Upon the payment to COMPANY of the initial Software Support and Maintenance Fee, FRANCHISEE shall be entitled to maintenance services as provided below. The term of this Maintenance Agreement shall begin on the Effective Date of the VPOffice Software License Addendum. Thereafter, and for so long as COMPANY makes Maintenance Services for the Software generally available to franchisees, FRANCHISEE shall pay maintenance fees in accordance with the then-current rate schedule published by COMPANY for such services.

### Franchise Application Support Team ("FAST")

This document is written on the premise that the Franchise Application Support Team ("FAST") will act as the primary point of contact between the FRANCHISEE and the Second Level Support Group. FAST will make every effort to resolve any issue or request during the initial call. In the event the request/issue cannot be resolved, FAST will forward the support request to the SLSG for escalation. It is the responsibility of FAST and the SLSG to document the support process in the Service Center Manager ticket.

### Second Level Support Group ("SLSG")

This document is written on the premise that any and all SLSG's will respond within specified time frames (See Section III) for any issues escalated by FAST or the CSC.

### Hours of Support

FAST support services are available during its normal hours of operation, which are 7:00 AM – 8:00 PM EST, Monday through Friday, excluding Valpak observed holidays.

FAST and SLSG shall be available after hours for emergencies.

### Emergency Contact Information

FAST and the COMPANY data center maintain a listing of all emergency contact numbers for ITSS, Supervisors, Managers and Directors of Valpak Direct Marketing Systems, Inc.

Annual Software Support and Maintenance Fees

Software Support and Maintenance Fees (the "Maintenance Fees") are based on the twelve (12) month average size of the "FRANCHISEE'S Market", which is defined as the number of unduplicated addresses that the FRANCHISEE mails within their market per Mailing. In the event that FRANCHISEE'S Market size increases or decreases, COMPANY shall increase or decrease FRANCHISEE'S Maintenance Fee accordingly, but shall not increase or decrease FRANCHISEE'S Maintenance Fee more than one (1) time per year. Maintenance Fees shall be invoiced on a monthly basis, due and payable on the first day of each month. Additionally, following the initial Maintenance Terms, Maintenance Fees may be increased or decreased, whichever the case may be, thereafter from one year to the next by a percentage equal to the U.S. Department of Labor Consumer Price Index.

MAINTENANCE FEES/MONTHLY PAYMENT SCHEDULE				
Micro Market 0 – 80,000	Small Market 80,001 – 150,000	Medium Market 150,001 – 300,000	Large Market 300,001 – 499,999	Macro Market 500,000+
\$78.00	\$87.00	\$97.00	\$105.00	\$180.00

SECTION II

COMPANY Responsibilities

Availability

The VPOffice system will be available 7x24 (7 days Monday – Sunday/24 hours a day) with the exception of Sundays from 6:00 am – 12:00 pm. This is reserved as a maintenance window for periodic hardware/database maintenance.

On occasion it may be necessary to disrupt the availability to perform preventative maintenance. All FRANCHISEES will be notified 24 hours prior to any such interruption. If an interruption is required to perform maintenance of an urgent nature, an attempt will be made to notify all FRANCHISEES.

Data – Backup and Recovery

Backup and Recovery

COMPANY ensures that all data is backed up on a regular basis. Backups are performed in a manner that no data is at risk for non-catastrophic failure and no more than twenty-four (24) hours of data is at risk in the event of a catastrophic outage.

Quality

Procedure

COMPANY comprehensively tests all code and changes for VPOffice. Testing includes both supported functionality and adequate system performance.

Trouble Reporting and Management

FAST is available as specified in Section I for reporting of any and all issues related to the system. Management of these issues will comply with guidelines specified in Section III.

Release Schedule

Update versions of the software will be scheduled in periodic releases. Under certain circumstances, updated versions may be implemented more frequently to fix defects or implement needed enhancements.

Measurement

Reported issues and resolutions are available upon request. In the event of Severity 1 issues, alerts and updates will be emailed to the members of the Automation Committee.

**FRANCHISEE Responsibilities**

**Hardware**

FRANCHISEES are responsible for acquiring and maintaining hardware that satisfies the minimum supported configuration. COMPANY validates that the minimum supported configuration meets performance and availability requirements for the standard install set. If the FRANCHISEE uses the same hardware to concurrently execute other software, additional hardware may be required. COMPANY is available to provide technical advice and will not guarantee performance in non-standard configurations.

Minimum Supported Configuration

Processor:	Pentium 4/Core 2/AMD Athlon
Memory:	1 GB RAM for Windows XP; 2 GB RAM for Windows Vista, 7
Display:	256 bit color 1024x768 resolution
Disk Space:	100 MB
Operating System:	Windows XP, Vista, 7
Printer:	Windows 2000 compatible
Modem/Network Interface:	Broadband (DSL/Cable) connection

**Telecommunications**

FRANCHISEES are responsible to obtain a stable Internet connection.

**Software**

FRANCHISEES must accept any configuration and registry settings required by COMPANY to execute the software. FRANCHISEES must use version levels of executable programs, including DLLs and drivers, required. COMPANY does not guarantee compatibility of VPOffice with any non-supported software installed on the same hardware used for VPOffice.

FRANCHISEES must accept and use the current version level of software supplied by COMPANY. No attempts to modify or extend the software can be made by the FRANCHISEE or their employees.

**Security**

FRANCHISEES and their employees must comply with password and other security procedures established by COMPANY. This includes changing passwords for VPOffice access on a regular cycle. Typical IT standards dictate a 90-day expiration on passwords.

**SECTION III**

**Severity Level Definitions and Response Time Frames**

Severity 1 – The system is down or system components are not functioning preventing multiple users from performing critical job functions.

Response time – 10 minutes

Resolution time – Continuous effort until resolved.



Severity 2 – Components of the system are not functioning in manner that adversely effects business operations for a single user.

Response time – 10 minutes  
Resolution time – 24 hours

Severity 3 – Components of the system are functioning in a manner that is less than optimal but do not impact business operations.

Response time – 24 hours  
Resolution time – 5 calendar days with daily updates to the ticket in Service Center application.

Severity 4 – Work orders for new/modified service or equipment, i.e. moves, software upgrades.

Response time – 24 hours  
Resolution time – 19 calendar days

*\*Response and resolution time do not include waiting for end user availability or third party vendor response time. Response time is defined as initial contact with the end user for diagnosis of issue. Resolution time is defined as a complete fix or reasonable alternative that the end user is satisfied with.*

*\*\*Severity levels and SLAs are defined by the CSC and SLSG, not by the end user. Careful consideration will be taken when determining the severity of the reported issue.*

## SECTION IV

### Business Critical Calls

Business critical calls are defined as Severity 1 or Severity 2 issues/requests. (See Section III for definition of severity levels.) These types of calls shall be escalated to the appropriate SLSG through emergency escalation procedures to include advisement of management.

*Business critical calls will not be processed or accepted by FAST through email. All business critical calls must be placed to FAST on the telephone.*

### Escalation Procedures

Escalation of a support call shall occur during the following scenarios:

- ❖ Either party is unsatisfied with the outcome of a support call.
- ❖ A call is not acted upon in a timely manner.
- ❖ Follow up is not completed resulting in delayed closure of the call.

If it becomes necessary to escalate the call, FAST will contact the SLSG support technician and manager. FAST will assume role of liaison between the SLSGs and the FRANCHISEE until the request or issue is resolved satisfactorily.

### Escalation Path

The escalation path begins if any of the escalation scenarios above occurs, the end user indicates the call is business critical, or FAST determines the issue to be business critical.

Initial escalation begins with FAST and the SLSG.

If the issue is not responded to satisfactorily, FAST will continue to escalate the support call to

Support Center Manager and the ITSS Vice President.

