

**EXHIBIT 6
To
Offering Circular**

MOBILE SHOP-AT-HOME RETAIL BUSINESS

**FRANCHISE AGREEMENT
(with Exhibits A-F)**

CARPET NETWORK, INC.

FRANCHISE AGREEMENT

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CARPET NETWORK
FRANCHISE AGREEMENT

FRANCHISEE NAME(S): _____

FRANCHISE TERRITORY: _____

EFFECTIVE DATE: _____

THIS FRANCHISE AGREEMENT (hereinafter sometimes referred to as "Agreement") is made and entered into as of the effective date above written by and between Carpet Network, Inc., a New Jersey corporation (referred to in this Agreement as "Carpet Network," "We", "Us" or "Our") with an address at 109 Gaither Drive, Suite 302, Mount Laurel, New Jersey 08054 and the above named individual(s) or entity (hereinafter referred to as "You", "Your", or "Franchisee").

BACKGROUND

We and/or Our affiliates have developed a business system for the operation of mobile "shop-at-home" retail carpet, floor covering and window treatment sales businesses which feature, without limitation, distinct standards and specifications for products, inventory, supplies and service; uniform standards, specifications and procedures for operations; procedures for management control; marketing, advertising, and accounting systems; training and assistance (the "System"); and

The System is identified by means of certain trade names, trademarks, service marks, logos, emblems and other indicia of origin including, without limitation, the service mark "Carpet Network The Traveling Floor and Window Store (and design)," "Some Decisions Are Better Made at Home" and those which We may hereafter designate in connection with the System (the "Proprietary Marks"); and

You have applied to Us for a franchise and such application has been approved in reliance upon all of the representations made therein; and

You hereby acknowledge that adherence to the terms of this Agreement and Our standards and specifications are essential to the operation of Your mobile business and to the collective operation of the System and to protect and preserve the goodwill of the Proprietary Marks, as well as each Carpet Network franchisee.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained in this Agreement, the parties agree as follows:

1. GRANT OF FRANCHISE

1.1 **Nature of Grant.** We hereby grant You and You hereby accept the right to establish and operate the Carpet Network Franchise within the limits of Your particular territory, as defined below, upon the terms and conditions stated in this Agreement. During the term of this Agreement, You may adopt and use the Proprietary Marks. As a Carpet Network Franchisee, You shall have the right to hold Yourself out to the public as an authorized Franchisee of Carpet Network, Inc., and have access to certain of Our marketing and business expertise, as each may be modified from time to time.

1.2 **Territory.** You are hereby granted an exclusive area (the "Territory") comprised of the zip codes identified in this Agreement. So long as You comply with all of Your obligations under this Agreement during its term, We will not locate, operate or grant another franchise for a mobile business within the Territory. The exclusivity of Your Territory relates solely to operation of a mobile business. We do not otherwise intend to limit Our rights of product or service distribution or to engage in other business activities in Your Territory.

1.3 **Acknowledgments.** You agree that the terms and provision of this Agreement are reasonable and necessary to maintain Our high standards of quality and service and uniformity of those standards.

You acknowledge that the success of the business venture contemplated to be undertaken by You is speculative, is and will be dependent upon the personal efforts of You, that entry into any business enterprise is always associated with risk and that no assurance of success has been or can be given to You.

In signing this Agreement, You acknowledge: (a) the importance of operating Your franchise in strict conformity with Our standards and each aspect of the System as modified from time to time; and (b) that You have conducted an independent investigation of other franchises and recognize that, like any other business, their nature will evolve and change over time as the System changes.

You represent and warrant that You have made no misrepresentations or omissions in obtaining Your Franchise.

You understand that entry into any business venture necessarily involves some unavoidable risk of loss or failure, that while the purchase of a franchise may improve Your chances for success, Your purchase of the Carpet Network franchise (or any other) is a speculative investment, that significant investment beyond that outline in the Offering Circular ("UFOC") may be required to succeed, that there exists no guaranty against possible loss or

failure in this or any other business and that the most important factors in the success of any Carpet Network franchise, including the one to be operated by You, are Your personal efforts and Your technical, business, marketing, sales, management, judgment and other skills. You agree that You will lend Your best efforts to achieve success and that You will faithfully follow the marketing, business and other elements of the System as contained in the Carpet Network Operations Manual as it may change from time to time.

You acknowledge that Your entire knowledge of the operation of the Carpet Network Franchise, including without limitation the contents of the Operations Manual, Carpet-Net Intranet site and the specifications, standards and operating procedures of the Carpet Network Franchise, is derived from information disclosed to You by Carpet Network and that such Operations Manual, Carpet-Net Intranet site and such other information is confidential and a trade secret of Carpet Network. You agree that You will maintain the absolute confidentiality of the Operations Manual and all such other information during and after the term of the franchise, disclosing same to the other employees of Your Carpet Network Franchise only to the extent necessary for the operation of Your Carpet Network Franchise in accordance with this Agreement, and that You will not use the Operations Manual and such other information in any other business or in any other manner not specifically authorized or approved in writing by Carpet Network.

1.4 No Guarantees. We expressly disclaim the making of, and You acknowledge that You have not received or relied upon, any representations, claims or guaranties, express or implied, as to the revenues, sales, profits or success of any Carpet Network business or the extent to which We will continue to develop and expand the number of Carpet Network franchises. You acknowledge that any statement regarding potential or actual revenues or profits of Carpet Network franchises are made solely in the UFOC delivered to You prior to the signing of this Agreement and the payment of any funds by You. Any statements regarding potential or actual revenues or profits of any Carpet Network franchise or statistical information regarding any existing Carpet Network franchises that is not contained in Our UFOC is unauthorized, unwarranted, unreliable and should be reported to Us immediately. You acknowledge that any information You obtained from franchisees (or any other source other than Our UFOC) relating to sales, profits or otherwise does not constitute information obtained from Us and We make no representation as to the accuracy of, and expressly disclaim, any such information. You acknowledge that You have not received or relied on any representations about any Carpet Network franchise made by Us, or Our officers, directors, employees or agents, that are contrary to the statements made in Our UFOC or the provisions of this Agreement. If there are any exceptions to any of Your acknowledgments or statements in this Agreement, You will: (a) immediately notify Our chief executive officer in writing; and (b) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it. Any such statement of exceptions must be signed by Us to be binding on Us.

1.5 Your Representations. As an inducement to Our entering into this Agreement with You, You represent and warrant that: (a) in all of Your dealings with Us, Our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity; (b) You have made no misrepresentations or omissions in obtaining Your Carpet

Network Franchise; and (c) You have fully read and understand this Agreement and the UFOC, all questions raised by You have been satisfactorily answered.

2. **SERVICES TO BE OFFERED; CHANGES, TERM, SUCCESSOR FRANCHISE, ETC.**

2.1 **Development of Business, Changes in System, etc.** Subject to the provisions of this Agreement, You are licensed only to use the System and Proprietary Marks, as modified from time to time, to offer and to perform Services in the Territory.

You will use the System and Proprietary Marks only as permitted by this Agreement and the Operations Manual and only for the operation of the franchise providing Services in the Territory and not for any other purpose. You will use Your best efforts to effectively and profitably conduct the Carpet Network franchise in Your Territory.

From time to time, We may (but are not obligated to), on reasonable notice, and following appropriate research and testing, change and/or update the System, including but not limited to customer sales programs, uniform truck and career apparel standards, national account requirements, professional image, team player standards, new and/or changed trade names, service marks, trademarks, logos or copyright material. We may change the standards, specifications and other requirements set forth in the Operations Manual and may change the methods of operation, marketing, products and services to be offered by You and otherwise change the Carpet Network methods of doing business.

In order to maintain the value of Our Proprietary Marks, to adapt to changing business conditions and opportunities and to maintain uniformity throughout the System, You will, at Your own expense, adopt, comply with, use and display on a timely basis [but in no case later than ninety (90) days after notice] any and all such changes, updates and supplements as if they were a part of the System at the time of the signing of this Agreement. In the event that We determine that We and/or You should modify or discontinue any use of any aspect of the System and/or Proprietary Marks, You will do so at Your sole expense and We will have no liability or obligation as a result thereof.

Bearing in mind Your and Our strong mutual interests in maintaining and improving the value of the System and franchises, We shall meet or confer quarterly or as needed with committees designated by the Carpet Network Franchisee Advisory Council to consult with and advise Us regarding the operation and development of the System, including such matters as strategic marketing plans, advertising programs, public relations, research and development, operating policies and practices, revisions to future forms of the Franchise Agreement, relationships with national and regional accounts, etc. We will give due consideration to input from such council(s), as well as from You individually, but We retain the ultimate authority and responsibility for all such decisions.

You cannot sell products or services not authorized by Us and You must offer all of the products and services authorized by Us, unless We agree differently, in writing, due to special local circumstances or other reasons. If You wish to not offer any products and/or services

authorized by Us, You must make arrangements to have such products and/or services offered by another franchisee or Us or (if We so approve in writing) by a subcontractor for whom You will be responsible. The list of authorized products and/or services may be updated from time to time.

2.2 **Term of Agreement.** Your rights under this Agreement are for a term of 15 years starting on the Agreement Date. This agreement shall expire on _____, unless terminated earlier under the provisions of this Agreement or under any applicable law.

2.3 **Successor Franchise.**

(a) Your Rights. On the expiration of the Agreement and provided that You are not in default under the terms of the Agreement and further provided that You have substantially complied with this Agreement and all other agreements between You and Us, We will offer You the opportunity to enter into a new Franchise Agreement with Us upon the terms and conditions as the then-current form of Franchise Agreement. We reserve the right to make changes that We reasonably believe in Our good faith judgment are in the best interest of the Carpet Network System. Any award of a successor franchise to You must meet each of the conditions set forth below, along with all other terms and conditions as are reasonable at the time.

