

FLICKO'S FRANCHISE CORP., INC.

FRANCHISE AGREEMENT

EXHIBIT B TO THE OFFERING CIRCULAR

THIS CONTRACT IS SUBJECT TO ARBITRATION

05/1/06

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EXHIBITS

- A. GUARANTEE AND ASSUMPTION OF OBLIGATIONS
- B. ELECTRONIC FUNDS TRANSFER AGREEMENT

FLICKO'S FRANCHISE CORP., INC.

FRANCHISE AGREEMENT

This Franchise Agreement ("this Agreement"), made this ____ day of _____, 20____, by and between FLICKO'S FRANCHISE CORPORATION., INC., a corporation formed under the laws of the State of Kentucky and having its principal place of business at 2209 Heather Lane, Louisville, Kentucky 40218 ("Franchisor"), and _____, whose principal address is _____, an individual/partnership/ corporation/limited liability company established in the State of _____ ("Franchisee").

WITNESSETH:

WHEREAS, Franchisor and its Affiliate, AHEAD, INC. ("Affiliate"), over a period of time and as the result of time, skill, effort, and money, have developed, own, and franchise a system ("System"), which may be changed or further developed by Franchisor from time to time, identified by the Mark "FLICKO'S", relating to the establishment, development and operation of a business that provides video workshop services including video and audio: editing; conversion; duplication; montages; producing prints from other media; and rental of video and other equipment ("Franchised Business"):

WHEREAS, the distinguishing characteristics of the System include, without limitation, exclusively designed signage and materials, operating procedures and methods; the FLICKO'S Confidential Operations Manual ("Manual"); sales techniques; other confidential operations procedures; and methods and techniques for cost controls, record keeping and reporting, personnel management, sales promotion, marketing and advertising; all of which may be changed and further developed by Franchisor from time to time; and

WHEREAS, Affiliate, ASI, Inc. is the owner of the right, title and interest together with all the goodwill connected thereto in and to the trade name, trademarks and service mark "FLICKO'S", associated logos, commercial symbols, slogans, and such other trade names, trademarks and service marks, logos, commercial symbols and slogans, as are now, or in the future, designated by Franchisor as an integral part of the System ("Mark[s]") and has licensed to Franchisor the right to use and sublicense to Franchisor's Franchisees the right to use the Marks in the operation of a FLICKO'S Franchised Business; and

WHEREAS, Franchisor grants to qualified persons the right to own and operate FLICKO'S Franchised Businesses utilizing the System and Marks, and Franchisee desires to operate a FLICKO'S Franchised Business under the System and using the Mark and has applied for a franchise and has been approved by Franchisor in reliance upon all of the representations made therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high and uniform standards of quality, operations and service and the necessity of operating the FLICKO'S Franchised Business in strict conformity with Franchisor's specifications;

WHEREAS, Franchisor expressly disclaims the making of and Franchisee acknowledges that it has not received nor relied upon any warranty or guarantee, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that it has read this Agreement and Franchisor's Uniform Franchise Offering Circular and that it has no knowledge of any representations by Franchisor, or its officers, directors, shareholders, employees or agents that are contrary to the statements made in Franchisor's Uniform Franchise Offering Circular or to the terms herein.

WHEREAS, Franchisor and Franchisee agree that in instances where the terms of this Agreement require the approval or consent of a party, such will not be unreasonably withheld.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

I. APPOINTMENT AND FRANCHISE FEE

A. Franchisor hereby grants to Franchisee, upon the terms and conditions herein contained, the right, license and privilege to use the Mark "FLICKO'S," and Franchisee undertakes the obligation to operate a FLICKO'S Franchised Business, as designated or approved from time to time by Franchisor and to use the System solely in connection therewith, as it may be changed, improved and further developed from time to time, from the following location only: _____ ("Premises").

B. An exclusive protected Territory consisting of the larger of a four (4) square mile area OR area with a population of 250,000 persons, the center of which will be Franchisee's business location, is granted to franchisee. Franchisor will not, so long as the Franchise Agreement is in force and effect and Franchisee is not in default under any of the terms of the Franchise Agreement, license or establish another like FLICKO'S business to conduct business within Franchisee's Territory, or solicit or accept orders from within your territory. A map of the Area of Responsibility is attached to this Agreement as Exhibit C and made a part of this Agreement. Franchisee must operate from a single location. Franchisee does not receive the right to obtain additional franchises in the Territory. Franchisee may not conduct business outside of its Territory. Conducting business outside of Franchisee's Territory will be considered a default under the Franchise Agreement. In addition:

1. Franchisor and any affiliate, subsidiary or parent ("Related Entity") reserve the right to grant other FLICKO'S franchises outside of the Territory as Franchisor, in its sole and exclusive discretion, deems appropriate. Franchisor will notify Franchisee prior to granting a franchise which would have a territory contiguous with Franchisee's. Additionally, subject to another franchisee's superior right of refusal, Franchisor will refrain from issuing a franchise or license for any territory contiguous with Franchisee's until Franchisor has offered to issue such franchise or license for that territory to Franchisee, and Franchisee has been given 5 business days to accept or reject

it. Within and outside of the Territory, Franchisor, and any Related Entity, reserve the right to grant franchises that are distinct from the franchise offered herein which will not use the "FLICKO'S" Mark. Franchisor further reserves the right, both within and outside of the Territory, to sell all products and services that do not comprise a part of the System.

2. Franchisor reserves the right, both within and outside of the Territory, to offer and sell under or using any marks, including the Marks, through any other distribution system, products and services that comprise, or may in the future comprise, a part of the System, which products and services may be resold through any other distribution channel to the general public by those entities.

C. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor a franchise fee ("Franchise Fee") of THIRTEEN-THOUSAND-EIGHT-HUNDRED DOLLARS (\$13,800) upon execution of this Agreement. The Franchise Fee shall be deemed fully earned and nonrefundable, except as may be specifically provided in this Agreement, upon payment thereof, as consideration to Franchisor for its expenses incurred in furnishing assistance and services to Franchisee and for Franchisor's lost or deferred opportunity to enfranchise others.

D. Because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any System franchisee based upon the peculiarities of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such franchisee's Franchised Business. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation hereunder.

E. Franchisee at all times shall use its best efforts to promote and increase the sales and service of the Franchised Business and to effect the widest and best possible penetration throughout the Territory by soliciting and servicing all potential customers for FLICKO'S products and services.

II. TERM AND RENEWAL

A. This Agreement shall be effective and binding from the date of its execution. The length of the initial term shall be equal to five (5) years and shall commence upon the execution of this Agreement.

B. Franchisee may renew this franchise at the expiration of the initial term of the franchise for additional successive terms of five (5) years each, provided that all of the following conditions have been fulfilled:

1. Franchisee has, during the entire term of this Agreement and any subsequent renewals, complied with all its provisions;

2. Franchisee maintains possession of the Premises in full compliance with the standards then applicable for new or renewing FLICKO'S Franchised Businesses and presents evidence satisfactory to Franchisor that

it has the right to remain in possession of the Premises for the duration of any renewal term; or, if Franchisee is unable to maintain possession of the Premises, or if in the judgment of Franchisor the Franchised Business should be relocated, Franchisee secures substitute premises and has furnished and equipped such premises to bring the Franchised Business at its substitute premises into full compliance with the then-current standards by the expiration date of this Agreement;

3. Franchisee has given notice of renewal to Franchisor as provided below in Paragraph II.C.;

4. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisee's suppliers, Franchisor and its Related Entity and has timely met these obligations throughout the term of this Agreement;

5. Upon renewal, Franchisee has executed Franchisor's then-current form of the Franchise Agreement or has executed renewal documents at Franchisor's election (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a renewal franchise), which Franchise Agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement including, without limitation, a different percentage Continuing Services and Royalty Fee ("Royalty Fee"), and/or advertising contribution; provided, however, Franchisee shall not be required to pay the then-current initial franchise fee or its equivalent;

6. Franchisee has complied with Franchisor's then-current qualifications and training requirements; and

7. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor, its Related Entity and their respective officers, directors, agents and employees.

C. If Franchisee desires to renew this franchise at the expiration of this Agreement or any renewal period, Franchisee shall give Franchisor written notice of its desire to renew at least six (6) months, but not more than twelve (12) months, prior to the expiration of the initial term of this Agreement or any renewal period. Within sixty (60) days after its receipt of such timely notice, Franchisor shall furnish Franchisee with written notice of: (i) reasons which could cause Franchisor not to grant a renewal to Franchisee, including any deficiencies which require correction and a schedule for correction thereof by Franchisee; and (ii) Franchisor's then-current requirements relating to the image, appearance, decoration, furnishing and equipping of a FLICKO'S Franchised Business, and a schedule for effecting such modifications in order to bring the Franchised Business in compliance therewith, as a condition of renewal. Renewal of the franchise shall be conditioned upon Franchisee's curing of any deficiencies in a timely manner, as set forth in the schedule for correction, compliance with such requirements and continued compliance with all the conditions of this Agreement up to the date of termination of the initial term; provided, however, that in the event Franchisee is in the process of curing any deficiencies as required by Franchisor, the term of this Agreement may, in the sole discretion of Franchisor, be extended for a period of time equal to the number of days required to cure such deficiency.

D. If Franchisee gives Franchisor written notice of its desire to renew the franchise pursuant to Paragraph II.C. of this Agreement but Franchisee fails to meet all of the conditions for renewal of the franchise as set forth in Paragraphs II.B. and II.C. of this Agreement, Franchisor shall provide Franchisee with written notice of its election not

to renew the franchise at least four (4) months before the expiration of the initial term or any renewal term of this Agreement. However, Franchisor is relieved of such notice requirement in the event that Franchisee has attempted, but failed, to timely effect any cure of a deficiency as provided for in Paragraph II.C.

III. BUSINESS LOCATION

A. Franchisee will be responsible for purchasing or leasing a suitable site for the Franchised Business. Franchisee may operate from only one location. Franchisor will not conduct site selection activities on Franchisee's behalf. Nothing contained herein shall be interpreted as a guarantee of success for said location nor shall any site recommendation made by Franchisor be deemed a representation that any particular site is available for use as a FLICKO'S Franchised Business. It shall be the sole responsibility of Franchisee to undertake site selection activities and otherwise secure premises for Franchisee's Franchised Business.

B. Prior to the acquisition by lease or purchase of any site for the Premises, Franchisee shall submit a description of the proposed site to Franchisor, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Franchisor shall provide Franchisee written notice of approval or disapproval of the proposed site within fifteen (15) business days after receiving Franchisee's written proposal.