**EXHIBIT F**

**NOTE AND SECURITY AGREEMENT**

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5/30/12

NOTE AND SECURITY AGREEMENT

\$ \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned ("Payor"), promises to pay to the order of VAL-PAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation (referred to collectively with any legal holder hereof, the "Payee"), the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) plus accrued interest in accordance with the following terms:

1. **Term.** The term of this Note shall be \_\_\_\_ ( ) years, beginning with the first payment due \_\_\_\_\_ and ending with the final payment due \_\_\_\_\_ (the "Term").
2. **Interest.** Interest will accrue on the unpaid principal balance at the annual rate (calculated on the basis of a 360-day year) of \_\_\_\_\_ ( %), which rate shall be adjusted as of each anniversary of the date hereof (each an "Interest Rate Adjustment Date" or "IRAD") to a rate equal to two (2) percentage points over the prime rate of interest as published in the *Wall Street Journal* on the date nearest to such anniversary date.
3. **Payments:** Payor shall make the following payments: (i) \_\_\_\_\_ monthly payments of \$ \_\_\_\_\_ due on the \_\_\_\_\_ day of each month beginning on \_\_\_\_\_; (ii) thereafter, monthly payments of principal and accrued interest on the \_\_\_\_\_ day of each month in an amount to be determined following each IRAD based on the remaining Term, the revised interest rate and the principal outstanding. Payments shall be electronically debited from Payor's account listed on Exhibit "A" (the "Payment Account") to Payee's account on each date specified herein as a payment date.
4. **Prepayment.** The entire principal amount of this Note (or any portion thereof) may be prepaid at any time without penalty; provided, however, that following any prepayment of less than all of the outstanding principal and accrued interest due under this Note, no adjustment to the monthly payment amount shall be made until the next IRAD.
5. **Default Interest.** In the event of a default under this Note and Security Agreement (this "Note"), the entire unpaid principal amount of this Note shall bear interest at the highest rate allowed by applicable law.
6. **Default.** If (i) Payor fails to make a payment of any interest or principal when due (failure to have sufficient funds in the Payment Account available for electronic transfer to Payee's account on any scheduled payment date shall constitute a failure to pay hereunder); or (ii) Payor becomes insolvent or makes an assignment for the benefit of creditors, or any proceeding is instituted by or against Payor alleging that Payor is bankrupt or insolvent; or (iii) Payor fails to pay the required percentage of the estimated charges for any Insertion Order (as defined in the Franchise Agreement between Payee and \_\_\_\_\_, dated \_\_\_\_\_ (the "Franchise Agreement") and any amendments thereto); or (iv) Payor is in breach of its obligations under any agreement with Payee or any of Payee's affiliates now or hereafter in effect, including, without limitation, the Franchise Agreement, and all other agreements heretofore or hereafter entered into regarding the purchase or operation by Payor of a VALPAK® franchise and such breach is not cured within the applicable cure period, if any, provided for in such agreement; or (v) Payor sells or otherwise assigns or transfers any interest in the Franchise Agreement or the business conducted thereunder; or (vi) Payor fails to provide the income statement, balance sheet, accounts receivable aging report, commissions earned report and cash disbursement journal for each month during this Note's term, together with any other information specifically requested by Payee, no later than the 20th of the following month; or (vii) Payor closes the Payment Account or instructs Payor's bank to discontinue or suspend the electronic debiting procedure provided for

herein, then Payor shall be in default hereunder and the entire balance of this Note shall become immediately due and payable, without demand or notice which are hereby waived by Payor.

The documents described in the preceding Paragraph shall be delivered to Payee's offices at 8605 Largo Lakes Drive, Largo, Florida 33773, Attn: Billing/Customer Service Department or at such other place as Payee may designate in writing from time to time.

7. Cross Default. Payor acknowledges and agrees that a default hereunder shall constitute a material breach of Payor's obligations to make payments to Payee under the Franchise Agreement, and that upon any such default, in addition to any other rights and remedies which may be available to Payee, Payee may terminate the Franchise Agreement in accordance with the provisions thereof

8. Security. To secure the indebtedness evidenced by this Note and any extensions or renewals hereof, in whole or in part, as well as all other indebtedness, obligations and liabilities of Payor to Payee or its affiliates, now existing or hereafter arising (collectively the "Obligations"), Payor hereby grants to Payee a first priority security interest in the Franchise Agreement and in all of the assets and accounts of the business conducted under the Franchise Agreement, whether such assets and accounts are currently owned or hereafter acquired, including but not limited to customer lists, contracts, accounts receivable, equipment, and goodwill and the proceeds of any and all of the foregoing (referred to collectively as "Collateral"). In the event that Payor defaults on any of the Obligations, Payee shall have all rights and remedies provided under the Uniform Commercial Code of Florida, as amended from time to time, including without limitation, the right to take possession of the Collateral, and to sell or otherwise dispose thereof, and in connection therewith, to execute on behalf of Payor any instrument or document necessary or appropriate to effectuate such conveyance, and to recover any deficiency from Payor. Payor agrees to execute such other instruments and documents as Payee may request from time to time for purposes of perfecting the security interest granted hereunder, including without limitation, financing statements and renewals thereof. Payee may file a financing statement covering the Collateral.

9. Payor's Representations and Warranties. Payor represents and warrants to holder (which representations and warranties shall be deemed to be on-going and continuing) that: (a) Payor is the sole owner of the Collateral free and clear of all security interests, liens and encumbrances whatsoever, other than those represented by this Note or otherwise granted in favor of Payee and no financing statement covering any of the Collateral is on file in any public office, other than in favor of Payor; (b) Payee has full power and authority to make this Note; (c) Payor will not, except in the ordinary course of business, sell, assign, transfer, encumber or otherwise dispose of the Collateral or any interest therein without prior written consent from Payee; and (d) Payor will not allow the Collateral to become encumbered except for the security interest in favor of Payee. Payor further represents, warrants and covenants with Payees (which representations, warranties and covenants shall be deemed to be on-going and continuing) that Payor will promptly advise Payee in writing of any change in the name, identity or structure of Payor or any change of its chief executive office or other locations, as the case may be, or the opening of new places of business, or the closing of any of its existing places of business.

10. Life Insurance. Payor agrees to obtain and maintain during the term of this Note term life insurance on the life of \_\_\_\_\_ (Payor), which Payee shall be the sole and exclusive beneficiary of. Such policy shall have a face amount which is at all times equal to or greater than the sum of the principal amount then outstanding under this Note and the aggregate amount of deferred mailing charges then owed by Payor to Payee. Payor agrees to provide evidence of such insurance coverage at signing date and on an annual basis or whenever such insurance policy is subject to renewal, or any time as Payee may request.

11. **Failure to Exercise Rights.** No delay on the part of Payee in exercising any power or right hereunder, including, without limitation, acceleration of the maturity of this Note, shall operate as a waiver thereof, nor shall any single or partial exercise of any power or right hereunder preclude further exercise thereof or the exercise of any other power or right.

12. **Collection Costs.** Payor agrees to pay all costs of collection, including reasonable attorneys' fees actually incurred and all court costs and other expenses actually incurred by holder.

13. **Law and Jurisdiction.** Payor acknowledges and agrees that this Note shall be construed and interpreted in accordance with the laws of the State of Florida, without regard to principles of conflicts of laws thereof. Payor agrees that Payee may institute any action against Payor arising out of or relating to this Note in any state or federal court of general jurisdiction in Pinellas County, Florida, and Payor irrevocably submits to the jurisdiction of such court and waives any objection Payor may have to either the jurisdiction or venue of such court.

14. **Waivers.** Payor waives presentment, demand, protest and notice of demand and dishonor, protest and non-payment, and all other legal or equitable defenses which Payor may have to the enforcement of this Note to the extent that such defenses may be waived.

15. **Notices.** Any notice to be sent to Payor hereunder shall be deemed received on the third day after being mailed through the United States Postal Service, certified mail, return receipt requested, or on the day after being sent Federal Express (or similar overnight courier service with national operations) for next day delivery, provided that such notice is sent to the address specified below or to such other address as Payor may hereafter designate by written notice delivered to Payee in accordance with this notice provision.

16. **Successors and Assigns.** Whenever reference is made herein to "the undersigned," "Payee" or "holder", such reference shall be deemed to refer to and include the successors and assigns thereof, the same as if in each case expressed, it being expressly agreed that the rights and obligations of all parties named herein or liable hereunder shall inure to the benefit of and be binding upon such parties and their respective heirs, executors, legal representatives, successors and assigns.

17. **Remedies Cumulative; No Oral Modification.** The remedies of the holder hereof as provided herein or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of the holder hereof, and may be exercised as often as occasion therefore shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. This Note may not be modified or terminated orally but only by agreement or discharge in writing and signed by the party who is the owner and holder of this Note at the time endorsement of any waiver, modification or discharge is sought.

18. **Unconditional Obligation.** The obligation of the undersigned to make or cause to be made the payments required hereunder shall be absolute and unconditional. The undersigned shall pay or cause to be paid without abatement, diminution, postponement or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever, including, without limitation, any defense, set-off, recoupment or counterclaim which the undersigned may have or assert against the Lender.

