

(d) We agree to use the Brand Marketing Fund for the production and execution of advertising, promotion, and public relations materials and activities designed to benefit the *Parable* system of stores on a local, regional, and/or national basis. We have complete and absolute discretion over how and when sums from the Brand Marketing Fund will be spent and over the items that will be charged to the fund. However, we agree to use the Brand Marketing Fund only for the planning, production, placement, and execution of advertising, promotion, and/or public relations materials and programs, including point of purchase materials, market research and analysis, the employment of advertising and/or promotion staff and/or agencies, the purchasing of media time and/or space, the planning, production, and execution of promotional and/or public relations materials and events, and for similar purposes, and for the administration of the fund. Since a great deal of the work of the Brand Marketing Fund will be done by our employees, and those of our affiliates, we will charge the Brand Marketing Fund in an amount equal to 10% of the money collected by the fund for these services.

(e) We have the right to establish advertising councils to advise us on our advertising, promotion, and/or public relations programs. If we establish one or more of these councils, we have the right to determine their rules. You agree to follow those rules and, if we so request, to participate in the activities of the councils in the manner and to the extent we specify. The Brand Marketing Fund will pay the expenses of any advertising councils we form to advise us on our national and/or regional advertising and promotion programs.

(f) We are not obligated to expend funds from the Brand Marketing Fund in any particular geographic area, even if a disproportionate amount comes from a particular region, nor within any particular time period.

9.04 The term "gross sales" as used in this Agreement means proceeds from all sales and services from whatever source received, whether in cash or on credit, as well as the value of any barter transactions, including the gross amount you receive from all orders taken at your store but filled elsewhere and orders taken elsewhere but filled at your store. Credit transactions are considered made when the transaction giving rise to the extension of credit occurs and not when, or if, payment is made or when title passes to the goods sold. Credit card and other credit transactions result in "gross sales" in the full amount of customers' purchases without any allowance for bad debts, uncollectable accounts, or credit card fees and charges. If you record your sales using the suggested retail price of the items sold less actual discounts, you may report the net amount as the amount of your gross sales. "Gross sales" does not include any of the following:

(a) The selling price of any merchandise returned to you by, or services performed for, customers to the extent you grant a credit, discount, refund, or similar allowance. An exchange of merchandise or services shall not be deducted from "gross sales" except to the extent of any accompanying credit, discount, refund, or other allowance;

(b) Merchandise returned to its source for credit or other allowance;

(c) Gift certificates, or their equivalent, until they are redeemed at your store;

(d) Amounts or credits received on claims for loss or damage to merchandise or other store assets;

(e) Sales and/or use taxes, value added tax, or other similar taxes, determined and/or imposed on the sale of merchandise or services by a governmental entity, but only to the extent that such taxes are added to the selling price of the merchandise or services and are separately stated to and collected from customers;

(f) Sales of trade fixtures or similar property not constituting merchandise of the store.

9.05 (a) At the time the royalty is paid, you agree to send us in the manner we specify a statement of your gross sales for the month on which the fees are based. You agree to use the sales report form that we specify from time to time and to certify that each statement is correct.

(b) If you do not submit your sales reports in a timely manner, we can estimate your sales and bill you for the amounts due based on the estimates.

9.06 (a) We have the right to review or audit your books and records at any reasonable time at your *Parable* store. If the review or audit reveals an intentional underreporting of the gross sales of your store, an understatement of your gross sales for any reporting period in the amount of 5% or more, or if the review or audit is necessary because you have failed to comply with the financial reporting requirements of this Agreement, we have the option to charge you for the costs of the review or audit including the costs and expenses of our employees, accountants, or any others for or with whom we have incurred costs in connection with the review or audit. In addition, you agree immediately to pay any other sums that the review or audit shows are due.

(b) If we discover any intentional underreporting of gross sales, we have the right to terminate this Agreement in addition to having all other rights and remedies allowed to us by this Agreement and by applicable law.

10. Advertising and Promotion.

10.01 You agree to spend at least \$5,000.00 on grand opening advertising and promotion activities at the time we specify for each *Parable* store that you open. We will consult with you on each such promotion. We must approve your grand opening advertising and promotion activities in the manner and within the time limits set forth below.

