

EXHIBIT 2

Franchise Agreement with Appendices A (Trademarks), B (Designated Territory), C (Addendum to Lease Agreement), D (Personal Guaranty), E (Telephone Assignment Agreement), F (Minimum Performance Standards), G (Undertakings of General Manager), H (Electronic Transfer of Funds Authorization), I (Ownership and Management Addendum), J-1 (Promissory Note), J-32(Guaranty) K (Acknowledgement Addendum to Franchise Agreement) L (Equipment and Office Package) M (Tax and ACH Services Fee Schedule)

**AMCHECK NATIONAL
FRANCHISE CORPORATION**

FRANCHISE AGREEMENT

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APPENDICES

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AMCHECK FRANCHISE AGREEMENT

This Franchise Agreement is made this ____ day of _____, 20__ between AMCHECK, an Arizona corporation (“we” or “us”), and _____, a(n) _____ (“franchisee” or “you”). If the franchisee is a corporation, partnership, limited liability company, or other legal entity, certain provisions to this Agreement also apply to its owners.

SECTION 1 RECITALS

- A. Our affiliated company, Simplified Business Solutions, Inc. (“SBS”), has developed a unique system for using certain methods, standards and specifications relating to the development and operation of a business offering payroll, human resource and employee benefit and administration services to employers (the “System” as further defined below in Section 2);
- B. SBS owns the AMCHECK Trademark and other trademarks used in connection with the operation of a AMCHECK business (collectively, the “Trademarks” as further defined below in Section 2);
- C. SBS has granted to us the right to sublicense the right to use the System and Trademarks in the operation of an AMCHECK Franchised Business (as defined below in Section 2); and
- D. You desire to develop and operate an AMCHECK Franchise Business, subject to the terms and conditions expressly stated in this Agreement.

In consideration of the foregoing and the covenants and consideration below, you and we agree as follows:

SECTION 2 DEFINITIONS

For purposes of this Agreement, the terms below have the following definitions:

- A. “Franchise Business” means the payroll, human resource and employee benefit and administration services business you develop and operate pursuant to this Agreement. The Franchise Business does not include any other business.
- B. “General Manager” means the individual who (i) personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the Franchise Business, (ii) meets our prior business or management experience requirements, and (iii) does not participate in the active operation or management of any business other than the Franchise Business. You must have at all times during the operation of the Franchise Business a General Manager who has successfully completed our General Manager training program. The General Manager must be identified on the Ownership and Management Addendum attached to this Agreement.
- C. “Gross Sales” includes all revenues and income from any source derived or received by you from, through, by or on account of the operation of your business whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise less the amount of any documented refunds, charge-backs, credit and allowances given in good faith to customers by you and sales tax receipts or similar tax receipts if separately stated when the customer is charged and actually paid to the appropriate taxing authority.

- D. "Manuals" mean our confidential "Operations Manual" and any other written materials provided to you relating to services and products offered as part of the Franchise Business or the financial management, equipment, facility and operations of the Franchise Business.
- E. "Minority Owner" means any person other than the "Principal Owner" who directly or indirectly owns an interest in the franchise.
- F. "Principal Owner" means the natural person who (i) directly or indirectly owns a 51% or greater interest in the franchise when the franchise is a corporation, limited liability company, partnership, or a similar entity and (ii) has the authority to, and does in fact, actively direct the business affairs in regard to the Franchise Business, is responsible for overseeing the general management of the day-to-day operations of the Franchise Business and has authority to sign all contracts and commercial documents.
- G. "Standards" mean our AMCHECK policies, procedures, methods, techniques and management systems.
- H. "System" means the AMCHECK System, which consists of distinctive methods, assistance and training in the operation, management and promotion of the Franchise Business with unique sales and marketing programs, customized data base management and other standards, procedures and techniques used in connection with the Franchise Business, all of which we may modify and change from time to time.
- I. "Trademarks" mean the AMCHECK Service Mark and design that has been registered with the United States Patent and Trademark Office and the trademarks, service marks and trade names set forth on Appendix A, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Franchise Business. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Franchise Business from time to time.

SECTION 3 GRANT OF LICENSE

The following provisions control with respect to the license granted hereunder:

- A. **Rights Granted.** We grant to you, subject to the terms and conditions of this Agreement, the right and license to engage in and conduct the AMCHECK Franchise Business identified by the Trademarks that we authorize for your use for the territory consisting of the area set forth in Appendix B (the "Designated Territory").

You accept the license and undertake the obligation to operate your Franchise Business in the Designated Territory faithfully, honestly and diligently, using the System in compliance with our Standards for the System. You must begin operating your Franchise Business within 120 days of the date we sign this Agreement, although you may not commence operations of your Franchise Business until you successfully complete our training program and we have approved the commencement date of operations. You agree to maintain and operate your Franchise Business under your active and continuous supervision and management. You also agree at all times to actively promote the services offered by the Franchise Business and will use your best efforts to develop, cultivate and expand the market for these services within your Designated Territory.

The license granted is limited to the right to operate the Franchise Business only within the Designated Territory and may not be used elsewhere or at any other location by you, except as we

may authorize from time to time in writing and under the terms and conditions set forth in the Manuals or otherwise in writing. You may not in any way operate any other competitive or related business as further noted in subparagraph 11.D.

If we do permit you to service clients outside the Designated Territory, we reserve the right to require you to cease servicing those clients, and you agree to work diligently to assist in transferring the service needs of those clients immediately to the entity that will continue to service those clients. You will receive no compensation with respect to those clients located outside the Designated Territory.

You do not have the right to subfranchise, sublicense, assign or transfer your rights under this Agreement, except as specifically provided in this Agreement. Further, this Agreement in no way grants you any right to acquire an additional license to operate another Franchise Business.

- B. Territory Rights; Our Reservation of Rights. During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, we and our affiliates will not establish either a company-owned or franchised payroll, human resources and employee benefits and administration service business within the Designated Territory under the AMCHECK Trademark, although we and our affiliates or another franchisee may from time to time service particular clients in the Territory in the event you are unable or unwilling for whatever reason to meet the service needs of those clients, all as set forth in the Manuals. Furthermore, we reserve the right to acquire, be acquired by or merge with franchisors or non-franchisors that operate in competitive or similar lines of business to the Franchise Business. However, we may not grant them the right to use the Trademarks, and we shall not share the fees you charge or any other AMCHECK confidential information we acquire as a result of our franchise relationship with you.

We and our affiliates also reserve the right in the Designated Territory to establish other company-owned or franchised businesses other than a payroll, human resources and employee benefits and administration service business or to distribute products or services through alternative channels of distribution using trademarks other than the AMCHECK Trademark. If we and our affiliates do establish any other company-owned or franchised business in the Designated Territory you recognize and agree that we and our affiliates may use the AMCHECK Trademarks in connection with any advertising or marketing of that other business as part of our desire to market all the services that may be available to customers either through your Franchise Business or the other businesses.

- C. Minimum Performance Standards. In order to meet our goals for market penetration and for the growth of the AMCHECK System, you agree to be bound by the Minimum Annual Performance Standards as set forth in Appendix F. As further described in Appendix F, the annual minimum performance standards will be established for each year of the term of this Agreement. The Minimum Performance Standards will be based on market potential for your Designated Territory, the growth rate of other AMCHECK businesses and other relevant factors.

You understand that meeting the annual Minimum Annual Performance Standards does not suggest that you are sufficiently penetrating the market in the Territory or that the Franchise Business will be successful. Rather, the Minimum Annual Performance Standards are threshold minimum amounts.

