

EXHIBIT B-1

**KIDS KARS FRANCHISING, LLC
FRANCHISE AGREEMENT**

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KIDS KARS® FRANCHISING, LLC
FRANCHISE AGREEMENT

Date of this Agreement: _____

Expiration Date: _____

Franchisor: Kids Kars Franchising, LLC

Franchisee: _____

In a number of places in this Franchise Agreement, you are asked to initial certain items to show that they have been fully discussed with you, and read, understood and agreed to by you. Initialing those areas does not lessen the importance of other areas or mean they are not fully enforceable. Please initial below and at all other points indicated.

Your Initials: ____ / ____

1. INTRODUCTION, DEFINITIONS AND PRELIMINARY AGREEMENTS

1.1 Introduction

A. We have developed methods of operating businesses which provide children entertainment services within a prescribed geographical area using motorized mini cars and customized inflatable barriers, along with related equipment, products and services as authorized by us. We refer to these businesses as "Kids Kars Businesses."

B. To simplify this Agreement, we have defined certain terms in Section 22, below. When you see a capitalized word, or if you do not understand the meaning of a particular pronoun reference, look at Section 22 to see whether the term has been defined. Capitalized words that are not defined in Section 22 are defined in the section where they first appear.

C. You applied for a franchise to own and operate a KIDS KARS Business, and your application has been approved by us in reliance on the information you gave us.

D. Your KIDS KARS franchise is a licensing arrangement, awarded under specific terms and conditions. You must comply fully with this Agreement and the Manuals in order to use the KIDS KARS Marks, System and other Intellectual Property.

E. You agree that it is critical to you, us and each Franchisee for the System to be flexible to respond to commercial opportunities and challenges. An inability to change the System could adversely affect all KIDS KARS Franchisees. You, therefore, agree and anticipate that the Manual, the System and the System Standards may be changed by us from time to time in our Business Judgment. You agree to comply with all of them as they are changed by us and understand that such changes may require additional investments and/or changes by you in operations and other areas of your Franchised Business.

F. Without your commitment to the System and to fulfill each of the obligations detailed in this Agreement, we would not form this franchise relationship with you.

1.2 **Definitions** Section 22 contains the definitions of various terms used in this Agreement.

2. **AWARD OF FRANCHISE**

2.1 **Award of Franchise; Term, Your Basic Commitment**

A. We are pleased to award you a franchise to operate a single Kids Kars Business and to use the Marks and the System in the operation of that Kids Kars Business within the Territory only. If this Agreement is awarded in connection with a new franchise, the franchise is awarded for a term of ten (10) years, commencing on the date of this Agreement. We have an Affiliate, Kids Kars, Inc., that operates a KIDS KARS Business. Although Kids Kars, Inc. ("KKI") is an intended beneficiary of this agreement and may sue to enforce it; KKI is not a party to this Agreement and is not bound by it. All obligations and rights under this Agreement are directly between you and us.

B. If this Agreement is awarded in connection with your acquisition of an existing franchised KIDS KARS Business, then the term of this Agreement will, at our option, either:

- 1) end on the expiration date of the franchise agreement granted to the party from whom you acquired the franchise; or
- 2) be for the term provided in Section 2.1(A).

The applicable Expiration Date is noted on the first page of this Agreement.

C. If this Agreement is awarded in connection with the grant of a successor franchise, then the term of this Agreement will be governed by the successor provisions of the franchise agreement under which you operated during the initial term (which is now expired). The applicable Expiration Date is noted on the first page of this Agreement.

D. The Franchise awarded to you by this Agreement is to operate the KIDS KARS Business and to use the Marks and the System only for purposes of conducting a business in accordance with the provisions of this Agreement, the Manuals and other communications from us. You are not permitted to provide KIDS KARS Products/Services outside the Territory without our express written authorization and the authorization of the Kids Kars Business operating in such other territory, as applicable.

2.2 **Territory**

A. Subject to our rights as set forth throughout this Section 2.2 and the Agreement, and for its term, we will not enter into a Franchise Agreement licensing a KIDS KARS Business, or open a Franchisor-owned KIDS KARS Business, to provide KIDS KARS Products/Services inside the area (the "Territory") described on Exhibit "2.2". You and we acknowledge and understand that in operating your KIDS KARS Business you will encounter business-scheduling conflicts and/or be unavailable to accept a request for your KIDS KARS Business Services. You agree that it is in your best interest and in best interest of the Brand for the applicable customer request to be met. Therefore, you agree that if you are unable or unwilling to service any prospective or existing customer in the Territory (or to make arrangements with another KIDS KARS Business to service such customer), then we (and/or those we appoint) may service such customer(s) without any obligations to you. Your rights in the Territory are exactly (and only) as expressly set forth in this Section. Except for the operation of a KIDS KARS Business within the Territory providing KIDS KARS Products and Services in the Territory, you have no right to exclude, control or impose conditions on the operations/locations of present or future KIDS KARS (or any other brand) businesses or distribution channels of any type, franchised or Franchisor-

owned, regardless of their location or proximity to the Territory. The Franchise does not grant you any rights with respect to other and/or related businesses, products and/or services, in which we or any Affiliates of ours may be involved, now or in the future.

B. We and Franchisor-Related Persons/Entities expressly reserve all other rights inside and outside of the Territory, including among them the rights to:

1) market/sell KIDS KARS advertising programs inside and outside the Territory, including the sale by us of advertising space on KIDS KARS mini cars, barriers and other KIDS KARS components. If we enter into an agreement to sell advertising space on your KIDS KARS mini cars or barriers, we will retain sixty percent (60%) of such revenue, and you will receive forty percent (40%) of such revenue;

2) Special accounts (e.g., Wal-Mart, retail toy store chains, etc.) and their respective units. You agree to deal with Special Accounts (or their individual units) only as authorized by us and/or to provide Products and Services to such Special Accounts according to requirements established by us. You agree that you will comply with any policies and procedures established by us in connection with such accounts;

3) sell to customers located anywhere KIDS KARS branded products and other products (such as KIDS KARS T-shirts, KIDS KARS toys, prizes and incentives, etc.), whether at retail or wholesale and through any channels of distribution. You agree to sell only Products authorized by us, if any, and only through channels of distribution approved by us; and

4) Market and/or sell motorized mini cars inflatable barriers trailers and related equipment anywhere and to persons/entities located anywhere so long as such persons/entities are not licensed to use the Kids Kars Brand.

C. You understand and agree that we and Franchisor-Related Persons/Entities may:

1) own and/or operate ourselves, and/or authorize others to own and/or operate:

a) any kind of business in the Territory, whether or not using the Marks and System, except for a KIDS KARS Business located and providing KIDS branded Products and Services in the Territory; and

b) any kind of business outside of the Territory, including without limitation, KIDS KARS Businesses, whether or not using the KIDS KARS Marks and System. You understand that we have an Affiliate, Kids Kars, Inc., which operates a Kids Kars Business and manufactures Package Equipment;

2) develop or become associated with other concepts (including dual branding and/or other franchise systems) and award franchises under such other concepts for locations anywhere;

3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the KIDS KARS Marks and System). Such transactions are expressly permitted under this Agreement, and you agree to participate at your expense in any such conversion as instructed by us.

D. You understand that a “KIDS KARS Business” is defined in Section 22, below. The term does not include any other distribution opportunities, such as (but not limited to) Internet sites and/or direct mail operations.

E. You may store your KIDS KARS Equipment and/or manage your KIDS KARS Business from offices outside the Territory, so long as you provide the KIDS KARS Products/Services from venues located exclusively in the Territory. Similarly, we (and/or those we appoint) may store our KIDS KARS Equipment and/or manage our operations from offices inside the Territory.

F. We reserve the right to restrict in our Business Judgment your solicitation, acceptance and/or performance of any business order, opportunity or event due to our safety, regulatory, or training concerns, or any other concerns related to quality standards. You and we acknowledge and agree that this right reserved by us is essential to the preservation of safety and quality procedures and practices, as well as the good will associated with the KIDS KARS Brand and System.

G. If you are not in Good Standing, we may, reduce, eliminate or otherwise modify your territorial rights.

2.3 Customer Policies and Your Internet Use

A. Our current policy is to allow you to market to customers located anywhere (although you are only authorized to service locations in your Territory), but we can change this policy in our Business Judgment. We have the right to place geographic or other restrictions upon such activities and you agree to comply with any policy changes.

B. Your use of the Internet, World Wide Web, and other electronic or other means of marketing and distribution of goods and/or services must be consistent with any specifications, policies and/or standards we establish from time to time in our Business Judgment. You will not market or sell through such venue(s) or any other alternative channel of distribution without our written permission, which we can grant, condition or deny in our Business Judgment.

I have read Sec. 2.1, 2.2 & 2.3, understand them, and agree with them.

Your Initials: I _____ / _____

3. DEVELOPMENT AND OPENING OF YOUR KIDS KARS BUSINESS

3.1 Site Selection — Business Models and Related Sites

A. You must have completed your training, provided us with required certificates of insurance, met all pre-opening obligations under this Agreement and done everything necessary for your KIDS KARS Business to be open for business and operating within four (4) months from the date of this Agreement. You must not operate a KIDS KARS Business, use any of the Marks from or at any location, or make any commitments about a fixed site until you have our written site acceptance (if applicable). Additionally, you must have our prior written acceptance of a proposed relocation of a fixed site. We will not unreasonably withhold our acceptance or notice. Acceptance by us of any location is not a recommendation, approval or endorsement of such site. We make no representations or warranties as to the success of any site or as to any other matter of any kind relating to the site.

B. You understand that a KIDS KARS Business can be conducted under different business models. The Franchised Business will:

a) include a mobile operation, which involves your transporting the KIDS KARS mini cars, barriers and related Equipment from venue to venue within the Territory (e.g., for children's parties or events) and providing authorized Products/Services; and/or

b) include a fixed operation which involves your leasing or owning a fixed site at a location within the Territory at which you will set up and operate your KIDS KARS mini cars rides and offer related authorized Products/Services.

You may operate under a combination of these models and, if you are in Good Standing, obtain additional Package Equipment (if available) under the then current terms and conditions of sale to allow you to operate at multiple locations in your Territory.

C. You understand and agree that the establishment and operation of the Franchised Business under any of the foregoing business models may be subject to a wide variety of laws, ordinances and regulations in your Territory, including permit, licensing and other requirements. It is your sole responsibility to investigate and comply with all applicable requirements, including any necessary permits.

D. We may establish from time to time facility requirements, specifications, standards, policies and procedures regarding sites, venues and site/venue operations as we choose in our Business Judgment and which you agree to follow.

E. If you are unable to lawfully obtain the necessary permits, licenses or other authorizations required for you to conduct the KIDS KARS Business within four (4) months of the Effective Date of this Agreement, then we may choose to Terminate the Agreement and refund to you the Package Equipment price and Initial Franchise Fee actually paid by you (minus \$5,000 to cover our sales, training and other expenses); but only if you, your owners and your Affiliates have exerted your best efforts in good faith to obtain the permits or licenses, return the Equipment, Manuals and all other items/materials provided to you, and sign a General Release and a document acceptable to us that preserves your Post Termination Obligations.