19. **Usury.** It is the intention of the undersigned and the holder to conform strictly to the usury laws now or hereafter in force, and any interest payable under this Note shall be subject to reduction to the amount not in excess of the maximum non-usurious amount allowed under the applicable usury laws as now or hereafter construed by the courts having jurisdiction over such matters. In the event the maturity of this Note is accelerated by reason of any provision of this Note, voluntary prepayment by

the undersigned, or otherwise, then earned interest may never include more than the maximum amount permitted by law, computed from the dates of each advance of loan proceeds hereunder until payment, and any interest in excess of the maximum amount permitted by law shall be cancelled automatically and, if theretofore paid, shall at the option of the holder hereof either be rebated to the undersigned or credited on the principal amount of this Note or if all principal has been repaid, then the excess shall be rebated to the undersigned.

20. Continuing Effect. This Note shall remain in full force and effect until the Obligations have been indefeasibly paid in full and such payments are no longer subject to rescission, recovery or repayment upon the bankruptcy, insolvency, reorganization, moratorium, receivership or similar proceedings affecting Payor.

21. Waiver of Jury Trial. PAYOR AND PAYEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. EITHER PAYOR OR PAYEE MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE PARTIES' WAIVER OF THE RIGHT TO TRIAL BY JURY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR PAYEE TO LOAN THE SUMS SECURED BY THIS NOTE.

IN WITNESS WHEREOF, Payor has executed this Note and Security Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

PAYOR (FOR USE BY A CORPORATE PAYOR:

A \_\_\_\_\_  
WITNESS:  
By \_\_\_\_\_  
Its: (President) \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by \_\_\_\_\_, who personally appeared before me and acknowledged that he/she signed the instrument voluntarily for the purpose expressed in it.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Name (Type of Print) of Notary Public

(Seal)

\_\_\_\_ Personally known      \_\_\_\_\_ Produced Identification      Type of Identification: \_\_\_\_\_

**EXHIBIT A**

**Payment Account**



**EXHIBIT G**

**AGENCIES/AGENTS FOR SERVICE OF PROCESS**

**AGENCIES/AGENTS FOR SERVICE OF PROCESS**

If a state is not listed, Valpak has not 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 below in which Valpak has appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
California	Department of Corporations <i>Los Angeles</i> 320 West 4 <sup>th</sup> Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 <i>Sacramento</i> 1515 K Street Suite 200 Sacramento, CA 95814-4052 (916) 445-7205 <i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233 <i>San Francisco</i> 71 Stevenson Street Suite 2100 San Francisco, CA 94105-2180 (415) 972-8559	
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Maryland	Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328	
New York	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8211	Secretary of State The Division of Corporations One Commerce Plaza 99 Washington Avenue Albany, NY 12231-0001
North Dakota	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex-69-1 Cranston, RI 02920-4407 (401) 462-9527	

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
South Dakota	Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, Wisconsin 53701 (608) 266-2801	

**EXHIBIT H**  
**STATE SPECIFIC ADDENDA TO**  
**FRANCHISE DISCLOSURE DOCUMENT**

**ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT FOR  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
STATE OF CALIFORNIA**

The following paragraphs are added at the end of Item 17 of the Franchise Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law:

California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to Franchisees concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Termination Upon Bankruptcy. 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.).

Post-Termination Noncompetition Covenants. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement. These provisions may not be enforceable under California law.

Applicable Law. The Franchise Agreement requires application of the laws of the State of Florida with certain exceptions. These provisions may not be enforceable under California law.

**ADDENDUM TO THE  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
ILLINOIS FRANCHISE DISCLOSURE DOCUMENT**

1. Item 17 of this disclosure document is modified to include the following paragraph at the end of the chart:

State Law

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

The Illinois Franchise Disclosure Act will govern any franchise agreement if (i) it applies to a franchise located in Illinois; or (ii) a franchisee who resides in Illinois.

Any condition of the franchise agreement that designates litigation, jurisdiction or venue in a forum outside of Illinois is void as to any cause of action that otherwise is enforceable in Illinois, provided that the franchise agreement may provide for arbitration in a forum outside of Illinois. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of Illinois law is void.

**ADDENDUM TO THE  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
MINNESOTA FRANCHISE DISCLOSURE DOCUMENT**

1. Item 17, Summary column for (f) is amended to add the following:

With respect to franchises governed by Minnesota law, Valpak will comply with Minn. Stat. Sec. 80C.14, subds, 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure).

2. Item 17, Summary column for (m) is amended to add the following:

Any release signed as a condition of transfer will not apply to any claims you may have under the Minnesota Franchises Act.

3. Item 17, Summary columns for (v) and (w) are amended to add the following:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Disclosure Document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.



**ADDENDUM TO THE  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
RHODE ISLAND FRANCHISE DISCLOSURE DOCUMENT**

1. Item 17, Summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

ADDENDUM TO THE  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
SOUTH DAKOTA FRANCHISE DISCLOSURE DOCUMENT

1. The following language is hereby added as the second sentence of the first full paragraph of Item 12 of the Franchise Disclosure Document:

“A map of the Territory will be attached to the Rider to the Franchise Agreement.”

2. The summary statement of provision q in the Section entitled “Renewal, Termination, Transfer and Dispute Resolution” contained in Item 17 of the Franchise Disclosure Document is hereby deleted in its entirety and the following is substituted in its place:

“The Franchise Agreement provides that you cannot compete within the Territory for two years after termination or expiration. However, covenants not to compete upon termination or expiration of a Franchise Agreement are generally unenforceable in the State of South Dakota, except in certain instances as provided by law.”

3. Any provision that provides that the parties' waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

4. If any of the provisions in the Valpak Direct Marketing Systems, Inc. South Dakota Franchise Disclosure Document or Valpak Direct Marketing Systems, Inc. Franchise Agreement are inconsistent with the provisions of paragraph 3 above, the terms of paragraph 3 of this addendum will prevail over the inconsistent provisions of the Valpak Direct Marketing Systems, Inc. South Dakota Franchise Disclosure Document and Valpak Direct Marketing Systems, Inc. Franchise Agreement with regard to any franchise sold in the State of South Dakota.

**ADDENDUM TO THE  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
VIRGINIA FRANCHISE DISCLOSURE DOCUMENT**

The following language is added to Item 11, Training Programs:

Unless you already are a Franchisee, you must attend New Franchise Owner Training-I and Consultative Selling School. You also must attend the first Coupon University Valpak hosts after you sign your Franchise Agreement. From time to time Valpak may require you to attend supplemental or refresher training programs and conventions (or other Valpak affiliated national meetings instead of Coupon University).

In recognition of the restrictions contained in Section 13.1-564 of the Act, the following is added to Item 17.h:

Pursuant to Section 13.1-564 of the Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Act or the laws of Virginia, that provision may not be enforceable.

**ADDENDUM TO THE  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
WASHINGTON FRANCHISE DISCLOSURE DOCUMENT**

1. The following language is hereby added to the end of Item 17 of the Franchise Disclosure Document:

“Any general releases that the Franchisee (or the Franchisee's owners) may be required to sign in connection with the Franchise Agreement shall not apply to any claims arising under the Washington Franchise Investment Protection Act.”

2. If any of the provisions in the Valpak Direct Marketing Systems, Inc. Washington Franchise Disclosure Document or Valpak Direct Marketing Systems, Inc. Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Valpak Direct Marketing Systems, Inc. Washington Franchise Disclosure Document and Valpak Direct Marketing Systems, Inc. Franchise Agreement with regard to any franchise sold in the State of Washington

**EXHIBIT I**

**STATE SPECIFIC RIDERS TO FRANCHISE AGREEMENT**

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4/28/11-

5/30/12

**RIDER TO  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

This Rider is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("FRANCHISEE").

1. **Background.** COMPANY and FRANCHISEE are parties to that certain "Franchise Agreement" dated \_\_\_\_\_, \_\_\_\_\_, that has been entered into concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because the business to be operated by FRANCHISEE pursuant to the Franchise Agreement will be operated exclusively or predominantly in the state of Illinois.

2. Section 13 is amended to add the following:

The conditions under which this franchise can be terminated and the parties' rights on termination may be affected by Illinois law, 815 ILCS 705/1-44.

3. Section 15.7 is amended to read as follows:

All matters coming under the Illinois Franchise Disclosure Law (the "Illinois Act") will be governed by the Illinois Act. The Franchisor and the Franchisee irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois for all matters coming under the Illinois Act.

4. Section 15.11, the 3<sup>rd</sup> and 4<sup>th</sup> sentences are deleted in their entirety.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Rider to the Franchise Agreement in counterparts on the day and year first above written.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation

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

**FRANCHISEE:**

**Franchisee Signature:**

(Name of company)

a \_\_\_\_\_ company  
(state)

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

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_

**RIDER TO  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

This Rider is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY") and \_\_\_\_\_ a(n) \_\_\_\_\_ ("FRANCHISEE").