SECTION 4 TRADEMARK STANDARDS AND REQUIREMENTS

You acknowledge and agree that the Trademarks are SBS's property and it has licensed the use of the Trademarks to us with the right to sublicense to others. You further acknowledge that your right to use the Trademarks is specifically conditioned upon the following:

- A. Trademark Ownership. The Trademarks are SBS's valuable property, and it is the owner of all right, title and interest in and to the Trademarks and all past, present or future goodwill of the Franchise Business and of the business conducted within the Designated Territory that is associated with or attributable to the Trademarks. Your use of the Trademarks will inure to SBS's benefit. You may not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest SBS's rights in any of the Trademarks or the goodwill associated with the Trademarks, including any use of the Trademarks in a derogatory, negative, or other inappropriate manner in any print, electronic or other media.
- B. Trademark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with the Franchise Business except those set forth in Appendix A or except as we otherwise direct in writing. You may use the Trademarks only in connection with such products and services as we specify and only in the form and manner we prescribe in writing. You must comply with all trademark, trade name and service mark notice requirements.
- C. Franchise Business Identification. You must use the name AMCHECK as the trade name of the Franchise Business and you may not use any other mark or words to identify the Franchise Business without our prior written consent. You may not use the word AMCHECK or any of the other Trademarks as part of the name of your corporation, partnership, limited liability company or other similar entity. You may use the Trademarks on various materials, such as invoices, order forms, contracts, business cards and stationery, provided you (i) accurately depict the Trademarks on the materials as we describe in writing, (ii) do not use the Trademarks in connection with any other trademarks, trade names or service marks unless we specifically approve in writing prior to such use, and (iii) make available to us, upon our request, a copy of any materials depicting the Trademarks. We may require you to post signage that includes an acknowledgment that you independently own and operate the Franchise Business and that the AMCHECK Trademark is owned by SBS and your use is under a license we have issued to you. In addition, we may require that your invoices, order forms and other materials noted above include the same or similar acknowledgement. You also must make any necessary filings under state laws to reflect this status.
- D. Litigation. In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we or SBS will control all litigation and we or SBS have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware or any challenge or claim arising out of your use of any Trademark. You must take reasonable steps, without compensation, to assist us with any action we or SBS undertake. We and SBS have no liability to you for any third party claims challenging our rights to the Trademarks. We and SBS will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement.
- E. Changes. You may not make any changes or substitutions to the Trademarks unless we direct in writing. We reserve the right to change the Trademarks at any time. Upon receipt of our notice

to change the Trademarks, you must cease using the former Trademarks and commence using the changed Trademarks, at your expense.

SECTION 5 TERM AND RENEWAL

The following provisions control with respect to the term and renewal of this Agreement:

- A. **Term**. The initial term of this Agreement is 10 years, unless this Agreement is sooner terminated in accordance with Section 14. The initial term commences on the date that you begin operation of the Franchise Business (the "Opening Date"). In the event this Agreement is not renewed and expires, you must comply fully with the terms and conditions set forth in Section 15.
- B. **Renewal Term and Conditions of Renewal**. You may renew your license for two 10-year renewal terms, provided that you meet the following conditions for each renewal:
1. You have given us written notice of your decision to renew at least 9 months but not more than 12 months prior to the end of the expiring term.
 2. You sign our then-current form of franchise agreement, the terms of which may differ from this Agreement, including higher fees (certain terms of the franchise agreement also may be modified to reflect that the agreement is for a first or second renewal term rather than an initial term with no renewal rights beyond the second renewal); however, the Designated Territory only may be changed by mutual agreement of the parties.
 3. You comply with the provisions of Section 6, and otherwise update and upgrade your Franchise Business to our satisfaction at the time of renewal, including the adoption and implementation of new methods, programs and techniques for the AMCHECK business.
 4. You are not in default of this Agreement or any other agreement pertaining to the franchise granted, and you have satisfied all monetary and material obligations on a timely basis during all periods this Agreement is in effect.
 5. If leasing the premises for the Franchise Business, you have renewed the lease and have provided written proof of your ability to remain in possession of the premises throughout the renewal and/or the lease is written with a 6-month notice clause.
 6. You comply with our then-current franchisee qualification and training requirement.
 7. You pay to us a renewal fee equal to one-half of the then-current Initial Franchise Fee.
 8. You and your guarantors execute a general release of claims in a form we prescribe.

If you do not meet any of the conditions listed above no later than 3 months prior to the expiration of the then-ending term, we have no obligation to renew this Agreement and may provide you 30 days prior written notice of our intent not to renew this Agreement, which notice will set forth the reasons for our refusal to renew.

SECTION 6 PREMISES STANDARDS AND PREOPENING OBLIGATIONS

You acknowledge and agree that we have the right to establish, from time to time, quality standards regarding the business operations of the AMCHECK business to protect the distinction, goodwill and

uniformity symbolized by the Trademarks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions:

- A. Franchise Business Facility; Lease. You are responsible for leasing a site which shall have adequate office facilities and otherwise meets our site selection and building criteria. We must consent to the site in writing (the "Authorized Location"). You may not use the Authorized Location for any purpose other than the operation of a AMCHECK Franchise Business during the term of this Agreement. We make no representations or guarantees concerning the success of the Franchise Business at the Authorized Location or in the Designated Territory.

You may not open and operate your Franchise Business until we have notified you in writing that you have satisfied your pre-opening obligations as set forth in this Section 6 and we have approved your Opening Date. We are not responsible or liable for any of your pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date.

Your lease must contain the Lease Addendum attached as Appendix C. You must provide us with the lease and the Lease Addendum for the Franchise Business, and receive our prior written approval of the lease before you execute it. We, however, have no responsibility for the lease. It is your sole responsibility to evaluate, negotiate and enter into the lease for the Franchise Business premises.

- B. Construction; Maintenance. You must construct the premises for your Franchise Business in accordance with our current approved specifications and standards for AMCHECK businesses pertaining to equipment, signage, fixtures, and design and layout of the premises, and as further set forth in the Manuals. You also must obtain all necessary permits, licenses and architectural seals and comply with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the Americans with Disabilities Act.

You must thereafter keep and maintain the Franchise Business, including all equipment, in good working order and repair and in accordance with the Standards as set forth in the Manuals. If following an inspection of your Franchise Business we determine that the Business does not meet our Standards, we will notify you of what is required to bring it into compliance and you shall bring it into compliance within 30 days or such longer period as we set forth in writing.

- C. Relocation. If you need or decide to relocate the Authorized Location because of growth, condemnation, destruction, or expiration or cancellation of your lease for reasons other than a breach of your lease, we will grant you authority to do so at a site acceptable to us that is within your Designated Territory; provided that the new facility is ready to open and operate in conjunction with the move from the original premises and is constructed in accordance with our then-current Standards. You also must comply with subparagraph 7.G and keep your Franchise Business open and operating during any relocation.

You do not have the right to relocate the Authorized Location in the event you lose the right to occupy the Franchise Business premises because of the cancellation of your lease due to your breach, rather the cancellation of your lease due to your breach is grounds for immediate termination under subparagraph 14.B.2.

- D. Signage. You must display and use approved signage with our Trademarks (including logo) at your Authorized Location. You must keep all signage in good condition at all times and repair or replace any signage that we determine does not meet our then current standards.

SECTION 7 OPERATIONS STANDARDS AND REQUIREMENTS

You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity. The following provisions control with respect to operations:

- A. Operating Procedures. You must adopt and use as your continuing operational routine the Standards described in our Manuals. We will revise the Manuals and these Standards periodically to meet changing conditions of operation or for other reasons stated in subparagraph 7.K below. You must operate the Franchise Business in a manner that reflects favorably at all times on the Trademarks. You must not engage at any time in any deceptive, misleading or unethical practice or conduct or any other act that may have a negative impact on our reputation and the goodwill of the System and the Trademarks. Any required Standards exist to protect our interests in the System and the Trademarks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

You acknowledge having received one copy of the Manuals on loan from us for the term of this Agreement. The Manuals at all times remain our sole property. You must at all times treat the Manuals, and the information they contain, as secret and confidential, and must follow any provisions in the Manuals regarding the care, storage and use of the Manuals in order to maintain such information as secret and confidential. You must not at any time copy, duplicate or otherwise reproduce any part of the Manuals, without our prior written consent. We may from time to time update and revise the contents of the Manuals and you expressly agree to comply with each new or changed requirements. You must at all times insure that your copy of the Manuals is kept current and up to date, and in the event of any dispute as to the contents of said Manuals, the terms of the master copy of the Manuals that we maintain is controlling. You acknowledge and agree that the Manuals and other system communications may only be available on our Intranet Site or other online or computer communications. If any part or all of the Manuals is lost, stolen or destroyed, you must notify us immediately.