F. All matters related in any way to your site and to any venues at which you operate are your sole responsibility, regardless of any assistance we may choose to provide. You are responsible for ensuring your compliance with local law. Neither we, nor any Franchisor-Related Persons/Entity, nor any other person or company associated with us will have any liability for any site or venue-related matter. You agree not to make any claims against us and/or any of the Franchisor-Related Persons/Entities with regard to such matters.

3.2 Space Rental Agreement/ Lease of Premises

A. If you enter into an agreement for a fixed site on which to operate your Kids Kars Business, then you agree to submit any lease/space agreement to us for our review prior to their execution by you. You shall use commercially reasonable efforts to arrange for the inclusion of provisions in an addendum to your site-related agreement which:

1) permit you to operate your KIDS KARS Business in compliance with this Agreement and the Manuals;

2) require the lessor to concurrently provide us with a copy of any written notices (whether of default or otherwise) to you under the lease/space agreement and give us the right to cure any default if we so choose.

3) provide us with a right to take assignment and to operate a KIDS KARS Business on the site, without the lessor's consent or any additional consideration. If we exercise this right, we will not have any liability for any obligations incurred prior to our occupancy. You agree to take whatever actions are necessary to accomplish such assignment.

4) provide that the lessor give us the right to enter the site during normal business hours for purposes of inspection, to take steps to protect the Marks and Trade Dress and/or prevent/cure any default.

You agree not to sign a lease/space agreement, or any modification or amendment, without our prior written consent. You will deliver a copy of the signed lease/space agreement to us within five (5) days after it is signed.

3.3 KIDS KARS Business Design Standards You agree to comply with any standards, specifications and other requirements (the "Design Standards") that we furnish you for design, decoration, layout, equipment, signs and other items for your KIDS KARS Business. Any changes from standards provided by us must be submitted to us for our consent, which may be provided in our Business Judgment. Your compliance with the Design Standards does not release you from your obligations to ensure that your KIDS KARS Business is designed, constructed and operated in compliance with all local, state and federal laws.

4. COMPUTER HARDWARE AND SOFTWARE SYSTEMS You must purchase, use, maintain and update at your expense software, computer and other systems meeting our specifications, as we may modify them. You agree to comply with our then current terms of use policies and any other requirements regarding any inter/intra net site we establish for KIDS KARS Businesses.

5. TRAINING AND GUIDANCE

5.1 Training

A. You must complete our initial training program before operating your KIDS KARS Business. The Initial Franchise Fee covers an initial training program for you and your initial KIDS KARS Business manager (which may be you).

B. The initial training program will be at a time and place, and for such period, as we specify in our Business Judgment. You will be responsible for all travel, living, incidental and other expenses for you and your personnel attending the initial training program and any other voluntary or mandatory training programs, seminars or meetings, unless otherwise agreed to by us in writing. We may charge a tuition fee for training programs (other than for your initial training).

C. You and your manager must attend additional and/or refresher training programs, as we may reasonably require to correct, improve and/or enhance your operations, the System and its members. In addition, we can require successful completion of training by all of your supervisory personnel.

5.2 Limited Guidance and Assistance We will be available to provide limited guidance to you in the operation of your KIDS KARS Business. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically, in writing or telephonically,

through training programs and/or on-site consultations, among other methods. The KIDS KARS System and Business are not complicated and generally require little ongoing support from us. You understand that we do not have, and do not intend to provide, substantial support staff and services, and you should not expect or rely upon the same. We may choose to provide at your request on-site consultations at your KIDS KARS Business, based on notice, availability of personnel and your payment of reasonable travel, food, incidental and lodging expenses. We may elect to charge a reasonable fee for any such on-site consultations.

5.3 Manuals During the term of the Franchise, we will loan you (or allow you electronic or other access to) one copy of the Manuals. You will continuously comply, at your sole expense, with all provisions of, and additions/deletions/changes to, the Manuals. Any such additions/deletions/changes will take precedence over all prior communications. Mandatory specifications, standards and operating procedures prescribed from time to time by us in the Manuals, or otherwise communicated to you electronically or otherwise, are a part of this Agreement. In the event of a dispute, the master Manuals maintained at our office will control. The manuals will remain our property and immediately upon expiration or termination of this Agreement, you must return the Manuals and all copies to us.

6. MARKS

6.1 Goodwill and Ownership of Marks You have a non-exclusive right to use the Marks and only as expressly authorized by us under this Agreement. We have all rights in and to the Marks. All goodwill belongs exclusively to us, and you will not obtain any goodwill in the Marks as a result of this Agreement, your operation of the Franchise or for any other reason. Any unauthorized use of the Marks is a breach of this Agreement and an infringement of our proprietary rights. You agree that if you breach any obligation regarding the Marks, we would have no adequate remedy at law and that we will be entitled to equitable relief. You will not oppose, or engage in any acts or omissions inconsistent with, our rights in and to the Marks. This Agreement applies to all trademarks, service marks and other commercial symbols that we may authorize you to use throughout its term.

6.2 Limitations and Use of Marks You will use the Marks as the sole identification for your KIDS KARS Business. You will not use any Mark, or modified version or derivative of a Mark, as part of any business or trade name. Prior to adoption and/or use, any proposed corporate and/or trade name must be approved by us in our Business Judgment. You will give such trademark and other notices (including notices of independent ownership) as we direct and will, at your expense, obtain fictitious or assumed name registrations as may be required under law. You will display the Marks as required by us and will not use the Marks so as to negatively affect their goodwill. You will not use any Mark in connection with the performance or sale of any unauthorized services or products or at any location or in any other manner not expressly authorized in writing by us.

6.3 Notification of Infringements and Claims You will take such actions as we consider important in our Business Judgment to protect the Marks. You will not take any action that jeopardizes our interests in, or the validity or enforceability of, the Marks. You agree to immediately notify us of any apparent or actual infringement of, or of any challenge to your use of, the Marks. You will not communicate with any third party with respect to such a claim. We will take such action as we deem appropriate in our Business Judgment. As owner of the Marks, we have the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters

6.4 Discontinuance of Use of Marks You agree to comply at your expense with any directions from us to discontinue, modify, substitute or add Marks. We cannot and do not make any guaranty that a modification, discontinuance or otherwise may not be required for any reason. In such event, we will have no liability or obligation to you. You agree to make no claim in connection with any

modification, discontinuance or other action, and/or with any dispute regarding the Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar to ours and with superior rights. We urge you to research this possibility, using telephone directories, local filings and other means, prior to signing any documents or making any payments or commitments, particularly since i) we are just beginning operations; and ii) we have applied to register our principal Marks on the Supplemental Trademark Register of the U.S. Patent and Trademark Office and currently do not qualify to be registered on the Principal Trademark Register.

7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

7.1 Independent Contractor You will always identify yourself to all persons and in all dealings of your KIDS KARS Business as an independent owner under a KIDS KARS franchise, clearly indicating that your Franchised Business is separate and distinct from our business. You will include notices of independent ownership on such forms, business cards, stationery, advertising, signs and other materials as we require from time to time. Subject to the requirements of this Agreement and the Manuals, you will have complete operational control of your business, including the right to hire and fire each employee.

7.2 No Liability for Acts of Other Party You will not represent that your and our relationship is other than that of independent Franchisor and Franchisee. Neither you nor we will have any liability under any acts, omissions, agreements or representations made by the other that are not expressly authorized in writing.

7.3 Taxes Payment of all taxes related to your Franchised Business is your sole responsibility. We have no liability for any taxes on the sales made and/or business conducted by you (except for any taxes we are required by law to collect from you with respect to purchases from us).

7.4 Responsibility, Indemnity, etc.

A. You will indemnify and hold us and all of the Franchisor-Related Persons/Entities harmless from all fines, suits, proceedings, claims, demands, actions, losses, damages, costs, fees (including attorneys' fees and related expenses) and/or any other liability of any kind or nature, however arising, growing out of or otherwise connected with and/or related to any act, error and/or omission of yours (including, but not limited to, your ownership and/or management of your KIDS KARS Business and/or any transfer of any interest in this Agreement or your KIDS KARS Business). We will have the right to control all litigation, and defend and/or settle any claim, against and/or including us and/or the Franchisor-Related Persons/Entities, or affecting our and/or their interests, in such manner as we deem appropriate in our Business Judgment, without affecting our rights under this indemnity.

B. Any goods and/or services provided by us, the Franchisor-Related Persons/Entities and/or any "approved" person/company/referral are provided without any warranties, express or implied, **THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE BEING EXPRESSLY DISCLAIMED**, absent a specific written warranty expressly provided in connection with a particular item or service.

I have read Sec. 7.4, understand it, and agree with it.

Your Initials: I _____ / _____

7.5 Disclosure We can disclose, in offering circulars and other places we designate, and/or as required by law, information relating to your KIDS KARS Business, including your name, any address and/or telephone number(s). Any disclosure by us shall be for reasonable business purposes.

8. CONFIDENTIAL INFORMATION: EXCLUSIVE RELATIONSHIP

8.1 Confidential Information - Non-Disclosure and Non-Use

A. "Confidential Information" includes in any form current and future:

1) Manuals, training, techniques, processes, policies, procedures, systems, data, trade secrets, equipment designs and specifications, and know-how regarding the development, marketing, operation and franchising of KIDS KARS Businesses;

2) designs, specifications and information about Products and Services and

3) all information regarding the System and KIDS KARS Businesses and our operations, customers and suppliers, including any statistical and/or financial information and all lists; provided that "Confidential Information" is not intended to include any information that:

a) is or subsequently becomes publicly available other than by breach of any obligation owed to us,

b) became known to you prior to our disclosure of such information to you,

c) became known to you from a source other than through a breach by you of an obligation of confidentiality owed to us, or

d) is independently developed by you.

You agree that we own and control all domain names and URLs ("Uniform Resource Locator") relating to any KIDS KARS Businesses, as well as all information, lists and data related to past, present and future customers of your KIDS KARS Business. Your only interest in any of this proprietary and/or Confidential Information is the right to use it pursuant to this Agreement. You have the burden of proof going forward in any dispute between you and us involving the proprietary or confidential nature of any information.

B. Both during and for five (5) years after the term of this Agreement (except for trade secrets, which shall be subject to your ongoing obligation), you agree:

1) to use the Confidential Information only for the operation of your KIDS KARS Business under a KIDS KARS Franchise Agreement;

2) to maintain the confidentiality of the Confidential Information;

3) not to make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information;

4) not to alter, appropriate, use or distribute any KIDS KARS Equipment designs or specifications, or any substantially similar designs or specifications; and

5) to implement all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information.

C. You agree to disclose to us all ideas, techniques, methods and processes relating to a KIDS KARS Business which are conceived or developed by you and/or your employees. We shall have the perpetual right to use, and to authorize others to use, such ideas, etc., without payment to you.

D. You will cause each of your employees, agents, principals and Affiliates to sign a confidentiality agreement in a form we specify containing substantially the same provisions as are set forth in this Section. You will provide us copies of the same upon request.

8.2 Exclusive Relationship, Restrictions on Similar Businesses During Franchise Term and After Transfer, Termination, Expiration, Repurchase, etc.