C. After receiving Franchisor's written approval of the location of the Franchised Business, Franchisee shall execute a lease or a binding agreement to purchase the site, the terms of which have been previously approved by Franchisor. Franchisor's approval of the lease, which will not be unreasonably withheld or delayed, shall be conditioned upon inclusion in the lease of terms acceptable to Franchisor including, but not limited to:

1. A provision reserving to Franchisor the right, at Franchisor's election, to receive a transfer of the leasehold interest upon termination or expiration of the franchise grant;

2. A provision which expressly permits the landlord of the Premises to provide Franchisor all sales and other information it may have related to the operation of the Franchised Business, as Franchisor may request;

3. A provision which requires the landlord concurrently to provide Franchisor with a copy of any written notice of deficiency or default under the lease sent to Franchisee and which grants to Franchisor the right (but no obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

4. A provision which evidences the right of Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

5. A provision that the Premises shall be used only for the operation of the Franchised Business; and

6. A provision which expressly states that any default under the lease shall constitute a default under this Agreement.

D. If Franchisee is unable to find an acceptable site that is approved by the parties within sixty (60) days from the date of this Agreement, then and in that event, upon written application from either party, this Agreement shall be terminated and the Franchise Fee Franchisee paid to Franchisor shall be returned to Franchisee, less expenses Franchisor incurred in providing site selection guidance to Franchisee, however, Franchisor's expenses shall not exceed ONE THOUSAND DOLLARS (\$1,000.00). Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have under or pursuant to this Agreement and any of Franchisee's right, title or interest in the Marks or the System and any rights shall automatically revert to Franchisor.

E. If applicable, promptly ("promptly" herein defined as within thirty [30] days) after obtaining possession of the Premises for the Franchised Business, Franchisee shall:

1. Obtain all required zoning changes; all required building, utility, sanitation and sign permits and licenses and any other required permits and licenses;

2. Purchase or lease equipment, fixtures, furniture and signs as provided herein;

3. Complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Franchised Business in full and strict compliance with specifications therefore established and approved by Franchisor, and all applicable laws, ordinances, building codes and permit requirements;

4. Franchisee shall obtain all customary contractors' sworn statements and partial and final waivers of liens for construction and other services; and

5. Franchisee shall otherwise complete development of and have the Franchised Business ready to commence or continue the conduct of its business in accordance with this Agreement.

F. After operating the Franchised Business from a Premises, if the lease for the Premises expires or terminates without fault of Franchisee, or if the site is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisee may relocate the Premises of the Franchised Business to another site within the Territory. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee for all reasonable costs incurred by Franchisor in approving the new site.

IV. TRAINING AND ASSISTANCE

A. Franchisor shall make an initial training program available to Franchisee. The initial training program shall begin approximately two (2) to four (4) weeks after the Franchise Agreement is signed and shall be approximately two (2) weeks in duration. The initial training program shall be conducted at Franchisor's headquarters or such other place that Franchisor shall reasonably designate. Said training program shall cover all material aspects of the operation

of a FLICKO'S franchise, including administrative, operational and sales/marketing matters and will include a liberal amount of on-the-job training. Company does not charge for this training or service, but Franchisee will incur costs in attending the program, including travel costs, and room and board expenses. These expenses are Franchisee's responsibility. Franchisee must attend and successfully complete this training to Franchisor's satisfaction. Franchisee may bring one additional person to also receive said training.

B. During the first (1st) quarter of operation of the Franchised Business, Franchisor or one (1) of Franchisor's representatives will provide unlimited telephone support to Franchisee, at Franchisor's expense, to assist Franchisee in the operation of the Franchised Business. During this period, such representative will also assist Franchisee in establishing and standardizing procedures and techniques essential to the operation of a FLICKO'S Franchised Business. Should Franchisee request additional assistance from Franchisor in order to facilitate the opening or operation of the Franchised Business and should Franchisor deem it necessary, Franchisee shall reimburse Franchisor for Franchisor's expense in providing such additional assistance at Franchisor's then-current daily rate as published in the Manual, which is currently THREE HUNDRED DOLLARS (\$300.00) per day, plus travel and living expenses Franchisor or Franchisor's representative incurs.

C. If Franchisor determines, in its sole discretion, that Franchisee is unable to satisfactorily complete the initial training program as set forth in Paragraph IV.A. of this Agreement, Franchisor shall have the right to: (i) require Franchisee to attend additional training, at Franchisee's expense; or (ii) terminate this Agreement. If this Agreement is terminated pursuant to this Paragraph IV., Franchisor shall return to Franchisee the franchise fee Franchisee paid to Franchisor less expenses Franchisor incurred in providing training, however, Franchisor's expenses shall not exceed FIVE THOUSAND DOLLARS (\$5,000.00). Upon return of said amount, Franchisor shall be fully and forever released from any claims or causes of action Franchisee may have under this Agreement and any right, title or interest of Franchisee in the Marks, the System and any rights shall automatically revert to Franchisor.

D. If Franchisee designates new or additional managers, Franchisor shall provide training to such managers during Franchisor's regularly scheduled training program at Franchisor's headquarters or such other place that Franchisor shall reasonably designate at the then-current rate for the cost of training materials as published in the Manual, which is currently THREE HUNDRED DOLLARS (\$300.00). Franchisee shall bear all costs including travel costs and room and board expenses Franchisee's managers incur in attending such training program.

E. Franchisor may provide previously-trained and experienced franchisees, their managers and/or employees refresher training programs or seminars to be conducted at such location as may be designated by Franchisor. Attendance at such refresher training programs or seminars shall be at Franchisee's sole expense and at Franchisees discretion.

V. PROPRIETARY MARKS

A. Franchisee acknowledges that Affiliate ASI, Inc. is the owner of all right, title and interest, together with all the goodwill of the Marks. Franchisee acknowledges that its right to use the Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee in compliance with this Agreement and all applicable specifications prescribed by Franchisor from time to time during the term of the franchise. Franchisee acknowledges

that any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee acknowledges that all usage of the Marks by Franchisee and any goodwill established by Franchisee's use of the Marks shall inure to the exclusive benefit of Franchisor and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest or assist any other person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional trademarks, patents, service marks and commercial symbols authorized for use by Franchisor within the System after the date of this Agreement.

B. Other than as permitted in the Manual, Franchisee shall not use any Mark or portion of any of the Marks as part of any corporate or trade name or in any modified form. Franchisee shall not use any Marks in any manner not expressly authorized in writing by Franchisor.

C. Franchisee shall promptly notify Franchisor and/or Affiliate of any claim, demand or cause of action based upon or arising from any attempt by any third party to use the Marks or any colorable imitation thereof. Franchisee shall also notify Franchisor and/or Affiliate of any action, claim or demand against Franchisee relating to the Marks within ten (10) days after Franchisee receives notice of said action, claim or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Marks, Franchisor and/or Affiliate shall have the sole right and obligation to defend any such action at no expense to Franchisee. Franchisor and/or Affiliate shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Marks. In any defense or prosecution of any litigation relating to the Marks or components of the System, Franchisee shall cooperate with Franchisor and/or Affiliate and execute any and all documents and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel to carry out such defense or prosecution. Both parties will make every effort consistent with the foregoing to protect and promote the Marks as identifying the System and only the System. **FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE MARKS.**

D. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor and/or Franchisee to modify or discontinue use of any of the Marks, and/or use one or more additional or substitute Marks, Franchisee shall comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor, and Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Mark.

E. In order to preserve the validity and integrity of the Marks and any copyrighted materials licensed herein and to assure that Franchisee is properly employing the same in the operation of its Franchised Business, Franchisor, Affiliate or their agents shall have the right of entry and inspection of Franchisee's Premises during normal business hours and, additionally, shall have the right to observe the manner in which Franchisee is rendering its FLICKO'S services and conducting its operations, to confer with Franchisee's employees and clients, and to inspect items and services to ensure that the quality control provisions and standards established by Franchisor and as set forth in the Manual are met.

F. Franchisee shall not establish a Web site on the Internet using any domain name containing the words "FLICKO'S" or any variation thereof without prior written consent from Franchisor. Franchisor and/or Affiliate retain the sole right to advertise on the Internet and create a Web site using the "FLICKO'S" domain name. Franchisee acknowledges that Franchisor and/or Affiliate is the owner of all right, title and interest in and to such domain names, as Franchisor shall designate in the Manual. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between Franchisee's Web pages and all other Web sites. If requested by Franchisor, Franchisee shall, within five (5) days, dismantle any frames and links between Franchisee's Web pages and any other Web sites.

VI. CONFIDENTIAL OPERATIONS MANUAL

A. During the term of the franchise, Franchisor will loan to Franchisee one (1) or more copies of the Manual containing reasonable, mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor for FLICKO'S Franchised Businesses and information relative to other obligations of Franchisee hereunder and the operation of its Franchised Business. Franchisor shall have the right to add to and otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor for FLICKO'S Franchised Businesses.

B. The Manual shall at all times remain the sole property of Franchisor and shall promptly be returned upon the expiration or termination of this Agreement. Franchisee shall not make any disclosure, copy or other unauthorized use of any portion of the Manual.

C. The Manual contains proprietary information of Franchisor and shall be kept confidential by Franchisee both during the term of the franchise and subsequent to the expiration or termination of the franchise. Franchisee shall at all times ensure that its copy of the Manual be available at the Premises in an up-to-date manner. At all times that the Manual is not in use by authorized personnel, Franchisee shall maintain the Manual in a locked receptacle at the Premises and shall only grant authorized personnel, as defined in the Manual, access to the key or lock combination of such receptacle. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's office shall be controlling.

D. Franchisee acknowledges and agrees that the Manual contains confidential information which Franchisee will protect as a trade secret and that its loss will cause substantial damage to Franchisor and other franchisees, although the amount of such loss would be incalculable with any degree of accuracy.

VII. CONFIDENTIAL INFORMATION

A. Franchisee acknowledges that its entire knowledge of the operation of a FLICKO'S Franchised Business including the knowledge or know-how regarding the specifications, standards and operating procedures, is derived from information disclosed to Franchisee by Franchisor and that certain of such information is proprietary, confidential and a trade secret of Franchisor. "Trade Secrets" refer to the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures and/or enhancements, adaptations, derivative works, modifications or new processes ("Improvements") regarding the business that is valuable and secret in the sense that it is not generally known to Franchisor's competitors. Franchisee shall maintain the absolute confidentiality of all such

proprietary information during and after the term of the franchise and shall not use any such information in any other business or in any manner not specifically approved in writing by Franchisor.

B. Franchisee shall divulge such confidential information only to the extent and only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge and know-how including, without limitation, application methods, materials, equipment, sales techniques and procedures and other data, which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate lawfully came to its attention prior to disclosure thereof by Franchisor; or which, at the time of disclosure by Franchisor to Franchisee, had lawfully become a part of the public domain; or which, after disclosure to Franchisee by Franchisor, lawfully became a part of the public domain.

C. Due to the special nature of the confidential information, Marks, and Manual of Franchisor, Franchisee acknowledges that Franchisor and/or Affiliate shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard such proprietary, confidential, and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Paragraphs V., VI. and VII. of this Agreement. Furthermore, all employees of Franchisee having access to the confidential information of Franchisor shall be required to execute confidentiality and trade secret agreements in a form acceptable to Franchisor.

D. Franchisee acknowledges and agrees that Franchisor owns or is the licensee of the owner of patented processes and copyrighted works, and may further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of the Franchised Business including, but not limited to, all categories of works eligible for protection under the United States Copyright Law, all of which shall be deemed to be "Copyrighted Works" under this Agreement. Such Copyrighted Works include, but are not limited to, the Manual, advertisements, promotional materials, posters and signs, and may include all or part of the Marks, Software, trade dress and other portions of the System. Franchisor intends that all works of authorship related to the System which are created in the future shall be owned by it or its Related Entity.