(b) Notices; New Agreement; Releases. We will send You a new then-current standard Carpet Network Franchise Agreement (the "New Agreement") and ancillary documents and general releases at least sixty (60) days prior to the expiration of this Agreement, and You will have until the expiration date of this Agreement to accept the New Agreement and return the fully executed copies to Us. You (and if a corporation or partnership is the Franchisee, its shareholders or partners) (the "Franchise Entities") must sign and deliver to Us: (i) the New Agreement and any ancillary agreements We are then customarily using in the award of new Carpet Network franchises (which will include appropriate modifications to reflect the fact that the agreement relates to the award of the successor franchise); and (ii) general releases, in a form satisfactory to Us, of any and all claims, known and unknown, against Us, Our affiliates, and all of Our and their officers, directors, employees, agents, attorneys subsidiaries, successors, assigns (the "Carpet Network Entities") and Our licensees. If We do not receive fully executed copies of the New Franchise Agreement and ancillary documents by the expiration date of this Agreement, Your franchise relationship with Us will expire as You will be deemed to have elected to not obtain the successor franchise; provided, however, if We fail to send You Our new Agreement and general release before the expiration of this Agreement, the terms and conditions of this Agreement will automatically renew for a one (1) year period from the date of expiration or , if earlier, when You have executed and We accept the new Agreement and general release. Your right to obtain the successor franchise will be further contingent on Your continued full compliance with this Agreement and any other agreement(s) between You and Us.

The New Agreement may contain different terms, provisions and conditions from those set forth in this Agreement and may include, without limitation, higher royalty and advertising fees. The New Agreement, when executed, will supersede this Agreement in all respects; provided, however, that You shall not be required to pay Us the initial franchise fee which will be charged in the New Agreement.

(c) Compliance with Operational Standards. In order to obtain the successor franchise You must bring Your operation into conformity with all standards then applicable to new Carpet Network franchisees, including (but not limited to) such items as methods of operation, possession and use of Our up-to-date samples and products package meeting Our then-current service and other standards, office, image, appearance and other System standards. Your vehicle(s) must also be brought into conformity with Our then current appearance and maintenance specifications, including those regarding color, graphics, size and exterior and interior design.

(d) Training and Refresher Programs. You (or a manager of Yours approved by Us) must satisfactorily complete any new training and refresher programs as We may reasonably require.

(e) Fees and Expenses. It is not currently Our policy to charge a fee in connection with renewal of the Agreement. You must, however, reimburse Us for any out-of-pocket costs incurred by the processing of the proposed successor franchise.

2.4 Rights to System and Marks Retained by Us. We retain the exclusive right to and ownership of the System and Proprietary Marks, subject to Your rights as provided in this Agreement. On termination of this Agreement for any reason, You will immediately and completely discontinue all use of the System and Proprietary Marks. Nothing in this Agreement will be construed as an assignment or grant to You of any right, title, interest, or license in and to the System and/or Proprietary Marks, except for the limited license provided in this Agreement, all rights with respect to the same being reserved by Us.

2.5 Roster and Manuals. The Carpet Network franchise roster and other lists of franchisees, the Operations Manual and all information provided on Our Carpet-Net Intranet site are and will remain Our sole and confidential property, are only loaned to You, and You agree not to disclose or Use such for any purpose without Our prior written consent.

3. PROPRIETARY MARKS AND INTERNET

3.1 Ownership. Nothing in this Agreement assigns or grants to You any right, title or interest in or to the Proprietary Marks, it being understood that all rights relating thereto are reserved by Us except for Your license to use the Proprietary Marks only as specifically and expressly provided herein. Your use of the Proprietary Marks shall inure to Our benefit, and You shall not at any time acquire any rights in the Proprietary Marks. You agree that You will not challenge Our title or rights in and to the Proprietary Marks, or do any act to jeopardize or diminish the value of the Proprietary Marks. You expressly agree that any and all goodwill associated with the Proprietary Marks and Our copyright material, including any goodwill that might be deemed to have arisen through Your activities, inures directly and exclusively to Our benefit. You shall execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this paragraph and shall fully cooperate with Us or any other System franchisee in securing all necessary and required consents of any state agency or legal authority to the use of any of the Proprietary Marks.

3.2 Infringement. You shall promptly notify Us of any infringement of, or challenge to, the Proprietary Marks, and We shall in Our discretion take such action as We deem appropriate. We will indemnify and hold You harmless from any suits, proceedings, demands, obligations, actions or claims, including costs and reasonable attorneys' fees, for any alleged infringement under federal or state trademark law arising solely from Your use of the Proprietary Marks in accordance with this Agreement or as We otherwise set forth in writing, if You have promptly notified Us of such claim. If We undertake the defense or prosecution of any litigation pertaining to any of the Proprietary Marks, You agree to execute any and all documents and do such acts and things as may, in the opinion of Our counsel, be necessary to carry out such defense or prosecution. We have the right, in Our sole discretion, to require You to discontinue, modify or substitute any of the Proprietary Marks as a result of pending or threatened litigation involving Your use of such Proprietary Marks; provided We indemnify You for the actual out-of-pocket costs You incur to effectuate such change.

3.3 Advertising. All advertising shall prominently display the Proprietary Marks and shall comply with any standards for use of the Proprietary Marks which We have established as set forth in the Operations Manual or otherwise in writing. All such advertising shall be subject to Our prior written approval, which We shall not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms and other materials and supplies bearing the Proprietary Marks. You shall use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by this Agreement or by Our prior written consent. All advertising, publicity, signs, decorations, furnishings, equipment or other materials employing in any way the words "Carpet Network" or any derivative thereof or any other Proprietary Marks shall be submitted to and approved by Us prior to first publication or use. Such approval will not be unreasonably withheld.

3.4 Franchisee's Name. You shall not use the Proprietary Marks or any part thereof in Your corporate name. Your corporate name and all fictitious names under which You propose to do business must be approved in writing by Us before use. You shall use Your corporate name either alone or followed by the initials "D/B/A" and the business name "Carpet Network." You shall promptly register at the office of the county in which the franchise business is located or such other public office as provided for by the laws of the state in which Your mobile business is located as doing business under such assumed business name.

3.5 Authorized and Unauthorized Use. You shall use the Proprietary Marks in conjunction with the symbol "SM," or "®", as applicable, in order to indicate that the Proprietary Marks are protected under federal law. You shall not use any of the Proprietary Marks in connection with the offer or sale of any unauthorized products or in any other manner We have not explicitly authorized in writing.

3.6 Our Use of Marks. You acknowledge and agree that We and Our affiliates may use and register the Proprietary Marks as We deem advisable in Our discretion including, without limitation, developing and establishing other systems using the same or similar

Proprietary Marks alone or in conjunction with other marks and granting licenses and/or franchises in connection therewith without providing any rights therein to You.

3.7 Internet. You may not maintain a World Wide Web site or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the franchised business without Carpet Network's prior written approval, which Carpet Network may withhold for any reason or no reason. Franchisee agrees to submit to Carpet Network for approval before use true and correct printouts of all Web site pages Franchisee proposes to use in its Web site in connection with the franchised business. Franchisee understands and agrees that Carpet Network's right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with Carpet Network's Proprietary Marks. Franchisee may only use material, which Carpet Network has approved. Should Carpet Network grant Franchisee the right to establish a Web site, Franchisee's Web site must conform to all of Carpet Network's Web site requirements, whether set forth in Our Manual or otherwise. Franchisee agrees to provide all hyperlinks or other links that Carpet Network requires. If Carpet Network grants approval for a Web site, Franchisee may not use any of the Proprietary Marks at the site except as Carpet Network expressly permits. Franchisee may not post any of Carpet Network's proprietary, confidential or copyrighted material or information on the Web site without Carpet Network's prior written permission. If Franchisee wishes to modify its approved site, all proposed modifications must also receive Carpet Network's prior written approval. Franchisee explicitly understands that it may not post on its Web site any material, which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyright test, trademark or service marks, or any other text or image which any third party may claim intellectual property ownership interest in). Franchisee agrees to list on its Web site, should Carpet Network ever grant Franchisee the right to have a Web site, any Web site maintained by Carpet Network, and any other information Carpet Network requires in the manner Carpet Network designates. Franchisee agrees to obtain Carpet Network's prior written approval for any Internet domain name and/or home page address. The requirement for Carpet Network's prior approval set forth in Paragraph 3.7 will apply to all activities on the Internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more E-mail addresses and may conduct individual E-mail communications with Carpet Network's prior written approval. Franchisee agrees to obtain Carpet Network's prior approval as provided above if Franchisee proposes to send advertising to multiple addressees via E-mail. You shall promptly respond to all customer E-mails in the manner We specify in the Operations Manual, which We may expand and revise over Our Carpet-Net Intranet site from time to time.

3.8 Modification. You hereby acknowledge and agree that during the term of this Agreement and all subsequent renewals hereof, We shall have the exclusive right to add, modify, discontinue and/or substitute the Proprietary Marks or any of them, as We deem appropriate in Our sole discretion. You shall discontinue using all Proprietary Marks which We have notified You, in writing, have been modified or discontinued within 10 days of receiving written notice and at Your sole cost and expense, shall begin using such additional, modified or substituted Proprietary Marks, as We specify in writing, within 10 days of receiving written notice. Nothing under this Paragraph 3.8 shall materially alter Your fundamental rights under this Agreement.