A. In Term Restrictions: During the term of this Agreement and any successor franchise, neither you, nor any Affiliate of yours, nor any shareholder, member or partner of yours (if you are or become a business entity), nor any Immediate Family member of any of the foregoing, will:

1) have any direct or indirect interest anywhere in any Similar Business, or in any entity awarding franchises or licenses or establishing joint ventures or other business enterprises for the operation of Similar Businesses; or

2) perform any services anywhere as an employee, agent, representative or in any capacity of any kind for any Similar Business, or for any entity awarding franchises or licenses or establishing joint ventures to operate Similar Businesses.

You agree not to engage in any other business or activity that may conflict with your obligations under this Agreement.

B. Post Term Restrictions: For two (2) years after the later of the following terminating events: i) any transfer, Repurchase and/or Termination of this Agreement; ii) the expiration of this Agreement (if a Successor franchise or renewal term is not granted); and/or iii) the date on which you stop operating your final KIDS KARS Business or using the Marks and/or System, all of the persons and entities named in Section 8.2 (A), above:

1) shall not accept or solicit any person, firm or company that has been a KIDS KARS customer during the period twelve (12) months prior to termination, nor try to divert any such customers from any KIDS KARS Business or KIDS KARS enterprise of any kind (including any operations owned by any Franchisor-Related Persons/Entity);

2) shall be subject to all of the restrictions stated in Section 8.2 (A), above, with respect to Similar Businesses located, and/or services to be performed, in the Territory and in the marketing area of any KIDS KARS Business ("Marketing Area"). For the purposes of this Agreement, a Marketing Area for a Franchisee-operated Business is the territory defined by such Franchisee's franchise agreement. For a Business owned by us or an Affiliate, or if a Franchisee does not have a designated Territory that extends beyond the Franchisee's permanent Kids Kars Business venue, the Marketing Area is defined as the geographic area within a twenty five (25) mile radius of such Business of any regularly or permanently occupied Kids Kars venue;

3) you are responsible for learning whether or not a particular location is within a KIDS KARS Business Marketing Area by providing us a written request for such information. Any and

all determinations that we reasonably may make regarding the Marketing Area will be final and binding on you;

4) you and we have expressly bargained and agreed that it is your obligation under this Agreement to ensure the compliance of each of the persons identified in Section 8.2 (A), with the restrictions described in this Section 8.2. The foregoing notwithstanding, we shall use reasonable judgment in evaluating whether or not the conduct of an Immediate Family member warrants our exercising any rights under this provision, considering your actual relationship to such member and his/her activities, among other factors. The restrictions of this Section do not apply to the ownership of shares of a Similar Business (of a class of securities listed on a stock exchange or traded on the over-the-counter market) that represent less than three percent (3%) of the number of shares of that class issued and outstanding;

5) you and we share a mutual interest in ensuring compliance with the limitations on competition described in this Section 8.2. A KIDS KARS Franchisee's non-compliance with these restrictions would damage you, us and other KIDS KARS Franchisees and unfairly limit reasonable expansion alternatives open to us and KIDS KARS System members. You acknowledge and agree that such protections can enhance the value of the KIDS KARS System to you as a Franchisee, represent a reasonable balancing of your and our respective interests and have been expressly bargained for. You confirm that you possess valuable skills unrelated to the Franchised Business and have the ability to be self-supporting and employed regardless of the competitive restrictions described in this Section 8.2. You and we also acknowledge that the restrictions of this Article 8 will not generally prevent you from practicing a lawful profession, trade, or business and are limited to the express restrictions on solicitation of customers and operation of a Similar Business in certain limited geographical areas as detailed herein;

6) if you violate any of the foregoing restrictions, our remedies will include (but not be limited to) the right to obtain equitable relief and to receive all profits generated in connection with the operation of any Similar Business until the date you cease to violate such restrictions. All competitive restrictions will be extended for the length of time that any breach of the Post Termination Provisions is ongoing. If any of the restrictions of this Section are determined to be unenforceable to an extent because of excessive duration, geographic scope, business coverage or otherwise, they will be reduced to the level that provides the greatest protection to us and the KIDS KARS System, but which is still enforceable, notwithstanding any choice-of-law or other provisions in this Agreement to the contrary.

I have read Sec. 8.1 and 8.2, understand them, and agree with them.

Your Initials: I _____ / _____

9. FEES

9.1 Initial Franchise Fee, Releases, etc.

A. An initial franchise fee of Thirteen Thousand Dollars (\$13,000) is fully earned and payable to us on signing of this Agreement. The fee is entirely non-refundable, with the limited exceptions noted elsewhere in this Agreement.

C. As a condition to the occurrence of any of the following events (the "Events"), you and/or any Affiliate/owner of yours will sign a General Release, excepting only (where such releases are expressly prohibited by applicable law) those claims solely related to the offer and sale of the new Franchise:

- 1) the awarding of any future, additional or other franchise;
- 2) the renewal of this franchise and/or awarding of a successor franchise; any assignment or transfer (as defined in this Agreement) by you and/or any affiliate/owner of you; and/or
- 3) any other event described in this Agreement as being conditioned in whole or in part upon such a General Release (as defined in Section 22, below).

We will provide you with a Limited Release (as defined in Section 22, below) upon the occurrence of 1) or 2) and in such other instances as may be described elsewhere in this Agreement.

D. You and we have agreed on these provisions considering that: i) the releases to be provided in the future will be effective as of future dates only, ii) the release requirement generally is triggered by a discretionary choice made by you to receive various future benefits (e.g., an award of an additional, successor, assignment franchise, etc.), iii) your providing a release to us (and our informing you of possible known claims by us) is a practical business approach if you and/or we propose to change, extend, expand or otherwise modify our relationship at a future date. You and we agree that selling mutual expectations for the receipt of such future releases and assenting to grant them now is more productive than being surprised by such requirements at a later point in our relationship.

9.2 Other Fees

A. You agree to pay us a flat fee (the "quarterly fee") in advance every four (4) months, beginning twelve (12) months after the Effective Date of this Agreement. The current quarterly fee amount is Seven Hundred and Fifty Dollars (\$750). and is subject to the inflation adjustment described in Section 9.4, below. All payments are to be received by us not later than thirty days (30) days prior to the expiration of the then-current 4-month period. Amounts overdue to us are subject to interest at 1.5% per month. If we experience repeated late payments by you, then we may require you to pay all amounts by cashier's check.

B. You authorize us to apply any payments from you to any indebtedness of yours. We also can set off from any amounts owed by us or any Affiliates, any amount owed to us or any Affiliate.

C. We may condition your participation in any program, or your receipt of any benefits, Products or Services, on your compliance with the terms of this Agreement.

9.3 Electronic Funds Transfer You agree to participate in any electronic funds transfer program for fee payments that we may establish and to provide such documents and authorizations as may be required by any applicable financial institution.

9.4 Inflation Adjustments Amounts specified as being subject to inflation adjustment may be adjusted by us annually in our Business Judgment in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any successor index) as compared to the previous year. We will notify you of any such percentage adjustment.

10. YOUR KIDS KARS BUSINESS — IMAGE AND OPERATION

10.1 System Compliance, Regular Upgrading

A. You agree to operate your KIDS KARS Business in full compliance with the then current KIDS KARS System and the Manuals. You agree to promptly comply at your expense with all then current requirements, standards and operating procedures.

B. You will maintain your KIDS KARS Business at your expense according to all KIDS KARS standards for new Businesses and promptly undertake all changes as are required by us from time to time in our Business Judgment. You agree not to make any alterations to your KIDS KARS Business or its Products, Services, Equipment or System as originally approved and/or provided by us without our prior written approval.

C. You agree at your sole expense that you and your employees will wear then current KIDS KARS career apparel.

10.2 Designated Equipment, Products, Services and/or Suppliers

A. Your KIDS KARS Business will purchase, use and offer such Designated Equipment, Products and Services, as are specified by us from time to time. You agree not to offer any products or services not approved by us. If we disapprove a particular item, you will not use it. We may designate single or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our Business Judgment. Such suppliers may include, and may be limited to, us and/or companies affiliated with us. We may in our Business Judgment engage in the marketing and sale to you of branded KIDS KARS products, such as (by way of illustration only) toys, T-shirts and hats, for resale by you to your customers. We and/or Franchisor-Related Persons/Entities may be the only authorized supplier of such branded products.

B. Designation of a supplier may be conditioned on factors established by us in our Business Judgment, including without limitation performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may approve, or revoke or deny approval, of particular items or suppliers in our Business Judgment.

C. You can request the approval of an item, service or supplier by notifying us in writing and submitting such information and/or materials we may request. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal. We'll notify you of our decision within a reasonable time.

D. You will not make any claims against us with respect to any supplier and/or related Products/Services (and/or our designation of, or our relationship with, any supplier/Products/Services). Claims with respect to any supplier-related and/or similar matters shall be made only against the supplier in question. You will provide us with written notice prior to taking any action in connection with such a claim. We will use diligent efforts to assist you in resolving any disputes with suppliers approved and/or designated by us.

10.3 Limited Equipment Substitution; Conditional Refunds; Termination and General Release

You understand that an Affiliate, Kids Kars, Inc., is currently the only authorized supplier of KIDS KARS mini cars, barriers, trailers and related Equipment (collectively, the "Package Equipment"), which

are part of the Designated Equipment that you must obtain to operate your Franchised Business. We reserve the right to identify an alternative supplier and to select alternative designs, specifications and standards for the Package Equipment. You further understand that a person related to the principal owner of the Affiliate entered into an agreement with a third party to manufacture and distribute a mini cars entertainment business system. Such related person and such third party have each alleged agreement violations, including a claimed termination of the agreements by the third party. If as a direct result of a claim brought exclusively by such third party for infringement or otherwise we and/or our franchisees are precluded in our Business Judgment from distributing/using the Package Equipment and/or licensing or using the KIDS KARS mini cars entertainment business system licensed to you by us, we will provide to you comparable substitute Package Equipment (or the relevant components thereof) and/or a comparable substitute business system. If after using commercially reasonable efforts to obtain a substitute business system we are unable to reasonably obtain and/or provide such a substitute, then we will Terminate the Agreement. In that event we will, give to you a refund equal to the actual Package Equipment Fee and Initial Franchise Fee paid by you, and you agree that such a refund is your exclusive remedy- and that we will have no further obligations or liability to you. You and your owners, if you are a Business Entity, also agree as pre-conditions to your receipt of payment: i) to sign and give to us our then current form of General Release; ii) to return to us the Package Equipment and Manuals; and iii) to comply with the Post Termination Provisions of this Agreement.

10.4 Package Equipment and Fee

Current Package Equipment components are described on Exhibit 10.4 attached to this Agreement. The Package Equipment Fee of Forty-four Thousand Dollars (\$44,000), inclusive of the equipment trailer, is due on signing this Agreement (plus applicable sales tax). The Package Equipment Fee is non-refundable except in those limited instances described in Section 10.3 and elsewhere in this Agreement. You agree to take immediate delivery of the Package Equipment as soon as it is available for you and to begin operating your Franchised Business in compliance with this Agreement within four (4) months of the Effective Date of this Agreement. The Package Equipment Fee and the components of the Package Equipment are subject to change by us in our Business Judgment. You cannot resell or transfer the Package Equipment except in connection with a transfer of the Franchise and the Franchised Business.