1. Franchisor will authorize Franchisee to use the Manual, marketing material, artwork and other items subject to copyright protection;

2. The Copyrighted Works, and Patented Processes are the valuable property of Franchisor or its licensors;

3. Franchisee's right to use the Copyrighted Works, and Patented Processes, are granted solely on the condition that Franchisee complies with the terms of Paragraph VII. of this Agreement; and

4. Franchisee will use the Copyrighted Works, and Patented Processes, only as Franchisor designates.

E. Franchisee must promptly notify Franchisor if you learn of an infringement or challenge to Franchisor's use of the Copyrighted Works, or Patent Processes. Franchisor does not have to take any action, but will

respond to this information as Franchisor deems appropriate. Franchisee must also agree not to contest Franchisor's interest in these or our other trade secrets.

F. If Franchisee makes or acquires any Improvements in the operation of the Franchised Business, Franchisee shall, unless otherwise agreed to by Franchisor, grant-back exclusive rights in such Improvements to Franchisor in consideration of the grant of the franchise made under this Agreement and without the payment of additional consideration by Franchisor. Franchisor shall include any Improvements made or acquired by Franchisor in the FLICKO'S Copyrighted Works, Manual and the System for use by all FLICKO'S Franchisees, Franchisor or its Related Entity. If Franchisor seeks patent protection or copyright registration for any Improvements, it shall do so at its own expense. Franchisee shall execute or have the creator execute all documents necessary to enable Franchisor to apply for intellectual property rights protection and to secure all rights to such Improvements. Franchisee shall assign or have the authors assign to Franchisor any intellectual property rights in such Improvements. Franchisee shall have each of Franchisee's employees execute an agreement requiring employee cooperation with the foregoing requirements. Franchisee agrees to the requirements of this Paragraph in recognition of the benefits that can be derived by FLICKO'S Franchisees from the Improvements made by other FLICKO'S Franchisees. The provisions of this Paragraph shall not constitute consent by Franchisor to the modification by Franchisee of any FLICKO'S Copyrighted Works, Manual or the System or the creation of any derivative work based on any FLICKO'S copyright and Franchisee must obtain Franchisor's express written consent prior to making such modification or derivative work. If Franchisor decides to add, modify, or discontinue the use of an item or process covered by a Copyright or Patent, Franchisee must also do so. In such event, Franchisor's sole obligation is to reimburse Franchisee for the tangible cost of complying with this obligation.

VIII. MODIFICATION OF THE SYSTEM

Franchisee recognizes that from time to time hereafter, Franchisor may change or modify the System presently identified by the Marks including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, new computer programs and systems, new products, new services, new equipment or new techniques and that Franchisee will accept and use for the purpose of this Agreement any such changes in the System as if they were part of this Agreement at the time of execution hereof. Franchisee will make such expenditures as such changes or modifications in the System may reasonably require. Franchisee shall not change the System in any way without prior written permission of Franchisor. A Franchisee shall not be required to make an additional investment of more than THREE THOUSAND DOLLARS (\$3,000.00). Provided, however, that such additional investment will not be required during the first year of the initial term of this Agreement; if it is required to be made within the last year of the initial term of this Agreement, then Franchisee may avoid making the investment by giving notice of nonrenewal.

IX. MARKETING

Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and the public image of FLICKO'S Franchised Businesses, Franchisee agrees as follows:

A. Franchisee will submit to Franchisor or its designated agency, for its prior approval, all promotional materials and advertising to be used by Franchisee including, but not limited to, newspapers, radio

scripts, mailers, press releases, television advertising, specialty and novelty items and signs. Newspaper classified recruiting advertising is excluded from this requirement. In the event written disapproval of said promotional material or advertising is not given by Franchisor to Franchisee within thirty (30) days from the date such materials are received by Franchisor, said materials shall be deemed approved. The submission of marketing to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells its products or services.

B. Franchisor, has a systemwide FLICKO'S Marketing and Development Fund ("Marketing Fund"). Franchisees shall contribute to the Marketing Fund, on a monthly basis, two-tenths of one percent (.2%) of Gross Margin, as defined in Paragraph X. Each FLICKO'S business operated by Franchisor or any affiliate shall contribute an equal or greater percentage as required of Franchisees to the Marketing Fund. The Marketing Fund shall be maintained and administered by Franchisor or its designee, as follows:

1. Franchisor shall direct all marketing programs with sole discretion over the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee acknowledges that the Marketing Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System and that Franchisor and its designee undertake no obligation in administering the Marketing Fund to make expenditures for Franchisee which are equivalent or proportionate to its contribution, or to ensure that any particular Franchisee benefits directly *pro rata* from the placement of marketing. Franchisor agrees, however, that no marketing expenditures from the Marketing Fund will be devoted to the sale of new franchises;

2. Each FLICKO'S business offering products and services similar to the Franchised Business operated by Franchisor or its Related Entity shall make contributions to the Marketing Fund equivalent to the contributions required of Franchised Businesses within the System;

3. The Marketing Fund money may be used to meet any and all costs of maintaining, administering, directing, producing and preparing mass media marketing (including, without limitation, the cost of conducting public relations activities, conducting marketing and producing promotional brochures and other marketing materials for franchisees in the system). All sums Franchisee pays to the Marketing Fund shall be maintained in a separate account from Franchisor's other monies and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable administrative costs and overhead, if any, as Franchisor may reasonably incur in activities related to the administration or direction of the Marketing Fund and advertising programs including, without limitation, conducting market research, preparing marketing and advertising materials, and collecting and accounting for assessments for the Marketing Fund;

4. It is anticipated that all contributions to the Marketing Fund shall be expended for advertising and promotional purposes during Franchisor's fiscal year within which contributions are made. If, however, excess amounts remain in the Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of any current interest or other earnings of the Marketing Fund, next out of any accumulated earnings and finally from principal;

5. Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for advertising purposes or distributed back to franchisees; and

6. An accounting of the operation of the Marketing Fund shall be prepared annually and shall be made available to Franchisee upon request. Franchisor shall have the right to require that such annual accounting include an audit of the operation of the Marketing Fund prepared by an independent certified public accountant selected by Franchisor and prepared at the expense of the Marketing Fund.

C. A Franchisee shall spend a minimum of THREE-THOUSAND-DOLLARS (\$3,000.00) on advertising during Franchisee's first month of operation of the Franchised Business ("Grand Opening Advertising"). Such Grand Opening Advertising shall be conducted in accordance with the Manual. Franchisor shall establish guidelines for Grand Opening Advertising and shall provide such guidelines to Franchisee.

D. Franchisee is required to maintain a listing in the white pages of the local telephone directory and advertise continuously in the separate Classified or Yellow Pages of the local telephone directory. Franchisee shall maintain a Yellow Pages listing under the listing(s) deemed appropriate by Franchisor.

E. Franchisee shall not use in advertising or any other form of promotion, the copyrighted materials, trademarks, service marks or commercial symbols of Franchisor without appropriate notices which may be required by applicable laws or as Franchisor may from time to time direct including, without limitation, ©, ®, or other copyright or trademark registration notices or the designations TM or SM where applicable or an indication that the name "FLICKO'S" and the Mark are Franchisor's trade names, trademarks and service marks.

X. ROYALTY FEE

A. Franchisee shall pay to Franchisor a Royalty equal to five and one-half percent (5.5%) of Franchisee's Gross Revenues, or a minimum of twenty-five dollars (\$25) "Minimum Royalty," whichever is greater, each week. Sunday-to-Sunday shall be the applicable week for Royalty calculation purposes. All Royalties shall be paid to Franchisor from Franchisee's bank account via electronic funds transfer initiated by Franchisor on Wednesday of each week, and shall be based on the Gross Revenues of the preceding week, ending on Sunday. Franchisee will execute the Electronic Funds Transfer Agreement attached as Exhibit B, and any other documentation necessary to enable Franchisor to initiate such electronic fund transfers. Royalties shall be due and payable to Franchisor upon commencement of the Franchised business, however, Franchisor waives its right to collect the Minimum Royalty for the initial six (6) months following Franchisee's completion of the training program.

1. The term "Gross Revenues" shall be defined as all sales and other income, whether cash or credit (regardless of collection in the case of credit), arising from the operation of the Franchised Business, after deducting: any refunds given to customers in accordance with Franchisor's policies; and any sales or excise tax which Franchisee is required to collect and pay to any taxing authority.

B. Franchisee shall pay to Franchisor two-tenths of one percent (.2%) of the Franchisee's Gross Revenues which Franchisor will deposit in the Marketing Fund, pursuant to Paragraph IX. The method and time of payment will be the same as for Royalty Fees, as set forth above.

C. Franchisee shall pay to Franchisor (or any Related Entity) promptly and when due the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected, or paid by Franchisor on the account of services or goods furnished by Franchisor to Franchisee through sale, lease or otherwise, or on account of collection by Franchisor of the initial Franchise Fee, all Royalty Fees, Marketing Fund contributions, amounts due for purchases by Franchisee from Franchisor, and other amounts which Franchisee owes to Franchisor as called for by this Agreement.

D. Franchisee shall pay to Franchisor a late fee in the amount of twenty-five dollars (\$25) on each weeks Royalty or Marketing Fund payment that is not received by Franchisor within five (5) calendar days after the date the payment is due. Any payment that is not received by the Franchisor within thirty (30) days after the date the payment is due, shall bear interest at the rate of twelve percent (12%) per annum, or the highest rate allowed by law, whichever is lower, from the date the payment was due until payment is received by Franchisor.

XI. ACCOUNTING AND RECORDS

A. Franchisee shall maintain during the term of this Agreement, and shall preserve for the time period specified in the Manual, full, complete and accurate books, records and accounts in accordance with the electronic accounting system prescribed by Franchisor in the Manual, or otherwise in writing. Franchisee shall retain during the term of this Agreement and for such period of time thereafter, as required by applicable federal and state law, all books and records related to the Franchised Business including, without limitation, sales checks, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts and disbursement journals, computer spreadsheets, general ledgers and any other financial records designated by Franchisor or required by law.

B. You will supply to Franchisor on or before each Wednesday, a weekly report of sales and gross revenues, in a form prescribed by Franchisor. Franchisee will also provide Franchisor with access to any computer-based accounting programs it designates in the Manual, or otherwise in writing. Franchisor will use such access to calculate weekly Royalties and Marketing Fund Payments. Additionally, Franchisee shall, at its expense, submit to Franchisor within ninety (90) days of the end of each fiscal year during the term of this Agreement, a profit and loss statement for such fiscal year and a balance sheet for the last date of such year. Such annual statements shall be prepared and audited by an independent certified public accountant in accordance with generally accepted accounting principles applied on a consistent basis. Franchisee shall annually submit to Franchisor copies of the federal and state income tax returns for the Franchised Business at the same time such income tax returns are filed with the appropriate state and federal authorities. In addition, Franchisee shall submit copies and advise Franchisor of any proposed and final adjustments to any such income tax returns.