4. **CONFIDENTIAL INFORMATION**

You acknowledge and agree that the Operations Manual, all information provided You on Our Carpet-Net Intranet site, Our trade secrets and copyright materials, methods and other techniques and know-how are Our exclusive and confidential property which We provide to You in confidence (“Confidential Information”). You agree to use the Confidential Information only for the purposes and in the manner We authorize in writing, which use will inure exclusively to Our benefit. Our trade secrets consist of, without limitation, sales techniques, merchandising and display techniques, advertising formats, accounting systems, operations systems, policies, procedures, systems, compilations of information, records, specifications, manuals and other confidential information which We or Our affiliates have developed for use in the operation of the franchise System. You may not directly or indirectly contest Our ownership of Our trade secrets, methods or procedures or contest Our right to register, use or license others to use any of such trade secrets, methods and procedures. You and Your heirs, successors and assigns (including Your partners, officers, directors, shareholders, and their respective heirs, successors and assigns) and Your employees and their respective heirs, successors and assigns, are prohibited from using and/or disclosing any Confidential Information in any manner other than as We permit in writing.

5. **INITIAL FRANCHISE FEE; ROYALTIES; OTHER FEES**

5.1 **Initial Franchise Fee.** In consideration for the granting of this Franchise, You agree to pay Us the sum of Twenty-one thousand five hundred No/100 Dollars (\$21,500.00) as the Initial Franchise Fee. The Initial Franchise fee shall become due when You sign the Franchise Agreement and not refundable. We may agree to accept payment of the Initial Franchise Fee by You executing a Promissory Note to Us for a term up to eighteen (18) months bearing interest at 1.5% per month. A copy of the Promissory Note with the principal amount, interest, number of months, monthly payment date and monthly payment amount shall be specified in the Promissory Note and a copy shall be attached to this Franchise Agreement and is made a part of this Agreement as if the terms and conditions were fully set out herein. The obligations under the Promissory Note are secured by the franchise, computer and equipment pursuant to a Security Agreement, which You must also sign. The terms and conditions of the Security Agreement are made a part of this Franchise Agreement as if they were fully set out herein. If this Agreement is executed as a New Agreement in connection with the renewal of a prior Franchise Agreement, no “Initial Franchise Fee” is required.

5.2 **Royalty Fee.** During the term of this Agreement You must pay Us a monthly royalty fee based upon the percentage of Gross Revenue set out in the schedule below. “Gross Revenue” includes all revenue generated through the operation of Your mobile business, including without limitation, all sums received from the sale of merchandise and for the installation of merchandise in any form received. Gross Revenue does not include deposits You may receive from customers at the time You place an order, or sales, use, or equivalent taxes. Gross Revenue shall be deemed to have been received at the earlier of the date of installation of merchandise or the date You actually received payment in full from customers.

The schedule of monthly Royalty Fees due by You is as follows:

GROSS REVENUE DURING EACH CALENDAR YEAR	PERCENTAGE
Portion up to and including \$100,000	7%
Portion from \$100,001 to and including \$200,000	6%
Portion from \$200,001 to and including \$300,000	5%
Portion from \$300,001 to and including \$400,000	4%
Portion from \$400,001 to and including \$500,000	3%
Portion over \$500,000	2%

If the Royalty Fee due for any particular month is less than \$100 You will be required to pay Us a \$100 minimum Royalty Fee in lieu of the lesser amount. If the actual Royalty Fee exceeds \$100 You must pay to Us the actual Royalty Fee.

The Royalty Fee shall be received by Us no later than the 10th day of each month following the month for which the fee is calculated. A late fee in the amount of \$5.00 per day will be charged, beginning on the 11th day, and for every day after the 10th day that Your royalty fee remains unpaid. We shall have the right to require in the Operations Manual or otherwise in writing that You make such payments to Us or to such bank account We specify by electronic fund transfer, pre-authorized auto-draft arrangement, or such other means as We may specify from time to time in writing.

On or before the 10th day of the month for which the Royalty Fee is calculated, You must submit a written report to Us specifying the Gross Revenues of the franchise business for the preceding calendar month in such form and detail as We prescribe, from time to time, along with the Royalty Fee due. You must maintain financial records in conformity with Our accounting methods.

5.3 Initial Opening Package. You must purchase from Us, before the date you are required to commence operations of the Mobile Business, Our Initial Opening Package containing those items set forth in Exhibit E to this Franchise Agreement (Paragraph 11.1.2.4). The price of the Initial Opening Package is \$7,400, it is non-refundable, and must be paid upon execution of this Agreement. Shipping costs will be invoiced separately.

5.4 Carpet Sample Updates. We shall have the right to update, from time to time, the Carpet Network carpet, window treatment and area rug, laminate, wood, ceramic, vinyl and window samples. We have the right to require You to purchase these updated materials or samples as We deem necessary from time to time; provided, however, that Your annual cost for these updates shall not exceed \$700 per year.

5.5 Collection Costs, Attorneys' Fees, Interest. All payments shall be timely delivered to Us or Our affiliates together with any reports or statements which We may prescribe. Any payment or report not actually received by Us on or before the date due shall be deemed overdue. If any payment is overdue, You shall pay Us, in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of 18% per annum or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in

additional to any other remedies We may have under this Agreement, at law or in equity. You shall not be entitled to set-off any payments required to be made under this Agreement against any monetary claim You may have against Us. If You are in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between You and Us and/or Our affiliates, and We engage an attorney to enforce Our rights (whether or not formal judicial proceedings are initiated), You shall pay all reasonable attorneys' fees, court costs, arbitration cost and litigation expenses We incur. If You institute any legal action to interpret or enforce the terms of this Agreement, and Your claim in such action is denied or the action is dismissed, We shall be entitled to recover Our reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

5.6 **Taxes on Payments to Us.** In the event any taxing authority, wherever located, shall impose any future tax, levy or assessment on any payment made by You to Us, You shall, in addition to all payments due to Us, pay such tax, levy or assessment.

6. **MARKETING**

Recognizing the value of marketing and promotion, and the importance of marketing and promotional synergies to enhance the goodwill image of the System, the parties agree as follows:

6.1 **Generally.** You shall use in connection with such business only such signs, emblems, lettering, logos and displays and advertising and marketing materials as We have approved in writing from time to time. You shall submit to Us, prior to Your use, samples of all sales promotional and advertising materials You desire to use, including, but not limited to, newspaper, radio and television advertising, specialty and novelty items, signs, cups, boxes, bags and other packaging which We have not previously approved. Such submission shall not affect Your right to determine the prices at which You sell Your products. Within 10 business days of the date We receive any sample sales promotional material or advertising materials from You, We shall notify You in writing of Our approval or disapproval in Our sole and absolute discretion of the materials; provided, however, Our failure to approve or disapprove the materials within 10 days of receipt shall be deemed a disapproval. You shall not use any advertising or promotional materials for which We have not given Our prior written approval.

6.2 **Territorial Marketing Restriction.** You are not permitted to solicit customers and/or advertise inside the defined territory of any other System franchisees, except to the extent that You have received Our prior written authorization, which We will not unreasonably withhold. We may condition Our authorization upon Your agreement to offer System franchisees who are operating System franchises, in territories covered by the proposed advertising, the opportunity to participate in the Gross Revenue, and share the expense of, such solicitation and/or advertising.

6.3 **National Marketing/Advertising Fund.** In addition to the other fees and charges provided in this Agreement, You promise to pay Carpet Network monthly during the entire term of this Agreement or any renewal term, National Marketing/Advertising Fund Fee up to and including two percent (2%) per month of Your monthly Gross Revenue (defined in

Paragraph 5.2), due and payable at the same time and with Your Royalty Fee. The National Marketing/Advertising Fund fee at the time of execution of this Agreement is a flat amount of one hundred sixty-five (\$165.00) Dollars per month. Carpet Network will notify You in writing if You are required to pay an increased amount for Your National Marketing/Advertising Fund fee. Payments shall be made by credit card approved by Us or made automatically to Carpet Network by direct deposits from Your bank account and You agree to sign any required documents to implement the automated bank draft provision. You further agree to immediately initial the automated bank draft provision in favor of Carpet Network using the form, set forth in Our Operations Manual.

6.3.1 Use of Funds. We will use National Marketing/Advertising Fund contributions, in Our sole discretion, for Internet Development and Operation and on national, regional and/or local advertising and to create advertising materials and public relations which promote, in Our sole judgment, the services offered by System franchisees to the public. In addition, these funds may also be expended for market research and development, test or target marketing, conducting surveys, creative and production cost. We shall have the sole right and sole authority to determine, without limitation, the selection of the advertising materials and programs, provided, however, that We shall make a good faith effort to expend such funds in the general best interests of the System on a national or regional basis. Nevertheless, You acknowledge and agree that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. While We do not anticipate that any part of National Marketing/Advertising Fund contributions will be used for advertising which is principally a solicitation for franchisees, We reserve the right to include a notation in any advertisement indicating “Franchises Available.”

6.3.2 Reimbursement for Costs and Overhead. We reserve the right to reimburse ourselves from National Marketing/Advertising Fund contributions for such reasonable costs and overhead, if any, as We may incur in activities reasonably related to the direction and implementation of the National Marketing/Advertising Fund and advertising programs for franchisees and the System, including, among other things, costs of personnel for creating and implementing advertising, promotional and marketing programs, accounting, administrative, and legal and outside consultants. Franchisee acknowledges that Carpet Network currently has a contract for Internet Development and Operations for the System and that National Marketing/Advertising Fund fees will be expended by Carpet Network to fulfill Carpet Network’s obligations under the contract. At Your request, We will provide You with an unaudited accounting of National Marketing/Advertising Fund expenditures. You must pay Us the monthly National Marketing/Advertising Fund fee so that it is received no later than the 10th day of the month following the calendar month for which the fee is calculated. Any required National Marketing/Advertising Fund contribution not paid when due shall be a violation of this Agreement and subject this Agreement to termination.