1. **Background.** COMPANY and FRANCHISEE are parties to that certain "Franchise Agreement" dated \_\_\_\_\_, \_\_\_\_\_, that has been entered into concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because the business to be operated by FRANCHISEE pursuant to the Franchise Agreement will be operated exclusively or predominantly in the state of Minnesota.

2. Section 11.3(e) is amended to add the following:

Any release signed as a condition of transfer will not apply to any claims FRANCHISEE may have under the Minnesota Franchises Act.

3. Section 13 is amended to add the following:

With respect to franchises governed by Minnesota law, COMPANY will comply with Minn. Stat. Sec. 80c.14, subds, 3, 4 and 5, which require, except in certain specified cases, that FRANCHISEE be given 90 days notice of termination (with 60 days to cure).

4. Section 15.4 is amended to add the following:

COMPANY will not be automatically entitled to the entry of an injunction against FRANCHISEE, but COMPANY will be entitled to seek the entry of an injunction.

5. Section 15.7 is amended to add the following:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit COMPANY from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or franchise agreement can abrogate or reduce any of FRANCHISEE's rights as provided for in Minnesota Statutes, Chapter 80C, or FRANCHISEE's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Rider to the Franchise Agreement in counterparts on the day and year first above written.

**VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation**

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

**FRANCHISEE:**

**Franchisee Signature:**

(Name of company)

a \_\_\_\_\_ company  
(state)

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

**Individual Signatures:**

\_\_\_\_\_

**RIDER TO  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

This Rider is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("FRANCHISEE").

1. **Background.** COMPANY and FRANCHISEE are parties to that certain "Franchise Agreement" dated \_\_\_\_\_, \_\_\_\_\_, that has been entered into concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because the business to be operated by FRANCHISEE pursuant to the Franchise Agreement will be operated exclusively or predominantly in the State of North Dakota.

2. **Covenants Not to Compete.** Covenants not to compete are generally unenforceable in the State of North Dakota.

3. **Governing Law/Consent to Jurisdiction.** This Agreement will be governed by North Dakota law. All matters coming under the ND Law may be brought in the courts of North Dakota.

4. **General Release.** You are not required to sign a general release as to any matters coming under the ND Law.

5. **Limitation of Claims.** The statute of limitations under ND Law applies to all matters coming under ND Law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Rider to the Franchise Agreement in counterparts on the day and year first above written.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation

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

**FRANCHISEE:**

**Franchisee Signature:**

(Name of company)

a \_\_\_\_\_ company  
(state)

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

**Individual Signatures:**

\_\_\_\_\_



**RIDER TO  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT  
FOR USE IN SOUTH DAKOTA**

This Rider is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("FRANCHISEE").

1. **Background.** COMPANY and FRANCHISEE are parties to that certain "Franchise Agreement" dated \_\_\_\_\_, \_\_\_\_, that has been entered into concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because the business to be operated by FRANCHISEE pursuant to the Franchise Agreement will be operated exclusively or predominantly in the State of South Dakota.

2. **Termination.** The South Dakota Director of the Division of Securities requires the inclusion of the following sentence in this Rider:

"Franchisee will have 30 days written notice with an opportunity to cure prior to termination for the following: breach of the franchise agreement, failure to meet performance and quality standards, and failure to make royalty payments."

3. **Covenants Not to Compete.** Covenants not to compete on termination or expiration of a franchise agreement are generally unenforceable in the state of South Dakota, except in certain instances as provided by law. The foregoing sentence shall have no effect on the construction of the Franchise Agreement or any provision thereof, but is for informational purposes only.

4. **Substitution of Section.** Section 15.7 of the Franchise Agreement is hereby amended to read as follows:

**Governing Law.** Except to the extent governed by the U.S. Trademark Act of 1946, this Agreement shall be governed by the laws of the state in which FRANCHISEE's Territory is predominantly located.

5. **Jurisdiction and Venue.** The South Dakota Director of the Division of Securities requires inclusion of the following sentence in this Rider:

"Any provision which designates jurisdiction or venue or requires the Franchisee to agree to jurisdiction or venue in a form outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota."

The Franchise Agreement, as amended by Paragraph 3 of this Rider, contains no such provision.

6. **Acknowledgments.** The following sentence is added to Section 15.11 of the Franchise Agreement:

"Pursuant to SDCL 37-5A-86, any acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in a franchise agreement does not negate or act to remove from judicial review any statement, misrepresentation or action that would violate this chapter or a rule or order under this chapter."

7. Territory. Attached to this Rider as Exhibit 1 is a map of the FRANCHISEE's Territory. The map is for illustrative purposes only; in the event of a dispute or ambiguity regarding the Territory, the written description of the Territory attached as Exhibit A to the Franchise Agreement shall control.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Rider to the Franchise Agreement in counterparts on the day and year first above written.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation

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

FRANCHISEE:

Franchisee Signature:

(Name of company)

a \_\_\_\_\_ company  
(state)

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

Individual Signatures:

\_\_\_\_\_

**RIDER TO  
VALPAK DIRECT MARKETING SYSTEMS, INC.  
FRANCHISE AGREEMENT  
FOR USE IN WASHINGTON**

This Rider is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between VALPAK DIRECT MARKETING SYSTEMS, INC., a Delaware corporation ("COMPANY") and \_\_\_\_\_, a(n) \_\_\_\_\_ ("FRANCHISEE").

1. **Background.** COMPANY and FRANCHISEE are parties to that certain "Franchise Agreement" dated \_\_\_\_\_, \_\_\_\_\_, that has been entered into concurrently with the execution of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being executed because the business to be operated by FRANCHISEE pursuant to the Franchise Agreement will be operated exclusively or predominantly in the state of Washington.

2. **Amendment of Section 11.3(e).** Section 11.3(e) of the Franchise Agreement is hereby amended to read as follows:

(d) FRANCHISEE (and each of its Owners) must execute a general release, in a form satisfactory to COMPANY, of any and all claims against COMPANY, its affiliates, and their respective officers, directors, employees and agents, provided, however, that neither FRANCHISEE (nor its Owners) are required to execute a general release of claims arising under the Washington Franchise Investment Protection Act;

3. **Addition to Section 15.1.** The following paragraph is hereby added at the end of Section 14.1 of the Franchise Agreement:

If any of the provisions in COMPANY'S Washington Franchise Disclosure Document or this Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent provisions of COMPANY'S Washington Franchise Disclosure Document and this Agreement with regard to any franchise sold in the State of Washington.

4. **Substitution of Section.** Section 15.7 of the Franchise Agreement is hereby amended to read as follows:

**"Governing Law/Consent to Jurisdiction.** Except to the extent governed by the U.S. Trademark Act of 1946, or matters arising under the Washington Franchise Investment Protection Act, which shall be governed thereby, this Agreement shall be governed by the laws of the state in which Franchisee's Territory is predominantly located."

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Rider to the Franchise Agreement in counterparts on the day and year first above written.

VALPAK DIRECT MARKETING  
SYSTEMS, INC., a Delaware  
corporation

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

**FRANCHISEE:**

**Franchisee Signature:**

(Name of company)

a \_\_\_\_\_ company  
(state)

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

**Individual Signatures:**

\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT J**  
**CONDITIONAL ASSIGNMENT OF**  
**TELEPHONE NUMBERS, LISTINGS AND ADDRESSES**

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~~4/28/11~~  
5/30/12

**CONDITIONAL ASSIGNMENT OF  
TELEPHONE NUMBERS, LISTINGS AND ADDRESSES**

**THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS, LISTINGS AND ADDRESSES** (this "Assignment") is effective as of \_\_\_\_\_, 20\_\_, between **VALPAK DIRECT MARKETING SYSTEMS, INC.**, a Delaware company, with its principal place of business at 8605 Largo Lakes Drive, Largo, Florida 33773 ("we," "us" or "our") and \_\_\_\_\_, a \_\_\_\_\_, with its principal place of business at \_\_\_\_\_ ("you" or "your"). You and we are sometimes referred to collectively as the "parties" or individually as a "party."

**BACKGROUND INFORMATION:**

We grant franchises for the operation of Valpak® franchised businesses using our System and Marks (a "Franchised Business"). An integral part of our System is that Franchised Businesses operate according to our distinctive business formats, methods, procedures, designs, layouts, signs, equipment, trade dress, standards and specifications. In order to protect our interest in the System and the Marks, we will have the right to control the telephone numbers, directory listings and postal addresses of Franchised Business if the Franchise Agreement to which you are a party (said agreement, as amended or renewed from time to time, herein referred to as the "Franchise Agreement") ends for any reason.