10.5 Compliance with Laws and Ethical Business Practices

A. You will operate your KIDS KARS Business in full compliance with all applicable laws, ordinances and regulations, including (but not limited to) all health and safety and licensing/permit requirements. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with your KIDS KARS Business. It is your sole responsibility to identify and obtain all authorizations necessary to your operation. You will maintain high standards of honesty, integrity, fair dealing and ethical conduct in your business activities. You will notify us in writing within five (5) days of the commencement of any proceeding and/or of the issuance of any governmental order or action impacting you and/or your KIDS KARS Business.

B. You agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Franchised Business as may be required by us or by law. You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities as provided in Section 7.4 pertain to your obligations hereunder.

10.6 Management and Personnel of Your KIDS KARS Business, Training, Use of Package Equipment.

A. Your KIDS KARS Business must be managed by a person who has successfully completed mandatory training and met then current standards.

B. You are solely responsible for the hiring, training and management of your KIDS KARS Business employees, for the terms of their employment and for ensuring their compliance with any training or other employment related requirements established by us from time to time in our Business Judgment.

C. You are solely responsible for ensuring that neither you nor any of your employees modify or alter the Package Equipment and its various components in any way or deviate from any usage standards or instructions that we provide to you in the Manuals or otherwise.

D. You are required to maintain, and are solely responsible for maintaining, your Package Equipment in proper working order and in compliance with the Manuals and all specifications and/or instructions provided by us and/or the supplier of such Package Equipment.

E. You are solely responsible for identification of and compliance with all laws, ordinances and/or regulations applicable to your Kids Kars Business with respect to criminal and other background checks and/or fingerprinting for you, your employees and agents and/or any person who is involved with your Kids Kars Business and in contact with children. We strongly recommend that you undertake such investigations in the operation of your Franchised Business to the extent that you are lawfully permitted.

10.7 Insurance

A. You agree to maintain in force policies of insurance issued by carriers approved by us covering various risks, as specified by us from time to time. We may specify the types and amounts of coverage required under such policies and require different and/or additional kinds of insurance at any time, including excess liability insurance. Each insurance policy must: i) name us and our Affiliates as additional named insureds; ii) contain a waiver of all subrogation rights against us, our Affiliates and any successors and assigns; and iii) provide thirty (30) days prior written notice to us of any material modifications, cancellation, or expiration of such policies.

B. Current insurance requirements include the following and are subject to change by us: i) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, your KIDS KARS Business; ii) all risk property and casualty insurance for the replacement value of your KIDS KARS Business and all associated items; and iii) Special Multi Peril coverage. We may require you to obtain product liability insurance.

10.8 Program Participation We may condition your participation in any program, or your receipt of any KIDS KARS System benefits, Products or Services, on your being in Good Standing

10.9 Franchisee Advisory Council and Selection We may elect in our Business Judgment to form a Franchisee Advisory Council ("FAC") to provide Input to us. The FAC will consist of Franchisees in Good Standing, each of whom shall represent the interests of the KIDS KARS Businesses in their distinct geographical region (the "Region"). FAC members will be elected for a term or terms by a majority of the KIDS KARS Businesses situated in their respective Region. The geographical area of each

Region will be established by us in our Business Judgment, with due consideration given to achieving a representative group of Businesses for each Region. The number of Regions and their respective boundaries will be subject to adjustment from time to time to reflect growth and Business population changes, among other appropriate factors. Each Business, both Franchisee and Franchisor owned, will be entitled to one (1) vote per Business. We will always have the right to appoint one representative of ours to participate in all FAC meetings and any other FAC activities, but such representative will be a non-voting participant. The FAC may adopt its own bylaws, rules, regulations and procedures, subject to our consent in our Business Judgment. While we are not required to do so except in those specific instances stated in this Agreement, if we submit any matters for approval to an FAC and approval is granted, the approval will be binding on you.

11. MARKETING

A. Your advertising will be in good taste and conform to ethical and legal standards. We may require that samples of all advertising and promotional materials for any media, including the Internet, be submitted to us for our review and approval prior to use. You agree not to use any materials or programs disapproved by us at any time in our Business Judgment. We can require that a brief statement regarding the availability of KIDS KARS franchises be included in advertising used by you and/or that brochures regarding purchase of KIDS KARS franchises be displayed at your KIDS KARS Business operations.

B. Any use of the Internet, World Wide Web or other electronic media by you in connection with your KIDS KARS Business will be as specified by us in our Business Judgment from time to time, whether in the Manuals or otherwise. Among other things, we may require that any such use be through us, using a designated Internet/Intranet Service Provider (which can be us or an Affiliate), and that all pages be accessed through a designated site and/or meet our specifications. We may require you to pay by credit card, pre-authorized funds transfer, or other method required by us, an Internet/Intranet Service Fee which may be reasonably established by us to support KIDS KARS events registration, promotional activity and other System benefits and which we can collect in advance on an annual or other basis. We currently charge a Service Fee of Ten Dollars (\$10.00) per event for you to register data/information requested by us about a public Kids Kars event in your Territory for promotion on our website. This fee is subject to inflation adjustment as provided in Section 9.4, above.

C. We may choose in our Business Judgment to arrange for the sale of advertising/promotional space on barriers, mini cars and other Equipment and to receive revenues therefor. If we do, you agree to cooperate with and assist us in implementing such advertising and promotional activities, including displaying such materials as instructed by us. We will reasonably compensate you for any such assistance provided by you as requested by us and in accordance with our then current policies, procedures and payment practices. You agree that you will not independently engage in the sale of advertising/promotional space and any similar activities in connection with the Package Equipment or otherwise.

12. BUSINESS RECORDS AND CUSTOMER REPORTS We reserve the right to require that you use reporting and operating systems specified by us. You agree to provide to us information regarding the customers, events, sales and operation of your KIDS KARS Business, and in such form and format, as we specify from time to time in our Business Judgment. We may elect to obtain such information through a variety of methods, including direct online access, facsimile transmissions and written copies. You agree to keep and make available to us upon request records of or relating to your KIDS KARS Business, including all customer information, for the term of this Agreement and one (1) year thereafter.

13. INSPECTIONS We and/or our agents will have the right, at any time during business hours, and without prior notice to you, to: i) inspect and/or observe your KIDS KARS Business and related activities and record the same; ii) conduct testing and analysis; iii) interview personnel; iv) to inspect and/or audit customer records and related information in connection with your KIDS KARS Business and iv) interview customers. You will cooperate fully in connection with such matters. We may require you or an individual designated by us to meet at our headquarters or other location designated by us, for the purpose of discussing and reviewing your KIDS KARS Business's operational performance and other matters.

14. TRANSFER

14.1 Transfers

A. This Agreement, and any or all of our rights and/or obligations under it, are fully transferable by us in our Business Judgment, in whole or in part, without your consent. We may be sold and/or we may sell any or all of our Marks and/or Intellectual Property and/or other assets, go public, merge, acquire entities or enter other transactions without liability to you.

B. The rights and duties created by this Agreement are personal to you (or your owners, if the Franchisee is a business entity). We have awarded the Franchise relying on the individual integrity, ability, experience and financial resources of you or such owners. Therefore, neither this Agreement, the Franchise, the Package Equipment, the Franchisee nor your Franchised Business (or any interest of any kind in, or the assets of, any of them) may be transferred without our prior written approval. Any transfer or attempted transfer without our approval is null and void. A transfer of ownership, possession or control of your business, or of its assets, may only be made with a transfer of the Franchise. Any transfer in the event of death or disability will be governed by Section 14 E, below.

C. All of the following conditions must be met prior to, or concurrently with, the effective date of any transfer. We may waive any condition in our sole and absolute discretion:

1) You (and your owners) must sign a general release of claims in our then current form and be in full compliance with this Agreement, the Manuals, all other agreements between you and us (including any of your and our respective Affiliates) and meet all then current standards; the transferee must expressly assume all obligations under all such agreements; and the transfer must comply with all laws;

2) The transferee (and its owners) must meet our then current requirements for new Franchisees, sign our then current General Release, Franchise Agreement and ancillary documents, which will provide that the term will be for the balance of the term of this Agreement or for the full term of the new franchise agreement awarded the transferee, whichever we determine in our Business Judgment;

3) You or the transferee must pay us with your application for a transfer a non-refundable transfer fee of One Thousand Dollars (\$1,000), subject to the inflation adjustment as provided in Section 9.4;

4) Any payment obligation of the transferee to you under a financing agreement is subordinated to the transferee's obligations to us; and

5) We may withhold or condition our consent to any transfer in our Business Judgment, particularly if we believe that the terms of transfer jeopardize the economic viability of the franchise or based on other circumstances of the transfer, and/or if we would not normally directly award a franchise in such a situation. We will not unreasonably withhold consent.

D. We will consent to a transfer from you to a Business Entity owned by you and formed for the sole purpose of operating the Franchised Business if the conditions described in 14 C., above, and the following conditions are met:

1) You must have and maintain management control of at least fifty-one percent (51%) of the Business Entity and personally manage its affairs;

2) The transferee must enter into an approved form of assignment in which it assumes all of your obligations to us and any Franchisor-Related Persons/Entities; and all current and future owners of the Business Entity must sign an approved form of guarantee jointly and severally obligating them to comply with this Agreement; and

3) No public offerings of debt or equity ownership in the transferee entity may be conducted, and no shares of any type issued without obtaining our prior written consent.

E. If the Franchisee, or if the owner of the Franchisee with a controlling interest, dies or is permanently disabled, then his or her interest in this Agreement, the Franchised Business and/or the Franchisee shall be transferred to a third party subject to all of the provisions of this Article 14. Any transfer under this Section shall be completed within six (6) months from the date of death or permanent disability.

F. Our consent to a transfer is not a waiver of any claims we may have against you, and you are not relieved of any obligations to us unless you have an express written release signed by us. The Post Termination Provisions will survive any transfer.

14.2 Our Right-of-First-Refusal

A. We have a right of first refusal to match the terms of any bona fide offer to purchase your Franchise Business. With each proposed transfer, you will provide us with a true and complete copy of the offer received by you (and any ancillary agreements), and the conditions to transfer described in Sections 14.1 will be met. The offer and the price and terms of purchase must apply only to an interest in this Agreement, the Franchise, your Franchised Business or the Franchisee. Any value attributable to the goodwill of the Marks, KIDS KARS System elements, Confidential Information or any other assets, tangible or intangible, related to the KIDS KARS brand and System will be excluded from the purchase price.