- B. Products and Services. We require you to offer payroll, human resources, and ~~employee benefits~~ and administration services in connection with the operation of your Business. You may offer and provide only those products and services that we have approved in writing. The approved products and services may be identified by us in the Manuals or otherwise in writing. Your offer and delivery of these products and services must meet our Standards, which we may modify from time to time.
- C. Vendors and Suppliers. You must purchase from approved vendors and suppliers all equipment, supplies, products and services that we determine meet our standards and specifications of quality required to protect the valuable goodwill and uniformity symbolized by and associated with the Trademarks and Business. You acknowledge that we may designate a single source of supply and that we or an affiliate may be that source. For instance, the initial computer software, as well as a variety of office supplies and sales brochures, must be purchased from us. In addition, we are the only approved vendor of tax filing and ACH services. We will provide and update you from time to time with a written list of the approved equipment, products and services, which list will include approved suppliers for many of the items. **ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED PRODUCTS.**

D. Computer System; Software. You must purchase and use any computer system that we develop or select for the Franchise Business, and all future updates, supplements and modifications (the "Computer System"). The Computer System may include distributed networks or an AMCHECK hosted system and all hardware and software used in the operation of the Franchise Business, including programs used to record, analyze and report customer information, sales, labor and tax information. The computer software package developed for use in the Franchise Business may include proprietary software. You may be required to license the proprietary software from us, an affiliate or a third party. You also may be required to pay a software licensing or user fee in connection with your use of the proprietary software or a seat license fee for distributed networks or an AMCHECK hosted system. All right, title and interest in the software will remain with the licensor of the software. The computer hardware component of the Computer System must conform to specifications we develop. We reserve the right to designate a single source from which you must purchase components or all of the Computer System. You acknowledge and agree that we will have full and complete access, including on-line access, to information and data entered and produced by the Computer System. You may only use and download software which we designate or approve in writing. You will be liable for all damage and problems resulting from the use or downloading of any unauthorized software. We have established a national "1-800" telephone number and you must pay for the reasonable charges associated with it.

E. Inspections. We or our authorized representatives have the right to enter your Franchise Business at all reasonable times during the business day, without being guilty of trespass or any other tort, for the purpose of making periodic inspections, taking photographs, and interviewing employees to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your building and equipment, and to review and copy records related to the Franchise Business.

You must cooperate fully with such inspections by rendering assistance as we or our representatives may request. Any failure of an inspection will be a default under this Agreement. You will take such steps as necessary to immediately and diligently correct any deficiencies detected during such inspections. In the event you fail to refuse to correct such deficiencies, then in addition to any of our other rights and remedies, and in those jurisdictions where self-help is permitted, we will have the right to enter upon the premises of the Franchise Business without being guilty of trespass or any other tort for the purpose of making any such corrections that may be required at your expense.

F. Period of Operation. Subject to any contrary requirements of local law, your Franchise Business must be opened and operated during the hours and days as prescribed in the Manuals, which in any event shall not be less than Monday through Friday each week from 8:30 a.m. to 5:30 p.m. Any variance from this provision must be authorized by us in writing. During business hours, you must answer the telephones in person and not with a voicemail message. You acknowledge and agree that if your Franchise Business is closed for a period of 2 consecutive days or 5 or more days in any 12-month period without our prior written consent (excepting statutory holidays), such closure constitutes your voluntary abandonment of the Franchise Business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement. Acts of God, war, strikes, riots or other force majeure cause preventing you temporarily from complying with the foregoing will suspend compliance for the duration of such interference.

G. Confidential Information. You, the Principal Owner, Minority Owners, and the General Manager may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate the Franchise Business. For purposes of this

Agreement, "Confidential Information" means information contained in the Manuals or otherwise communicated to you in writing, verbally or through the internet or other online or computer communications, and any other knowledge or know-how concerning the methods of operation of the Franchise Business. Any and all Confidential Information, including, without limitation, proprietary equipment, products, services, methods, procedures, pricing, specifications, processes, techniques and other data, may not be used for any purpose other than operating the Franchise Business. We require that you obtain non-compete and nondisclosure agreements in a form satisfactory to us from the Principal Owner, any Minority Owners, the General Manager and other employees. You must provide executed copies of these agreements to us within 5 days of appointment. You must also comply with employee screening standards such as background checks and assessment profiles as more fully described in the Manuals.

- H. Compliance with Law; Licenses and Permits. You must maintain at all times your premises and conduct your Franchise Business operations in compliance with all applicable federal, state and local laws, regulations, codes and ordinances. You must secure and maintain in force all required licenses, permits and certificates relating to your Franchise Business.

You acknowledge that you are an independent business and responsible for control and management of your Franchise Business, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters.

You must notify us in writing within 3 days of any claim, litigation, proceeding or governmental notice that arises from or affects the operation or financial condition of your Franchise Business.

- I. Participation in Web Sites or Other Online Communications. You must participate, at your expense, in our AMCHECK web site on the internet, our intranet system or other online communications as we may require. We have the right to determine the content and use of our web site and intranet system and will establish the rules under which franchisees may or must participate. You may not separately register any domain name containing any of the Trademarks or operate a separate website that is in any way connected to the Franchise Business. We retain all rights relating to our web site and intranet system and may alter or terminate our web site or intranet system. Your general conduct on our web site and intranet system or other online communications and specifically your use of the Trademarks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our web site or intranet system may be considered Confidential Information, including access codes and identification codes. Your right to participate in our web site and intranet system, or otherwise use the Trademarks or System on the internet or other online communications, will terminate when this Agreement expires or terminates. You shall use and download on your computer only software which has been designated or authorized by us in writing. If you use or download any unauthorized software, you will be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided in this Agreement. You will comply with all email and computer use standards set forth in the Manuals.
- J. System Modifications. You acknowledge and agree that we have the right to modify, add to or rescind any requirement, standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and technological innovations and other changes as we deem appropriate. You must comply with these modifications, additions or rescissions at your expense.

K. Customer Lists and Information. You must provide us within 3 business days of our written request up-to-date customer lists, copies of customer invoices, and information in the form and medium we prescribe. We reserve the right to compile data, access information, and produce reports by accessing your computer records. We have the right to contact the customers to ascertain your quality of service, the level of customer satisfaction, and other information we may wish to obtain. We own the customer lists and license you to use them during the term of this Agreement. You may not use the customer lists or information for any purpose whatsoever other than in the normal conduct of your Franchise Business. You may not sell, loan or give the customer lists to anyone without our prior written permission. Every 6 months during the term of the Agreement, as well as upon termination or expiration of this Agreement, you must promptly deliver to us a complete list of current and former customers, said customer's contracts, including name, telephone number, complete mailing address, type of service, and other customer information in a form we prescribe.

You must respond to any customer complaint within 3 hours after receipt of the complaint or such shorter period of time as may be provided in the complaint. You must submit a copy of your written response to us.

L. National Accounts. You agree to strictly follow the policies and procedures with respect to National Accounts as set forth in the Manual. We also will provide you with information in order to service National Accounts in your Designated Territory in compliance with the terms of our agreement with the National Account. Your failure to service the National Account in accordance with all applicable terms and conditions will be a default of your obligations under this Agreement. We reserve the right to charge you a fee or require you to pay commissions for the generation of National Account leads. For purposes of this Agreement, "National Account" means any customer with which we have executed a National Account Agreement and which has locations in the designated territories of more than one AMCHECK business (corporate or franchised) and which we designate as a National Account.