C. Franchisee shall submit to Franchisor such other periodic reports, forms and records as specified, and in the manner and at the time specified in the Manual or otherwise in writing.

D. Franchisee shall keep true, complete and correct records of each transaction of any activity affecting revenues and other related data, as required by Franchisor, of the Franchised Business. Franchisee may use computer hardware and software for such activities, as prescribed by Franchisor. Franchisor shall have full access to all of Franchisee's records, computer system, and related data and information by means of direct access whether in person or by telephone/modem.

E. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense, the books, records, and personal tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. Franchisor shall also have the right to verify the records of Franchisee through any other methods it elects, including, but not limited to, the use of mystery shoppers. If an inspection should reveal that Franchisor has not received any amount that is due, Franchisee shall immediately pay to Franchisor ten (10) times the amount of the understatement upon demand, with interest from the date such amount was due until paid, at the maximum rate permitted by law. In addition, Franchisee shall reimburse Franchisor for any and all reasonable costs and expenses connected with the inspection (including, without limitation, reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

XII. STANDARDS OF QUALITY AND PERFORMANCE

A. Franchisee shall comply with all requirements set forth in this Agreement, the Manual and other written policies supplied to Franchisee by Franchisor. Mandatory specifications, procedures and rules prescribed from time to time by Franchisor in the Manual or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein and shall be reasonably applied to all franchisees. All references herein to this Agreement shall include all such mandatory specifications, standards and operating procedures and rules. Franchisee shall comply with the entire System including, but not limited to, the provisions of this Paragraph XII.

B. Franchisee shall commence operation of the Franchised Business within ninety (90) days of signing this Agreement, unless otherwise agreed upon in writing by Franchisor. Prior to such commencement of operations, Franchisee shall have complied with all of Franchisor's pre-opening standards and specifications, including those related to the appearance of the Premises. If Franchisee for any reason fails to commence operation as herein provided, such failure shall be considered a default and Franchisor may terminate this Agreement as herein provided.

C. Franchisee shall maintain the condition and appearance of the Premises consistent with Franchisor's standards. Franchisee shall maintain the Premises as is from time to time required to maintain or improve the appearance and efficient operation of the Franchised Business including, but not limited to, replacement of worn out or obsolete equipment, fixtures and signs and repair of the exterior and interior of the Franchised Business. If at any time in Franchisor's judgment the general state of repair or the appearance of the Premises or its equipment, fixtures, signs or decor does not meet Franchisor's standards, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate within thirty (30) days after receipt of such notice, a good faith program to complete any required maintenance, Franchisor shall have the right, in addition to all other remedies, to enter upon the Premises and effect such maintenance on behalf of Franchisee, and Franchisee shall pay the entire costs thereof on demand.

D. Franchisee shall not make any material alterations to the Premises nor shall Franchisee make any material replacements of or alterations to the equipment, fixtures or signs of the Franchised Business without the prior written approval by Franchisor.

E. Franchisee shall offer for sale, use, sell and provide through the Franchised Business the services and products that Franchisor from time to time authorizes and will not, without Franchisor's advance written approval, offer for sale, use, sell or provide through the Franchised Business or the Premises which it occupies, any other category of products or services, or use such Premises or Franchised Business for any purpose other than the operation of the Franchised Business in full compliance with this Agreement.

F. Franchisee acknowledges:

1. Each and every detail of client service, client relations, appearance and demeanor of Franchisee and its employees is important to Franchisor and to other FLICKO'S Franchised Businesses. Franchisor shall endeavor to maintain high standards of quality and service by all FLICKO'S Franchised Businesses. To this end, Franchisee agrees to cooperate with Franchisor by maintaining such high standards in the operation of the franchise and Franchisee shall at all times give prompt, courteous and efficient service to its clients. The Franchised Business shall, in all dealings with its clients and the public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If in any situation Franchisor feels that Franchisee did not fairly handle a client complaint, Franchisor has the right to intervene and satisfy the client. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing a client of the Franchised Business.

2. Each and every detail of employee relations and service to employees is important to Franchisor and to other FLICKO'S Franchised Businesses. Franchisor shall endeavor to maintain high standards of quality and service by all FLICKO'S Franchised Businesses. To this end, Franchisee agrees to cooperate with Franchisor by maintaining such high standards in the operation of the franchise and Franchisee shall at all times give prompt, courteous and efficient service to all employees. The Franchised Business shall, in all dealings with employees, adhere to the highest standards of honesty, fair dealing and ethical conduct.

G. Franchisee shall use only such contracts, invoices and other forms as are approved by Franchisor.

H. Franchisee must purchase from Franchisor, the initial required Audio and Video Equipment and Fixtures; Computers and Software; and Signage to operate the Franchised Business. Franchisor will derive revenue from such purchase. In the event that Franchisee desires, and is approved by Franchisor, to lease such equipment through Franchisor's Affiliate, AHEAD, Inc., Franchisee will execute the Equipment Lease attached as Exhibit C. Default under the terms of said Lease will also be a default under the terms of this Agreement. Subsequent purchases or leases of approved equipment must be from Approved Suppliers, including Franchisor. Franchisor, or an Affiliate, will derive revenue from such leases.

I. Franchisor will give Franchisee a list of the Audio and Video Equipment and Fixtures; Computers and Software; and Signage that must be initially purchased from the Franchisor for use in the Franchised Business plus, in addition, and a list of approved other equipment, products, fixtures, furniture, signs, stationery, supplies and other items or services necessary to operate the Franchised Business (collectively, the “**Approved Suppliers List**”) that may be purchased from the Franchisor and/or from other third parties (collectively, the “**Approved Suppliers List**”). Franchisee is not required to purchase any such items from Approved Suppliers; however, Franchisor recommends that Franchisee do so Suppliers (it being clear understood, again, that Franchisee must purchase the specialized Audio and Video Equipment and Fixtures; Computers and Software; and Signage from the Franchisor). Franchisor, or an Affiliate, shall derive revenue from the purchase and/or lease of these items. If Franchisee does not purchase these items from an Approved Supplier, Franchisor must approve the quality of said items prior to Franchisee’s purchase. If Franchisee would like to sell or use any product, material or supply or purchase any products from a supplier not on either of these lists, Franchisee must notify Franchisor and may need to submit samples and other information to Franchisor so that Franchisor can make an informed decision as to whether the product or supplier meets Franchisor’s standards. Franchisee may be charged an amount not to exceed \$50 or the current rate as published in the Manual for the costs of Franchisor’s decision. The Franchisor’s approval process is typically completed in 30 days. Franchisor may periodically update this list.

J. Franchisee shall secure and maintain in force all required licenses, permits and certificates 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 relating to: video workshop businesses; occupational hazards and health; consumer protection; trade regulation; workers’ compensation; unemployment insurance; and withholding and payment of federal and state income taxes, social security taxes, and sales, excise, use and property taxes. Franchisee shall refrain from any advertising or promotional practice which is unethical or may be injurious to the business of Franchisor and/or other Franchised Businesses or to the goodwill associated with the Marks.

K. In the operation of the Franchised Business, Franchisee shall use only displays, labels, forms and other products and documentation imprinted with the Marks and colors as prescribed from time to time by Franchisor.

L. Franchisee (if Franchisee is a sole proprietorship), a general partner of Franchisee (if Franchisee is a partnership or general partnership), a shareholder owning twenty-five percent (25%) or more of the outstanding shares of stock in Franchisee (if Franchisee is a corporation), or a manager, member or governor of Franchisee owning twenty-five percent (25%) or more of the membership interests in Franchisee (if Franchisee is a limited liability company) shall own and operate the business. Franchisee shall participate in the day-to-day activities of the Franchised Business. The Franchised Business shall at all times be under the direct, on-premises supervision of Franchisee as owner/operator. Franchisee shall keep Franchisor informed at all times of the identity of any employee(s) acting as manager(s) of the Franchised Business. Franchisee shall, at all times, faithfully, honestly and diligently perform its obligations hereunder and shall not engage in any business or other activities that will conflict with its obligations hereunder.

M. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any investigation, action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court,

agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchised Business.

N. Franchisor may form a FLICKO'S Regional Advisory Council ("Council") when more than one (1) Franchised Business operates in any given region (the boundaries of each region will be determined in Franchisor's complete discretion). Franchisee must participate in all Council programs Franchisor approves for Franchisee's particular Council. The purposes of the Council(s) include exchanging ideas and problem-solving methods, advising Franchisor on expenditures for regional advertising and coordinating System franchisee efforts. Franchisee will pay all fees levied by the Council and Franchisor has the right to enforce this obligation. Amounts and expenditures may vary due to variations in Council participation and costs as determined by a particular Council and as Franchisor approves.

O. Franchisee shall maintain a current computer listing and database containing the name of the company, principal contact, address, fax number, telephone number and e-mail address of all business clients of the Franchised Business ("Client List"). If Franchisee defaults or elects not to renew this franchise, Franchisor or its Related Entity shall have the right to continue doing business with the established client base until the Franchised Business is sold or transferred to another franchisee.

P. Franchisee shall solicit and perform video workshop services for individuals and businesses. Franchisee is responsible for billing and collecting for its services.

Q. Franchisee must use a computer system/equipment and software meeting the specifications set forth in the Manual. Franchisee must purchase the computer system/equipment and software, meeting the specifications set forth in the Manual, from Franchisor. Franchisee will be responsible for paying the annual computer/software support costs directly to a third party supplier. Franchisee will be responsible for the costs of all reasonable upgrades and updates to the computer system/equipment and software. Franchisor may in the future introduce software into the System, requiring Franchisee to lease or purchase such software, as well as compatible hardware and network peripherals, the specifications of which will be set forth in the Manual. The amount of any such additional investment in software or computer equipment required of Franchisee is limited, as provided in Paragraph VIII.

XIII. FRANCHISOR'S OPERATIONS ASSISTANCE

A. Franchisor may from time to time advise Franchisee relative to prices for services and products offered for sale by the Franchised Business that in Franchisor's judgment constitute good business practice. Franchisee shall not be obligated to accept any such advice and shall have the sole right to determine the prices to be charged from time to time by the Franchised Business and no such advice shall be deemed or construed to impose upon Franchisee any obligation to charge any fixed, minimum or maximum price for any service or product offered for sale by the Franchised Business.

B. Upon commencement and during the operation of the Franchised Business, and during the term of this Agreement and any renewal period thereof, Franchisor shall do the following:

1. If applicable, provide to Franchisee the Approved Supplies List and Approved Suppliers Lists; however, Franchisor makes no representation or warranty that any particular approved supplier will be willing or able to sell to all franchisees;

2. Regulate quality standards in conformance with the System specifications throughout the network of Franchised Businesses;

3. Provide ongoing support for unit operations and maintenance, client service techniques and administrative procedures; and

4. Coordinate development of marketing materials and strategies for the benefit of all members of the franchise network.

C. Franchisor shall furnish Franchisee with assistance in connection with the operation of the Franchised Business as is reasonably determined to be necessary by Franchisor from time to time. Operations assistance may consist of advice and guidance with respect to:

1. Proper utilization of procedures by the Franchised Business regarding the services and products to be offered from the Franchised Business as Franchisor approves;

2. The institution of proper administrative, supervisory and general operating procedures for the effective operation of the Franchised Business;

3. Additional products and services authorized for sale from FLICKO'S Franchised Businesses;

4. Advertising and promotional programs; and

5. Ongoing research and development of new procedures, new techniques, new products, new services, new materials and other enhancements to the System.