B. We will give you written notice of our decision to exercise our right of first refusal within thirty (30) days from the date of our receipt of the offer. If any of the assets to be purchased do not meet the standards we then apply to new KIDS KARS Businesses, or if you are in default, we can require that the Business be brought into compliance and any defaults cured before the 30-day period begins. We may substitute cash for any form of payment proposed in such offer and will have a reasonable period of time in which to prepare for the close of the transaction (generally 60 days). We will be entitled to purchase any interest subject to all Customary Representations, Warranties and Agreements. We can require that the closing of the sale be through an escrow. You and we will comply with any applicable bulk sales and/or similar laws, and you will maintain all insurance policies until the date of closing. We will have the right to set off against any amount of money payable by us all amounts due from you and/or your Affiliates to us and/or our Affiliates. We will also have the right, in our Business Judgment, to pay any amount otherwise payable to you directly to your creditors in satisfaction of your obligations. If you violate any of your obligations that expressly or by their nature survive this Agreement, we will not be obligated to pay any amount otherwise due or payable to you thereafter. In connection with such

purchase, you and each transferor (and your respective Affiliates) will sign a General Release, and we will sign a Limited Release.

C. If we do not exercise our right-of-first-refusal, you or your owner may complete the sale to such purchaser on the exact terms of such offer, subject to the conditions of this Article 14. If there is a material change in the terms of the sale or if the sale is not consummated within sixty (60) days, we will have an additional right-of-first-refusal on the same terms and conditions as are applicable to the initial right-of-first-refusal. Our rights under this or any other Section are fully assignable.

15. SUCCESSOR FRANCHISE

15.1 Your Rights

A. If you are awarded this Agreement for the initial term of your franchise, then this Agreement Terminates at the expiration of the initial term. At the expiration of the initial term or any renewal term, subject to the provisions of this Article 15, you will have the option to renew the Franchised Business for the term of the then current Franchise Agreement. The successor Franchise Agreement may differ materially from this one in financial and other ways and terms.

B. We will not be required to offer you any renewal term (nor will we have any liability to you), if we do not continue to regularly award franchises and maintain a franchise program for KIDS KARS Businesses in your state (subject to our not operating or franchising any KIDS KARS Businesses within the state for one (1) year from the date we first announce such a general market withdrawal). If we do, you agree to comply with the post-term provisions of this Franchise Agreement regarding discontinuance of any Marks or other KIDS KARS identifiers, but you may operate a Similar Business in the Territory. We may make a good faith determination that continued franchising (on a national, regional or other basis) is not appropriate for reasons that relate to our economic or other interests. You agree that if any statute or court decision requires “good cause” (or any similar standard) for non-renewal, such a good faith determination by us will be considered to be good cause.

C. You agree that these provisions are commercially reasonable because commercial and other developments may make further participation in franchising by you or us inappropriate. Therefore, just as you have the option to not accept a successor franchise, we have the option to no longer grant renewals in certain circumstances.

15.2 Notice of Election

A. You must give us written notice of election to renew the franchise for another term not less than six (6) months, but not more than twelve (12) months, before the expiration of the initial term of this Agreement. Within ninety (90) days after our receipt of the notice, we will give to you in writing:

1) any reasons which could cause us not to renew the franchise, including any deficiencies requiring correction; and

2) our then current requirements for a new KIDS KARS Business (collectively, the “specifications and standards then-applicable for new KIDS KARS Businesses and the Manuals”).

15.3 Conditions to Renew the Franchise Any renewal of the franchise must meet all of the following conditions, together with the then current standards applicable to franchisees, each of which are agreed to be reasonable:

A. You (and each Affiliate of yours) must be in Good Standing;

B. Your KIDS KARS Business and its operations must fully comply with all specifications and standards then-applicable for new KIDS KARS Businesses and with the Manuals by the expiration of this Agreement;

C. You (and each Affiliate of yours) must have paid all amounts owed to us and any Franchisor-Related Persons/Entities;

D. You must have executed our then-current form of Franchise Agreement and related documents then customarily used by us (with appropriate modifications to reflect the fact that the Franchise Agreement to be awarded relates to renewal as contemplated by this Agreement). You will not be required to pay the then current Initial Franchise Fee, and we will not be required to provide you any site location, initial training or other "start-up" services in connection with the award of any Successor franchise;

E. You must have complied with our then current qualification and training requirements;

F. You (and each owner and/or Affiliate of yours) must have executed a General Release, and except for any claims exclusively related to the successor franchise (where expressly so required by applicable law). If you, your owners and your Affiliates comply with all of the requirements of this Article 15, including providing us with a General Release, then we will provide you with a Limited Release; and

G. You must have paid us the then current renewal fee, which is currently One Thousand Dollars (\$1,000) (subject to adjustment according to the inflation for a described in Section 9.4). The fee must be received from you at the time of your election and is non-refundable unless we do not renew the franchise.

Failure by you and/or your owners to timely complete such requirements will be deemed an election by you not to obtain the successor franchise.

16. TERMINATION OF THE FRANCHISE

16.1 Defaults with No Right to Cure This Agreement will automatically Terminate upon delivery of our written notice of Termination to you in compliance with Article 20 (without further action by us and without opportunity to cure) if you (or any of your owners):

A. fail to timely meet the opening and other requirements provided in Section 3.1, above;

B. make any material misrepresentation or omission in your application for the Franchise, including (but not limited to) failure to disclose any prior litigation or criminal convictions (other than minor traffic offenses);

C. are judged bankrupt, become insolvent, make an assignment for the benefit of creditors, are unable to pay your debts as they become due, or a petition under any bankruptcy law is filed by or against you (or any of your owners) or a receiver or other custodian is appointed for a substantial part of the assets of your KIDS KARS Business;

D. are convicted of, or plead no contest to, a felony, or to any crime or offense that is likely to adversely affect the reputation of the Franchisee or any owner, your KIDS KARS Business, us or the goodwill associated with the Marks;

E. engage in any misconduct which unfavorably affects the reputation of the Franchisee or any owner, your KIDS KARS Business, us or the goodwill associated with the Marks (including, but not limited to, child abuse, health or safety hazards, drug or alcohol problems, or permitting unlawful activities at your Business);

F. make, or attempt to make, an unauthorized "transfer" as defined in this Agreement or surrender control without our prior written approval;

G. make an unauthorized use of the Marks or any unauthorized copy, use or disclosure of any Confidential Information

H. violate any of the In Term or Post Term Restrictions against competition provided in Section 8.2, above (or any other person identified therein commits such a violation);

I. commit any act or omission of fraud or misrepresentation, whether with respect to us, any of the Franchisor-Related Persons/Entities and/or any third party;

J. have five (5) or more material customer complaints with respect to your KIDS KARS Business in any twelve (12) month period, whether or not resolved;

K. fail to permit or cooperate with us or our designee in any inspection or fail to retain (or to produce on request) any records required to be maintained by you;

L. alter, substitute or deviate from any feature, design element or specification of the Package Equipment without our express written consent.

16.2 Defaults with Right to Cure This Agreement will automatically Terminate on delivery of our written notice of Termination to you in compliance with Article 20 (without further action by us and without further opportunity to cure beyond that set forth in this Section):

A. Ten-Day Cure. If within ten (10) calendar days after delivery of our written notice to you, you (or any of your owners) do not cure any:

1) failure to maintain required insurance;

2) failure to correct any condition that, in our reasonable judgment, might pose a danger to public health and/or safety;

3) failure to submit any information due under this Agreement or any lease/space agreement in accurate and complete form and when required;

4) failure to make payments of any amounts due us, any Franchisor-Related Person/Entity, any designee of ours and/or any supplier/creditor of yours and do not correct such failure(s);

5) failure to comply with any of the dispute resolution provisions of this Agreement, including (but not limited to) unexcused failure to appear or respond to any dispute resolution

proceedings.

With respect to items A 1) and/or A 2) above, we may require you to immediately cease all operations until such defaults are fully cured.

B. Thirty-Day Cure. If within thirty (30) calendar days after delivery of our written notice to you, you (or any of your owners) do not cure any:

- 1) default under any lease or space agreement for your KIDS KARS Business within the applicable cure period set forth in the applicable document;
- 2) delinquency in your obligations to suppliers; and
- 3) failure to comply with any other provision of this Agreement, any other agreement with us and/or any Franchisor-Related Person/Entity of ours, or any specification, standard or operating procedure or rule prescribed by us in the Manuals or by other writing which does not provide for a shorter notice period.

If any such default under this Section 16.2 (B) cannot reasonably be corrected within such thirty (30) day period, then you must undertake diligent efforts within such thirty (30) day period to come into full compliance. You must furnish, at our request, proof acceptable to us of such efforts and the date full compliance will be achieved. In any event, all such defaults must be fully cured within ninety (90) days after delivery of the initial written notice to you of Termination.

16.3 Cross-Defaults Any default by you (or any owner or Affiliate of yours) under this Agreement may be regarded by us as a default under any other agreement between us (or any Franchisor-Related Persons/Entities) and you (or any owner or Affiliate of yours). Any such default under any other agreement or any other obligation between us (or any Franchisor-Related Persons/Entities) and you (or any owner or Affiliate of yours) may be regarded as a default under this Agreement.

16.4 Non Exclusive Remedies Whenever we have a right to Terminate this Agreement, we (and any Franchisor-Related Person/Entity) will have all remedies allowed at law and in equity. No right or remedy which we may have (including Termination) is exclusive of any other right or remedy, and we may pursue any rights and/or remedies available. In every instance in which we have the right to Terminate this Agreement under this Article 16, we may elect in our Business Judgment to cancel and/or modify and/or reduce any and/or all of your territorial or similar rights (including, but not limited to, any rights of first refusal), whether arising under this Agreement or in any other manner or document.

16.5 No Equity on Termination, etc. Your rights regarding the Franchise are controlled by the provisions of this Agreement. You will have no equity or any other continuing interest in the Franchise, any goodwill associated with it, or any right to compensation or refunds at the expiration and/or Termination of the term of the Franchise.

16.6 Our Right To Discontinue Supplying Items Upon Default We and any Franchisor-Related Persons/Entities have the right, in addition to all other rights and remedies, to require upon the issuance of a default that you pay C.O.D (i.e., cash on delivery) or by certified check for any goods/services related to the operation of your Franchised Business. We and any Franchisor-Related Persons/Entities also have the right to stop selling and/or providing any goods and/or services to you until you have cured all defaults.

16.7 Prompt Notice of Claims by You You understand that you are not permitted to terminate this Agreement for any default committed by us, except as permitted by applicable law. If such a default exists under applicable law, you must give us written notice and thirty (30) days to cure; any action by you to terminate may not proceed until we have had such notice and an opportunity to cure. If we cannot reasonably cure within such thirty (30) day period, and we are diligently continuing efforts to cure, then we will have ninety (90) days to cure; provided that i) any dispute regarding our withholding consent with respect to a proposed transfer by you, or any other dispute in which delay may cause you significant harm or loss, may be immediately processed as provided in Section 19.1; and ii) any claim for equitable relief with respect to a dispute under Section 19.1 (H) shall not be subject to this Section.

17. RIGHTS AND OBLIGATIONS ON TRANSFER, REPURCHASE, TERMINATION AND/OR EXPIRATION OF THE FRANCHISE.

17.1 Payments of All Amounts Owed, etc. You must pay all fees and all amounts of any kind owed to us and/or any Franchisor-Related Persons/Entities within ten (10) days after the Repurchase, Termination or expiration of the Franchise.