M. Suggested Pricing Policies. We may, from time to time, make suggestions to you with regard to your pricing policies. Except as to National Accounts, you have the sole and exclusive right to set the minimum prices you charge for the services offered at your Franchised Business. It is furthermore understood and agreed that any list or schedule of prices furnished to you by us may, unless otherwise specifically stated as to the maximum price, be treated as a recommendation only and failure to accept or implement any such suggestion may not in any way affect the relationship between you and us. We do have the right to establish maximum prices.

As it relates to National Accounts, we have the right to establish, to the maximum extent permitted by law, the price to be charged by you for services provided to National Accounts. We also have the right to establish National Account programs whereby we sell or provide services to the National Account and you, in turn, sell or provide your services to us at prices established by us and serve as our agent in servicing the account, as more fully set forth from time to time in our National Accounts Manual.

N. Operation of the Franchise Business by Us. In order to prevent any interruption of the Franchise Business or any injury to the goodwill and reputation of the Franchise Business that could depreciate the value thereof, and without waiver of any other rights or remedies we may have under this Agreement, you hereby authorize us to temporarily operate the Franchise Business for your account under any of the following circumstances: (i) your General Manager or Principal Owner is absent or incapacitated by reason of illness or death and you are not, therefore, in our sole judgment, able to operate the Franchise Business in accordance with the terms and

conditions of this Agreement; or (ii) upon the happening of some event which affects the General Manager or Principal Owner and which interferes with the operation of said Franchise Business. In the event that we should operate the Franchise Business under this subparagraph, we shall not be obligated to do so for a period more than 90 days. All revenues from the operation of the Franchise Business during such period shall be kept in a separate account and the expenses of the Franchise Business, including reasonable compensation and expenses for our representatives, shall be charged to said account. If we elect to temporarily operate the Franchise Business on your behalf for the reasons stated above, you agree to indemnify and hold us harmless from any and all claims arising from our acts and omissions.

SECTION 8 PERSONNEL AND SUPERVISION STANDARDS

The following provisions and conditions control with respect to personnel, training and supervision:

- A. **Supervision.** You must have a full-time General Manager at all times during the term of this Agreement. The Principal Owner and General Manager may be the same person but if they are not, both of them must be readily and continuously available to us and insure that the Franchise Business is operated in accordance with the terms and conditions of this Agreement, although this in no way relieves you of your responsibilities to do so. The Principal Owner and General Manager must attend and successfully complete all required training, as set forth in subparagraphs 8.B and 8.C. Your General Manager also must execute and comply with the attached Appendix G. In the event the General Manager is replaced, the replacement must attend and successfully complete all required training at the next training class with an available spot at your expense.
- B. **Training.** You must comply with all of the training requirements we prescribe for the Franchise Business. The Principal Owner and General Manager must attend training and complete training to our satisfaction. The training requirements may vary depending on the experience of the Principal Owner and General Manager or other factors specific to the Franchise Business. You understand that this Agreement will not become effective until you complete our initial training requirements. We will not charge a separate training fee for the first two persons you send to our training program, although you are responsible for all meal, travel, lodging or other expenses that your attendees incur. In addition, we may charge you \$1,000 per person for the training of more than two persons. In the event you are given notice of default as set forth in subparagraphs 14.A and B and the default relates, in whole or in part, to your failure to meet any operational Standards, we have the right to require as a condition of curing the default that you, the Principal Owner and the General Manager, at your expense, comply with the additional training requirements we prescribe. Any new Principal Owner or General Manager must comply with our training requirements within a reasonable time as we specify. Under no circumstances may you permit management of the Franchise Business's operations on a regular basis by a person who has not successfully completed to our reasonable satisfaction all applicable training we require.
- C. **Ongoing Training.** We may require the Principal Owner, General Manager, and other key employees of the Franchise Business to attend and successfully complete, at your expense, ongoing training at a place we designate for new methods, programs, techniques or special projects regarding the System or the Franchise Business. We may charge reasonable tuition and materials fees for these ongoing training programs.
- D. **Staffing.** You will employ a sufficient number of competent and trained employees to ensure efficient service to your customers. All employees must wear professional business attire as more

fully described in the Manuals. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever.

You agree that the reputation and success of the AMCHECK business is dependent upon the confidence of employers in us, our franchisees and their employees and the quality of the products and services offered. You therefore must not hire or use in the operation of the Franchise Business any person who has been convicted of any of the crimes or offenses which we may list from time to time in the Manuals. You must conduct all screenings, background checks and assessment profiles as we prescribe from time to time.

- E. Attendance at Meetings. The Principal Owner and General Manager must attend, at your expense, all annual conventions. In addition, the General Manager must attend, at your expense, all other mandatory meetings relating to new operational procedures or programs, training, franchise business management, sales or sales promotion, or similar topics.

SECTION 9 MARKETING, ADVERTISING AND PROMOTION

You agree to actively promote your Franchise Business, to abide by all of our marketing, advertising and promotion requirements and to comply with the following provisions:

- A. Marketing Fund. You must pay to us a Marketing Fee as set forth in subparagraph 10.C. All Fees will be placed in an Marketing Fund that we own and manage. The Marketing Fund is not a trust or escrow account or a separate bank account, and we have no fiduciary obligation to franchisees with respect to the Marketing Fund. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. Because of the methods used, we are not required to spend a prorated amount on each franchise business or in each advertising market. We have the right to make disbursements from the Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns, as well as payment to outside vendors and maintenance of the national 1-800 telephone number. The disbursements may include payments to us for the expense of administering the Marketing Fund, including overhead, accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions. Although the Marketing Fund is intended to be of perpetual duration, we reserve the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies therein have been expended for sales, marketing, advertising and/or promotional purposes. We will make available upon request an unaudited summary of the expenditures made from the Marketing Fund.
- B. Monthly Marketing Requirement; Approved Marketing Materials. Commencing in your 4th month of operation, you are required to spend a minimum of 5% of your Gross Sales on approved business development activities in your Territory. Your Monthly Marketing Requirement can be spent on a variety of corporate programs which we develop, describe and make available to you, or other local business development activities initiated by you that we approve. Upon our request, you must provide us with itemization and proof of marketing and an accounting of the monies spent for approved local marketing. You must use only such marketing materials as we furnish, approve or make available, and the materials must be used only in the manner as we prescribe. You may develop marketing materials for your own use, at your own cost. You must submit samples of the materials for our approval. You may not use such marketing unless you receive our prior written approval. We will not unreasonably withhold approval of your marketing materials if they are factually accurate and current, dignified, and in good condition

and accurately depict the AMCHECK Trademarks. The marketing materials will be deemed approved if we do not disapprove or comment within 10 business days of receipt.

- C. Yellow Pages. You must advertise in your local Yellow Pages and you must use the design and placement services of our approved vendor, if we require. We must approve the size and content of your Yellow Pages advertisement.
- D. Initial Business Development and Marketing. You must conduct initial business development and marketing activities during your initial ramp-up period (defined as weeks 1 to 13 in business) in accordance with our recommendations and guidelines.