D. Franchisor or Franchisor's representative may make periodic visits to the Franchised Business for the purpose of consultation and assistance to Franchisee in all aspects of the operation of the Franchised Business. Franchisor and Franchisor's representatives who visit the Franchised Business will prepare, for the benefit of both Franchisor and Franchisee, written reports in respect to such visits outlining any suggested changes in the operation of the Franchised Business and detailing any defaults in such operations which become evident as a result of any such visit. A copy of each such written report shall be provided to both Franchisor and Franchisee. Franchisor shall advise Franchisee of problems arising out of the operation of the Franchised Business as disclosed by reports submitted to Franchisor by Franchisee or by inspections conducted by Franchisor of the Franchised Business.

E. All of the specifications, Approved Suppliers Lists, Approved Supplies Lists and the Manual to be provided by Franchisor to Franchisee pursuant to this Agreement shall be delivered at the initial training program.

XIV. INSURANCE

A. Franchisee shall procure at its expense, and maintain in full force and effect during the term of this Agreement, insurance policies, as set forth below, protecting Franchisee, Franchisor, their officers, directors, members, partners and employees against any loss, liability, personal injury, death or property damage or expense whatsoever arising from, occurring upon or in connection with the Franchised Business, as Franchisor may reasonably require for its own and Franchisee’s protection. Franchisor shall be an Additional Named Insured in such policy or policies.

B. Such policy or policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an “A” Rating Classification as indicated in A.M. Best’s Key Rating Guide in accordance with the specifications set forth in the Manual or otherwise in writing and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manual or otherwise in writing) the following:

1. All “Risks” personal property coverage insurance on the Franchised Business and all fixtures, equipment, supplies and other property used in the operation of the Franchised Business (which coverage may include flood and/or earthquake coverage where there are known exposures to either peril, and theft insurance) for full repair as well as replacement value coverage;

2. Workers’ Compensation and Employer’s Liability insurance for Franchisee’s staff, as well as such other insurance as may be required by statute or rule of the state or county in which the Franchised Business is located and operated;

3. Commercial General Liability insurance and product liability insurance including a per premises aggregate, if more than one Premises, with the following coverages: broad form contractual liability; personal and advertising injury; products/completed operations; medical payments and fire damage liability; insuring Franchisor and Franchisee against all claims, suits, obligations, liabilities and damages, including attorneys’ fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from, or occurring in the course of, or on or about or otherwise relating to Franchisee’s property and the actions of Franchisee, its agents, employees or representatives, including General Aggregate coverage in the following limits:

<u>Recommended Coverage</u>	<u>Minimum Limits of Coverage</u>
General Aggregate.....	\$1,000,000.00
Products/Completed Operations Aggregate.....	\$1,000,000.00
Personal and Advertising Injury.....	\$1,000,000.00
Each Occurrence.....	\$1,000,000.00
Fire Damage (any one fire).....	\$50,000.00
Medical Expense (any one person).....	\$5,000.00

The amounts required herein may be modified from time to time by Franchisor to reflect inflation or future experience with claims.

4. Automobile Liability Insurance, including owned, hired and non-owned vehicle coverage, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00); and

5. Such insurance and types of coverage as may be required by the terms of any lease for the Franchised Business, or as may be required from time to time by Franchisor or by any statute or regulation.

C. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance which may be maintained by Franchisor. Within thirty (30) days of the signing of this Agreement, but in no event later than the date on which Franchisee acquires an interest in the real property from which it will operate the Franchised Business, a Certificate of Insurance showing compliance with the foregoing requirements shall be furnished by Franchisee to Franchisor for approval. Such certificate shall state that said policy or policies will not be canceled or materially altered without at least thirty (30) days prior written notice to Franchisor and shall reflect proof of payment of premiums. Maintenance of such insurance and the performance by Franchisee of the obligations under this Paragraph XIV. shall not relieve Franchisee of liability under the indemnity provision set forth in this Agreement. Minimum limits as required above may be modified from time to time, as conditions require, by written notice to Franchisee.

D. Should Franchisee, for any reason, not procure and maintain such insurance coverage as required by this Agreement, Franchisor shall have the right and authority (without, however, any obligation to do so) to procure such insurance coverage immediately and to charge same to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice. Notwithstanding the foregoing, Franchisee's failure may be considered a material default and the basis for termination of the Franchise Agreement.

XV. COVENANTS

A. Unless otherwise specified, the term "Franchisee" as used in this Paragraph XV. shall include, collectively and individually, Franchisee as defined in Paragraph XXX.

B. Franchisee covenants that during the term of this Agreement and any renewals thereof, except as otherwise approved in writing by Franchisor, Franchisee shall devote full-time energy and best efforts, to the management and operation of the Franchised Business. For purposes of this Paragraph XV., "Franchisee" includes an individual or sole proprietor who acts in the capacity of Franchisee, a shareholder of a beneficial interest of twenty-five percent (25%) or more of the securities of Franchisee (if Franchisee is a corporation), a general partner of Franchisee (if

Franchisee is a partnership), any member, manager or governor owning twenty-five percent (25%) or more of the membership interests (if Franchisee is a limited liability company).

C. Franchisee covenants that during the term of this Agreement, any renewal thereof, and for a period of two (2) years after the termination of this Agreement, regardless of the cause of the termination, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person or other legal entity:

1. Divert or attempt to divert any business or client of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;

2. Employ or seek to employ any person who is at that time employed by Franchisor or by any other Franchisee of Franchisor, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

3. Except as otherwise approved in writing by Franchisor, own, maintain, engage in or have any interest in any business (including any business operated by Franchisee prior to entry into this Agreement) specializing, in whole or in part, in providing video workshop services, or offering, selling or providing services the same as or similar to those offered, sold or provided through the System.

D. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable training, trade secrets and confidential information including, without limitation, information regarding the promotional, operational, sales and marketing methods and techniques of Franchisor and the System. Accordingly, Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person or other legal entity, own, maintain, engage in or have any interest in any business specializing, in whole or in part, in providing video workshop services, or offering, selling or providing services the same as or similar to those offered, sold or provided through the System:

1. Within the Standard Metropolitan Statistical Area, as that term is defined the U.S. Census Bureau ("SMSA"), in which the Franchised Business is located;

2. Within a radius of fifty (50) miles of the Franchised Business; or

3. Within a radius of fifty (50) miles of the location of any other business using the System, whether franchised or owned by Franchisor.

E. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. The parties have reviewed and acknowledged that the foregoing covenants are reasonable including, but not limited to, the geographical and time limitations contained therein. If all or any portion of a covenant in this Paragraph XV. is held unreasonable or unenforceable by a court or agency having valid jurisdiction in

an unappealed final decision to which Franchisor is a party, Franchisee shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Paragraph XV.

F. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Paragraphs XV.C. and XV.D. in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Paragraph XXVII.

G. Unless prohibited by law, Franchisee shall obtain from each of its employees within five (5) days after the date of this Agreement, or the date of employment of each employee, whichever is later, covenants and agreements not to compete, on such "No Compete, No Solicitation and No Disclosure" form as is provided in the Manual, or otherwise pre-approved by Franchisor. Franchisee shall forward copies of such form to Franchisor. In the event that Franchisee becomes aware of any actual or threatened violation of any such covenants and agreements by any of its employees, or former employees, Franchisee shall promptly and fully advise Franchisor in writing of all related facts known to Franchisee. Franchisee may take action to prevent or stop any such violation, as it deems appropriate. Franchisee will cooperate with Franchisor in all ways reasonably requested by Franchisor to prevent or stop such violation, including, without limitation, instituting or permitting to be instituted in the name of Franchisee any demand, suit or action which Franchisor determines to be necessary or appropriate. If Franchisor makes any such demand, the suit or action will be maintained and prosecuted at the expense of Franchisor, unless otherwise agreed.

XVI. DEFAULT AND TERMINATION

A. Franchisee may terminate this Agreement only by written notice of cancellation to Franchisor prior to Franchisor's execution of the Agreement, or upon written consent to termination by Franchisor, subject to the terms and conditions Franchisor sets forth in the written consent.

B. This Agreement shall terminate automatically (with Franchisor being under no obligation to allow Franchisee an opportunity to cure) upon delivery of notice of termination to Franchisee, if Franchisee or its owner(s), officer(s), or manager(s):

1. Fails to satisfactorily complete the training program as provided in Paragraph IV. of this Agreement;
2. Fails to promptly commence the design, construction, equipping and opening of the Franchised Business with due diligence; or fails to promptly correct any unauthorized variance from the approved plans and specifications;
3. Has made any material misrepresentation or omission in its application for the franchise;

4. Is convicted of or pleads no contest, where such plea is applicable, to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisee or the FLICKO'S Franchised Business;

5. Makes any unauthorized use, disclosure or duplication of any portion of the Manual, any trade secret or confidential information provided to Franchisee by Franchisor;

6. Abandons, fails or refuses to actively operate the Franchised Business for five (5) business days in any twelve (12) month period, unless the Franchised Business has been closed for a purpose approved by Franchisor, or fails to relocate the Franchised Business to an approved Premises within an approved period of time following expiration or termination of the lease for the Premises;

7. Surrenders or transfers control of the operation of the Franchised Business, makes an unauthorized direct or indirect transfer of the franchise or an ownership interest in Franchisee or fails or refuses to transfer the franchise or the interest in Franchisee of a deceased or disabled controlling owner thereof as herein required;

8. Submits to Franchisor, at any time during the term of the franchise, any reports or other data, information or supporting records, or takes any action, which results in an understatement of the Royalty Fee owed to Franchisor for any period, and Franchisee is unable to demonstrate that such understatement resulted from inadvertent error;

9. If Franchisee shall become insolvent or make a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee, or if Franchisee is adjudicated a bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian by Franchisee, or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction, or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee, or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed), or if execution is levied against Franchisee's Franchised Business or property, or suit to foreclose any lien or mortgage against the Premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days, or if the real or personal property of Franchisee's Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable; or

10. Materially misuses or makes an unauthorized use of the Marks or commits any act which can reasonably be expected to materially impair the goodwill associated with any Marks.