10.02 (a) For the good of the *Parable* system, all advertising, promotion, and public relations activities must be in good taste, must display a high degree of consistency throughout the *Parable* system, and must reflect favorably on *Parable* merchandise, services, products, and our system of stores. Therefore, you agree to submit to us copies of all advertising, promotion, and public relations material and programs, along with a description of how they are being used, by what media published, and such other and/or additional information that we request, within 10 days of the initial use of the material or program.

(b) You agree not to use, or to discontinue promptly the use of, any material, programs, or activities to which we object.

(c) You agree to use the materials and programs you submit to us only in the way and by the means you have described to us. You agree to notify us promptly of any material changes in the materials and programs or in the way they are being, or are planned to be, used.

10.03 (a) Unless we otherwise approve, you can only use marketing and promotional materials that you purchase from us, or, at our direction, from our affiliates. These include catalogs, flyers, mailers, newspaper inserts, and the like. We, or our affiliates, will charge you for these materials and services at rates determined at the time.

(b) You agree to purchase reasonable quantities of the signs, point of purchase advertising material, posters, catalogs, brochures, promotional kits, flyers, and other advertising and/or promotion items for use in and by your *Parable* store that we periodically designate.

10.04 In addition to the amounts you contribute to the Brand Marketing Fund and spend on your grand opening promotion, you agree to expend on a quarterly basis an amount equal to at least 2% of your gross sales on the advertising and promotion of your store. If you do not spend the required amount during any quarter, the balance can be carried over to the next quarter. At the end of each 12-month period, the difference between what you did spend during that period and the amount you are required to spend must be paid to the Brand Marketing Fund.

11. Accounting, Trade Accounts, and Charges for Late Payments.

11.01 You agree to keep and maintain accurate books, budgets, records, accounts, tax returns, and all related back-up material pertaining to the operation of your store in accordance with the requirements of this Agreement, our manuals, and other directives.

11.02 You agree to retain all of your business records and related back-up material for at least as long as required by law or 3 years following the end of the year to which the items pertain, whichever period is longer. You agree to make all of this material available to our representatives at your principal place of business when we reasonably request.

11.03 You agree to provide us with such information on your operations in the format and with such frequency as we reasonably require. You agree that we can use such information in the manner specified in our Database Agreement and can also use the information to create compilations of store data for our own use, for circulation to the *Parable* system, for use in vendor negotiations, in franchise disclosure documents, and the like, as long as we do not cite your store as the source of specific information contained in reports made available to other *Parable* stores or to third parties. Except for these uses, and similar purposes, we agree to keep your operations data confidential.

11.04 (a) You agree to send to us at your expense a quarterly balance sheet and income (profit and loss) statement prepared in accordance with our specifications by the 15th day following the end of the quarter to which the statement pertains.

(b) You agree at your expense to provide us with an annual balance sheet and income (profit and loss) statement prepared in accordance with our specifications within 60 days after the end of your fiscal year.

(c) You agree to conduct a complete physical inventory of your store at least annually and to use that inventory in the preparation of your annual balance sheet and income statement.

11.05 You agree to use the chart of accounts adopted by the Christian Booksellers Association ("CBA") and Quickbooks software by Intuit Corporation as your accounting software. In addition, before the beginning your fiscal year, you agree to prepare a comprehensive budget for your store or stores for the upcoming fiscal year and submit it to us for our approval.

11.06 (a) Your financial statements do not have to be prepared by an independent certified public accountant unless, in our reasonable judgment you have not complied with the financial reporting requirements of this Agreement, have repeatedly given us inaccurate financial reports, or have given us reports that were not prepared in accordance with our requirements.

(b) If we direct that an independent certified public accountant must prepare your financial statements, we will indicate the basis on which such reports are to be prepared.

11.07 (a) All amounts that you owe us that are past due are subject to a late charge of 1½% per month.

(b) If the late charge set forth above is not allowed by applicable law, the late charge will be equal to the highest lawful rate on loans between businesses in the state whose law governs this Agreement.

(c) Neither because we impose, nor because you pay, a late charge does that requirement, or such payment, waive or otherwise affect any right or remedy we have under this Agreement or under law because of your failure to make payment at the time required, except as may be set forth elsewhere in this Agreement.