SECTION 10 FEES, REPORTING AND AUDIT RIGHTS

You must pay the fees described below and comply with the following provisions:

- A. Initial Franchise Fee. You must pay to us an Initial Franchise Fee of \$_____ which is payable as follows: (i) \$_____ on the date you sign of this Agreement, and (ii) the balance in accordance with the Promissory Note attached as Appendix J-1. The Initial Franchise Fee is fully earned upon the date you sign this Agreement and is in consideration for our expenses incurred and services rendered in granting you the franchise rights. In partial consideration of your Initial Franchise Fee, we provide you with an equipment and office package as further described in Appendix L. The Initial Franchise Fee is nonrefundable.
- B. Royalty Fee. In addition to the Initial Franchise Fee, during the full term of this Agreement and in consideration of the rights granted to you, you must pay to us as a monthly Royalty Fee an amount equal to the greater of 8.5% of Gross Sales or \$500 per month. If you do not meet your Minimum Performance Standards for a performance period, as set forth in Appendix F, then you must pay us an additional Royalty fee for that period. The additional royalty Fee is 8.5% of the difference between the Minimum Performance Standard and your actual Gross Sales for the performance period (the "Shortfall"). The Shortfall.Royalty Fee is due within 30 days of the end of the period.
- C. Marketing Fee. You must pay to us a monthly Marketing Fee in an amount equal to 2.5% of Gross Sales. The fees are not held by us in trust and become our property to be spent in accordance with Section 9 of this Agreement.
- D. Tax and ACH Service Fees. You must pay us or our designated vendor for the Tax and ACH Services which you offer to your customers. Attached as Appendix M is the list of Services and fees as of the date of this Agreement. You acknowledge and agree that the services and fees are subject to change upon 30 days written notice.
- E. Computations and Remittances. Except for the Initial Franchise Fee, you must compute all amounts due and owing at the end of each month's operation and remittance for the amounts must be made to us on or before the 15th day of each month for the previous month. In the event any payments are due on a national holiday, payment shall be due on the first business day following the holiday. You must certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances. You waive any and all existing and future claims and offset rights against any amounts due under this Agreement, which amounts you must pay when due. Your obligation to pay all amounts due is absolute and unconditional. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any

amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you. We will not be bound by any restrictive endorsement or designation on any payment you make. Further, if you are delinquent in the payment of any amounts owed to us, we have the right to require you to prepay estimated Royalty Fees and Marketing Fees.

- F. Electronic Transfer of Funds. You must sign a credit card or electronic transfer of funds authorization (attached as Appendix H) to authorize and direct your bank or financial institution to transfer electronically, on a monthly basis, directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this subparagraph.
- G. Interest Charges; Late Fees. Any and all amounts that you owe to us or to our affiliates will bear interest calculated on a daily basis at the rate of 18% annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual until paid. In addition to interest charges, you must pay to us a service charge of \$50 for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we do not receive the payment on or before the date due; or (ii) there are insufficient funds in your bank account to collect the payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty. It is only to compensate us for increased administrative and management costs due to late payment. Interest and service charges are in addition to any other remedies we may have for your failure to comply with your obligations.
- H. Financial Planning and Management. You must utilize such computerized bookkeeping, reporting and accounting systems as we approve (including the fiscal year, chart of accounts and reporting periods we designate). You must keep books and records and submit reports for the Franchise Business as we periodically require, including but not limited to, an un-audited annual income statement and tax return, which must be submitted to us within 90 days of each fiscal year end. You must sign the statement and tax return attesting that they are true and accurate. We also may require you to submit certified financial statements for any period of any fiscal year.

The records that you are required to keep for your Franchise Business must be maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records and reports for not less than seven years. You must allow us electronic and manual access to any and all records relating to your Franchise Business.

- I. Monthly Reports; Audit Rights. You must submit a statement of your Gross Sales, together with a calculation of the Royalty Fee and Marketing Fee, on a monthly basis. The report is due on or before the 15th day of each month for the previous month. The report must include, but not be limited to, the following information for the preceding period: (i) amount of Gross Sales, the computation of the Royalty Fee and the Marketing Fee; (ii) a list of new customers and a report of other activity as we may specify; (iii) if we request, copies of your most recent sales tax return, sales summary and monthly balance sheet and statement of profit and loss; (iv) if requested by us to verify your Gross Sales, all such books and records as we may require under our audit policies published from time to time.

We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Franchise Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your customers, suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of your Gross Sales, Royalty Fees or Marketing Fees or a variance of 3% or more from data reported to us in respect to any other item that is material to the computation of fees or to the analysis of the operation, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Sales, Royalty Fees or Marketing Fees at any time, or if a subsequent audit or evaluation conducted within the 2-year period reveals any understatement of your Gross Sales, Royalty Fees or Marketing Fees or a variance of 3% or more from data reported to us in respect to any other item that is material to the computation of fees or to the analysis of the operation, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately.

We will keep your financial books, records and reports confidential, unless the information is requested by tax authorities or used as part of a legal proceeding or where your information is grouped with similar information from other franchise business to produce shared results like high-low ranges or average gross sales or expenses on a system-wide or regional basis.

SECTION 11 YOUR OTHER OBLIGATIONS; NONCOMPETE COVENANTS

You agree to comply with the following terms and conditions:

- A. **Payment of Debts.** You agree to pay promptly when due: (i) all payments, obligations, assessments and taxes due and payable to us, our affiliates, vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with the Franchise Business and also an amount equal to any tax imposed on us with respect to your payments to us under this Agreement, unless that tax is credited against income tax otherwise payable by us; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with the Franchise Business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of the Franchise Business. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf and you agree promptly to reimburse us on demand for any such payment.
- B. **Indemnification.** You hereby waive all claims against us for damages to property or injuries to persons arising out of the operation of your Franchise Business. You must fully protect, indemnify and hold us (and our owners, directors, officers, successors and assigns) and our affiliates (and their owners, directors, officers, successors and assigns) harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Franchise Business (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred.

- C. Insurance. You must purchase and maintain in full force and effect, at your expense and from a company we accept, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must include, at a minimum: (i) special/causes of loss coverage forms (sometimes called "All Risk coverage") on the Franchise Business and all equipment, supplies and other property used in the operation of the Franchise Business, for full repair and replacement value of the equipment and improvements, including full coverage for loss of income resulting from damage to the Franchise Business without any co-insurance clause, except that an appropriate deductible clause is permitted; (ii) business interruption insurance covering a minimum 12 months loss of income, including coverage for our Royalty Fees with us named as a loss payee with respect to those fees; (iii) comprehensive general liability insurance, including product liability insurance, with minimum limits of \$1,000,000 per occurrence and \$1,000,000 aggregate; (iv) motor vehicle liability insurance, including owned, hired and non-owned vehicle coverage with a minimum combined single limit of \$1,000,000 per claim; (v) workers' compensation and employer's liability insurance covering all of your employees; (vi) umbrella liability insurance which also includes employers liability and automobile liability, with minimum limits of \$1,000,000 per occurrence; (vii) errors and omissions insurance; (viii) other such insurance coverages or amounts as required by law or other agreement related to the Franchise Business.

We and any affiliates we designate must be named additional insureds on all liability policies. The required insurance coverage must commence as of the date the lease has been signed for your Authorized Location. You must deliver to us at commencement and thereafter annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this subparagraph. The insurance certificate must show our status as an additional insured (as noted in (viii) above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the AMCHECK system, standards of liability and higher damage awards. The procurement and maintenance of insurance does not relieve you of any liability under your indemnity requirements under this Agreement. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice.

- D. Non-compete Covenants. You agree to the following non-compete covenants:

1. Unless otherwise specified, the term "you" as used in this subparagraph 11.D includes, collectively and individually, your spouse, the Principal Owner, any Minority Owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you, as of the date of this Agreement or any time thereafter during the term of this Agreement. You must obtain from your General Manager and other individuals identified in the preceding sentence a signed non-compete agreement (with confidentiality and non-disclosure obligations) in a form satisfactory to us that contains the non-compete provisions of this subparagraph 11.D.

2. You covenant that during the term of this Agreement you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, (i) own, manage, operate, maintain, engage in, consult with or have any interest in any business, other than the one authorized by this Agreement, which provides payroll, human resource services, insurance brokerage services and employee benefit and administration

services or any other business which provides services that may be related or similar to those provided by the Franchise Business; or (ii) divert or attempt to divert any business or customer away from the Franchise Business or to any competitor or to perform, directly or indirectly, any other act that threatens the goodwill associated with the Trademarks and the System.