11. Defaults under the terms of any Equipment Lease Agreement, or other contract with an Affiliate of Franchisor.

C. This Agreement may be terminated by Franchisor under the procedures set forth in Paragraph XVI.D. below if Franchisee or Franchisee's owner:

1. Fails or refuses to make payments of any amounts due Franchisor or its Related Entity, for Royalty Fees, advertising contributions, purchases from Franchisor or its Related Entity or any other amounts due to Franchisor or its Related Entity;

2. Fails or refuses to comply with any other provision of this Agreement, or any mandatory specification or procedure prescribed in the Manual or otherwise in writing;

3. Fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other information or supporting records, amounts due for purchases from Franchisor or other payments due to Franchisor, or otherwise fails to comply with this Agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee; or

4. Operates the Franchised Business in violation of any health or safety law or regulation.

D. If Franchisor has reason to believe that Franchisee is in default under the terms of this Agreement, Franchisor may notify Franchisee in writing of the alleged default, after which Franchisee will have thirty (30) days from the date Franchisor's notice is received to correct such default. If the default cannot be cured within the thirty (30) day period, said period will be extended so long as Franchisee is in good faith diligently proceeding to cure the default. If the Franchisee has not cured the default within said period, and is not in good faith diligently proceeding to cure said default, Franchisor may terminate this Agreement by serving a written notice of termination upon Franchisee, which shall be effective upon delivery. This provision shall not apply to termination of the Agreement under XVI.B. above.

E. To the extent that the provisions of this Agreement provide for periods of notice less than those required by the applicable law or provide for termination, cancellation, nonrenewal or the like other than in accordance with the applicable law, such provisions shall, to the extent such are not in accordance with the applicable law, not be effective, and Franchisor shall comply with the applicable law in connection with each of these matters.

F. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights against Franchisee, Franchisor, in the event that Franchisee shall not have cured a default under this Agreement within thirty (30) days (or provided proof acceptable to Franchisor that it has made all reasonable efforts in good faith diligently proceeding to cure such default as stated in Paragraph XVI.D.) after receipt of a written notice to cure from Franchisor, may, at its option, enter upon the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default of Franchisee has been cured and that there is compliance with the requirements of this Agreement. Franchisee specifically acknowledges that a designated representative of Franchisor may take over, control and operate the Franchised Business, and that Franchisee shall pay Franchisor THREE HUNDRED DOLLARS (\$300.00) per day, or the then-current rate as published in the Manual, plus all travel expenses, room and board and other expenses reasonably incurred by such representative, so long as it shall be required by the representative to enforce compliance herewith. Franchisee further acknowledges that if, as herein provided, Franchisor temporarily operates for Franchisee the Franchised Business, Franchisee shall indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, respecting any and all acts and omissions which Franchisor may perform, or fail to perform as regards the interest of Franchisee or third parties.

XVII. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

Upon termination or expiration of this Agreement, this Agreement and all rights granted hereunder to Franchisee shall forthwith terminate, and:

A. Franchisee shall immediately cease to operate the Franchised Business under this Agreement and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former Franchisee of Franchisor;

B. Upon demand by Franchisor, Franchisee shall transfer or assign Franchisee's interest in any lease then in effect for the Premises to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

C. Franchisee shall immediately and permanently cease to use, by advertising or in any other manner whatsoever, any confidential methods, procedures and techniques associated with the System; the Marks; and any distinctive forms, slogans, signs, symbols, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, stationery, forms and any other articles which display the Marks associated with the System;

D. Franchisee shall take such action as may be necessary to cancel or transfer to Franchisor or Franchisor's designee, at Franchisor's option, any assumed name or equivalent registration which contains the name "FLICKO'S," or any Mark of Franchisor. Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

E. Franchisee shall, in the event it continues to operate or subsequently begins to operate any other business, not use any reproduction or colorable imitation of the Marks either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's rights in and to the Marks. Franchisee shall not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition, including, without limitation, any representation as to having formerly been a Franchisee of Franchisor. Franchisee shall make such alterations to the Premises (including, without limitation, the changing of the telephone or facsimile number) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business thereon subsequently operated by Franchisee or others, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose including, without limitation, removal of all distinctive physical and structural features identifying the System. In the event Franchisee fails or refuses to comply with the requirements of this Paragraph XVII., Franchisor shall have the right to enter upon the Premises without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required at the expense of Franchisee, which expense Franchisee shall pay upon demand;

F. Franchisee shall promptly pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums shall include all damages and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default;

G. Franchisee shall pay to Franchisor all damages and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the franchise herein granted in obtaining injunctive or other relief for the enforcement of any provisions of this Paragraph XVII. or Paragraph XV.;

H. Franchisee shall immediately turn over to Franchisor all customer lists, manuals, including the Manual, records, files, instructions, brochures, agreements, disclosure statements and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

I. Franchisor shall acquire right, title and interest to any signage bearing Franchisor's Marks. Franchisee hereby acknowledges Franchisor's right to access the Premises should Franchisor elect to take possession of any said signage;

J. Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration of this Agreement, to purchase for cash, except as provided in Paragraph XVII.I., any assets of the Franchised Business including any advertising materials and all items bearing Franchisor's Marks, at fair market value. If the parties cannot agree on fair market value within a reasonable time, the determination of fair market value shall be submitted to arbitration in accordance with Paragraph XXIX. of this Agreement. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement against any payment therefor;

K. Franchisee hereby acknowledges that all telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names used in the operation of the Franchised Business constitute assets of the Franchised Business and Franchisee shall execute all documents, including, but not limited to, authorization forms, prescribed by Franchisor to assign said assets upon termination or expiration of this Agreement. At termination or expiration of this Agreement, Franchisee shall assign to Franchisor or its designee, all Franchisee's right, title and interest in and to Franchisee's telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone and facsimile numbers, Internet addresses and electronic mail addresses and domain names and any regular, classified or other telephone directory listing associated with the Marks and authorize a transfer of same to or at the direction of Franchisor;

L. Franchisee shall comply with the covenants contained in Paragraph XV. of this Agreement;

M. Franchisor shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration of this Agreement, to purchase the Premises at the appraised value of the assets. If the parties cannot agree on the appraised value of the assets within a reasonable time, the determination of the appraised value of the assets shall be submitted to arbitration in accordance with Paragraph XXIX. of this Agreement. If

Franchisor elects to exercise any option to purchase as herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement against any payment therefor; and

N. All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination 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.

XVIII. TRANSFERABILITY OF INTEREST

A. This Agreement and all rights hereunder can be assigned and transferred by Franchisor and, if so, shall be binding upon and inure to the benefit of Franchisor's successors and assigns; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall:

1. At the time of such assignment, be financially responsible and economically capable of performing the obligations of Franchisor hereunder; and

2. Expressly assume and agree to perform such obligations. Specifically, but not limited to, the foregoing, Franchisee expressly agrees that Franchisor may sell its assets, Marks or System outright to a third party; may make a public offering of securities; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or entities, or be acquired by another corporation or other entity; may undertake a refinancing, recapitalization, leveraged buy out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of FLICKO'S FRANCHISE CORP. as Franchisor hereunder. Nothing contained in this Agreement shall require Franchisor to remain in the business if that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

B. This Agreement and all rights hereunder may be assigned and transferred by Franchisee and, if so, shall be binding upon and inure to the benefit of Franchisee's successors and assigns, subject to the following conditions and requirements, and Franchisor's right of first refusal as set forth herein:

1. No Franchisee, partner of Franchisee (if Franchisee is a partnership), member of Franchisee (if Franchisee is a limited liability company) or shareholder of Franchisee (if Franchisee is a corporation), without Franchisor's prior written consent, by operation of law or otherwise shall sell, assign, transfer, convey, give away or encumber to any person, firm, corporation or other entity, all or any part of its interest in this Agreement or its interest in the franchise granted hereby or its interest in any proprietorship, partnership, limited liability company or corporation which owns any interest in the franchise, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm, corporation or other entity. Franchisee may not, without the prior written consent of Franchisor, fractionalize any of the rights of Franchisee granted pursuant to this Agreement. The following restrictions on transferability also apply to any purported transfers through a shell, or through divorce or

separation proceedings. Any purported assignment of any of Franchisee's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder;

2. Franchisor shall not unreasonably withhold its consent to any transfer referenced in Paragraph XVIII.B.1. of this Agreement when requested; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of Franchisor:

a. If Franchisee is an individual or partnership and desires to assign and transfer its rights to a corporation or limited liability company:

(1) Said transferee corporation or transferee limited liability company shall be newly organized and shall agree that its activities shall be confined exclusively to acting as a FLICKO'S Franchised Business as licensed under this Agreement;

(2) Franchisee shall be and shall remain the owner of the majority stock interest of the transferee corporation or majority membership interest of the transferee limited liability company;

(3) The individual Franchisee (or, if Franchisee is a partnership, one of the partners) shall be and shall remain the principal executive officer of the transferee corporation or transferee limited liability company;

(4) The transferee corporation or transferee limited liability company shall enter into a written assignment (in a form satisfactory to Franchisor) in which the transferee corporation or transferee limited liability company assumes all of Franchisee's obligations hereunder;

(5) All shareholders of the transferee corporation or members of the transferee limited liability company shall enter into a written agreement, in a form satisfactory to Franchisor, jointly and severally guaranteeing the full payment and performance of the transferee corporation's or transferee limited liability company's obligations to Franchisor under this Agreement;

(6) Each stock certificate of the transferee corporation shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(7) The operating agreement of the transferee limited liability company and certificates of membership interests (if any) shall be in writing and shall conspicuously state that all membership interests are held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(8) No new shares of common or preferred voting stock in the transferee corporation or membership interests (of whatever nature) in the transferee limited liability company shall be issued to any person, partnership, trust, foundation, limited liability company or corporation without obtaining Franchisor's prior

written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock or membership interests;

(9) All accrued money obligations of Franchisee to Franchisee's suppliers, Franchisor, its Related Entity or its assignees, shall be satisfied prior to assignment or transfer;

b. If the transfer, other than such transfer as is authorized under Paragraph XVIII.B.2.a. of this Agreement, if consummated alone or together with other related previous, simultaneous or proposed transfers, would have the effect of transferring control of the franchise licensed herein to someone other than an original signatory of this Agreement:

(1) The transferee(s) shall be of good moral character and reputation and shall have a good credit rating and competent business qualifications reasonably acceptable to Franchisor. Franchisee shall provide Franchisor with such information as Franchisor may require to make such determination concerning each such proposed transferee;

(2) The transferee(s) or such other individual(s) as shall be the actual manager of the franchise shall have successfully completed and passed the training course then in effect for franchisees, be scheduled to attend the next such training session, or shall have otherwise demonstrated to Franchisor's satisfaction, sufficient ability to operate the unit being transferred;

(3) The transferee(s) including all shareholders, officers, directors, members, managers, governors and partners of the transferee(s) shall jointly and severally execute any or all of the following, at Franchisor's sole discretion and as Franchisor shall direct:

(a) This Agreement and other standard ancillary agreements with Franchisor on the current standard forms being used by Franchisor, except that an additional Franchise Fee shall not be charged; and/or

(b) A written assignment from Franchisee in a form satisfactory to Franchisor, wherein transferee shall assume all of Franchisee's obligations hereunder.