11.08 If a payment is postmarked at least 4 days prior to the date on which it is due, the payment will be considered to have been paid on time even if it is received after the due date.

12. Insurance Requirements and Damage to Your Store.

12.01 (a) By the time you begin the construction of your store and throughout the term of this Agreement, you must maintain public liability and property damage insurance with insurance carriers reasonably acceptable to us in the minimum amount of \$1,000,000.00

combined single limit, covering your activities, the operation of your store, and your store premises, as well as owned and nonowned vehicle coverage.

(b) You also must obtain and maintain throughout the term of this Agreement insurance on the physical assets of your *Parable* store, including fire and extended coverage insurance on a replacement cost basis, in amounts adequate to reconstruct, redecorate, resupply, and reopen your store in the event of a covered loss.

(c) You must carry such other and additional insurance as may be required by any lease of your store premises, that required by your lender or equipment lessor, if any, and any insurance that is required by applicable law, such as workers' compensation insurance.

(d) We have the right to require you to carry different limits and/or different types of insurance coverage when and if we believe it is necessary or prudent.

12.02 Your insurance policies must comply with the following requirements:

(a) Your insurance carrier must have and maintain a Best rating of at least "A-7" or its equivalent

(b) Your insurance policies must not contain a coinsurance clause.

(c) The deductible portion of any claim or loss under any of your insurance policies cannot exceed \$5,000.00 without our prior written consent.

(d) Your insurance policies must be written as primary policies regardless of whatever other policies you carry or those we carry.

(e) Your insurance policies must be written on an "occurrence", and not on a "claims made", basis.

12.03 The limits on your insurance policies do not limit your liability under your indemnification obligations under Section 13 of this Agreement, or otherwise.

12.04 (a) You agree at your expense to name us and our officers, members, managers, and employees as additional insureds on all of your liability insurance policies, including your general liability, vehicle liability, and any umbrella liability policies.

(b) We can designate other entities and/or persons to be named as additional insureds on your insurance policies from time to time and you agree to include those persons or entities on such policies at your expense.

(c) You agree to have your insurance carriers provide to each additional insured a certificate of insurance evidencing the required coverage.

(d) All of your insurance policies must specify that the insurance carrier will give 30 days prior written notice to each additional insured under that policy if the policy in which such persons or entities are named is to be canceled or not renewed.

(e) You agree to provide us with copies of those of your insurance policies that we request.

12.05 (a) If during the term of this Agreement all or part of your store is damaged or destroyed by fire or other casualty, then, except as provided below, you must repair, restore, or rebuild your store to the extent allowed by, and in compliance with, the terms of your lease.

(b) If you are allowed to rebuild your store under the terms of your lease and by applicable law, the term of this Agreement will be extended for a period of time equal to the time your store was closed due to the damage or destruction, but not in excess of 12 months.

(c) All of the proceeds of any property insurance payable to you on account of the damage or destruction of your store must be used to pay for restoring your store. The restoration of your store must comply with our standards at the time relating to new *Parable* stores.

(d) Unless prevented by circumstances beyond your reasonable control, you agree to begin the restoration of your store within 90 days after the damage or destruction occurs and to proceed with the reconstruction and reopening of your store with due diligence.

12.06 If your store is totally destroyed, is damaged by an uninsured casualty in excess of 50% of its replacement cost, or the cost of repairing and restoring your store is in excess of 110% of the proceeds of your insurance, you have the option to terminate this Agreement by giving us written notice of your election to terminate within 60 days after the damage or destruction. If you have less insurance than you are required to carry under this Agreement, the foregoing option to terminate this Agreement will not apply and you will be required to rebuild and restore your store unless the destruction is total.

12.07 If your store, or the premises in which it is located, is taken in an eminent domain, condemnation, compulsory acquisition, or similar proceeding, for any public or quasi-public use or purpose, or is sold under the threat of such an action, and if it is not feasible or prudent in our reasonable opinion to use the remaining portion for the operation of a *Parable* store, this Agreement shall terminate as of the date of the taking.