3. You covenant that you will not, for a period of one year after the expiration or termination of this Agreement, regardless of the cause of termination, or within one year of the sale of the Franchise Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, (i) own, manage, operate, maintain, engage in, consult with or have any interest in any business which provides payroll human resource services, insurance brokerage services, employee benefit and administration services or in any other business which provides services that may be related or similar to the Franchise Business, which business is located within the designated territory or within five miles of the Designated Territory or the location of any other AMCHECK business, whether the business is owned by a franchisee, us or one of our affiliates; or (ii) divert or attempt to divert any business or customer away from the Franchise Business or to any competitor or to perform, directly or indirectly, any other act that threatens the goodwill associated with the Trademarks and the System.

4. You agree that the length of time in subparagraph 3 above will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

SECTION 12 TRANSFER OF FRANCHISE

You agree that the following provisions govern any transfer or proposed transfer:

A. Transfers. We have entered into this Agreement with specific reliance upon the Principal Owner's financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of the Franchise Business. Further, the rights and duties set forth in this Agreement are personal to you. Consequently, neither your interest in this Agreement nor in the Franchise Business may be transferred or assigned to or assumed by any other person or entity (the "assignee"), in whole or in part, unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with subparagraph 12.F, and if we do not exercise such right, unless our prior written consent is obtained, the transfer fee provided for in subparagraph 12.C is paid, and the transfer conditions described in subparagraph 12.D are satisfied. Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, assignment, bequest, gift or other encumbrance, or any arrangement pursuant to which you turn over all or part of the daily operation of the business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee will be considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section 12.

1. Any change or any series of changes in the percentage of the franchisee entity owned, directly or indirectly, by the Principal Owner which results with the Principal Owner owning less than 51% of the franchisee entity; or

2. For purposes of this subparagraph 12.A, a pledge or seizure of any of your ownership interests or the ownership interests in the Principal Owner, which we have not approved in advance in writing.

In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in subparagraph 12.F, and if we do not exercise such right, must apply for and obtain our consent to the transfer, pay the transfer fee provided for in subparagraph 12.C, and satisfy the transfer conditions described in subparagraph 12.D. In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you. Further, even if an individual transfer of a 5% or more ownership interest does not trigger the transfer conditions set forth in subparagraph 12.D, you still must receive our prior written approval to the transfer of the 5% or more ownership interest and pay the appropriate transfer fee in accordance with our written policies, and the individual acquiring the ownership interest must sign a personal guarantee.

You may not place in, on or upon the location of the Franchise Business, or in any communication media or any form of advertising, any information relating to the sale of the Franchise Business or the rights under this Agreement, without our prior written consent.

- B. Consent to Transfer. We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Paragraph 12 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in subparagraph 12.F must be made by submission of our form of application for consent to transfer and a completed franchise business evaluation form, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement and your most recent fiscal year end financial statements) or other required information. The application must indicate whether you or the Principal Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer shall be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void and will provide us with the right to terminate this Agreement without an opportunity to cure as set forth in subparagraph 14.B.2.
- C. Transfer Fee. You must pay to us a \$20,000 transfer fee at the time you submit an application for consent to transfer. The transfer fee is nonrefundable even if, for any reason, the proposed transfer does not occur, in which case we will return the transfer fee less our costs in reviewing the proposed transfer.
- D. Conditions of Transfer. We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:
1. Assignee Requirements. The assignee (i) must meet all of our then-current requirements for new franchisees as an owner/operator of the Franchise Business, including educational, managerial, business and financial standards; and must have one individual who qualifies as the Principal Owner for the Franchise Business; (ii) must have sufficient equity capital to

operate the Franchise Business; and (iii) must not have any other interest in a business competitive with the AMCHECK business.

2. Payment of Amounts Owed. All amounts owed by you to us or any of our affiliates, your suppliers or any landlord for the Franchise Business premises, or upon which we or any of our affiliates have any contingent liability, must be paid in full.

3. No Default. You must not be in default of any provision of this Agreement or any other agreement with us or our affiliates or suppliers.

4. Reports. You must have provided all required reports to us in accordance with subparagraphs 10.G and H.

5. Franchise Agreement. At our option, the assignee must sign (i) a written assignment agreement assuming and agreeing to perform all of the franchisee obligations under this Agreement or (ii) our then standard form of Franchise Agreement, together with any ancillary agreements we may require, for the term ending on the expiration date and with such renewal term as provided by this Agreement. The then standard form of Franchise Agreement may contain different terms and conditions, including higher or additional fees.

6. Guarantee. In the case of an installment sale for which we have consented to, you or the Principal Owner retaining a security interest or other financial interest in this Agreement or the business operated there under, you or the Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be. In addition, the Principal Owner and all persons having an ownership interest in the new franchisee entity also must sign a personal guarantee.

7. General Release. You, the Principal Owner and each guarantor must sign a general release releasing us and our affiliates of all claims arising out of or relating to this Agreement, the Franchise Business or the parties' business relationship, with a separate agreement maintaining the obligations of nondisclosure, non-compete and indemnification, all in the form we designate.

8. Training. The assignee and its general manager must, at your or the assignee's expense, comply with the training requirements of subparagraph 6.E and upon the terms and conditions we may reasonably require, which may include the imposition of a reasonable training fee.

9. Financial Reports and Data. We have the right to require you to prepare and furnish to assignee and/or us such financial reports and other data relating to the Franchise Business and its operations as we deem reasonably necessary or appropriate for assignee and/or us to evaluate the Franchise Business and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning the Franchise Business and proposed transfer without being held liable to you, except for intentional misstatements made to an assignee. Any information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Franchise Business and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

- E. Death, Disability or Incapacity. If any individual who is the Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as the Principal Owner, such person or entity must apply for our consent under subparagraph 12.B, comply with the training requirements of subparagraph 8.B, pay the applicable transfer fee under subparagraph 12.C, and satisfy the transfer conditions under subparagraph 12.D, as in any other case of a proposed transfer, all within 180 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Franchise Business still must be operated in accordance with the terms and conditions of this Agreement. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee will be payable to us and we will not have a right of first refusal as set forth in subparagraph 12.F. If, however, the heir or successor-in-interest does not satisfy our transfer conditions, the executor, administrator or personnel representative has an additional six months to effectuate a transfer to another third party who meets the transfer conditions as set forth herein.
- F. Right of First Refusal. If you or the Principal Owner propose to transfer or assign this Agreement or any interest herein or in the Franchise Business, in whole or in part to any third party, including, without limitation, any transfer contemplated by subparagraph 12.E or any transfer described in subparagraph 12.A, you first must offer to sell to us such interest. In the event of a bona fide offer from a third party, you must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you of the terms of the offer. The offer must stipulate all aspects of the sale of the Franchise Business as follows: (i) total offer price; (ii) terms and conditions of the sale; (iii) value of determined assets; (iv) goodwill; and (v) any other considerations in the operation of the Franchise Business.

In the event the proposed transfer results from a change in control of the Franchise or the Principal Owner under subparagraphs 12.A.1 through 12.A.3, or your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, you first must offer to sell to us your interest in this Agreement and the furniture and fixtures, and any leasehold interest used in the operation of your Franchise Business. Unless otherwise agreed to in writing by us and you, the purchase price for our purchase of assets in the event of a transfer that occurs by a change in control or insolvency or bankruptcy filing will be established by a qualified appraiser selected by the parties. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If the parties cannot agree upon the selection of such an appraiser, a Judge of the United States District Court for the District in which the Authorized Location is located will appoint one upon petition of either party. You or your legal representative must deliver to us a statement in writing incorporating the appraiser's report and all other information we have requested.