**OPERATIVE TERMS:**

You and we agree as follows:

1. **Conditional Assignment:** You assign to us, all of your right, title and interest in and to all of the following used in any way by the Franchised Business or associated with any official matter: (a) telephone numbers and regular, classified or other telephone directory listings; and (b) post office box addresses, mail box addresses, postal drop addresses or the like (regardless whether they are sold, leased, issued, granted or assigned to you by any private or governmental party) (collectively, the "Numbers, Listings and Addresses") associated with the Marks and used from time to time in connection with the operation of Franchised Business. We will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless we notify the telephone company, mail or postal service and/or the listing agencies with which you have placed Numbers, Listings or Addresses (collectively, the "Provider") to effectuate the assignment of the Numbers, Listings and/or Addresses to us. Upon termination or expiration of the Franchise Agreement we will have the right and authority to ownership of the Numbers, Listings and Addresses. In such event, you will have no further right, title or interest in the Numbers, Listings and Addresses and you will remain liable to the Provider for all past due or other fees owing to the Provider on or before the date on which the assignment to us is effective. As between us and you, upon termination or expiration of the Franchise Agreement, we will have the sole right to and interest in the Numbers, Listings and Addresses.

2. **Power of Attorney:** You irrevocably appoint us as your true and lawful attorney-in-fact to: (a) direct the Provider to effectuate the assignment of the Numbers, Listings and/or Addresses to us; and (b) sign on your behalf such documents and take such actions as may be necessary to effectuate the assignment. Notwithstanding anything else in this Assignment,

however, you will immediately notify and instruct the Provider to effectuate the assignment described in this Assignment to us when, and only when: (i) the Franchise Agreement is terminated or expires; and (ii) we instruct you to so notify the Provider. If you fail to promptly direct the Provider to effectuate the assignment of the Numbers, Listings and Addresses to us, we will direct the Provider to do so. The Provider may accept our written direction, the Franchise Agreement or this Assignment as conclusive proof of our exclusive rights in and to the Numbers, Listings and Addresses upon such termination or expiration. The assignment will become immediately and automatically effective upon Provider's receipt of such notice from you or us. If the Provider requires that you and/or we sign the Provider's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, our signature on such forms or documentation on your behalf will effectuate your consent and agreement to the assignment. At any time, you and we will perform such acts and sign and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement. The power of attorney conferred upon us pursuant to the provisions set forth in this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without our consent.

3. **Indemnification:** You will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the "Indemnified Parties") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your breach of any of the terms of any agreement or contract or the nonpayment of any debt you have with the Provider.

4. **Binding Effect:** This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs, and successors and assigns. Terms not otherwise defined in this Assignment will have the meanings as defined in the Franchise Agreement.

5. **Assignment to Control:** This Assignment will govern and control over any conflicting provision in any agreement or contract which you may have with the Provider.

6. **Attorney's Fees, Etc.:** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement thereof, the prevailing party will be entitled to reimbursement of its attorneys' fees, costs and expenses from the non-prevailing party. The term "attorneys' fees" means any and all charges levied by an attorney for his or her services including time charges and other reasonable fees including paralegal fees and legal assistant fees and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

7. **Severability:** If any part of this Assignment is held invalid for any reason, the remainder of this Assignment will not be affected, and will remain in full force and effect in accordance with its terms.

8. **Governing Law and Forum:** This Assignment is governed by Florida law. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in Pinellas County, Florida, and they irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

**ASSIGNEE:**

**VALPAK DIRECT MARKETING  
SYSTEMS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ASSIGNOR:**

\_\_\_\_\_

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

STATE OF FLORIDA )  
 ) ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
by \_\_\_\_\_, who is personally known to me or has produced  
\_\_\_\_\_ as identification.

(Notarial Seal)

Printed Name: \_\_\_\_\_  
**NOTARY PUBLIC**  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

STATE OF FLORIDA )  
 ) ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
by \_\_\_\_\_, who is personally known to me or has produced  
\_\_\_\_\_ as identification.

(Notarial Seal)

Printed Name: \_\_\_\_\_  
NOTARY PUBLIC  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

STATE OF FLORIDA )  
 ) ss  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
by \_\_\_\_\_ as \_\_\_\_\_ of VALPAK DIRECT  
MARKETING SYSTEMS, INC., a Delaware company, on behalf of said corporation. He/She is  
personally known to me or has produced \_\_\_\_\_ as identification.

(Notarial Seal)

Printed Name: \_\_\_\_\_  
NOTARY PUBLIC  
Commission No.: \_\_\_\_\_  
State of \_\_\_\_\_ at Large  
My Commission Expires: \_\_\_\_\_

**THIS CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS, LISTINGS AND  
ADDRESSES is accepted and agreed to by:**

\_\_\_\_\_  
(PROVIDER)

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
Date: \_\_\_\_\_



**EXHIBIT K**  
**FORM OF FRANCHISE COMPLIANCE CERTIFICATE**

**FORM OF FRANCHISE COMPLIANCE CERTIFICATION**

The purpose of this Certificadon is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

- 1. You had your first face-to-face meeting with our representative on: \_\_\_\_\_, 20\_\_.
- 2. Have you received and personally reviewed our Franchise Agreement, and each Addendum (if any) and related agreement (i.e., personal guaranty), attached to them?

Yes \_\_\_\_\_ No \_\_\_\_\_

- 3. Did you receive the Franchise Agreement, and each related agreement, containing all material terms, at least 7 days before signing any binding agreement (other than any deposit agreement) with us or an affiliate?\*

Yes \_\_\_\_\_ No \_\_\_\_\_

\*This does not include changes to any agreement arising out of negotiations you initiated with us.

- 4. Do you understand all of the information contained in the Franchise Agreement, and each Addendum (if any) and related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

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- 5. Have you received and personally reviewed our Franchise Disclosure Document ("FDD") that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

- 6. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes \_\_\_\_\_ No \_\_\_\_\_

- 7. Did you sign a receipt for the FDD indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

- 8. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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9. Have you discussed the benefits and risks of purchasing a VALPAK® franchise with an attorney, accountant or other professional advisor?

Yes \_\_\_\_\_ No

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No

10. Do you understand that the success or failure of your VALPAK® franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes \_\_\_\_\_ No

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a VALPAK® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No

12. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a VALPAK® franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No

13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a [Brand Name] franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No

14. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No

15. If you have answered "Yes" to any one of questions 11-14, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

16. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the VALPAK® franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?\*

Yes \_\_\_\_\_ No

\* Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

17. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes \_\_\_\_\_ No

18. You signed the Franchise Agreement, and Addendum (if any) and related agreements on \_\_\_\_\_, 20\_\_ and acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the "Franchisee Applicant" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

\_\_\_\_\_  
Signature

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

\_\_\_\_\_, 20\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_, 20\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_, 20\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_, 20\_\_  
Date

**EXHIBIT L-1**

**FORM OF BILL OF SALE AND ASSIGNMENT**

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4/28/11-

5/30/12

BILL OF SALE AND ASSIGNMENT

THIS BILL OF SALE AND ASSIGNMENT (this "Agreement") is entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") by and between Valpak Franchise Operations, Inc., with principal offices at 8605 Largo Lakes Drive, Largo, Florida 33773 (hereinafter referred to as "COMPANY") and \_\_\_\_\_ with principal offices at \_\_\_\_\_ (hereinafter referred to as "Buyer").

RECITALS

WHEREAS, COMPANY has agreed to sell to Buyer, and Buyer has agreed to purchase from COMPANY, certain assets, properties and rights related to the operation of a cooperative direct mail marketing and advertising business under the Valpak® name (the "Franchise"); and

WHEREAS, COMPANY is presently executing and delivering this Agreement for the purpose of transferring to and vesting in Buyer good and valid title to said assets, properties and rights;

NOW THEREFORE, for good and valuable consideration, receipt and sufficiency of which is acknowledged, the parties mutually covenant and agree as follows:

1. Transfer and Assignment of Assets. Buyer agrees to purchase from COMPANY, and COMPANY agrees to sell to Buyer, all of COMPANY'S rights and interests in the following assets used in connection with the business known as \_\_\_\_\_ (the "Assets"):

- (a) All customer lists and contracts in effect as of the Effective Date,
(b) Accounts receivable set forth in Schedule I, and
(c) Goodwill associated with the Franchise.

TO HAVE AND TO HOLD the Assets unto Buyer, its successors and assigns, forever. COMPANY, for itself and its successors and assigns, warrants and represents that it will warrant and defend the sale of the Assets unto Buyer, its successors and assigns, against the claims and demands of all persons claiming by, through or under COMPANY.