(4) Approval by Franchisor of any transfer by Franchisee of the franchise herein granted or any of Franchisee's rights under this Agreement shall in no way be deemed a release by Franchisor of Franchisee's obligations pursuant to this Agreement. Consent by Franchisor to a transfer of the franchise shall not constitute or be interpreted as consent for any future transfer thereof;

(5) The term of said agreements required pursuant to Paragraph XVIII.B.2.b.(3) shall be for the unexpired term of this Agreement and for any extensions or renewals as provided herein;

(6) If transferee is a limited liability company or corporation:

(a) Each stock certificate of the transferee corporation shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(b) The operating agreement of the transferee limited liability company and certificates of membership interests (if any) shall be in writing and shall conspicuously state that all membership interests are held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement;

(c) No new shares of common or preferred voting stock in the transferee corporation shall be issued to any person, partnership, trust, foundation, limited liability company, corporation or other entity without obtaining Franchisor's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the stock; and

(d) All shareholders of the transferee corporation or members of the limited liability company shall enter into a written agreement, in a form satisfactory to Franchisor, guaranteeing the performance by the transferee corporation or transferee limited liability company of all obligations under this Agreement.

(7) All accrued money obligations of Franchisee to Franchisee's suppliers, to Franchisor, its Related Entity or assignee(s) of Franchisor, shall be satisfied prior to assignment or transfer, and Franchisee shall not be in default under the terms of this Agreement;

(8) Franchisee, prior to the transfer, shall execute a general release on any and all units it may have an interest, in a form prescribed by Franchisor, of any and all existing claims against Franchisor, its Related Entity, and their respective officers, directors, agents and employees, except such claims as are not permitted to be waived under applicable law;

(9) Franchisee may be required to execute a guarantee as to payment of the outstanding balance of accounts receivable.

3. Franchisee shall have fully paid and satisfied all of Franchisee's obligations to Franchisor, and the transferee or Franchisee shall have fully paid to Franchisor a transfer fee equal to fifty percent (50%) of the Franchise Fee being charged by Franchisor for start-up franchises at the time of the transfer, for the training, supervision, administrative costs, overhead, counsel fees, accounting and other Franchisor expenses in connection with the transfer. This transfer fee shall not apply to an assignment of interest to a corporation or limited liability company under Paragraph XVIII.B.2.a. of this Agreement; and

4. No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the franchise granted thereby, shall relieve Franchisee and the shareholders, members or partners participating in any transfer of the obligations of the covenants contained in Paragraph XV., except where Franchisor shall expressly authorize in writing.

C. Franchisee must promptly give Franchisor written notice whenever Franchisee has received an offer to buy Franchisee's franchise so as to enable Franchisor to exercise its rights under Paragraph XX. below. Franchisee must also give Franchisor written notice simultaneously with any offer to sell the franchise made by, for or on behalf of such Franchisee. Franchisee shall indemnify and hold harmless Franchisor for Franchisee's failure to comply with this Paragraph XVIII.

D. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business or in any communication media, any form of advertising, or list with any business, real estate broker, agent or attorney any information relating to the sale of the Franchised Business or the rights granted hereunder.

XIX. DEATH OR INCAPACITY OF FRANCHISEE

A. In the event of the death or incapacity of an individual Franchisee, or any partner of a Franchisee which is a partnership, any member of a limited liability company owning twenty-five percent (25%) or more of the membership interest of a franchise which is a limited liability company, or any shareholder owning twenty-five percent (25%) or more of the capital stock of a franchise which is a corporation, the heirs, beneficiaries, devisees or legal representatives of said individual, partner, member or shareholder shall, within one hundred eighty (180) days of such event:

1. Apply to Franchisor for the right to continue to operate the franchise for the duration of the term of this Agreement and any renewals hereof, which right shall be granted subject to Paragraph XVIII.B. (except that no transfer fee shall be required); or

2. Sell, transfer or convey Franchisee's interest in compliance with the provisions of Paragraphs XVIII.B. and XX. of this Agreement; provided, however, in the event a proper and timely application for the right to continue to operate has been made and rejected, the one hundred eighty (180) days to sell, transfer or convey shall be computed from the date of said rejection. For purposes of this Paragraph XIX., Franchisor's silence on an application through the one hundred and eighty (180) days following the event of death or incapacity shall be deemed a rejection made on the last day of such period.

B. In the event of the death or incapacity of an individual Franchisee, or any partner, member or shareholder of a Franchisee which is a partnership, limited liability company or corporation, where the aforesaid provisions of Paragraph XIX. have not been fulfilled within the time provided, all rights franchised to Franchisee under this Agreement shall, at the option of Franchisor, terminate forthwith and Franchisor shall have the option to purchase the Franchised Business assets and the premises in accordance with Paragraphs XVII.J. and XVII.M. of this Agreement.

C. For purposes of this Agreement, "incapacity" shall be defined as the inability of Franchisee to operate or oversee the operation of the Franchised Business on a regular basis by reason of any continuing physical, mental or emotional incapacity, chemical dependency or other limitation. Any dispute as to the existence of an incapacity as defined herein shall be resolved by majority decision of three (3) licensed medical physicians practicing in the SMSA in which the Franchised Business is located, with each party selecting one (1) physician, and the two (2) physicians so

designated selecting the third physician. The determination of the majority of the three (3) physicians shall be binding upon the parties and all costs of making said determination shall be borne by the party against whom it is made.

XX. RIGHT OF FIRST REFUSAL

If Franchisee or its owners propose to sell the Franchised Business (or its assets) or part or all of the ownership of Franchisee, Franchisee or its owners shall obtain and deliver a bona fide, executed written offer or proposal to purchase or proposal to merge same to Franchisor, which shall, for a period of twenty (20) days from the date of delivery of such offer or proposal, have the right, exercisable by written notice to Franchisee or its owners, to purchase the Franchised Business (or its assets) or such ownership for the price and on the terms and conditions contained in such offer or proposal, provided that Franchisor may substitute cash for the fair market value of any form of payment proposed in such offer or proposal. If Franchisor does not exercise this right of first refusal, the offer or proposal may be accepted by Franchisee or its owners, subject to the prior written approval of Franchisor, as provided in Paragraph XVIII. hereof, provided that if the sale fails to close within six (6) months of the date thereof, Franchisor shall again have the right of first refusal herein described. Should a transferee Franchisee assume the rights and obligations under this Agreement, such transferee Franchisee shall likewise be subject to Franchisor's right of first refusal under terms and conditions as set forth herein.

XXI. OPERATION IN THE EVENT OF ABSENCE, INCAPACITY OR DEATH

In order to prevent any interruption of the Franchised Business which would cause harm to said business and thereby depreciate the value thereof, Franchisee authorizes Franchisor, in the event that Franchisee is absent or incapacitated by reason of illness or death and is not, therefore able to operate the Franchised Business, in the sole judgment of Franchisor, to operate said business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. Nothing contained herein shall create an obligation on the part of Franchisor, nor shall Franchisor's operation of the Franchised Business create an obligation on the part of Franchisor to so operate the Franchised Business. All monies from the operation of the business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the business, including reasonable compensation and expenses for Franchisor's representative which is currently THREE HUNDRED DOLLARS (\$300.00) per day plus expenses, shall be charged to said account. If Franchisor temporarily operates for Franchisee the Franchised Business, Franchisee shall indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all claims arising from the operation of the Franchised Business including, without limitation, the acts and omissions of Franchisor and its representative.

XXII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. This Agreement does not constitute Franchisee as an agent, legal representative, joint venturer, partner, employee or servant of Franchisor for any purpose whatsoever. Franchisee may not represent to third parties that it is an agent of Franchisor and it is understood between the parties hereto that Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on behalf of Franchisor.

B. The relationship between Franchisor and Franchisee, is strictly that of a franchisor and franchisee, and Franchisee shall be deemed to be an independent contractor and shall control the manner and means of operation of the Franchised Business and exercise complete control over and responsibility for all labor relations and the conduct of Franchisee's agents and employees including, but not limited to, the day-to-day operations of the Franchised Business and all of Franchisee's employees. Franchisee and Franchisee's agents and employees shall not: (i) be considered or held out to be agents or employees of Franchisor; or (ii) negotiate or enter any agreement or incur any liability in the name of or on behalf of, or that purports to bind, the Franchisor. No action taken by Franchisee's agents or employees shall be deemed to be actions obligating the Franchisor. Franchisee acknowledges that nothing herein shall create a fiduciary relationship with the Franchisor.

C. Franchisee recognizes that Franchisor has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the Franchised Business and that the amount of profit or loss resulting from the operation of the Franchised Business will be directly attributable to the performance of Franchisee and its staff.

D. Franchisee shall prominently display, by posting of a sign within public view, on or in the Premises and vehicles, a statement that clearly indicates that the Franchised Business is independently owned and operated by Franchisee as a FLICKO'S Franchised Business of Franchisor and not as an agent thereof.

E. The Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Franchised Business or its assets, or upon the Franchisor in connection with sales made, services performed or business conducted by Franchisee.

F. Franchisee shall defend at its own cost and indemnify and hold harmless Franchisor, its shareholders, directors, officers, employees and agents, from and against any and all losses, costs, expenses (including attorneys' fees), damages and liabilities, however caused, resulting directly or indirectly from or pertaining to the use, condition or construction, equipping, decorating, maintenance or operation of the Franchised Business. Such losses, claims, costs, expenses, damages and liabilities shall include, but are not limited to, those arising from latent or other defects in the Franchised Business, whether or not discoverable by Franchisor, and those arising from the death or injury to any person or arising from damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation, whether or not such losses, claims, costs, expenses, damages or liabilities were actually or allegedly caused wholly or in part through the active or passive negligence of Franchisor or any of its agents or employees or resulted from any strict liability imposed on Franchisor or any of its agents or employees.

G. Franchisor shall not, by virtue of any approvals, advice or services provided to Franchisee, assume responsibility or liability to Franchisee or any third parties to which Franchisor would not otherwise be subject.

XXIII. NON-WAIVER

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms hereof. Waiver

by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by the party sought to be charged and shall not affect or impair Franchisor's right with respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance or omission of Franchisor to exercise any power or rights arising out of any breach or default by Franchisee of any of the terms, conditions or covenants hereof, affect or impair Franchisor's rights nor shall such constitute a waiver by Franchisor of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by Franchisor of any payment(s) due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

XXIV. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, delivered by messenger or delivery services, or mailed by certified mail return receipt requested, and shall be effective when received or confirmation of receipt is acknowledged to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: FLICKO'S FRANCHISE CORPORATION., INC.
Attention: William B. Bellis
2209 Heather Lane
Louisville, Kentucky 40218

Courtesy Copy to: Alan T. Slyn, Esq.
310 West Liberty Street
Louisville, Kentucky 40202

Notices to Franchisee: _____

Courtesy Copy to: _____

Any notice by certified mail shall be deemed to have been given at the date and time of mailing.

XXV. COST OF ENFORCEMENT OR DEFENSE

A. The successful party shall be entitled to recover reasonable attorneys' fees, experts' fees, court costs and all other expenses of litigation in any action or arbitration proceeding arising out of or related to this Agreement.

B. If Franchisor becomes a party to any litigation or arbitration proceeding concerning this Agreement, the Franchised Business, or the Premises by reason of any act or omission of Franchisee or its authorized representatives and not by any act or omission of Franchisor or any act or omission of its authorized representatives, or if Franchisor becomes a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding, Franchisee shall be liable to Franchisor for reasonable attorneys' fees, experts' fees and court costs incurred by Franchisor in such arbitration, litigation or proceeding regardless of whether such arbitration, litigation or proceeding or action proceeds to judgment. In addition, Franchisor shall be entitled to add all collection, interest, attorneys' fees and experts' fees to its proof of claim in any insolvency proceedings filed by Franchisee.