We have 30 days from our receipt of the statement setting forth the third-party offer or the appraiser's report and other requested information to accept the offer by delivering written notice of acceptance to you. Our acceptance of any right of first refusal will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any non-cash consideration included in the offer. If the parties cannot agree on the reasonable equivalent in cash within a reasonable time, we shall designate an independent appraiser, and his determination will be final. If we fail to accept the offer within the 30-day period, you will be free for 60 days after such period to effect the disposition described in the statement delivered to us provided such transfer is in accordance with this Section 12. You may effect no other sale or assignment of you, this Agreement or the business without first offering the same to us in accordance with this subparagraph 12.F. Any material change in the terms of any

offer prior to closing shall constitute a new offer subject to our same right of first refusal as in the case of an initial offer.

- G. Transfer by Us. We have the absolute right to transfer or assign, in whole or in part, our interest in this Agreement, provided, however, no assignment will be made except to a party who in our good faith judgment is willing and able to assume our obligations under this Agreement.

SECTION 13 DISPUTE RESOLUTION

The following provisions apply with respect to dispute resolution:

- A. Arbitration; Mediation. Except as qualified below, any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement, the parties' relationship, or the Franchise Business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the then-current rules and procedures and under the auspices of the American Arbitration Association. The arbitration must take place in Phoenix, Arizona, or at such other place as may be mutually agreeable to the parties.

Any arbitration must be resolved on an individual basis and not joined as part of a class action or the claims of other parties. The arbitrators must follow the law and not disregard the terms of this Agreement. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. A judgment may be entered upon the arbitration award by any state or federal court in the state of the Authorized Location.

Before the filing of any arbitration, the parties agree to mediate any dispute that does not include injunctive relief or specific performance actions covered under subparagraph 13.B, provided that the party seeking mediation must notify the other party of its intent to mediate prior to the termination of this Agreement. Mediation will be conducted in Phoenix, Arizona, by a mediator or mediation program agreed to by the parties. Persons authorized to settle the dispute must attend any mediation session. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures. If not resolved within 30 days, the parties are free to pursue arbitration. Mediation is a compromise negotiation for purposes of the federal and state rules of evidence, and the entire process is confidential.

- B. Injunctive Relief. Notwithstanding subparagraph 13.A above, you recognize that the Franchise Business is one of a large number of franchise businesses and branches identified by the Trademarks and similarly situated and selling to the public similar products, and the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. Similarly, it is mutually agreed that in the event of our breach or threatened breach of any of the terms of this Agreement, you will forthwith be entitled to an injunction restraining such breach or to a decree of specific

performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party. Finally, we and our affiliates have the right to commence a civil action against you or take other appropriate action for the following reasons: to collect sums of money due to us; to compel your compliance with trademark standards and requirements to protect the goodwill of the Trademarks; to compel you to compile and submit required reports to us; or to permit evaluations or audits authorized by this Agreement. If we or our affiliate commence a civil action against you, you may assert any defenses and counterclaims you have in the same forum.

- C. Attorneys' Fees. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement, any lease or sublease for the Franchise Business or Authorized Location, or the Franchise Business will be entitled to recover its reasonable attorneys' fees and costs.

SECTION 14 DEFAULT AND TERMINATION

The following provisions apply with respect to default and termination:

- A. Defaults. You are in default if you or the Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates or other grounds noted below in Section 14, which without limiting the generality of the foregoing includes making any false report to us, intentionally understating or underreporting or failure to pay when due any amounts required to be paid to us or any of our affiliates, your conviction, or the conviction of the Principal Owner or a guarantor, of (or pleading no contest to) any (i) felony or (ii) misdemeanor that we reasonably believe brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of any of the Trademarks or the Franchise Business, filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or the Principal Owner or guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.
- B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:
1. Termination After Opportunity to Cure. Except as otherwise provided in this subparagraph 14.B:
 - (i) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due, submit required reports, or failure to provide customer lists to us as set forth in subparagraph 7.L; in which case you will have 10 days to cure those defaults;
 - (ii) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement;
 - (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and

(iv) the termination will be effective immediately upon your receipt of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on your receipt of written notice of termination:

- (i) any material misrepresentation or omission in your franchise application;
- (ii) your voluntary abandonment of this Agreement or the Authorized Location or Franchise Business;
- (iii) any unauthorized use of the Confidential Information;
- (iv) voluntary or involuntary bankruptcy or insolvency of you, a Principal Owner or guarantor,
- (v) you, the Principal Owner, any Minority Owner, or guarantor making an assignment or entering into any similar arrangement for the benefit of creditors;
- (vi) your conviction, or the conviction of the Principal Owner, any Minority Owner, or guarantor, of (or pleading no contest to) (a) any felony or (b) misdemeanor that we reasonably believe brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your reputation or the goodwill of the Trademarks or the Franchise Business;
- (vii) intentionally understating or underreporting Gross Sales, Royalty Fees or Advertising and Promotion Fees or any understatement or 3% variance on a subsequent audit within a 2 year period under subparagraph 10.I or any other act or course of conduct which constitutes a misrepresentation or unlawful act or practice in connection with the Franchise Business or involves allegations of fraud or unfair or improper trade practices or similar claims which are likely to have an adverse effect on the goodwill of the Trademarks or System;
- (viii) any unauthorized transfer or assignment in violation of Section 12;
- (ix) violation of the non-compete covenant set forth in subparagraph 11.D.2;
- (x) your failure to meet the 50% Minimum Annual Performance standards as set forth in subparagraph 3.C and Appendix B;
- (xi) any unauthorized use or misuse of the Trademarks that is not cured within 24 hours;
- (xii) any breach of security or privacy violation that is caused by your not following the procedures set forth in the Manuals; or
- (xiii) any default by you that is the third default of any type (it does not need to be the same type of default) within any 24-month consecutive period, provided we have notified you of each such default and we have given you a right to cure the default as prescribed and if required by Section 14.B.1.

3. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

- C. Termination by You. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement, provided that: (i) you are in compliance with your obligations under this Agreement; (ii) you provide us with written notice of the breach that identifies the grounds for the breach; and (iii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Paragraph will not release or modify your post-term obligations under Section 15 of this Agreement.

SECTION 15 POST-TERM OBLIGATIONS

Upon the non-renewal, expiration or termination of this Agreement:

- A. Reversion of Rights; Discontinuation of Trademark Use. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks and in the Designated Territory will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. We also have the right to immediately provide services to customers in the Designated Territory without any obligation to you.

In addition, the following terms and conditions apply:

- (i) we or our assignee may assume your remaining interest in any lease then in effect for the Franchise Business (although we will not assume any past due obligations);
- (ii) you must comply with the post-term non-compete obligations under subparagraph 11.D and continue to comply with the confidentiality provisions of subparagraph 7.H and the indemnification obligations set forth in subparagraph 11.B;
- (iii) you must pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates;
- (iv) you must cease all use and display of the Trademarks and of any proprietary material (including the Manuals), assign all right, title and interest in the telephone numbers for the Franchise Business and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities, all as further set forth in Appendix E;
- (v) you must immediately return to us, at your expense, all copies of the Manuals and all other materials then in your possession or control or previously disseminated to you or your employees relating to the Franchise Business (including records, files, customer lists and information). You also must deliver to us a complete list of all persons employed by you during the three years immediately preceding expiration or termination, together with a copy of all employment files for each employee;
- (vi) you must promptly at your expense and subject to subparagraph 15.B, remove or obliterate all Franchise Business signage, displays or other materials in your possession at the Authorized

Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to remove all signage, displays or other materials in your possession at the Authorized Location or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred; and

(vii) notwithstanding the foregoing, in the event of non-renewal, expiration or termination of this Agreement, you will remain liable for your obligations pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement. Further, you agree to pay all damages, costs and expenses, including reasonable attorneys' fees, that we incur in obtaining injunctive relief or otherwise enforcing the provisions of this Section 15.