2. Purchase Price. The aggregate purchase price to be paid by Buyer for the Assets is \_\_\_\_\_ (\$\_\_\_\_\_). Payment of the Purchase Price shall be as follows:

- (a) Cash at Closing (as defined below): \$ \_\_\_\_\_;
(b) Accounts Receivable Promissory Note to COMPANY: \$ \_\_\_\_\_ to be executed at Closing; and
(c) Territory Purchase Note to COMPANY: \$ \_\_\_\_\_ to be executed at Closing.

3. **Closing.** Concurrently with the execution of this Agreement and the Accounts Receivable Promissory Note, the parties will execute the document(s) listed below which are required to be executed and delivered in order to consummate the transaction herein contemplated (the "Closing"):

Current form of VALPAK® Franchise Agreement and all ancillary documents

4. **Seller's Representations and Warranties.** As an inducement to Buyer to enter into this Agreement, COMPANY hereby represents and warrants to Buyer on the date hereof and on the date of Closing as follows:

(a) There are no pending or threatened claims, actions, suits, arbitrations, inquiries, proceedings or investigations by any parties or by or before any governmental authorities against the Assets, the Franchise or the previous owner(s) of the Franchise or affecting or relating to any of the Assets or the Franchise. None of the Assets, the Franchise or the previous owner(s) of the Franchise is subject to any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any governmental authority that would adversely affect the transaction contemplated hereby or Buyer's ownership or operation of the Assets and the Franchise after the Closing.

(b) To the best knowledge of COMPANY, the previous owner(s) of the Franchise has conducted the Franchise and operated the Assets in accordance with all applicable laws and governmental orders applicable to the Franchise and Assets.

(c) There are no pending or threatened claims, actions or proceedings for the assessment or collection of Taxes against or involving any of the Assets or the Franchise. "Taxes" for purposes of this Agreement shall mean any and all taxes, fees, levies, duties, tariffs, imposts and other charges of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any government or taxing authority, including, without limitation, taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, capital stock, payroll, employment, social security, workers' compensation, underemployment compensation, or net work; taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes; license, registration and documentation fees; and customs' duties, tariffs, and similar charges. There are no tax liens on any of the Assets or the Franchise.

(d) Title to Franchise and Assets. COMPANY has full and unrestricted legal and equitable title to the Franchise and Assets.

5. **Seller Indemnification.** Buyer and its affiliates, officers, managers, members, employee, agents and successors and assigns ("Buyer Indemnified Persons") shall bear no responsibility for, and shall be indemnified and held harmless by COMPANY for and against, any and all debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or determinable ("Liabilities"), losses, damages, claims, costs and expenses, judgments and penalties (including attorneys' fees) actually suffered or incurred by any of them ("Losses"), arising out of or resulting from:

(a) the breach of any representation or warranty made by COMPANY in Section 4 hereof;

(b) any and all Losses suffered or incurred by any Buyer Indemnified Person, the Assets or the Franchise, whether arising before or after the Closing, by reason of or in connection with (a) any claim or cause of action of any third party to the extent arising out of any action, inaction, event, condition, liability or obligation occurring or existing prior to the Closing or (b) the ownership or actions or inactions of the previous owner(s) of the Assets and Franchise or the conduct of the Assets or the Franchise prior to the Closing; or

(c) any and all Taxes imposed on any of the Buyer Indemnified Persons, the Assets or the Franchise, including any sales and use taxes, whether arising before or after the Closing, arising from or relating to the ownership or actions or inactions of the previous owner(s) of the Assets and Franchise or the conduct of the Assets or the Franchise prior to the Closing.

6. Further Assurances. COMPANY and Buyer shall execute and deliver such further instruments of sale, conveyance, transfer, assignment and assumption and take such other actions reasonable requested by the other in order to more effectively bargain, sell, assign, transfer, convey to and vest in Buyer all of COMPANY'S right, title and interest in and to the Assets.

7. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of COMPANY, Buyer and their respective successors and assigns.

8. Assumption of Liabilities. Except as provided in Section 4 and Section 5, or otherwise in this Agreement, Buyer hereby undertakes, assumes and agrees to perform, pay and discharge when due all liabilities and obligations accruing and required to be performed on or after the date of Closing.

9. Governing Law. This Agreement shall be governed by the laws of the State of Florida without giving effect to its conflict of laws principles. The parties irrevocably consent to the exclusive jurisdiction and venue of the courts located in Pinellas County, Florida.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]



IN WITNESS WHEREOF, each party hereto has executed this Agreement on the day and year first above written.

BUYER:

\_\_\_\_\_

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

Title: President

COMPANY:

VALPAK FRANCHISE OPERATIONS, INC.

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

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

**SCHEDULE 1**

**Accounts Receivable**

**EXHIBIT L-2**  
**TERRITORY PURCHASE NOTE**

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5/30/12

**TERRITORY PURCHASE NOTE**

\$ \_\_\_\_\_

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

Place: \_\_\_\_\_, \_\_\_\_\_

**FOR VALUE RECEIVED**, the undersigned ("Payor"), promises to pay to the order of **VALPAK FRANCHISE OPERATIONS, ENC.**, a Delaware corporation (referred to collectively with any legal holder hereof, the "Payee"), the principal sum of \_\_\_\_\_ **DOLLARS AND NO CENTS** (\$ \_\_\_\_\_) plus accrued interest in accordance with the following terms:

1. **Term.** The term of this Territory Purchase Note (this "Note") shall be \_\_\_\_\_ ( ) years, beginning on \_\_\_\_\_ and ending on \_\_\_\_\_ (the "Term").
2. **Interest.** Interest will accrue on the unpaid principal balance at the annual rate (calculated on the basis of a 360-day year) of \_\_\_\_\_ percent ( \_\_\_\_\_ %).
3. **Payments:** Payor shall make the following payments: \_\_\_\_\_ ( ) monthly principal and interest payments of \$ \_\_\_\_\_ due on the last day of each month beginning on \_\_\_\_\_, \_\_\_\_\_. Payments shall be electronically debited from Payor's account listed on Exhibit "A" (the "Payment Account") to Payee's account on each date specified herein as a payment date.
4. **Prepayment.** The entire principal amount of this Note (or any portion thereof) may be prepaid at any time without penalty.
5. **Default Interest.** In the event of a default under this Note, the entire unpaid principal amount of this Note shall bear interest at the highest rate allowed by applicable law.
6. **Default.** If (i) Payor fails to make a payment of any interest or principal when due (failure to have sufficient funds in the Payment Account available for electronic transfer to Payee's account on any scheduled payment date shall constitute a failure to pay hereunder); or (ii) Payor becomes insolvent or makes an assignment for the benefit of creditors, or any proceeding is instituted by or against Payor alleging that Payor is bankrupt or insolvent; or (iii) Payor is in breach of its obligations under any agreement with Payee or any of Payee's affiliates now or hereafter in effect, including, without limitation, the Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"), and all other agreements heretofore or hereafter entered into regarding the purchase or operation by Payor of a VALPAK® franchise and such breach is not cured within the applicable cure period, if any, provided for in such agreement; or (iv) any transaction that constitutes a transfer under the Franchise Agreement; or (v) Payor sells or otherwise assigns or transfers any interest in the Franchise Agreement or the business conducted thereunder; or (vi) Payor fails to provide the income statement, balance sheet, accounts receivable aging report, commissions earned report and cash disbursement journal for each month during this Note's term, together with any other information specifically requested by Payee, no later than the 20th of the following month; or (vii) Payor closes the Payment Account or instructs Payor's bank to discontinue or suspend the electronic debiting procedure provided for herein, then Payor shall be in default hereunder and the entire balance of this Note shall become immediately due and payable, without demand or notice which are hereby waived by Payor.

**EXHIBIT "A" DESCRIBED IN SECTION 3 SHALL BE DELIVERED TO PAYEE'S OFFICES AT 8605 LARGO LAKES DRIVE, LARGO, FLORIDA 33773, ATTN: BILLING/CUSTOMER SERVICE DEPARTMENT OR AT SUCH OTHER PLACE AS PAYEE MAY DESIGNATE IN WRITING FROM TIME TO TIME.**

7. Cross Default. Payor acknowledges and agrees that a default hereunder shall constitute a material breach of Payor's obligations to make payments to Payee under the Franchise Agreement, and that upon any such default, in addition to any other rights and remedies which may be available to Payee, Payee may terminate the Franchise Agreement in accordance with the provisions thereof

8. Security. To secure the indebtedness evidenced by this Note and any extensions or renewals hereof, in whole or in part, as well as all other indebtedness, obligations and liabilities of Payor to Payee or its affiliates, now existing or hereafter arising (collectively the "Obligations"), Payor hereby grants to Payee a first priority security interest in the Franchise Agreement and in all of the assets and accounts of the business conducted under the Franchise Agreement, whether such assets and accounts are currently owned or hereafter acquired, including but not limited to customer lists, contracts, accounts receivable, equipment, and goodwill and the proceeds of any and all of the foregoing (referred to collectively as "Collateral"). In the event that Payor defaults on any of the Obligations, Payee shall have all rights and remedies provided under the Uniform Commercial Code of Florida, as amended from time to time, including without limitation, the right to take possession of the Collateral, and to sell or otherwise dispose thereof, and in connection therewith, to execute on behalf of Payor any instrument or document necessary or appropriate to effectuate such conveyance, and to recover any deficiency from Payor. Payor agrees to execute such other instruments and documents as Payee may request from time to time for purposes of perfecting the security interest granted hereunder, including without limitation, financing statements and renewals thereof. Payee may file a financing statement covering the Collateral.