6.3.3 Surpluses. It is anticipated that all contributions to the National Marketing/Advertising Fund will be expended for their intended purposes during Our fiscal year in which contributions are made. National Marketing/Advertising Fund surpluses, if any, may be expended in the following fiscal year(s). Although We intend the National Marketing/Advertising Fund to be of a long term duration, We maintain the right to terminate the

National Marketing/Advertising Fund at any time. The National Marketing/Advertising Fund shall not be terminated, however, until all monies in the National Marketing/Advertising Fund have been expended for advertising and promotional purposes.

7. SERVICES BY FRANCHISOR

7.1 **Operations Manual/Intranet.** We will loan You one copy of a price book, confidential cost book and window treatment manual containing product information, trade and operating procedures, suggested standards, and rules which We prescribe, as well as information relating to Your obligations under this Agreement, which may be expanded and revised on Our Carpet-Net Intranet site from time to time (referred to collectively as the "Operations Manual"). You agree to operate Your Mobile Business in strict compliance with the Operations Manual, as it may be reasonably changed from time to time. The Operations Manual shall be confidential and at all times remain Our property. You shall not make any disclosure, duplication or other unauthorized use of any portion of the Operations Manual. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth herein. You shall insure that Your copy of the Operations Manual is current and up-to-date. If there is a dispute relative to the contents of the Operations Manual, the master copy which We maintain at Our principal office will control.

7.2 **Off-Site Training.** We will provide, either ourselves or through Our designee, and You (if You are an individual or one of Your principals if You are a corporation, partnership or limited liability company) and one other person must attend and complete to Our satisfaction Our initial training program prior to beginning operation of the mobile business. Our training program consists of home study materials and 6 days of off-site training at Our headquarters in Mount Laurel, New Jersey or such other place as We designate. Our initial training program includes marketing and sales instruction; training in the use of carpet, hard surface floor covering, window treatment and area rug samples; measuring; color and design; floor and window fashions; in-home selling; product orientation; operations; warranty procedure; inventory control; advertising; accounting displays; and basic techniques of management skills. All training related expenses, including transportation to and from the training site, lodging, meals and salaries for You and Your employees during training are Your sole responsibility. Your additional and/or replacement managers are/are not required to attend Our initial training program.

We reserve the right to offer, from time to time, additional training programs and/or refresher courses to You, Your manager and/or Your employees. You are obligated to attend such training. You are responsible for all training related expenses, including transportation to and from the training site, lodging, meals and salaries for You and Your employees during training. The additional training programs and refresher courses will be offered tuition-free.

7.3 **Home Study Materials.** Before You begin Our initial training program, We will provide You a home-study training regimen and materials including videos, CDs, DVDs and work books providing introductory information about Us and the System, as well as instruction and training concerning the operation of the Mobile Business.

7.4 **Merchandising.** We will consult with You about use of samples, price and cost books for Your mobile business and advise You with respect to merchandising and retailing, display, sales techniques, personnel development and other business, operational and advertising matters that directly relate to the franchise operation.

7.5 **Continuing Consultation, Advice and Assistance.** We will provide, either ourselves or through Our designee, periodic assistance as We deem appropriate and advisable. Subject to availability of personnel and at Your request, We will provide ongoing telephone support and assistance, furnish to You information concerning continuing research and development, provide marketing assistance, and make available printing assistance and supplies to the extent they are available.

7.6 **Supplies.** We will sell to You, subject to availability, invoices, stationery and supplies, clothing and promotional items bearing the Proprietary Marks.

8. **FRANCHISEE'S OBLIGATIONS**

8.1 **Commencement of Business.** You must attend training within 60 days from the date You sign this Agreement and You must commence operation of Your mobile business within 60 days of the date You complete training and You must maintain operation of Your mobile business continuously throughout the term of this Agreement. If You fail to commence operation of Your mobile business within the required period or fail to maintain such operation continuously throughout the term of this Agreement, such failure shall constitute "good cause" for terminating this Agreement and We may, in Our discretion, terminate this Agreement.

8.2 **Training.** You (if You are an individual, or Your principals if You are a corporation, partnership or limited liability company) and one other individual must attend and successfully complete Our initial training program as set forth in Paragraph 7.2 of this Agreement.

8.3 **Purchasing Requirements.**

8.3.1 **Compliance with Standards.** You acknowledge and agree that Your obligations under this Agreement and the requirements of Our Operations Manual, which may be expanded and revised from time to time through Our Carpet-Net Intranet site, are reasonable, necessary and desirable for the operation of Your Mobile Business and the Franchise System. You agree to adhere to Our standards and specifications as set forth in this Agreement and the Operations Manual, which may be expanded and revised from time to time through Our Carpet-Net Intranet site, and any revisions or amendments to same. You are required to use signs, supplies, equipment and inventory which comply with Our then-current standards and specifications (including, but not limited to, specifications of product and service quality and uniformity established by Us from time to time). We have the right to change the standards and specifications applicable to the operation of Carpet Network franchises, including, without limitation, standards and specifications for signs, supplies, equipment and inventory. You

acknowledge that You may incur an increased cost to comply with such changes and You agree to incur such costs as We reasonably deem necessary.

8.3.2 Designated and Approved Suppliers. Recognizing that the success and preservation of the Carpet Network System depends upon product and service uniformity, You agree to purchase certain signs, supplies, equipment and samples from Us, Our affiliate or an approved or designated third party supplier as We shall prescribe, from time to time, in the Operations Manual or otherwise in writing. You shall use merchandise purchased from approved and designated suppliers solely in connection with the Mobile Business and not for any competitive business purpose.

8.3.3 Supplier Approval and Disapproval. In the event You wish to purchase any merchandise for which We have designated or approved suppliers, from an unapproved supplier, You must provide Us the name, address and telephone number of the proposed supplier, a description of the merchandise You wish to purchase, and the purchase price, if known. At Our request, You must provide Us, for testing purposes, a sample of the supplier's goods. We will make a good faith effort to notify You of Our approval or disapproval within 5 days from the date We receive Your request of approval; however, Our failure to respond within such 5-day period shall be deemed a disapproval. If We incur any costs in connection with evaluating a supplier at Your request, You must reimburse Us Our reasonable testing costs, regardless of whether We subsequently approve the supplier. We have the right to revoke Our approval of particular suppliers when We determine, at Our sole discretion, that such suppliers no longer meet Our standards. Upon receipt of written notice of such revocation, You must cease purchasing products from such suppliers.

8.4 **Authorized Products and Services.** You shall offer for sale all products which We prescribe and only those products that We prescribe. Any other products or services You desire to offer for sales in connection with the Mobile Business must be first approved in writing by Us. You shall at all times offer, and maintain a complete set of samples for sale of, the full Carpet Network product line.

8.5 **Inventory Purchases.**

8.5.1 Carpet Network System Suppliers. You are required to purchase floor covering, window treatments and area rugs directly from carpet mills and wholesale suppliers which We identify in the Operations Manual and otherwise in writing ("System Suppliers").

8.5.2 Carpet Network System Credit Terms. We reserve the right to establish a centralized purchasing facility to warehouse and distribute certain or all inventory items to You. Currently, We negotiate purchase rates for all affiliate and franchisee owned Carpet Network businesses (the "Carpet Network System Credit terms"); System Suppliers generally drop ship inventory to You, and bill You according to the Carpet Network System Credit terms. If You do not pay System Suppliers, they will not ship You merchandise. You hereby acknowledge that Your failure to pay System Suppliers as and when due may jeopardize the Carpet Network System Credit Terms with such vendors which would result in irreparable harm to the Carpet Network System. In the event of a dispute with any System Supplier, You must first notify Us of

the dispute before Your account has become delinquent with such System Supplier. Failure to timely notify Us shall result in a default as set forth in Paragraph 11.1.2.1 of this Agreement.

8.6 Operations.

8.6.1 You must aggressively market the mobile business, and provide prompt, efficient and courteous services to all customers and potential customers.

8.6.2 You must have a unicell van which may be purchased or leased and which conforms to the standards and specifications We prescribe in the Operations Manual or otherwise in writing. You must maintain Your van(s) in accordance with Our standards of maintenance and cleanliness and with a clean and neat appearance.

8.6.3 You and Your employees must give prompt, courteous and efficient service to the public and otherwise operate the mobile business so as to preserve, maintain and enhance the reputation and goodwill of the System.

8.6.4 You must at all times maintain such working capital as may be reasonably necessary to enable You to properly and fully carry out and perform all of Your duties, obligations and responsibilities hereunder and to operate the Mobile Business in a businesslike, proper and efficient manner.

8.6.5 You must keep a complete and current set of carpet, floor covering, window treatment and area rug samples as We prescribe in writing from time to time.

8.6.6 You must provide Us with an approved Business Plan within 60 days from the date you complete training.

8.7 Computer Software and Hardware. Before commencing operations, You must purchase a computer system with Internet access. In the event We develop or designate a computer software program for the operations of the Mobile Business, You shall be required to purchase and use such computer software program(s) ("Software"). In addition, We have the right to require You to update or upgrade computer hardware components and/or Software as We deem necessary from time to time but not more than three times per calendar year. In addition, We may require You to enter into a separate maintenance agreement for such computer hardware and/or Software.