17.2 Intellectual Property, Confidential Information, Trade Dress, etc. After any Transfer, Repurchase, Termination or expiration of the Franchise:

A. You agree to immediately and permanently discontinue your KIDS KARS Business and any use of the Intellectual Property and/or the Confidential Information, as defined in Section 22, and will not use any similar or derivative marks, or materials, or colorable imitations of any of the Intellectual Property in any medium or manner or for any purpose;

B. You will return to us or (at our option) destroy all software, Manuals, forms, materials, signage and any other items containing any Intellectual Property or Marks, or otherwise identifying or relating to a KIDS KARS Business (to the extent they have not been assigned in connection with an authorized Transfer or a Repurchase);

C. You will take such actions as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark which have not been assigned in connection with an authorized Transfer or a Repurchase;

D. You will remove any distinctive signage and the Marks and/or Trade Dress of KIDS KARS Businesses from the Premises and from your mini cars, barriers, trailers and elsewhere.

E. You agree not to identify yourself, or any business you may operate or in which you may become involved, or to advertise or promote yourself in any manner, as a present or former KIDS KARS franchisee;

F. You will furnish to us within thirty (30) days satisfactory evidence of your compliance with the obligations described in this Section 17.2 and in Section 17.3, below. If you operate any business using any of the Intellectual Property, Marks, Confidential Information or any aspect of the System, our remedies will include (but will not be limited to) recovery of the greater of i) all profits earned by you in the operation of such business, or ii) all royalties, advertising contributions and other amounts which would have been if this Agreement remained in effect with you. If you fail to promptly comply with the requirements of this Section 17.2, we have the right to obtain injunctive relief in any court with jurisdiction at your expense.

17.3 Telephone and Other Directory Listings, Internet Sites

You understand and agree that we own all telephone numbers, domain names, Internet addresses/sites and/or other communications services links (collectively, the "Numbers"), and any related directory listings/advertising, used in connection with the operation of your KIDS KARS Business. We may, in our Business Judgment, require you to sign an assignment of such Numbers prior to training or at another time. After any Termination, Repurchase and/or expiration of the Franchise, you will promptly transfer, call-forward, discontinue or otherwise deal with the Numbers and any related directory listings/advertising as we direct. You agree to sign any documents and/or pay any amounts required by a telephone/communication services provider as a condition to our dealing with the Numbers and any related directory advertising/listings. By signing this Agreement, you irrevocably appoint us your attorney in fact to take any such actions regarding the Numbers and any related directory listings/advertising if you do not do so yourself within ten (10) days after the Termination, Repurchase or expiration of this Franchise, at your expense. Such companies may accept this Agreement as conclusive evidence of our exclusive rights in such Numbers and related directory listings, web pages and advertising/marketing.

17.4 Continuing Obligations

A. All obligations and rights which expressly or by their nature survive the Transfer, Repurchase, Expiration or Termination of this Agreement will continue in full force and effect until they are satisfied or by their nature expire (including but not limited to indemnity, non-competition and confidentiality rights and obligations; obligations to pay and the provisions of Articles 19 and 21). These obligations continue notwithstanding any rejection of this Agreement in a bankruptcy proceeding or otherwise.

B. If this Agreement is Terminated because of a default of yours, you will not be released or discharged from your obligations, including payment of all amounts then due and other amounts which would have become due under this Agreement if you had continued in operation as a KIDS KARS Franchisee for the full term. Our remedies will include (but are not limited to) the right to collect the present value of these amounts and to receive the benefit of our bargain with you, as well as to accelerate the balances of any promissory notes owed and to receive any other unpaid amounts owed to us or any Affiliates of ours. You and we agree that it would be commercially unreasonable and damaging to the integrity of the KIDS KARS system if a KIDS KARS Franchisee could default and then escape the financial consequences of his contractual commitment to meet payment obligations for the term of the Agreement. You (and each of your owners/Affiliates) agree to sign a General Release if we choose in our Business Judgment to waive our rights to collect any amounts that would have become due if you had continued in operation as a KIDS KARS Franchisee. This option of ours may be exercised at any time.

I have read Sec. 17.1-17.4, understand them, and agree with them.

Your Initials: _____ / _____

18. OUR RIGHT TO PURCHASE PACKAGE EQUIPMENT Upon Termination or expiration of your Franchise, we may choose in our Business Judgment (but are not required) to purchase from you any Package Equipment you have. If we do, we will give you written notice of our intention to purchase any such Package Equipment. The agreed upon purchase price will be the book value of the purchased Equipment as calculated using a straight line method of depreciation assuming a ten year life, but not less than twenty percent (20%) of the amount actually paid by you for any such Package Equipment. You agree to repair all damage or defects to the Package Equipment prior to the transfer, or deduct the cost of such repairs from the purchase price.

I have read Art. 18, understand it, and agree with it.

Your Initials: I _____/_____

19. DISPUTE AVOIDANCE AND RESOLUTION

For the purposes of this Article 19, “you” shall be deemed to include your owners, Affiliates and their respective employees, and “we” shall be deemed to include “Franchisor-Related Persons/Entities.

19.1 MEDIATION AND MANDATORY BINDING ARBITRATION, WAIVER OF RIGHT TO TRIAL IN COURT, etc. You and we believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. You and we have agreed that the provisions of this Article 19 support these mutual objectives and, therefore, agree as follows:

A. Claim Process: Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where you are acting as a “private attorney general,” suing pursuant to a statutory claim or otherwise, between or involving you and us on whatever theory and/or facts based, and whether or not arising out of this Agreement, (“Claim”) will be processed in the following manner, you and we each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 19.1 (H).

1) First, discussed in a face-to-face meeting held at our headquarters or another place we designate within thirty (30) days after either you or we give written notice to the other proposing such a meeting.

2) Second, if not resolved, submitted to non-binding mediation in Ada County, Idaho.

3) Third, submitted to and finally resolved by binding arbitration in accordance with the arbitration rules of the American Arbitration Association. Any arbitration proceeding shall be conducted in Ada County, Idaho. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction (subject to the opportunity for appeal as contemplated below). The arbitrator’s award shall be in writing. On request by either party, the arbitrator shall provide to all disputants a reasoned opinion with findings of fact and conclusions of law and the party so requesting shall pay the arbitrator’s fees and costs connected therewith.

B. Fees and Costs: Subject to the provisions of Section 19.7, the parties will bear their own fees and costs, including attorneys’ fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration and/or appeal (but not any attorneys’ fees) against the party who does not prevail.

C. Disputes Not Subject to the Mediation/Arbitration Process: Claims or disputes relating primarily to the validity of the Marks and/or any Intellectual Property licensed to you may be subjected to court proceedings or to the Process outlined in 19.1 (A), above, at our sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any Intellectual Property licensed to you and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Process outlined in 19.1 (A). Any action to compel a party’s compliance with Section 19.1 must be consistent with Section 19.2, below.

19.3 Terms Applicable to All Proceedings, Waiver of Trial by Jury, Class Action Rights.

With respect to any arbitration, litigation or other proceeding of any kind, you and we:

A. Knowingly waive all rights to trial by jury;

B. **Will pursue any proceeding on an individual basis only, and not on a class-wide or multiple-plaintiff basis;** provided that if this provision is not enforceable for any reason, then you and we agree that with respect to any multiple plaintiff or class action, a court will supervise the procedural aspects directly related to the multiple plaintiff/class nature of the proceeding (e.g., certification of the class, appropriateness of class representation, approval of attorneys' fees incurred on behalf of the class, approval of any settlement, etc.) and the arbitrator will decide all substantive matters related to the actual claims, including liability and damages.

19.4 Limitations on Damages and/or Remedies Your liability, together with that of any and all Affiliates of yours, will be limited to a maximum total amount equal to the then current level required for Federal diversity jurisdiction (currently \$75,000), plus One Thousand Dollars (\$1,000), for any and all claims, whenever brought, subject to inflation adjustment (liability for the present value of all payments which normally would have been owed by you if the franchise had continued in existence for its full term, together with any past due payments owed to us and/or any Affiliate, are subject to and part of such total limit); provided that there shall be no limitation on indemnity obligations. Our maximum liability, together with that of any and all of the Franchisor-Related Persons/Entities, will also be limited to a maximum total amount equal to the then-current level required for Federal diversity jurisdiction (currently \$75,000), plus One Thousand Dollars (\$1,000), for any and all claims, whenever brought, subject to inflation adjustment.

19.5 Periods In Which to Make Claims No arbitration, action or suit (whether by way of claim, counter-claim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either you or us will be permitted against the other, whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other Claim of any type, unless such party commences such arbitration proceeding, action or suit before the expiration of the earlier of:

1) one (1) year after the date on which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

2) eighteen (18) months after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

The above periods may begin to run, and will not be tolled, even though the claiming party was not aware of the legal theories, statutes, regulations, case law or otherwise on which a claim might be based. If any federal, state or provincial law provides for a shorter limitation period than is described in this Section, then such shorter period will govern. The time period for actions for indemnity shall not begin to run until the indemnified party(ies) have been found liable and any time for appeals has run in the underlying action.

19.6 Survival of Obligations

A. Each provision of this Article 19, together with the provisions of Article 21, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, Termination, rescission, or finding of unenforceability of this Agreement (or any part of it) for any reason; will survive and will govern any Claim for rescission; and will apply to and govern any Claim

against, or with respect to, the Marketing Fund. Notwithstanding any bankruptcy or other proceeding, you and we wish to have the dispute avoidance and resolution provisions of this Agreement strictly enforced according to their terms.

B. Non-competition, confidentiality, protection of the Marks and indemnity/hold harmless obligations, and all other Post-Termination Provisions, provided in this Agreement shall survive the expiration and/or Termination of this Agreement according to their terms.

19.7 Costs and Attorneys' Fees Except as expressly provided regarding recovery of attorneys' fees as part of indemnification rights hereunder, or in this Section, or as otherwise expressly provided in this Agreement, the parties will each bear their own costs of enforcement and/or defense (including but not limited to attorneys' fees), including those matters resolved pursuant to a settlement agreement between the parties. However, if any case is summarily disposed of in an arbitration or litigation proceeding for lack of merit (such as by summary judgment or award, judgment on the pleadings, judgment n.o.v., non-suit, motion to dismiss, directed verdict or similar disposition in arbitration or court), the party bringing such case shall pay for the other party's costs of enforcement and/or defense (including, but not limited to, attorneys' fees.)

19.8 Binding Effect, Modification This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified or supplemented except by means of a written agreement signed by both you and our President or one of our Vice Presidents. However, you and we understand and agree that changes to the Manuals made in accordance with this Agreement are binding and do not require any acceptance by you, written or otherwise, to be effective and enforceable. No other officer, field representative, salesperson or other person has the right or authority modify this Agreement, or to make any representations or agreements on our behalf, and any such modifications, representations and/or agreements shall not be binding.