9. Payor's Representations and Warranties. Payor represents and warrants to holder (which representations and warranties shall be deemed to be on-going and continuing) that: (a) Payor is the sole owner of the Collateral free and clear of all security interests, liens and encumbrances whatsoever, other than those represented by this Note or otherwise granted in favor of Payee and no financing statement covering any of the Collateral is on file in any public office, other than in favor of Payor; (b) Payee has full power and authority to make this Note; (c) Payor will not, except in the ordinary course of business, sell, assign, transfer, encumber or otherwise dispose of the Collateral or any interest therein without prior written consent from Payee; and (d) Payor will not allow the Collateral to become encumbered except for the security interest in favor of Payee. Payor further represents, warrants and covenants with Payees (which representations, warranties and covenants shall be deemed to be on-going and continuing) that Payor will promptly advise Payee in writing of any change in the name, identity or structure of Payor or any change of its chief executive office or other locations, as the case may be, or the opening of new places of business, or the closing of any of its existing places of business.

10. Life Insurance. Payor agrees to obtain and maintain during the term of this Note term life insurance on the life of \_\_\_\_\_ (Payor), which Payee shall be the sole and exclusive beneficiary of. Such policy shall have a face amount which is at all times equal to or greater than the sum of the principal amount then outstanding under this Note. Payor agrees to provide evidence of such insurance coverage at signing date and on an annual basis or whenever such insurance policy is subject to renewal, or any time as Payee may request.

11. Failure to Exercise Rights. No delay on the part of Payee in exercising any power or right hereunder, including, without limitation, acceleration of the maturity of this Note, shall operate as a waiver thereof, nor shall any single or partial exercise of any power or right hereunder preclude further exercise thereof or the exercise of any other power or right.

12. Collection Costs. Payor agrees to pay all costs of collection, including reasonable attorneys' fees actually incurred and all court costs and other expenses actually incurred by holder.

13. **Law and Jurisdiction.** Payor acknowledges and agrees that this Note shall be construed and interpreted in accordance with the laws of the State of Florida, without regard to principles of conflicts of laws thereof. Payor agrees that Payee may institute any action against Payor arising out of or relating to this Note in any state or federal court of general jurisdiction in Pinellas County, Florida, and Payor irrevocably submits to the jurisdiction of such court and waives any objection Payor may have to either the jurisdiction or venue of such court.

14. **Waivers.** Payor waives presentment, demand, protest and notice of demand and dishonor, protest and non-payment, and all other legal or equitable defenses which Payor may have to the enforcement of this Note to the extent that such defenses may be waived.

15. **Notices.** Any notice to be sent to Payor hereunder shall be deemed received on the third day after being mailed through the United States Postal Service, certified mail, return receipt requested, or on the day after being sent Federal Express (or similar overnight courier service with national operations) for next day delivery, provided that such notice is sent to the address specified below or to such other address as Payor may hereafter designate by written notice delivered to Payee in accordance with this notice provision.

16. **Successors and Assigns.** Whenever reference is made herein to "the undersigned," "Payee" or "holder", such reference shall be deemed to refer to and include the successors and assigns thereof, the same as if in each case expressed, it being expressly agreed that the rights and obligations of all parties named herein or liable hereunder shall inure to the benefit of and be binding upon such parties and their respective heirs, executors, legal representatives, successors and assigns.

17. **Remedies Cumulative; No Oral Modification.** The remedies of the holder hereof as provided herein or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of the holder hereof, and may be exercised as often as occasion therefore shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. This Note may not be modified or terminated orally but only by agreement or discharge in writing and signed by the party who is the owner and holder of this Note at the time endorsement of any waiver, modification or discharge is sought.

18. **Unconditional Obligation.** The obligation of the undersigned to make or cause to be made the payments required hereunder shall be absolute and unconditional. The undersigned shall pay or cause to be paid without abatement, diminution, postponement or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever, including, without limitation, any defense, set-off, recoupment or counterclaim which the undersigned may have or assert against the Lender.

19. **Usury.** It is the intention of the undersigned and the holder to conform strictly to the usury laws now or hereafter in force, and any interest payable under this Note shall be subject to reduction to the amount not in excess of the maximum non-usurious amount allowed under the applicable usury laws as now or hereafter construed by the courts having jurisdiction over such matters. In the event the maturity of this Note is accelerated by reason of any provision of this Note, voluntary prepayment by the undersigned, or otherwise, then earned interest may never include more than the maximum amount permitted by law, computed from the dates of each advance of loan proceeds hereunder until payment, and any interest in excess of the maximum amount permitted by law shall be cancelled automatically and, if theretofore paid, shall at the option of the holder hereof either be rebated to the undersigned or credited on the principal amount of this Note or if all principal has been repaid, then the excess shall be rebated to the undersigned.

20. Continuing Effect. This Note shall remain in full force and effect until the Obligations have been indefeasibly paid in full and such payments are no longer subject to rescission, recovery or repayment upon the bankruptcy, insolvency, reorganization, moratorium, receivership or similar proceedings affecting Payor.

21. Waiver of Jury Trial. PAYOR AND PAYEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. EITHER PAYOR OR PAYEE MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE PARTIES' WAIVER OF THE RIGHT TO TRIAL BY JURY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR PAYEE TO LOAN THE SUMS SECURED BY THIS NOTE.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Payor has executed this Note and Security Agreement this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**PAYOR:**  
**VALPAK FRANCHISE OPERATIONS, INC.**

By: \_\_\_\_\_  
Its: (President) \_\_\_\_\_

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by \_\_\_\_\_, who personally appeared before me and acknowledged that he/she signed the instrument voluntarily for the purpose expressed in it.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Name (Type of Print) of Notary Public

(Seal)

\_\_\_\_ Personally known      \_\_\_\_\_ Produced Identification  
Type of Identification: \_\_\_\_\_



**EXHIBIT A**

**Payment Account**

**Valpak Direct Marketing Systems, Inc.  
Automated Debit Authorization Agreement for  
Prearranged Payments (Debits)**

This is my authorization to Valpak Direct Marketing Systems, Inc. to automatically debit my  
\_\_\_\_ checking \_\_\_\_ savings account \_\_\_\_\_ in the amount of \$ \_\_\_\_\_

( \_\_\_\_\_ ) at the \_\_\_\_\_ branch of  
*Number*  
*Bank Transit/ABA No.* *Branch*

\_\_\_\_\_  
*Financial Institution*  
In \_\_\_\_\_, \_\_\_\_\_  
*City* *State*

I understand that this authorization will be in effect until I notify my financial institution in writing that I no longer desire this service, allowing it reasonable time to act on my notification. I have the right to stop payment of a debit entry by notifying my financial institution before the account is charged.

If an erroneous debit entry is charged against my account, I have the right to have the amount of the entry credited to my account by my financial institution, if within 15 calendar days following the date on which I was sent a statement of account or a written notice of such entry or 45 days after posting, whichever occurs first.