8.8 Best Efforts. You shall use Your best efforts to promote and increase the demand for the goods and services offered by the Mobile Business. All advertising and promotion by You shall be completely factual and shall conform to the highest standards of ethical advertising. You agree to refrain from any business or advertising practice which may be injurious to Our business, the goodwill associated with Our Proprietary Marks or to the business of other franchisees.

8.9 Personal Supervision. We recommend that You (if You are an individual, or Your principals if You are a corporation, partnership or limited liability company) personally

supervise the day-to-day operations of the Mobile Business. If You do not personally supervise day-to-day operations, You must designate a full-time manager (“Designated Manager”) to engage in such supervision. Such Designated Manager shall devote his or her personal full-time attention and best efforts to the management and operations of the Mobile Business. We have the right to require that Your Designated Manager sign, prior to assuming management responsibility, a confidentiality and noncompete agreement containing provisions similar to those contained in this Agreement.

8.10 Telephone. You shall obtain at Your own expense a new telephone number and listing, to be listed under the “Carpet Network” name and not under Your corporate, partnership, company, or individual name, to be used exclusively in connection with Your operation of the Mobile Business. Upon the expiration, transfer or termination of this Agreement for any reason, You shall terminate Your use of such telephone number and listing and assign same to Us or Our designee. Your Mobile Business shall be serviced by a suitable telephone system approved by Us. You shall answer the telephone and return telephone calls in the manner We specify in the Operations Manual. You must promptly return all telephone calls and must treat each customer or potential customer with respect and courtesy at all times.

8.11 Installation of Carpet and Window Treatments. As a Carpet Network Franchisee, You must offer installation services through a competent installation contractor. You are solely responsible for engaging competent installation contractors to perform such services. You shall undertake a reasonable investigation before engaging any contractor and shall require that each contractor be fully insured.

8.12 Insurance. At all times during the term of this Agreement and at Your own expense, You must obtain and keep in force a minimum; (i) public liability and property damage insurance covering the operation of the franchised business and the location where the business is conducted with a minimum combined single limit of \$1,000,000; (ii) real and personal property insurance including fire and extended coverage on all risk replacement cost basis; (iii) automobile insurance on each vehicle used in connection with the Mobile Business with commercial limits of not less than \$300,000 per occurrence; and (iv) workers’ compensation insurance as required by the laws of the state in which Your Territory is located. In the event You enter a lease which requires You to purchase insurance with higher limits, Your lease insurance requirements shall control. All insurance policies must contain a separate endorsement naming Us as an additional insured and shall be written by an approved insurance carrier. Our acceptance of an insurance carrier does not constitute Our representation or guarantee that the insurance carrier will remain a going concern or capable of meeting claim demands during the term of the insurance policy. No insurance policy shall be subject to cancellation, termination, non-renewal or material modification, except upon at least 30 days’ prior written notice from the insurance carrier to Us. At all times, You must provide Us with a currently issued certificate of insurance evidencing coverage in conformity with the provisions of this paragraph. If You fail to comply with at least the minimum insurance requirements set forth in this paragraph, We may obtain such insurance and keep same in force and effect and You must pay Us, on demand, the premium and Our administrative costs in connection with obtaining the insurance. We may increase or otherwise modify the minimum insurance requirements upon 30 days prior written notice to You, and You must comply with any such modification.

8.13 Compliance with Applicable Laws. You must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Mobile Business, which includes obtaining all required permits, certificates and licenses, including the prompt payment of all taxes and business expenses.

8.14 Trade Secrets and Confidential Information. You must maintain the confidentiality of all Confidential Information as set forth in Section 4 of this Agreement.

8.15 Right of Inspection. In order to preserve the validity and integrity of the System, and goodwill associated with the Proprietary Marks, We have the right to observe the manner in which You operate Your Mobile Business, to confer with Your employees and customers to enforce Our quality control standards. In addition, We have the right to inspect Your books and records including Your computers through site visits, modem or otherwise. We may inspect Your Mobile Business fixtures, furnishings, equipment and operating methods to determine whether the business is being conducted in accordance with Our standards and in accordance with the terms of this Agreement.

8.16 Changes to the System. We may, from time to time, change the standards and specifications applicable to operation of Your Mobile Business, including standards and specifications of inventory, products, supplies, signs, fixtures, furnishings and equipment, by written notice to You or through changes in the Operations Manual. You may incur an increased cost to comply with these changes, and agree to implement such changes at Your own expense as if they were part of the System when this Agreement was executed, including discontinuing or modifying the use of any of the Proprietary Marks. If We modify the products or services offered by the System, You must immediately order such products and upon receipt of the products begin to offer and sell the products and services, as applicable. However, no change will materially alter Your fundamental rights under this Agreement.

8.17 Financial Records and Reports. You must maintain for at least 3 fiscal years from their preparation complete financial records for the operation of Your Mobile Business in accordance with generally accepted accounting principles and must provide Us with (i) a monthly sales report signed by You and in the form We specify during the preceding calendar month indicating such information which We deem necessary to properly evaluate Your progress, to accompany Your royalty and advertising fees; (ii) annual financial reports and operating statements in the form We specify, prepared by a certified public accountant or state licensed public accountant, within 90 days after the close of each calendar year; (iii) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which Your Mobile Business is operated, within 30 days from their timely completion; and (iv) such other reports as We may from time to time require, in the form and at the time We prescribe. To assist You in recording and keeping accurate and detailed financial records for reports and tax returns, We may, at Our discretion, specify the form in which the business records are to be maintained, provide a uniform set of business records for You to use, and specify the type of computer system to be used in connection with the Mobile Business.

8.18 Books and Records. You must maintain business records, reports, accounts, books and data relating to the operation of Your Mobile Business. We or Our designees has the right to inspect and/or audit Your business records at any time during normal business hours, to determine whether You are current with suppliers and are otherwise operating in compliance with the terms of the Franchise Agreement and Operations Manual. If any audit reveals that You have understated Your Gross Revenues or local marketing expenditures by more than 2%, or if You have failed to submit Royalty payments or monthly reports or Your National Marketing/Advertising Fund payment for any 2 reporting periods within any 12-month period, You must pay the reasonable cost of such audit and/or inspection, including the cost of auditors and attorneys (if We incur such costs), together with Royalty payments and National Marketing/Advertising Fund contributions and other fees which become due as a result of such underreporting and/or failure to submit reports, and interest from the date when such fees should have been submitted.

8.19 Annual Conventions. You must attend Our Annual Convention at such location as We designate from year to year. You are responsible for all expenses, including transportation to and from the Annual Convention site, lodging and meals.

9. ACKNOWLEDGMENTS OF FRANCHISEE

9.1 Independent Contractor Status. You are an independent contractor responsible for full control over the internal management and daily operation of Your Mobile Business, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other. You may not act or represent Yourself, directly or by implication, as an agent, partner, employee or joint venture partner of Us, nor may You incur any obligation on Our behalf or in Our name.

9.2 Indemnification. You must defend, indemnify and hold Us, Our principals, agents and employees harmless from all fines, suits, proceedings, claims, demands, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising in whole or in part from the operation of Your Mobile Business, including Your advertising and business practices, except as otherwise provided in this Agreement.

9.3 Payment of Debts. You understand that You alone are responsible for selecting, retaining and paying Your employees, suppliers and taxing authorities; and that You are solely responsible for the payment of all invoices for the purchase of goods for use in connection with the Mobile Business; and determining whether, and on what terms, to obtain any financing or credit which You deem advisable or necessary to operate the Mobile Business.

9.4 Notice of Potential Profit. You acknowledge and agree that We may receive a reasonable profit on all items You purchase from Us, Our affiliates or third party suppliers. We and/or Our affiliates, if any, may from time to time receive consideration from suppliers with respect to sales of signs, supplies, equipment and inventory to You or in consideration of rights licensed to such persons. You agree that We and/or Our affiliates are entitled to such profits and/or consideration.

9.5 Noncompetition.

9.5.1 During the Term of This Agreement. During the terms of this Agreement, neither You, Your principals nor any member of the immediate family of You or Your principals shall directly or indirectly, for Yourselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any other business which operates or licenses businesses featuring the sale of floor coverings, window treatments and/or area rugs or related products; provided, however, that this paragraph shall not apply to Your operation of any other Carpet Network franchise.

9.5.2 After Termination, Expiration or Transfer.

9.5.2.1 For a period of 3 years after the expiration, transfer or termination of this Agreement, regardless of the cause, neither You, Your principals or any member of the immediate family of You or Your principals shall directly or indirectly, for Yourselves or through, on behalf of, or in conjunction with any other person, partnership or corporation own, maintain, engage in, be employed by, or have any interest in any other business which operates or licenses businesses featuring the sale of carpet or flooring materials or related products within 5 miles from the parameter of the territory franchised under this Agreement, or any other Carpet Network Business in operation or which is contemplated as of the date of expiration or termination of this Agreement.

9.5.2.2 For a period of 3 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither You, Your principals nor any member of the immediate family of You or Your principals shall, directly or indirectly, for Yourselves or through, on behalf of, or in conjunction with any other person, partnership or corporation solicit business from customers of Your former Carpet Network Mobile Business or contact any supplier of Carpet Network for any competitive business purpose nor solicit any of Our employees, Our affiliates' employees, or the employees of any other Carpet Network franchisee to discontinue employment.

9.5.2.3 For a period of 3 years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither You, Your principals nor any member of the immediate family of You or Your principals may directly or indirectly, for Yourselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Carpet Network granting franchises or licenses.