13. Relationship of the Parties and Indemnification.

13.01 In all matters you are an independent contractor.

13.02 Nothing in this Agreement, in the relationship created by this Agreement, or elsewhere, constitutes either of us as agents of, or partners or joint venturers with, each other.

13.03 Neither you nor we are liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, negligence, errors, or omissions of the other.

13.04 You and we agree not to hold ourselves out as other than franchisee and franchisor. We each agree to indemnify the other against any liability, cost, or expense, including attorneys' fees, incurred as a result of any finding or result to the contrary caused by the actions or inactions of the indemnifying party.

13.05 None of your employees shall be deemed to be our employees and none of our employees shall be deemed to be your employees for any purpose.

13.06 As used in this Section 13, "we" also means our officers, members, employees, and agents, as well as any persons or entities with whom or which we may become affiliated.

13.07 You agree promptly to post, display, include, and otherwise use and maintain all signs and/or notices we specify, and any that are required by applicable law, indicating the status of our relationship including notices on stationery, business cards, signs, and in advertising, promotion, and public relations material that your store is a franchised *Parable* store.

13.08 You agree to defend, indemnify, and hold harmless us, our affiliates, and our and their directors, shareholders, officers, members, agents, and employees, from and against any and all losses, liabilities, damages, costs, and expenses, including attorneys' fees, resulting directly or indirectly from, or in any way pertaining to, the operations, sales, policies, procedures, practices, actions, hiring practices, employment practices, employer or employee conduct, personnel policies, or any other activities of your store, including your intentional acts and negligence, and those of your agents, officers, directors, partners, shareholders, members, owners, employees, and any others with whose conduct you are chargeable, as well as from all costs, taxes, and expenses for which you are liable in connection with the operation of your store and your other activities. However, we shall be responsible for, and will indemnify you against, any loss, costs, or damage resulting from your compliance with our policies, procedures, and directives but only as long as you have complied with our requirements at the times and in the manner specified.

13.09 (a) Should we become aware of a claim or potential claim against which you have indemnified us or the other indemnified parties, we will notify you of the claim or potential claim. You agree to defend us, and the other indemnified parties, against the claim at your expense with counsel of your choosing. In the event that the claim is one that can affect more than one *Parable* store, we can take over the defense of the matter with counsel of our choosing but you will still be responsible for the costs of the defense, including attorneys' fees.

(b) If you are defending us, and/or another indemnified party, in any action, you agree not to settle the matter until we, and the other indemnified party or parties, if any, approve the terms of the settlement. You cannot commit us, or any of the other indemnified parties, to making any expenditure or taking or withholding any action as a part of any settlement without our, and their, prior written consent.

13.10 If you become aware of any claim, or potential claim, against which we have indemnified you, you agree to notify us promptly of the claim, or potential claim, and the details of the claim of which you are aware. You agree to cooperate with us, our attorneys, and our

investigators, and those of our insurance carriers, in connection with the investigation and defense of any such claim.

14. Use and Protection of Our Commercial Symbols and Other Proprietary Property.

14.01 (a) You are licensed to use only those trademarks, trade names, service marks, logotypes, symbols, designs, patents, copyrights, and other intellectual property (referred to in this Agreement as "the intellectual property"), that we indicate in writing from time to time even if they are less than all that we own or otherwise have the right to use.

(b) Your use of the intellectual property is nonexclusive and nontransferable, which means that we can use, and can license others to use, the items licensed to you in any manner or at any place, except as may be limited by this Agreement.

(c) You cannot transfer your right to use the licensed assets or the intellectual property other than as specifically allowed by this Agreement.

14.02 We periodically may license you to use additional trademarks, trade names, service marks, logotypes, symbols, designs, patents, copyrights, and/or other intellectual property. If we do so, those licenses will pertain only to those items, and only to the extent, we specify in writing in connection with the grant of the concerned license.

14.03 All of the intellectual property licensed to you under this Agreement must be used strictly in compliance with all of the terms and conditions of this Agreement, our manuals, and in accordance with all of our other directives. The intellectual property you are licensed to use, and the manner of its use, are as set forth in our Operating and other manuals.