**THIS AUTHORIZATION IS NONNEGOTIABLE AND NONTRANSFERRABLE.**

\_\_\_\_\_  
Customer Name (Print)

\_\_\_\_\_  
Customer Number

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**EXHIBIT L-3**

**ACCOUNTS RECEIVABLE PROMISSORY NOTE**

QB\138223.00002\10194969.1210194969.21  
4/28/11-  
5/30/12

**ACCOUNTS RECEIVABLE  
PROMISSORY NOTE**

\$ \_\_\_\_\_

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

FOR VALUE RECEIVED, the undersigned ("Payor"), promises to pay to the order of VALPAK FRANCHISE OPERATIONS, INC., a Delaware corporation (referred to collectively with any legal holder hereof, the "Payee"), the principal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) in accordance with the following terms:

1. **Term.** The term of this Promissory Note (this "Note") shall begin on \_\_\_\_\_ and end on \_\_\_\_\_.
2. **Interest.** Interest will be waived.
3. **Payments.** Payor shall make one (1) balloon payment in the amount of \$ \_\_\_\_\_ which shall be due on \_\_\_\_\_.
4. **Prepayment.** The entire principal amount of this Note (or any portion thereof) may be prepaid at any time without penalty.
5. **Default Interest.** In the event of a default under this Note the entire unpaid principal amount of this Note shall bear interest at the highest rate allowed by applicable law.
6. **Default.** If (i) Payor fails to make a payment of any interest or principal when due (failure to have sufficient funds in the Payment Account available for electronic transfer to Payee's account on any scheduled payment date shall constitute a failure to pay hereunder); or (ii) Payor becomes insolvent or makes an assignment for the benefit of creditors, or any proceeding is instituted by or against Payor alleging that Payor is bankrupt or insolvent; or (iii) Payor is in breach of its obligations under any agreement with Payee or any of Payee's affiliates now or hereafter in effect, including, without limitation, the Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"), and all other agreements heretofore or hereafter entered into regarding the purchase or operation by Payor of a VALPAK® franchise and such breach is not cured within the applicable cure period, if any, provided for in such agreement; or (iv) any transaction that constitutes a transfer under the Franchise Agreement; or (v) Payor sells or otherwise assigns or transfers any interest in the Franchise Agreement or the business conducted thereunder; or (vi) Payor fails to provide the income statement, balance sheet, accounts receivable aging report, commissions earned report and cash disbursement journal for each month during this Note's term, together with any other information specifically requested by Payee, no later than the 20th of the following month; or (vii) Payor closes the Payment Account or instructs Payor's bank to discontinue or suspend the electronic debiting procedure provided for herein, then Payor shall be in default hereunder and the entire balance of this Note shall become immediately due and payable, without demand or notice which are hereby waived by Payor.

The documents described in the preceding Paragraph shall be delivered to Payee's offices at 8605 Largo Lakes Drive, Largo, Florida 33773, Attn: Billing/Customer Service Department or at such other place as Payee may designate in writing from time to time.

7. **Cross Default.** Payor acknowledges and agrees that a default hereunder shall constitute a material breach of Payor's obligations to make payments to Payee under the Franchise Agreement, and that upon any such default, in addition to any other rights and remedies which may be available to Payee, Payee may terminate the Franchise Agreement in accordance with the provisions thereof

8. **Failure to Exercise Rights.** No delay on the part of Payee in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any power or right hereunder preclude further exercise thereof or the exercise of any other power or right. All rights and remedies of Payee hereunder, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singly or concurrently. No waiver of any right hereunder by Payee shall be effective unless in writing, and shall not operate as a waiver of any subsequent default.

9. **Collection Costs.** Payor agrees to pay all costs of collection, including reasonable attorneys' fees. Payor acknowledges that this Note shall be construed and interpreted in accordance with the laws of the State of Florida, without regard to principles of conflicts of laws thereof

10. **Law and Jurisdiction.** Payor agrees that Payee may institute any action against Payor arising out of or relating to this Note in any state or federal court of general jurisdiction in Pinellas County, Florida, and Payor irrevocably submits to the jurisdiction of such court and waives any objection Payor may have to either the jurisdiction or venue of such court.

11. **Waivers.** Payor waives presentment, demand, protest and notice of demand and dishonor, protest and non-payment, and all other legal or equitable defenses which Payor may have to the enforcement of this Note to the extent that such defenses may be waived.

12. **Notices.** Any notice to be sent to Payor hereunder shall be deemed received on the third day after being mailed through the United States Postal Service, certified mail, return receipt requested, or on the day after being sent Federal Express (or similar overnight courier service with national operations) for next day delivery, provided that such notice is sent to the address specified below or to such other address as Payor may hereafter designate by written notice delivered to Payee in accordance with this notice provision.

13. **Successors and Assigns.** Whenever reference is made herein to "the undersigned," "Payee" or "holder", such reference shall be deemed to refer to and include the successors and assigns thereof, the same as if in each case expressed, it being expressly agreed that the rights and obligations of all parties named herein or liable hereunder shall inure to the benefit of and be binding upon such parties and their respective heirs, executors, legal representatives, successors and assigns.

14. **Remedies Cumulative; No Oral Modification.** The remedies of the holder hereof as provided herein or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of the holder hereof, and may be exercised as often as occasion therefore shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. This Note may not be modified or terminated orally but only by agreement or discharge in writing and signed by the party who is the owner and holder of this Note at the time endorsement of any waiver, modification or discharge is sought.

15. **Unconditional Obligation.** The obligation of the undersigned to make or cause to be made the payments required hereunder shall be absolute and unconditional. The undersigned shall pay or cause to be paid without abatement, diminution, postponement or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever, including, without limitation, any defense, set-off, recoupment or counterclaim which the undersigned may have or assert against the Payee.

16. **Continuing Effect.** This Note shall remain in full force and effect until all obligations have been indefeasibly paid in full and such payments are no longer subject to rescission, recovery or repayment upon the bankruptcy, insolvency, reorganization, moratorium, receivership or similar proceedings affecting Payor.

17. **Effective Date.** This Note will be deemed effective \_\_\_\_\_ regardless of the actual date of signature.

IN WITNESS WHEREOF, Payor has executed this Promissory Note this \_\_\_\_\_ day of \_\_\_\_\_.

**PAYOR:**

**VALPAK FRANCHISE OPERATIONS, INC.**

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

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

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by \_\_\_\_\_, who personally appeared before me and acknowledged that he/she signed the instrument voluntarily for the purpose expressed in it.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Name (Type of Print) of Notary Public

(Seal)

\_\_\_\_\_  
Type of Identification: \_\_\_\_\_  
Personally known      Produced Identification

**EXHIBIT M**  
**RECEIPTS**

QB\138223.00002\40194969-1210194969.21  
4/28/11-  
5/30/12

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 Valpak Direct Marketing Systems, Inc. offers you a franchise, we 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. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If Valpak Direct Marketing 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 any applicable state agency (as listed in Exhibit "J" to this disclosure document).

The franchisor is Valpak Direct Marketing Systems, Inc., located at 8605 Largo Lakes Drive, Largo, Florida 33773. Its telephone number is (727) 393-1270.

We authorize the respective state agencies identified on Exhibit "G" to receive service of process for us if we are registered in the particular state.

Issuance Date: ~~April 26, 2011~~ May 23, 2012

The name, principal business address, and telephone number of the franchise sellers offering the franchise are:

Name	Principal Business Address	Telephone Number
Todd Leiser, <del>Rick McElwain</del> , <del>Mike Squitieri</del>	8605 Largo Lakes Drive Largo, Florida 33773	727-393-1270

I received a disclosure document dated ~~April 26, 2011~~ May 23, 2012. The disclosure document included the following Exhibits:

- A-1 List of VALPAK® Franchisees
- A-2 List of Certain Former VALPAK® Franchisees
- B Financial Statements
- C-1 Franchise Agreement
- C-2 Renewal Addendum
- C-3 Intermarket Sales Policy
- D Personal Guaranty of Owner/Shareholder
- E VPOffice® Software License and Support Addendum
- F Note and Security Agreement and UCC-1 Financing Statement
- G Agencies/Agents for Service of Process
- H State Specific Addenda to Franchise Disclosure Document
- I State Specific Riders to Franchise Agreement
- J Conditional Assignment of Telephone Numbers, Listings and Addresses
- K Franchise Compliance Certificate
- L-1 Form of Bill of Sale and Assignment
- L-2 Territory Purchase Note
- L-3 Accounts Receivable Promissory Note
- M Receipts

Date \_\_\_\_\_

Prospective Franchisee \_\_\_\_\_  
Print Name: \_\_\_\_\_

*Sign and retain this copy:*

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 Valpak Direct Marketing Systems, Inc. offers you a franchise, we 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. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration that relates to the franchise relationship. Michigan and Washington require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or payment of any consideration, whichever occurs first.

If Valpak Direct Marketing 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 any applicable state agency (as listed in Exhibit "J" to this disclosure document).

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- K Franchise Compliance Certificate
- L-1 Form of Bill of Sale and Assignment
- L-2 Territory Purchase Note
- L-3 Accounts Receivable Promissory Note
- M Receipts

Date \_\_\_\_\_ Prospective Franchisee \_\_\_\_\_  
Print Name: \_\_\_\_\_

Sign and return this copy to:  
Valpak Direct Marketing Systems, Inc.  
8605 Largo Lakes Drive  
Largo, Florida 33773  
(727) 393-1270