9.6 Intent and Enforcement. It is the intent of the parties that the provisions of this Section 9.6 shall be judicially enforced to the fullest extent permissible under the applicable law; accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of Section 9.5 including all paragraphs and subparagraphs thereof by You, any of Your partners or shareholders or any member of the immediate family of same, We shall be entitled to an injunction restraining such person from any

such actual or threatened breach. You agree that in the event of the actual or threatened breach of Section 9.5 including all paragraphs and subparagraphs thereof, Our harm will be irreparable and that We have no adequate remedy at law to prevent such harm. You acknowledge and agree on Your own behalf and on behalf of the persons who are liable under Section 9.5 including all paragraphs and subparagraphs thereof, that each has previously worked or been gainfully employed in other careers or occupations and that the provisions of Section 9.5 including all paragraphs and subparagraphs thereof, in no way prevents any such person from earning a living. You further acknowledge and agree that the time limitation of Section 9.5 including all paragraphs and subparagraphs thereof, shall be tolled during any default under Section 9.5 including all paragraphs and subparagraphs thereof.

9.7 Employees. You shall require Your principals and Designated Manager to execute a noncompetition agreement containing provisions similar to those set forth herein.

9.8 Image. You acknowledge that the Carpet Network System has been developed to sell products which will distinguish the Mobile Business as a business of distinction and from stores and chains which offer similar products valued at different prices and with less attention paid to quality, selection and customer service. Therefore, You acknowledge that We will require You to offer products and services and conduct the Mobile Business in such a manner which will serve to emulate and enhance the image We intend for the Carpet Network System. You further acknowledge and agree that each aspect of the Carpet Network System is important not only to You but also to Us, Our affiliates and other System franchisees in order to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by System franchisees and Our affiliates. You agree to comply with the standards, specifications and requirements We specify in order to uniformly convey the distinctive image of a Carpet Network business.

9.9 Pending Actions. You shall notify Us, in writing, within 5 days of the commencement of any action, suit or proceeding and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality which may adversely affect the operation or financial condition of You or the Mobile Business.

10. SALE OR TRANSFER

10.1 Transfer. Your rights under this Agreement are personal, and You shall not sell, transfer, assign or encumber Your interest in the franchise business without Our prior written consent. Any unauthorized transfer by You shall be voidable by Us and shall subject this Agreement to termination as specified herein.

10.2 Death or Disability.

10.2.1 Representative's Right to Continue as Franchisee. In the event of Your death, disability or incapacitation (or the death, disability or incapacitation of Your principals or personal guarantors as described in this Agreement), Your legal representative (or Your principals' or guarantors' respective legal representative, as applicable) shall have the right to continue the operation of the Mobile Business as franchisee under this Agreement if: (i) within

45 days from the date of death, disability or incapacity (the “45 day period”), such person has obtained Our prior written approval and has executed Our then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company of Franchisee’s obligations to Us and Our affiliates; and (ii) such person successfully completes Our training program (which We will provide at Our then current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Us.

10.2.2 Operation of Mobile Business During and After 45 Day Period. We are under no obligation to operate the Mobile Business, or incur any obligation on behalf of any disabled or deceased Franchisee, during or after the 45 day period. If necessary, You (or Your legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Mobile Business during the 45 day period. If You die, or become disabled or incapacitated during any training period, such training program shall be indefinitely suspended while We await the intentions of Your personal representative. If any portion of the training program is suspended, Your legal representative may be required to wait until the next available training session to complete training.

10.3 Ownership Changes. A sale, transfer or assignment requiring Our prior written consent shall be deemed to occur: (i) if You are a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Your voting stock or any increase in the number of outstanding shares of Your voting stock which results in a change of ownership, (ii) if You are a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest, or (iii) if You are a limited liability company, upon the assignment, sale, pledge, or transfer of any ownership interest. You must obtain Our written consent prior to any change in ownership interests while this Agreement is in effect which will result in a sale, transfer or assignment as set forth herein. Any new partner or shareholder will be required to personally guarantee Your obligations under this Agreement. A transfer pursuant to (i), (ii) or (iii) above shall not be subject to Our right of first refusal as set forth in Paragraph 10.3.1.

10.3.1 Right of First Refusal. If You propose to transfer this Agreement to any third party (except as otherwise set forth in Section 10.3 and 10.4) in connection with a bona fide offer from such third party, You shall first offer to sell such interest to Us on the same terms and conditions as offered by such third party. You shall obtain from the third party and provide to Us a statement in writing, signed by the third party and You, of the terms of the offer (“Letter of Intent”). If We elect not to accept the offer within a 30 day period, You shall have a period not to exceed 60 days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Paragraph 10.3.2 hereof. You shall effect no other sale or transfer of Your interest in this Agreement without first complying with this Section 10 including all paragraphs and subparagraphs thereof. Any material change in the terms of this offer, shall be deemed a new proposal subject to Our right of first refusal. So long as You have obtained Our prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner, shareholder, or member or a transfer as a result of the death, disability or incapacity of a partner, shareholder or member, in accordance with the provisions set forth below, is not subject to Our right of first refusal.

10.3.2 Conditions for Approval. We may condition Our approval of any proposed sale or transfer of the franchise business or of Your interest in this Agreement upon satisfaction of the following occurrences:

10.3.2.1 All of Your accrued monetary obligations to Us and Our affiliates shall be satisfied; and

10.3.2.2 All existing defaults under this Agreement shall have been cured within the period permitted for cure; and

10.3.2.3 You shall execute a general release under seal, in a form satisfactory to Us containing a release of any and all claims against Us and Our affiliates and their officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the release shall not be inconsistent with any applicable state statute regulating franchising; and

10.3.2.4 You or Your transferee shall provide Us a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Your obligations under this Agreement. and

10.3.2.5 The transferee shall demonstrate to Our satisfaction that he/she meets Our educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement, including those sales volume criteria set forth in Paragraph 11.1.1.14 ; transferee shall not be in the same business as Us, either as licensor, franchisor, independent operator or licensee of any other store, chain or network which is similar in nature or in competition with Us, except that the transferee may be an existing Carpet Network Franchisee; and

10.3.2.6 The transferee shall execute Our then-current Franchise Agreement for the unexpired term of this Agreement; and

10.3.2.7 The transferee shall satisfactorily complete Our training program at the transferee's expense, within the time frame We set forth; and

10.3.2.8 You or the transferee must pay Us a transfer fee in the amount of \$3,500; and

10.3.2.9 You comply with the post-termination provisions of this Agreement.

10.4 Transfer to a Corporation or Limited Liability Company. If You are an individual, You have the right with Our written approval to assign Your rights under this

Agreement to a corporation or limited liability company. Such assignment shall not be subject to Section 10.3 of this Agreement provided:

10.4.1 The corporation or limited liability company is newly organized and its activities are confined to operating the Mobile Business; and

10.4.2 You are, and at all times remain, the owner of 90% of the outstanding shares of the corporation or membership of the limited liability company; and

10.4.3 The corporation or limited liability company agrees in writing to assume all of Your obligations hereunder; and

10.4.4 All stockholders of the corporation or the members of the limited liability company personally guarantee prompt payment and performance by the corporation or the limited liability company of its obligations to Us and/or Our affiliates, under this Agreement and any other agreement between You and Us and/or Our affiliates and execute a noncompetition agreement as set forth in Section 9.5 hereof.

10.5 **Transfer by Us.** We have the right to sell, transfer, assign and/or encumber all or any part of Our interest in ourselves or this Agreement.

11. **BREACH AND TERMINATION**

11.1 **Termination by Us with Cause.** We have the right to terminate this Agreement under the following circumstances:

11.1.1 Without Opportunity to Cure. We have the right to terminate this Agreement without providing You advance notice or an opportunity to cure for any of the following breaches or defaults:

11.1.1.1 *Criminal Acts.* If You or any of Your principals are convicted of or plead guilty or no contest to a felony or take part in any criminal misconduct relevant to the operation of Your Mobile Business.

11.1.1.2 *Fraud.* If You or any of Your principals commit any fraud in the operation of Your Mobile Business.

11.1.1.3 *Misrepresentation.* If You or any of Your principals make any misrepresentation or omission in connection with Your franchise application, including but not limited to any financial misrepresentation.

11.1.1.4 *Repeated Breaches.* If We sent You two or more written notices to cure pursuant to Paragraphs 11.1.2 or 11.1.3 hereof in any 12-month period.

11.1.1.5 *Breach of other Agreements.* If You or any of Your principals materially breach any other agreement with Us or any of Our affiliates, or threatens

any material breach of any such agreement and do not cure the breach within any permitted period for cure.

11.1.1.6 *Proprietary Marks or Confidential Information Violation.* If You or any of Your principals materially violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information licensed hereunder.

11.1.1.7 *Violation of Health Code.* If You violate any health, safety or sanitation law, ordinance or regulation or operate the Mobile Business in a manner that presents a health or safety hazard to customers, or the general public.

11.1.1.8 *Violation of In-term Restrictive Covenant.* If You or any of Your principals violate the in-term restrictive covenant contained in Paragraph 9.5.1.

11.1.1.9 *Voluntary Bankruptcy.* If You or any of Your principals make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for You, Your principals, or the franchised business.

11.1.1.10 *Involuntary Bankruptcy.* If proceedings are commenced to have You or Your principals adjudicated bankrupt or to seek Your reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for You, Your principals, or the franchised business without consent, and the appointment is not vacated within 60 days.

11.1.1.11 *Liens.* If a levy of writ of attachment or execution or any other lien is placed against You or any of Your principals or any of Your or their assets which is not released or bonded against within 30 days.