B. Purchase Option. We have the right (but not the obligation) to purchase or designate a third party that will purchase all or any portion of the assets of your Franchise Business including, without limitation, (i) equipment, signage, supplies, or other proprietary materials of the Franchise Business at their depreciated value or (ii) your interest in the Franchise Business at its "Adjusted Going Concern Value." For purposes of this subparagraph, "Adjusted Going Concern Value" will mean the fair market value of the Franchise Business as a going concern less fifty percent (50%) of the value attributable to goodwill. For purposes of calculating Adjusted Going Concern Value, (i) "goodwill" shall mean the fair market value of the Franchise Business as a going concern, minus the book value of the Franchise Business; (ii) the fair market value of tangible assets shall not exceed the depreciated cost of such items; and (iii) no value will be assigned to the unamortized portion of the Renewal franchise fee. In the event that we elect to purchase your interest in the Franchise Business, at our request, you shall also execute an assignment of any applicable lease used in connection with the operation of the Franchise Business, for no additional consideration.

The "Adjusted-Going Concern Value" shall be determined by an appraiser selected with the consent of both parties, provided we give you written notice of our preliminary intent to exercise our purchase rights under this subparagraph within 30 days after the date of the expiration or termination of this Agreement. If the parties cannot agree upon the selection of an appraiser(s), one or both will be appointed by a Judge of the United States District Court for the District in which the Authorized Location is located upon petition of either party.

Within 30 days after our receipt of the appraisal report, we or our designated purchaser will identify the assets, if any, that we intend to purchase at the price designated for those assets in the appraisal report. We or our designated purchaser and you will then proceed to complete and close the purchase of the identified assets, and to prepare and execute purchase and sale documents customary for the assets being purchased, in a commercially reasonable time and manner. We and you will each pay one-half of the appraiser's fees and expenses. Our interest in the assets of the Franchise Business that are owned by you or your affiliates will constitute a lien thereon and may not be impaired or terminated by the sale or other transfer of any of those assets to a third party. Upon our or our designated purchaser's exercise of the purchase option and tender of payment, you agree to sell and deliver, and cause your affiliates to sell and deliver, the purchased assets to us or our designated purchaser, free and clear of all encumbrances, and to execute and deliver, and cause your affiliates to execute and deliver, to us or our designated purchaser a bill of sale therefore and such other documents as may be commercially reasonable and customary to effectuate the sale and transfer of the assets being purchased.

- C. Claims. You and the Principal Owner, and any Minority Owners, and guarantors may not assert any claim or cause of action against us or our affiliates relating to this Agreement or the Franchise Business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

SECTION 16 GENERAL PROVISIONS

The parties agree to the following provisions:

- A. Severability. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.
- B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices and/or standards and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with the addenda and appendices hereto and the application form executed by you requesting us to enter into this Agreement constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your business. There are no representations or warranties of any kind, express or implied, except as contained herein and in the aforesaid application.
- C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be in writing and signed by the party serving the same and either delivered personally, by facsimile, or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered mail, certified mail or reputable overnight service with tracking and addressed as follows:
1. If intended for us, addressed to Amcheck National Franchise Corporation, 10201 South 51st Street, Phoenix, Arizona 85044, Attn: President.
 2. If intended for you, addressed to you at _____
_____ or at the Authorized Location;

or, in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this subparagraph.

- D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by the Principal Owner or, if on behalf of us, in writing executed by our President.
- E. References. If the franchisee is two or more individuals, the individuals are jointly and severally liable, and references to you in this Agreement include all of the individuals. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.
- F. Guarantee. All Principal and Minority Owners of a franchise that is a corporation, partnership, limited liability company or partnership or other legal entity must execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the date of this Agreement owns 5% or more of the franchise entity pursuant to the provisions of Paragraph 12 or otherwise must execute the form of undertaking and guarantee at the end of this Agreement.
- G. Successors/Assigns. Subject to the terms of Paragraph 12 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.
- H. Interpretation of Rights and Obligations. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:
1. Applicable Law and Waiver. Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 13 of this Agreement, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws of Arizona.
 2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.
 3. Our Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.
- I. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 13

must be brought in Maricopa County District Court or a Federal District Court in Phoenix, Arizona. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this subparagraph will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this sub-paragraph, and with a complete understanding thereof, agree to be bound in the manner set forth.

- J. Jury Waiver. All parties hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.
- K. Waiver of Punitive Damages. You and us and our affiliates agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages against the other and agree that in the event of any dispute between them, each will be limited to the recovery of actual damages sustained.
- L. Relationship of the Parties. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.
- M. Force Majeure. In the event of any failure of performance of this Agreement according to its terms by any party the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots and acts of government except as may be specifically provided for elsewhere in this Agreement.
- N. Adaptations and Variances. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the standards, specifications, and requirements for any Franchised Business or franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such franchise business or store, franchisee's business or the System. We are not required to grant to you a like or other variation as a result of any variation from standards, specifications or requirements granted to any other franchisee. You acknowledge that you are aware that our other franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.
- O. Notice of Potential Profit. We and our affiliates may from time to time make available to you goods, products and/or services for use in your Franchise Business on the sale of which we or our affiliates may make a profit. Further, we and our affiliates may from time to time receive consideration from suppliers and manufacturers in respect to sales of goods, products or services to you, which consideration may or may not be related to services rendered or rights licensed to such persons. You agree that we and our affiliates are entitled to said profits and consideration.
- P. Interference with Employment Relations. During the term of this Agreement, you may not employ or seek to employ, directly or indirectly, any person who is at the time or was at any time during

the prior Six months employed in any type of managerial position by us or any of our subsidiaries or affiliates or by any franchisee in the system, unless you compensate the former employer for all losses and expenses incurred in losing and replacing the employee up to a maximum of \$25,000, plus attorneys' fees and expenses. This subparagraph will not be violated if, at the time you employ or seek to employ the person, the former employer has given its written consent. The parties acknowledge and agree that any franchisee from whom an employee was hired by you in violation of this subparagraph shall be a third-party beneficiary of this provision, but only to the extent they may seek compensation from you.

- Q. Effective Date. We will designate the "Effective Date" of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement. However, as described in subparagraph 6.A, you do not have the right to, and may not, open and commence operation of a Franchise Business at the Authorized Location until we notify you that you have satisfied all of the pre-opening conditions set forth in this Agreement.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement as of the dates written below.

FRANCHISEE: (For an Entity)

FRANCHISEE: (For an Individual)

Date: _____

Date: _____

a _____
(Please type or print name and type of entity)

Name: _____
(Please type or print)

By: _____
(Signature of person signing on behalf of entity)

Signature: _____

(Please type or print name of person signing on behalf of entity)

Witness: _____
(Please type or print)

Its: _____
(Please type or print name of person signing on behalf of entity)

Signature: _____

Date: _____

Witness: _____
(Please type or print)

Name: _____
(Please type or print)

Signature: _____

Signature: _____

Witness: _____
(Please type or print)

Signature: _____

US:

AMCHECK NATIONAL FRANCHISE CORPORATION

Date: _____

By: _____

Its: _____

Appendix A

Trademarks

You have the right to use the following Trademarks in accordance with the attached Franchise Agreement:

Principal Register of the United States Patent and Trademark Office:

Service Mark: AMCHECK (Standard Character Mark)

Registration No.: 3,039,318

Registration Date: January 10, 2006

We may amend this Appendix A from time to time in order to make available additional Trademarks or to delete those Trademarks that become unavailable. You agree to use only those Trademarks that are then currently authorized by us.

All Trademarks must be used only in the manner that we specify. No deviations will be permitted.

Appendix B

Designated Territory

As stated in subparagraph 3.A of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Designated Territory in which you will conduct the Franchise Business is defined as follows:

The Designated Territory shall be considered fixed as of the date of the Franchise Agreement, although it may be modified in accordance with subparagraph 3.C of the Franchise Agreement.