19.9 Our Exercise of "Business Judgment" and/or Meaning of "Sole Discretion"; Express Agreement

A. When we use the phrases "sole and absolute discretion", "sole discretion" and/or "Business Judgment", whether in this Agreement or another context, you and we agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions. We shall use our judgment in exercising such discretion based on our assessment of the interests we consider appropriate and will not be required to consider your individual interests or the interests of any other Franchisee(s). You, we and all other Franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, you and we agree that the ultimate decision-making responsibility for the KIDS KARS System must be vested in us. So long as we act in compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

B. You and we shall execute this Agreement in the belief that it is the basis for a long-term business relationship and should be enforced according to its express provisions. Neither you nor we have any expectation that the rights and obligations described herein will be defined or determined to be other than as expressly written, or that additional obligations will be imposed on you or us which you or we have not expressly assumed in writing. It would be contrary to your and our intentions and expectations to impose any doctrine, rule of interpretation or "covenant" such as an "implied covenant of good faith and fair dealing."

19.10 Construction, etc.

A. Section and Article headings are for convenience only and do not define, limit, or construe such provisions.

B. References to a “controlling interest” are to a shareholder, membership or partnership interest, as applicable, which enables the holder(s) of such interest to determine the outcome of a decision-making process for the applicable entity.

C. This Agreement will be executed in multiple copies, each of which will be deemed an original.

D. Each of us have carefully reviewed and thought about each provision of this Agreement. Therefore, you and we agree that it should be deemed to have been drafted equally and that no presumptions or inferences concerning terms or interpretation will result because we initially prepared this Agreement.

19.11 Non-Retention of Funds Neither party has the right to offset or withhold payments of any kind owed or to be owed to the other against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an arbitration award.

19.12 Severability; Substitution of Valid Provisions Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution). Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement. To the extent that any provision of this Agreement, or any specification, standard or operating procedure prescribed by us, is invalid or unenforceable, you and we agree that such provisions will be modified or enforced to the fullest extent permissible under, and to be compliant with, governing law. This Agreement will be deemed automatically modified to comply with governing law if such law requires: i) a greater time period for notice of the Termination of, or refusal to renew, this Agreement; or ii) the taking of some other action not described in this Agreement. Such modifications to this Agreement shall be effective only in such jurisdiction. You and we agree that the unenforceability of any provision of this Agreement will not affect the remainder of this Agreement. If any limitation on your and/or our rights (including, but not limited to, any limitation on damages, waiver of jury trial, shortened period in which to make any claim or otherwise) is held unenforceable with respect to one party, then such limitation will not apply to the other party.

19.13 Waivers; Cumulative Rights Subject to the provisions of Section 19.5, no waiver by either party of any breach, default or unfulfilled condition under this or any other agreement between the parties shall be deemed a waiver of any subsequent or other breach, default or unfulfilled condition. No waiver shall be effective unless in writing and signed by an authorized representative of the signing party. The rights and remedies provided in this Agreement are cumulative. Except as expressly provided in this Agreement, no party will be prohibited from exercising any rights or remedies provided under this Agreement or permitted under law or equity.

19.14 Choice of Laws You and we agree on the practical business importance of certainty as to the law applicable to your and our relationship and its possible effect on the development and competitive position of the System. Therefore, you and we also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters,

including, but not limited to respective rights and obligations, concerning you and us, will be governed by, and construed and enforced in accordance with, the laws of Idaho.

You and we agree that this provision shall be enforced without regard to the laws of such state relating to conflicts of laws or choice of law; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section.

19.15 Application of Agreement to Parties and Others; Joint and Several Liability

A. The rights and obligations of this Agreement run directly between you and us and are not intended to create any third-party beneficiary or similar rights or obligations unless specifically expressed in this Agreement; except that the protections which apply to us relating to indemnification and/or releases shall also apply to any past, current and/or future Franchisor-Related Persons/Entities as if they were expressly named beneficiaries thereof.

B. We have the right to elect in our Business Judgment not to enforce (or to selectively enforce) any provision of this or any Agreement, standard or policy, whether with respect to you and/or any other franchisee or other person, in a lawful manner without liability.

C. If two (2) or more persons are at any time the Franchisee or the Franchisee owners, all of their obligations and liabilities under this or any other agreement with us and/or any Franchisor-Related Persons/Entities will be joint and several.

19.16 Fundamental Business Intention to Mediate and/or Arbitrate, Severability of Dispute Resolution Provisions, Federal Arbitration Act Governs, etc.

Irrespective of any statute, regulation, decisional law or otherwise, it is your and our fundamental agreement and intention that you and we do not wish to engage in any court proceedings (except as expressly provided for in the rare instances specified in this Agreement), viewing the dispute resolution mechanism established by this Agreement (including, particularly, mediation and binding arbitration) to be superior from a business standpoint, less expensive, faster, more confidential, more likely to generate creative business-oriented solutions and compromise, and more accommodating to our business relationship and the needs of an evolving and diverse franchise system. Therefore, if any provisions of this Article 19 are deemed by a court to be unenforceable for any reason, you and we agree and intend that such provisions will be i) modified so as to be enforceable or ii), if that cannot be done, severed and, in any event, any remaining portions of this Article 19 shall remain in full force and effect. You and we agree that such remaining portions will still form an appropriate and complete dispute resolution mechanism. You and we acknowledge that your and our activities relating to the franchise relationship are in interstate commerce and that this Agreement is governed by the Federal Arbitration Act.

I have read Sec. 19.1 -19.16, understand them, and agree with them.

Your Initials: _____ / _____

20. NOTICES AND PAYMENTS

All written notices and reports to be delivered by the provisions of this Agreement or of the Manuals will be deemed so delivered when delivered by hand, immediately on transmission by facsimile transmission or other electronic system, including e-mail or any similar means, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to us at Kids Kars Franchising, LLC., 7231 W. Colonial Street, Suite A303. Boise. Idaho 83709 (or our then current headquarters), to the attention of the President, and to you, at your KIDS KARS Business. Until your KIDS KARS Business has opened for business, we may send you notices at any address appearing in your application for a franchise or in our records. Any required payment or report not actually received by us during regular business hours on the date due will be deemed delinquent. Notice to any one Franchisee, or owner of the Franchisee, shall be deemed effective as to all Franchisees under this Agreement and all owners of the Franchisee(s). Any party may change its address for receipt of notices by providing prior written notice of such change to the other party.

**BE SURE YOU READ THE FOLLOWING ARTICLE 21 CAREFULLY.
IT'S IMPORTANT AND IT IS IN THIS AGREEMENT TO MAKE SURE
THAT NEITHER YOU NOR WE HAVE ANY MISUNDERSTANDINGS.**

21. ACKNOWLEDGMENTS AND REPRESENTATIONS, ENTIRE AGREEMENT, NO FIDUCIARY RELATIONSHIP, etc.

A. You and we agree that your and our relationship is not a fiduciary or similar special relationship, but rather is an ordinary commercial relationship between independent business people with arms length dealings.

B. You acknowledge that you (and each of your owners, if you are a Business Entity) have had the opportunity and been advised by us to have this Agreement and all other documents reviewed by your own attorney, and that you have read, understood, had an opportunity to discuss and agreed to each provision of this Agreement. You agree that you have been under no compulsion to sign this Agreement.

C. You and we expressly acknowledge and agree that the provisions of Article 19, above, (whether relating to arbitration, mediation, waiver of jury trial, venue, limitations on damages, prohibition against multiple plaintiff-class actions, shortened statutes of limitation, and/or otherwise) may require you to travel to a distant location to resolve a dispute, expend additional funds, and/or raise challenges for you and/or us in prosecution of claims/actions. You and we view these provisions in the context of a diverse franchise system with both large and small, sophisticated and unsophisticated participants, and that requires uniformity and predictability. As such, you and we knowingly accept such provisions and limitations as justified by business necessities and representative of a reasonable balancing of your and our interests, and those of the System as a whole, and not as unfair or burdensome.

D. You and we agree that this Agreement contains the final, complete and exclusive expression of the terms of your and our agreement [along with concurrently signed writings, such as but not limited to personal guarantees, Statement of Prospective Franchisee, addenda, exhibits, releases and any other related documents (collectively, the Related Documents)] and supersedes all other agreements and/or representations of any kind or nature. Any understandings,

agreements, representations, or otherwise (whether oral or written) which are not fully expressed in this Agreement and the Related Documents are expressly disclaimed by you and us, including but not limited to any promises, options, rights of first refusal, guarantees, and/or warranties of any nature (excepting only the written representations made by you in connection with your application for this franchise). Neither you nor we believe it to be fair or reasonable for the other party to have to deal with allegations about understandings, representations, etc. not fully expressed in writing in this Agreement.

E. You specifically acknowledge that you have not received or relied on (nor have we or anyone else provided) any statements, promises or representations that you will succeed in the franchised business or at any location; achieve any particular sales, income or other levels of performance; earn any particular amount, including any amount in excess of your Initial Franchise Fee or other payments to us; or receive any rights, goods, or services not expressly set forth in this Agreement. You understand and acknowledge that KIDS KARS Franchisees are distinct from us and are independently owned and operated. While we may encourage you to speak with such Franchisees in evaluating this franchise opportunity, you understand and acknowledge that they do not act as our agents or representatives in providing any information to you and that no such information can be attributed to us and/or relied upon as such.

F. You represent, warrant and agree that no contingency, prior requirement, or otherwise (including but not limited to obtaining financing) exists with respect to you fully performing any or all of your obligations under this Agreement. You further represent to us, as an inducement to our entering into this franchise relationship, that you have made no misrepresentations or material omissions in obtaining the Franchise.

Your Initials: _____ / _____

G. You acknowledge that you have not received or relied on (nor have we or any representative of ours provided, except as may have been contained in the Uniform Franchise Offering Circular received by you):

- 1) any sales, income or other projections of any kind or nature,
- 2) any statements, representations, charts, calculations or other materials which stated or suggested any level or range of sales, income, profits or cash flow; or
- 3) any representations as to any profits you may realize in the operations of the Franchised Business or any working capital or other funds necessary to reach any 'break-even' or any other financial level.

If any such information, promises, representations and/or warranties have been provided to you, they are unauthorized and inherently unreliable. You agree to advise us of the delivery of any such information. You must not rely upon any such information, nor shall we be bound by it. We do not, nor do we attempt to, predict, forecast or project future performance, revenues or profits of any you or any franchisee. We are unable to reliably predict the performance of a KIDS KARS Business even operated by us, and certainly cannot predict results for your KIDS KARS Business. Franchisees are distinct from us and are independently owned and operated. They do not act as our agents or representatives in providing any information to you and no such information can be attributed to us and/or relied upon as such.

Your Initials: _____ / _____

H. You acknowledge and agree that the success of the business venture contemplated to be undertaken by you is speculative and will be dependent on your personal efforts, and success is not guaranteed; and you further acknowledge that we have just recently begun franchising, we are not an experienced franchisor, our franchise system is relatively unproven and our business model is still under development. You acknowledge and represent that you have entered into this Agreement and made an investment only after making an independent investigation of the opportunity, including having received a list with your Uniform Franchise Offering Circular of others currently operating, or who have operated, our franchises.

I. You acknowledge that you (and each of your owners) has received, fully read and understood, and all questions have been answered regarding, i) a copy of our Uniform Franchise Offering Circular with all exhibits at least ten (10) business days prior to signing any binding documents or paying any sums (whichever occurred first), and ii) a copy of this Agreement and all other agreements complete and in form ready to sign at least five (5) business days prior signing any binding documents or paying any sums (whichever occurred first).