11.1.1.12 *Insolvency.* If You or any of Your principals is insolvent.

11.1.1.13 *Abandonment.* If You voluntarily or otherwise abandon the Mobile Business. The term “abandon” includes any conduct which indicates a desire or intent to discontinue the Mobile Business in accordance with the terms of this Agreement and shall be deemed to have occurred in any event if You fail to maintain a viable, designated telephone line for use in connection with the Mobile Business; or if You have failed to generate any sales activity for a period of 60 days.

11.1.2 Thirty(30) Day Notice to Cure. We have the right to terminate this Agreement if any of the following defaults remain uncured after expiration of the thirty(30) day cure period:

11.1.2.1 *Nonpayment.* If You fail to pay as and when due any sums owed to Us or any of Our affiliates under this Agreement or under any other agreement by which You have become obligated to pay any sums to Us or any of Our affiliates or to pay any System Supplier; or

11.1.2.2 *Failure to Maintain Current and Complete Samples.* If You fail to maintain a current set of Carpet Network samples that We prescribe in the Operations Manual or otherwise in writing; or

11.1.2.3 *Failure to Complete Training.* If You fail to complete initial training as provided in Paragraph 7.2; or

11.1.2.4 *Failure to Commence Operation.* If You fail to commence operations of the Mobile Business within 60 days of the date You sign this Agreement; or

11.1.2.5 *Quality Control.* If You fail to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual; or

11.1.2.6 *Other Conduct Reflecting Adversely on System.* You or any of Your principals conduct Yourself or themselves in a manner that, although not criminal, reflects adversely on the System, the Proprietary Marks, or the products offered through the System; or

11.1.2.7 *Unauthorized Transfer.* You purport to sell, transfer or otherwise dispose of any interest in the Mobile Business in violation of Section 10 hereof.

11.1.3 Upon Sixty(60) Day Notice To Cure. We have the right to terminate this Agreement if any of the following defaults remain uncured after expiration of the sixty(60) day cure period:

11.1.3.1 *Failure to Perform.* You fail to perform or comply with any one or more of the terms or conditions of this Agreement or any ancillary agreements between You and Us or Our affiliates; or

11.1.3.2 *Unapproved Purchases.* You order or purchase supplies, signs, equipment or inventory from an unapproved supplier, for which We have designated or approved suppliers in the Operations Manual or otherwise in writing.

11.2 **Automatic Termination.** If You fail to cure the alleged breach within the applicable period of time set forth in Section 11.1.2 (including all paragraphs and subparagraphs thereof), then this Agreement shall automatically terminate upon expiration of the cure period as stated in the written notice. For purposes of this Agreement, Your alleged breach of this Agreement shall be deemed cured if both parties agree in writing that the alleged breach has been corrected.

11.3 Our Rights to Operate the Mobile Business in the Event of Default. In addition to Our right to terminate this Agreement, and not in lieu of such right, or any other rights We may have against You, upon a failure to cure any default within the applicable time period (if any), We have the right, but not the obligation, to exercise complete authority with respect to the operation of the Mobile Business until such time as We determine, in Our sole discretion that the default has been cured, and You are otherwise in compliance with this Agreement. In the event We exercise the rights described in this Paragraph, You shall reimburse Us for all reasonable costs and overhead, if any, incurred in connection with the operation of Your Mobile Business including, without limitation, costs of personnel for supervising and staffing the Mobile Business and their travel and lodging accommodations. If We undertake to operate the Mobile Business pursuant to this Paragraph, You agree to indemnify and hold Us (and Our representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Our operation of the Mobile Business.

11.4 Nonwaiver. Our delay in exercising or failing to exercise any right or remedy under this Agreement or Our acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Our rights or remedies against You.

11.5 Remedies. You acknowledge that strict adherence to all of the terms of this Agreement is necessary not only for Our protection, but also for Your protection and the protection of all other System franchisees. You acknowledge that Your obligations under this Agreement are material and reasonable and that Your strict and exact performance of each of Your obligations is required in order to enjoy the benefits of this Agreement. A default in Your obligations or failure to perform Your obligations shall be deemed to be a material breach of this Agreement. In addition to any other remedy provided by law or equity for breach of this Agreement, We are entitled to apply for an order enjoining any such breach or threatened breach, to obtain an immediate injunction for the appointment of a receiver for Your business in order to enforce such provisions, to prevent any existing or threatened violation or default on Your part, or if the Agreement has been terminated, You may be enjoined from continued operations of the Mobile Business, or any other operation in violation of this Agreement. Expiration or termination of this Agreement shall be without prejudice to other rights We may have against You and shall not relieve You of any of Your obligations to Us at the time of expiration or termination.

12. RIGHTS AND DUTIES OF FRANCHISEE UPON EXPIRATION OR TERMINATION

12.1 Your Obligations. Upon termination of this Agreement by either party, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, You shall:

12.1.1 Cease immediately all operations under this Agreement; and

12.1.2 Pay immediately to Us all unpaid fees and pay to Us and Our affiliates all other monies owed them; and

12.1.3 Immediately take all necessary steps to cover or remove the Proprietary Marks from Your van(s) and otherwise discontinue use of the Proprietary Marks; and

12.1.4 Immediately return the Operations Manual to Us and all other manuals and Confidential Information We loaned to You and immediately cease to use the Confidential Information; and

12.1.5 Immediately cease using all telephone numbers and listings used in connection with the operation of the Mobile Business and direct the telephone company to transfer all such numbers and listings to Us or Our designee pursuant to the Conditional Assignment of Telephone Numbers attached hereto as Exhibit B, or, if We so direct, to disconnect the numbers;

12.1.6 Promptly surrender all proprietary materials including, without limitation, the Carpet Network Presentation Binder, samples, clothing, stationery, printed matter, signs, advertising materials and other items containing the Proprietary Marks as We direct and all items which are a part of the trade dress of the System; and

12.1.7 Cease to hold Yourself out as a Franchisee of Carpet Network; and

12.1.8 Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration which contains any trade name or other Proprietary Mark license by Us and furnish Us with evidence satisfactory to Us of compliance with this obligation within 30 calendar days after the termination, expiration or transfer of this Agreement; and

12.1.9 Permit Us to make final inspection of Your financial records, books and other accounting records within 6 months of the effective date of termination, expiration, or transfer; and

12.1.10 Comply with the post-termination covenants as set forth in Paragraphs 9.5.2 and all Subparagraphs thereof (9.5.2.1, 9.5.2.2 and 9.5.2.3), all of which shall survive the transfer, termination or expiration of this Agreement.

12.2 **Power of Attorney.** You hereby irrevocably appoint Us as Your attorney-in-fact to execute in Your name and on Your behalf all documents necessary to discontinue Your use of the Proprietary Marks and the Confidential Information.

12.3 **Cumulative Remedies.** None of Our rights or remedies are exclusive of any other right or remedy or in law or equity provided or permitted, but each shall be in addition to every other right or remedy.

13. **NOTICES**

All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail, or certified mail, return receipt requested (except

that regular monthly and other reports from You may be sent by regular mail), prepaid, to the following addresses (which may be changed by written notice):

You:

Carpet Network, Inc.:

Leonard Rankin, CEO
Carpet Network, Inc.
109 Gaither Drive, Suit 302
Mount Laurel, New Jersey 08054

14. MISCELLANEOUS PROVISIONS, RIGHTS AND DUTIES

14.1 Amendments. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES.

14.2 Choice of Law and Selection of Venue. Except as provided in Paragraph 14.16 hereof, and to the extent governed by The United States Trademark Act (Lanham Act, 15 U.S.C. Paragraph 1051, et seq.) and the Federal Arbitration Act, this Agreement shall be governed by the laws of the State of New Jersey. The parties further agree that any action at law or equity instituted against either party to this Agreement, if not arbitrated, shall be commenced only in the state court located in Burlington County, New Jersey or the United States District Court for the District of New Jersey where Our headquarters are located. You acknowledge that this Agreement has been entered into in the State of New Jersey, and that You are to receive valuable and continuing services emanating from Our headquarters in Mount Laurel, New Jersey, including but not limited to assistance, support and the development of the franchise System. In recognition of such services and their origin, You hereby irrevocably consent to the personal jurisdiction of the state and federal courts of New Jersey set forth above.

14.3 Mediation. The parties hereto agree that before resorting to binding arbitration, that if any dispute arises between the parties hereto, any affiliated companies thereof or any of their officers, directors, partners, joint ventures, employees, agents, representatives or those in active concert with any of such parties, relating to anything other than the matters set forth in Paragraphs 9.5.2 and Subparagraphs 9.5.2.1, 9.5.2.2 and 9.5.2.3, the parties hereto agree to first try in good faith before resorting to arbitration, to settle the dispute by mediation in Burlington County, New Jersey, administered by the American Arbitration Association under its Commercial Mediation Rules and initiated at and supervised by the American Arbitration Association office in Somerset, New Jersey unless agreed otherwise by the parties. Disputes subject to mediation shall be all controversies, claims, and matters from the beginning of time, whether contractual or tort in nature, except for those matters specifically excluded in Paragraphs 9.5.2 and Subparagraphs 9.5.2.1, 9.5.2.2 and 9.5.2.3. The party who seeks resolution of a controversy, claim or dispute or other matter in question shall notify the other party and the American Arbitration Association office in writing of the existence and subject matter of such controversy, claim or dispute. Unless mutually agreed otherwise, the parties shall meet with the mediator within sixty (60) days after the recipient party has received notice of the dispute, and

agree to utilize their best efforts and all expediency to resolve the matters in dispute. The mediation shall not continue longer than one (1) hearing day without the written approval of both parties. Neither party shall be bound by any recommendation of the mediator, however, any agreement reached during mediation shall be final and conclusive. The expense of mediation shall be shared equally by both parties. The parties obligation to mediate will be deemed to be satisfied after one (1) hearing day or 60 days after a mediation demand has been made if any party fails to appear or participate in good faith in the mediation.