C. In no event shall Franchisor or Franchisee be liable to the other party for punitive damages in any action arising out of or relating to this Agreement, or any breach, termination, cancellation or nonrenewal thereof.

XXVI. ENTIRE AGREEMENT

This Agreement, any exhibit attached hereto and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements. No other representation has induced Franchisee to execute this Agreement, and there are no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, which are of any force or effect with reference to this Agreement or otherwise. No change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

XXVII. SEVERABILITY AND CONSTRUCTION

A. Each paragraph, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any paragraph, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not part of this Agreement.

B. Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee and such of their respective successors as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement.

C. Franchisee shall be bound by any promise or covenant imposing the maximum duty permitted by law which is contained within the terms of any provision hereof, as though it were separately stated in and made a part of this

Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

D. All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

E. This Agreement may be executed in multiple copies, and each copy so executed shall be deemed an original.

F. The recitals set forth in this Agreement are specifically incorporated into the terms of this Agreement and hereby constitute a part thereof.

XXVIII. APPLICABLE LAW

A. THIS AGREEMENT AND THE RIGHTS OF THE PARTIES HEREUNDER TAKE EFFECT UPON ACCEPTANCE AND EXECUTION BY FRANCHISOR AND SHALL BE INTERPRETED AND CONSTRUED UNDER THE LAWS OF KENTUCKY, WHICH LAWS SHALL PREVAIL IN THE EVENT OF ANY CONFLICT OF LAW, EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15, U.S.C. SECTIONS 1051 ET SEQ.).

B. FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT IS ENTERED INTO IN JEFFERSON COUNTY, KENTUCKY, AND THAT ANY ACTION SOUGHT TO BE BROUGHT BY EITHER PARTY, EXCEPT THOSE CLAIMS REQUIRED TO BE SUBMITTED TO ARBITRATION, SHALL BE BROUGHT IN THE APPROPRIATE STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN JEFFERSON COUNTY, KENTUCKY, AND THE PARTIES DO HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSES OF CARRYING OUT THIS PROVISION.

C. NO RIGHT OR REMEDY CONFERRED UPON OR RESERVED TO FRANCHISOR OR FRANCHISEE BY THIS AGREEMENT IS INTENDED TO BE, NOR SHALL BE DEEMED, EXCLUSIVE OF ANY OTHER RIGHT OR REMEDY HEREIN OR BY LAW OR EQUITY PROVIDED OR PERMITTED, BUT EACH SHALL BE CUMULATIVE OF EVERY OTHER RIGHT OR REMEDY.

D. NOTHING HEREIN CONTAINED SHALL BAR FRANCHISOR'S RIGHT TO OBTAIN INJUNCTIVE RELIEF AGAINST THREATENED CONDUCT THAT WILL CAUSE IT LOSS OR DAMAGES UNDER THE USUAL EQUITY RULES, INCLUDING THE APPLICABLE RULES FOR OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS.

XXIX. ARBITRATION

A. Any claim by either party arising out of or relating to this Agreement, or any breach thereof, shall be submitted to arbitration in Jefferson County, Kentucky, in accordance with the rules of the American Arbitration Association and judgment upon the award may be entered in any court having jurisdiction thereof. Nothing contained herein shall, however, be construed to limit or to preclude either party from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief as such party deems to be necessary or appropriate to compel the other party to comply with its obligations hereunder or to protect the Marks, copyrights, trade secrets or confidential information of Franchisor. This arbitration provision shall be deemed to be self-executing and in the event that either party fails to appear at any properly noticed arbitration proceeding, award may be entered against either party notwithstanding its failure to appear.

B. Nothing herein contained shall bar the right of either party to seek and obtain temporary injunctive relief from a court of competent jurisdiction in accordance with applicable law against threatened conduct that will cause loss or damage, pending completion of the arbitration.

C. It is the intent of the parties that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a classwide basis.

XXX. “FRANCHISEE” DEFINED AND GUARANTY

As used in this Agreement, the term “Franchisee” shall refer to FLICKO'S Franchisees and shall include all persons who succeed to the interest of the original Franchisee by permitted transfer or operation of law and shall be deemed to include not only the individual or entity defined as “Franchisee” in the introductory paragraph of this Agreement, but shall also include all partners of the entity that executes this Agreement, if said entity is a partnership, all shareholders, officers and directors of the entity that executes this Agreement, if said entity is a corporation and all members of the entity that executes this Agreement in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, officers, directors and members of the entity that signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. All partners of the entity that executes this Agreement, if said entity is a partnership, and all shareholders, officers and directors of the entity that executes this Agreement, if said entity is a corporation and all members, managers and governors of the entity that executes this Agreement in the event said entity is a limited liability company, shall execute the Guarantee and Assumption of Obligations attached hereto as Exhibit B and made a part hereof.

XXXI. FORCE MAJEURE

Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, governmental action or other causes beyond the reasonable control of the parties, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay. This clause shall neither apply nor result in an extension of the term of this Agreement.

XXXII. CAVEAT

The success of the business venture contemplated to be undertaken by Franchisee by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent businessperson, and his or her active participation in the daily affairs of the business as well as other factors. Franchisor does not, in this Agreement or otherwise, make any representation or warranty, express or implied, as to the potential success of the Franchised Business venture.

XXXIII. ACKNOWLEDGMENTS

A. Franchisee represents and acknowledges that it has received, read and understood this Agreement and Franchisor's Uniform Franchise Offering Circular; and that Franchisor has fully and adequately explained the provisions of each to Franchisee's satisfaction; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement.

B. Franchisee acknowledges that it has received a copy of this Agreement and the attachments thereto, at least five (5) business days prior to the date on which this Agreement was executed. Franchisee further acknowledges that Franchisee has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, at least ten (10) business days prior to the date on which this Agreement was executed.

C. Franchisee affirms and agrees that Franchisor may sell its assets, its Marks or its System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buy out or other economic or financial restructuring; and, with regard to any or all of the above sales, transfers and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of FLICKO'S FRANCHISE CORP. as Franchisor hereunder.

D. Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee has either consulted with such advisors or has deliberately declined to do so.

E. Franchisee acknowledges that the covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on Franchisee, since Franchisee has other considerable skills, experience and education which afford Franchisee the opportunity to derive income from other endeavors.

F. Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, with Franchisee expressly acknowledging that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

G. FRANCHISEE UNDERSTANDS AND ACKNOWLEDGES THAT ALL REPRESENTATIONS OF FACT CONTAINED HEREIN ARE MADE SOLELY BY FRANCHISOR. ALL DOCUMENTS, INCLUDING FRANCHISOR'S FRANCHISE AGREEMENT AND UNIFORM FRANCHISE OFFERING CIRCULAR AND ALL EXHIBITS THERETO, HAVE BEEN PREPARED SOLELY IN RELIANCE UPON REPRESENTATIONS MADE AND INFORMATION PROVIDED BY FRANCHISOR, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED NOR RELIED ON ANY REPRESENTATIONS OF FRANCHISOR, ITS OFFICERS OR ITS DIRECTORS THAT ARE INCONSISTENT WITH THE STATEMENTS MADE IN THIS AGREEMENT OR THE UNIFORM FRANCHISE OFFERING CIRCULAR. FRANCHISEE FURTHER AGREES TO RELEASE FROM ALL LIABILITY AND INDEMNIFY AND HOLD HARMLESS THE PREPARER OF ANY AND ALL SUCH FRANCHISE AGREEMENTS, OFFERING CIRCULARS AND EXHIBITS THERETO FROM ANY AND ALL LOSS, COSTS, EXPENSES, (INCLUDING ATTORNEYS' FEES), DAMAGES AND LIABILITIES RESULTING FROM ANY REPRESENTATIONS AND/OR CLAIMS MADE BY FRANCHISOR IN SUCH DOCUMENTS.

H. FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZES THAT, LIKE ANY OTHER BUSINESS, AN INVESTMENT IN AN AHEAD FRANCHISED BUSINESS INVOLVES BUSINESS RISKS AND THAT THE SUCCESS OF THE VENTURE IS LARGELY DEPENDENT UPON THE BUSINESS ABILITIES AND EFFORTS OF FRANCHISEE.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed, sealed and delivered this Agreement in multiple copies the day and year first above written.

ATTEST:

FLICKO'S
FRANCHISE CORPORATION., INC.:

By: _____

Title: _____

ATTEST/WITNESS:

FRANCHISEE:

By: _____

Title: _____

By:

Title:

EXHIBIT A TO THE FRANCHISE AGREEMENT

GUARANTEE AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTEE AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by: _____

In consideration of and as an inducement to the execution of that certain Franchise Agreement of even date herewith ("Agreement") by FLICKO'S FRANCHISE CORPORATION, INC. ("Franchisor"), each of the undersigned hereby personally and unconditionally (1) guarantees to Franchisor and its successors for the term of the Agreement and thereafter as provided in the Agreement, that _____

_____ ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) shall personally be bound by and personally liable for the breach of each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guarantee shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

PERCENTAGE OF OWNERSHIP IN
FRANCHISE

_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

EXHIBIT B TO THE FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

Company Name: _____

Company ID Number: _____

I (we) hereby authorize FLICKO'S Franchise Corporation Inc., hereinafter called COMPANY to initiate debit entries, and to initiate, if necessary, credit entries and adjustments for any debit entry in error, to my (our) Account indicated below and the depository named below, hereinafter called DEPOSITORY, to debit the same to such account. This authorization is for 5.7% or a minimum of \$25 after 6 months. I (We) understand that the entry will occur on Wednesday of each week.

DEPOSITORY NAME: _____ **BRANCH:** _____

CITY: _____ **STATE:** _____ **ZIP:** _____

TRANSIT/ABA NO.: _____

ACCOUNT NUMBER: _____

This authority is to remain in full force and effect until COMPANY or DEPOSITORY have received oral or written notification from me (or from either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable time to act on it, but in no event will it occur later than three (3) business days prior to scheduled date of the transaction. I (we) must confirm the oral notification in writing within fourteen (14) days after it was made or it ceases to be binding.

If the transaction amounts vary in excess of the above specified limits, COMPANY will ten (10) days prior to transfer date, mail written notice to the amount to be debited from my (our) account and the scheduled date of transfer. I (We) will receive prior written notice of the amount to be debited from my (our) account in time for me (for either of us) to stop payment of the debit entry by notifying the DEPOSITORY at least three (3) days prior to the date on which the account is to be charged.

In the event of an erroneous charge to the account, I (we) will send written notice to the DEPOSITORY within sixty (60) days of the first statement of account on which the error appeared.

NAME(s): _____ **DATE:** _____

SSN(s): _____

SIGNATURE: _____

SIGNATURE: _____

EXHIBIT C TO THE FRANCHISE AGREEMENT

MAP OF TERRITORY

FLICKO'S
FRANCHISE CORPORATION, INC.:

FRANCHISEE:

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____