Your Initials: _____ / _____

J. You understand, acknowledge and agree that i) we may have offered franchises in the past, may currently be offering franchises and/or may offer franchises in the future, on economic and/or other terms, conditions and provisions which may significantly differ from those offered by this Agreement and any related documents and ii) we may, from time to time, deal with our Franchisees on differing economic and/or other terms (including making special arrangements for payments of amounts due, waiving defaults and/or otherwise) to suit individual business circumstances, in each case in our Business Judgment and without being required to offer similar terms to other Franchisees, such flexibility being a practical necessity to respond to distinct business situations.

Your Initials: _____ / _____

K. You understand that we are relying on you to bring forward in writing at this time any matters inconsistent with the representations contained in this Article 21. You agree that if any of the statements or matters set forth in this Article 21 are not true, correct and complete that you will make a written statement regarding such next to your signature below so that we may address and resolve any such issue(s) at this time.

Your Initials: _____ / _____

L. You acknowledge and agree that the officers, directors, employees, and agents of the Franchisor act only in a representative capacity and not in an individual capacity, and that no other persons and/or entities other than the Franchisor has or will have any duties or obligations to you.

Your Initials: _____ / _____

22. DEFINITIONS

“Affiliate” - Any person or entity which controls, is controlled by or is under common control with another person or entity; in addition, as to the Franchisee, any owner of any interest in the Franchisee or the Franchise, any employee or agent of the Franchisee, and/or any independent

contractor performing functions for, or on behalf of, the Franchisee, and any entity controlled by any of the foregoing.

“Agreement” - This Franchise Agreement.

“Attorneys’ Fees” - Includes, without limitation, legal fees, whether incurred in preparation of the filing of any written demand or claim, action, hearing, arbitration, or other proceeding to enforce the obligations of this Agreement, or during any such proceeding, plus all costs incurred in connection therewith.

“Brand” - The KIDS KARS™ brand, as applied to various goods and/or services as authorized by us from time to time.

“Business Entity” - Includes a corporation, partnership, joint venture, limited liability company, limited partnership, or other form of business recognized in any jurisdiction. If you are a Business Entity, then we may require each of your owners in our Business Judgment to guaranty your performance.

“Business Judgment” - Means that we are allowed to exercise our judgment however we consider to be appropriate in our sole and absolute discretion, without any limitation. You and we agree that when in this Agreement we describe instances in which we may exercise Business Judgment, we must and do have the unrestricted right to make decisions and/or take (or refrain from taking) actions. We have this right even if a particular decision/action may have negative consequences for you, a particular franchisee or group of franchisees. You understand and agree that the exercise of Business Judgment is critical to our role as Franchisor of the System and to our goals for its continuing improvement. This is a defined term for the purposes of this Agreement and is not intended to incorporate principles related to the application of the business judgment rule in a corporate law context.

“Customary Representations, Warranties and Agreements” - Includes commitments generally made by a transferor in connection with a transfer of a business and/or related assets, including but not limited to: representations as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, relating to the business/assets/entity to be acquired; full indemnification obligations and non-competition covenants by the transferor and each Affiliate, substantially similar to those required in Sections 7.4 and 8.2 of this Agreement; the delivery at closing of instruments transferring good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us in our Business Judgment), and demonstrating that all sales, transfer and/or similar taxes are to be paid by the transferor through escrow if we so require; the transfer at closing of all licenses and permits which may be assigned or transferred.

“Designated Equipment” - Equipment that meets our requirements and which you must obtain and use in the operation of your KIDS KARS Business, including the Package Equipment.

“Franchise” - The right to operate a KIDS KARS Business under the terms of this Agreement.

“Franchise Advisory Council” or “FAC” - The advisory group selected (or which may be selected) in accordance with this Agreement, which shall provide Input as provided in this Agreement and as we may request from time to time.

“Franchised Business” - The business operations conducted by, at or in connection with your KIDS KARS Business.

“Franchisor-Related Persons/Entities” - Kids Kars, Inc., Kids Kars Franchising, LLC-, Ryan Stadler, any FAC and each and all of the following, whether past, current and/or future: Affiliates of ours and/or of any of the foregoing; each and all of the partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of us and/or any of the foregoing; and each and all of the predecessors, successors and/or assigns of us and/or any of the foregoing.

“General Release” - A general release, in the then current form prescribed by us at the time such release is to be delivered, of any and all claims, liabilities and/or obligations, of any nature whatsoever, including those existing as of, and/or arising before, the date of any such release, however arising, known or unknown, whether against us and/or any or all of the Franchisor-Related Persons/Entities, and whether by you, any owner of you (if you are or become a Business Entity) and/or any Affiliate of any of the foregoing.

“Good Standing” - You are in “Good Standing” if you (and each of your owners and Affiliates) are not in default of any obligation to us and/or any of the Franchisor-Related Persons/Entities, whether arising under this Agreement or any other agreement between you (and each of your owners and Affiliates) and us (and/or any of the Franchisor-Related Persons/Entities), the Manuals or other System requirements (collectively, the “Obligations”); provided that you are not in Good Standing if you have been in default of any Obligations and such defaults are incurable by nature.

“Immediate Family” - With respect to any person, “Immediate Family” includes that person’s spouse and/or domestic partner and each of their respective parents, guardians, grandparents, siblings, children, grandchildren, aunts, uncles, cousins, nieces and/or nephews.

“Input” - Advice and suggestions regarding specified matters. When we receive Input from the FAC or any other franchisee group we will retain the ultimate decision-making authority and responsibility for all matters for which Input is sought. FAC (or any other franchisee group) Input, votes or other collective actions will not be binding on us unless we have otherwise agreed in writing. FAC (or any other franchisee group) approval or consent will not be required as a pre-condition to any decision and/or action we may take.

“Intellectual Property” - Includes, regardless of the form or medium involved, i) any KIDS KARS Software, including the data and information processed or stored thereby; ii) the Manuals and all other directives, policies or information we issue from time to time; iii) all customer relationships and information; iv) the Marks; v) all Confidential Information and our trade secrets; and vi) all other proprietary, copyrightable and/or trade secret information and materials developed, acquired, licensed or used by us in our operation of the System.

“KIDS KARS Business” - The KIDS KARS Business you are franchised to operate by this Agreement providing children entertainment services within a prescribed geographical area using motorized mini cars and customized inflatable barriers, along with related equipment, products and services as authorized by us.

“Limited Release” - A release by us (in the form prescribed by us at the time such release is to be delivered) of any and all known claims, liabilities and/or obligations, of any nature whatsoever, including those existing as of, and/or arising before, the date of any such release, against you,

your Affiliates and/or your owners, if you are a Business Entity; except that any such claims will be preserved by us if we disclose them to you in writing.

“Manuals” - Specifications, standards, policies and procedures prescribed by us and published to you in any media (including electronic) and which are to be followed in the operation of your KIDS KARS Business as they may be changed or eliminated by us in our Business Judgment.

“Marks” - The trademarks service marks and other commercial symbols now and/or in the future owned by (or licensed to) us to identify the services and/or products offered by KIDS KARS Businesses, including (but not limited to) the “KIDS KARS™” design mark, the Trade Dress and other logos and identifiers designated by us from time to time.

“Package Equipment” - KIDS KARS mini cars, inflatable barriers, trailers and related Equipment which are part of the Designated Equipment that you must obtain and maintain to operate your Franchised Business. Current Package Equipment components are identified on Exhibit 10.4, and are subject to change by us in our Business Judgment

“Post Termination Provisions” - Those promises contained in this Agreement that survive its expiration, Transfer, Repurchase or Termination for any reason, including without limitation the confidentiality, non-competition, indemnification, Package Equipment repurchase and dispute resolution and other provisions contained in Articles 19, 20 and 21.

“Premises” - Any facility in or at which you will regularly operate a KIDS KARS Business.

“Products” and “Services” - Goods, products and services designated by us from time to time for use, sale or otherwise to be provided (and/or used) at and/or from your KIDS KARS Business and/or in association with the Marks.

“Repurchase” - Repurchase includes (but is not limited to) any acquisition by us (and/or any of the Franchisor-Related Persons/Entities) of your rights in and/or to any of the following: i) this Agreement; ii) the Franchise; iii) the ownership of the Franchisee; iv) your KIDS KARS Business; or v) any Package Equipment you may have.

“Similar Business” - Any enterprise that offers, is otherwise involved in, or deals with any goods, products and/or services, which are substantially similar to those goods, Products and/or Services now or in the future authorized by us to be offered at or from KIDS KARS Businesses (including any such enterprise and/or entity awarding franchises or licenses to operate or be involved with any such business). Our receipt of any fees with respect to any Similar Business is not an approval of your involvement with any Similar Business.

“Special Accounts” - Classes of special customers (which may include national accounts, other large businesses, government agencies, and/or otherwise) as designated by us from time to time in our Business Judgment.

“System” - The distinctive format and method of doing business developed and used for the operation of a KIDS KARS Business, and subject to change by us at any time in our Business Judgment.

“System Standards” - Standards prescribed by us in our Business Judgment from time to time, in the Manuals or elsewhere, for the operation, marketing and otherwise of KIDS KARS Businesses.

“Terminate” or “Termination” - “Terminate” or “Termination” when used in this Agreement means the Termination or cancellation of your rights and our obligations under this Agreement for any reason before the initial term expires. All of our rights are not cancelled on Termination since you have certain obligations that survive the ending of the Agreement in any manner, such as, but not limited to certain promises regarding non-competition, confidentiality and indemnity. Both of us are bound by the dispute resolution provisions (Article 19) this Agreement, even after the Agreement is ended for any reason.

“Territory” - The geographic area described in Exhibit 2.2.

“Trade Dress” - The KIDS KARS Business design and image authorized by us and subject to change by us at any time and in our Business Judgment.

“Transfer” - Defined in Section 14.2.

“Us”, “We”, “Our” or “Franchisor” - Kids Kars Franchising, LLC., a Nevada limited liability company.

“KIDS KARS Business” - The KIDS KARS Business you are franchised to operate by this Agreement.

“You”, “Your” or “Franchisee” - The parties signing this Agreement as Franchisee. (If there is more than one Franchisee, each is jointly and severally obligated under this Agreement and all other agreements with us and/ or Franchisor-Related Persons/Entities). The term “you” is applicable to one or more persons or a Business Entity, as the case may be.

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in counterparts on the day and year first above written.

THIS AGREEMENT WILL NOT BECOME EFFECTIVE UNLESS AND UNTIL SIGNED BY THE PRESIDENT OR A VICE PRESIDENT OF FRANCHISOR. NO FIELD REPRESENTATIVE OR OTHER PERSON IS AUTHORIZED TO EXECUTE THIS AGREEMENT FOR FRANCHISOR.

FRANCHISOR:

Kids Kars Franchising, LLC.
a Nevada Limited Liability Company

By: _____
President

FRANCHISEE (Individual/s)

Signature

Printed Name

OR

FRANCHISEE (Corp., LLC or Partnership)

Legal Name of Franchisee Entity

By: _____
Name

Title: _____