Carpet Network and the Franchisee each agree that the mediation process is negotiation for the purpose of compromise. All offers, promises, conduct, and statements, whether oral or written, made in the course of the mediation process by any of the parties, their agents, employees, experts and attorneys, shall be confidential. Franchisee acknowledges that Carpet Network may require the Franchisee to execute a confidentiality agreement pertaining to the mediation process. Notwithstanding the foregoing, evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or not discoverable as a result of its use in the mediation process.

In the event the parties are unable to reach an agreement by mediation, then in that event all disputes, controversies, claims or causes of action shall be submitted to binding arbitration pursuant to Paragraph 14.4 hereinafter.

14.4 Arbitration. Any dispute, controversy, claim or cause of action arising between the parties, including any dispute as to the arbitrability of any such controversy, claim or cause of action (other than as Carpet Network elects to enforce as set forth in Paragraphs 9.5.1 and 9.5.2, and Subparagraphs 9.5.2.1, 9.5.2.2 and 9.5.2.3) shall be submitted to binding arbitration in Burlington County, New Jersey or if Carpet Network shall no longer maintain an office in Burlington County, New Jersey, then in the county and state of the home office of Carpet Network. Arbitration shall be conducted in accordance with the Federal Arbitration Act (9 U.S.C. Paragraph 1 et seq.), if applicable, and the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise and license agreements, if any, otherwise, the general rules of commercial arbitration), provided that the arbitrator shall award, or include in his/her award, the specific performance of this Agreement, and the arbitrator shall issue a written opinion explaining the reasons for his/her decision and award. If a claim for amounts owed by Franchisee to Carpet Network is asserted in the arbitration proceeding and if Carpet Network shall prevail on such claim, Carpet Network shall be entitled to so much of its costs and expenses including accounting and legal fees, as are attributable to the prosecution thereof. Any arbitration proceeding conducted hereunder shall entitle each party to offer and opening statement; to introduce all relevant and noncumulative evidence, testimony, records, affidavits, documents, and memoranda in their direct case; to cross examine any person who testified against them or in favor of another party; to introduce rebuttal evidence, testimony, records, affidavits, documents, and memoranda; and to offer a closing statement. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District for the District of New Jersey where Carpet Network's headquarters are located and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement. During the pendency of

an arbitration proceeding hereunder, Franchisee and Carpet Network shall fully perform and comply with the provisions of this Agreement.

14.5 Third Party Beneficiaries. Our officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this arbitration provision, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by You.

14.6 Prior Notice of Claims. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, You must notify Us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

14.7 Injunctive Relief. Nothing in this Agreement shall prevent Us from obtaining injunctive relief against threatened conduct that will cause Us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

14.8 Limitation of Action. The parties further agree that no cause of action arising out of or in conjunction with or under this Agreement may be maintained by either party against the other, its officers, directors or employees, unless brought before the expiration of two years after the act, transaction or occurrence upon which such action is based or the expiration of one year after the complaining party becomes aware of facts or circumstances reasonably indicating that such party may have a claim against the other party hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or setoff.

14.9 Punitive Damages. You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Your recovery is limited to Your actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

14.10 Construction of Language. The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as You, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Your “immediate family” includes Your spouse, parents, children and siblings and Your spouse’s parents, children and siblings. Reference to Your “principals” includes Your officers, directors and shareholders, if You are a corporation, Your general and limited partners, if You are a partnership, and Your members and managers, if You are a limited liability company.

14.11 **Successors.** References to either party include such parties' successors, assigns or transferees, subject to the limitations of Section 10 hereof.

14.12 **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Us or any of Our affiliates or protection of the Proprietary Marks, or the Confidential Information, including the Operations Manual and Our other trade secrets, is declared invalid or unenforceable, then We at Our option may terminate this Agreement immediately upon written notice to You.

14.13 **Additional Documentation.** You shall from time to time, subsequent to the date first set forth above, at Our request and without further consideration, execute and deliver such other documentation or agreement and take such other action as We reasonably may require in order to effectuate the transactions contemplated herein. In the event that You fail to comply with the provisions of this paragraph, You hereby appoint Us as Your attorney-in-fact to execute any and all documents on Your behalf, reasonably necessary to effectuate the transactions contemplated herein.

14.14 **No Right to Offset.** You shall not withhold all or any part of any payment to Us or any of Our affiliates on the grounds of the alleged nonperformance of Us or any of Our affiliates or as an offset against any amount We or any of Our affiliates may owe or allegedly owe You under this Agreement or any related agreements.

14.15 **Force Majeure.** Neither We, Our affiliates nor You shall be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if the failure to perform obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as We deem reasonable.

14.16 **State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which Your Mobile Business is located, then the valid law or regulation of that state applicable to the Mobile Business shall supersede any provision of this Agreement that is less favorable to You.

14.17 **Class Claims.** Franchisee agrees that any arbitration between Carpet Network and Franchisee will be Franchisee's individual claim and that the claim or claims subject to arbitration shall not be arbitrated on a class wide basis.

14.18 Merger, Acquisition or Affiliation. Franchisee agrees that Carpet Network has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "CARPET NETWORK" operating under the proprietary marks or any of their marks following Carpet Network's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which Franchisee acknowledges may be within its "exclusive territory", proximate thereto, or proximate to any of the franchisee's locations).

Carpet Network will have the right to assign this agreement, and all of its rights and privileges under this agreement, to any person, firm, corporation or other entity.

Franchisee agrees and affirms that Carpet Network may sell itself, its assets, its proprietary marks and/or its system to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other dispositions. Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Carpet Network's name, proprietary marks (or any variation thereof) and system and/or the loss of association with or identification of "CARPET NETWORK" as Franchisor under this Agreement. Franchisee specifically releases any and all other claims, demands or damages arising from or related the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

If Carpet Network assigns its rights in this agreement, nothing herein shall be deemed to require Carpet Network to remain in the carpet and floor covering business or any business which it now conducts or to offer or sell any products or services to Franchisee.

15. REPRESENTATIONS

15.1 No Authority. NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US EXCEPT AN AUTHORIZED OFFICER OF US BY A WRITTEN DOCUMENT. YOU ACKNOWLEDGE THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY OR ON BEHALF OF US WHICH HAVE LED YOU TO ENTER INTO THIS AGREEMENT. YOU UNDERSTAND THAT WHETHER YOU SUCCEED AS A FRANCHISEE IS DEPENDENT UPON YOUR EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF YOUR EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND OUR CONTROL OR INFLUENCE. YOU FURTHER UNDERSTAND THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT WE HAVE MADE NO REPRESENTATION THAT YOU WILL DO AS WELL AS ANY OTHER FRANCHISEE.

15.2 Receipt. YOU ACKNOWLEDGE RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND EXHIBITS, AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, YOU ACKNOWLEDGE RECEIPT OF OUR UNIFORM FRANCHISE OFFERING CIRCULAR

AT LEAST 10 BUSINESS DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR YOUR PAYMENT OF ANY MONIES TO US, REFUNDABLE OR OTHERWISE.

15.3 Opportunity for Review by Your Advisors. YOU ACKNOWLEDGE THAT WE HAVE RECOMMENDED, AND THAT YOU HAVE HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND OUR UNIFORM FRANCHISE OFFERING CIRCULAR BY YOUR LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

15.4 Execution of Agreement. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF YOU ARE A PARTNERSHIP OR CORPORATION, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP OR CORPORATION WARRANTS TO US, BOTH INDIVIDUALLY AND IN HIS OR HER CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP OR ALL OF THE SHAREHOLDERS OF THE CORPORATION, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP OR CORPORATION.

16. GUARANTEE OF SHAREHOLDERS, PARTNERS OR MEMBERS

If (i) You are a corporation, or subsequent to execution hereof, You assign this Agreement to a corporation, all shareholders owning more than 10% of the outstanding shares of the corporation, or if (ii) You are a partnership, or subsequent to execution hereof, You assign this Agreement to a partnership all general partners or if (iii) You are a limited liability company, or subsequent to the execution hereof, You assign this Agreement to a limited liability company, all members, do hereby personally and unconditionally guarantee without notice, demand or presentment the payment of all of Your monetary obligations under this Agreement and any other agreement between You and Us and/or Our affiliates as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Your activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors shall execute a continuing personal guarantee in the form attached hereto as Exhibit A.

17. **SPOUSAL CONSENT**

If You are an individual(s), or subsequent to execution hereof, assign this Agreement to an individual(s), Your spouse hereby personally and unconditionally guarantees without notice, demand or presentment the payment of all of Your monetary obligations under this Agreement as if he/she were an original party to this Agreement in his or her individual capacity. All such spouses further agree to be bound by the restrictions upon Your activities upon transfer, termination or expiration of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses shall execute a spousal consent in the form attached hereto as Exhibit C. In the even of divorce and re-marriage, or subsequent marriage, You covenant and agree to provide Us with a properly executed spousal consent, in the form prescribed by Us.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this agreement to be executed effective the date first set forth above.

FRANCHISEE:

(Individual, Partnership or Corporation Name)

By: _____

Title: _____

By: _____

Title: _____

PERSONAL GUARANTORS

FRANCHISOR:

Carpet Network, Inc.

By: _____

Title: _____