14.04 (a) In the event you become aware of any claim of infringement resulting from, or other challenge to, your use of any of the intellectual property, you agree immediately to notify us of the facts concerning the claim or challenge. We, and our licensor, have sole discretion as to what action to take, if any, regarding any claim or challenge to, or concerning, the intellectual property. If any action is taken against you by a third party on account of your use of the intellectual property we license to you, we agree to defend your right to use that property. However, we retain the right to settle any such action on terms we deem satisfactory in our sole discretion, subject to your rights to reimbursement described below.

(b) If we learn that a third party is making unauthorized use of the intellectual property, we, and our licensor, have sole discretion as to what legal, administrative, or other action to take, if any, against that party.

(c) We agree to pay all costs involved in any action or proceeding involving the intellectual property, and will pay all damages for which you are held liable in any proceeding involving the use of the intellectual property, but only on the condition that you have used the intellectual property in strict accordance with this Agreement, our manuals, and our other directives, have promptly notified us of any claim against, or challenge to, your use of the

intellectual property, and fully cooperate with us in the handling of any proceeding concerning the intellectual property.

14.05 (a) We, and our licensor, have sole control over each and every legal, administrative, and other action of any type concerning the intellectual property.

(b) In the event of any legal, administrative, or other action concerning the enforcement or defense of our rights in the intellectual property, we agree to bear the legal fees and court costs incurred in the handling of the matter unless you have not used the intellectual property as required by this Agreement and that has adversely affected our rights or liabilities.

14.06 If we, or our licensor, take legal, administrative, or other action in any matter concerning the intellectual property, you agree to join as a party to such action, or to allow the action to be brought solely in your name, but only as, and only if, we require. We will pay all legal fees and court costs in connection with such actions.

14.07 (a) If it becomes advisable at any time in our sole discretion, or that of our licensor, to modify or discontinue the use of any or all of the marks or names and/or any other components of the intellectual property, or to reidentify the *Parable* system completely, you agree to comply with our directives in that regard at the time and in the manner we indicate.

(b) Except in connection with the expiration or termination of this Agreement, in the event we require you to modify or discontinue the use of any portion of the intellectual property, our sole obligation will be to reimburse you for your reasonable out of pocket costs in connection with that compliance, but only to the extent that such costs are for the replacement of such items, and provided that your compliance is in accordance with our directives, such as in the liquidation of existing supplies of distinctively marked materials, the disposition of signs, the replacement of advertising and promotion material, and so forth. We will not be obligated to reimburse you for the replacement of any items bearing our names or marks if you are given a reasonable time to use up items that are consumed in the operation of your *Parable* store or to amortize the cost of items that are not capable of such use.

14.08 We have the right to require you to use one or more additional trademarks, service marks, logotypes, and/or other commercial symbols in connection with the operation of your store. In that event, you agree to bear the cost of using such additional items in accordance with our directives.

14.09 (a) You agree to make no application for registration or other protection of any of the intellectual property, or any item or items similar to them, including seeking the ownership of any Internet domain name or its equivalent in any other alternative means of communication that uses, or is similar to, any of the intellectual property.

(b) You agree to take no action that will interfere with our, or our licensor's, rights to, or use of, the intellectual property, and its use by those we, and they, authorize.

(c) You agree not to contest the validity or ownership of any of the intellectual property or to assist anyone else in doing so.

(d) You agree to give the notices, file the forms, and to take any other action we reasonably require in connection with your use of the intellectual property. You agree to show the trademark and service mark notices, and affix the legends or symbols, we specify in connection with your use of the intellectual property.

14.10 (a) You agree not to use the name "*Parable*" or any name, mark, or symbol that is licensed to you under this Agreement, or any similar name, mark, or symbol, in the name of any business entity in which you have, or in the future may have, any interest, including the entity that owns this franchise.

(b) You agree to inform us in writing of each corporate, business, and fictitious name you propose to use in connection with your store. If we object to that name, you agree to change the name and to use a name that has our approval.

15. Transfer of the Franchise.

15.01 (a) Anyone with any interest in this franchise, as well as anyone with any interest in any entity with an interest in this franchise, is referred to as "you" in this Section 15.

(b) When we refer to a "transfer" we mean any transfer, assignment, sale, change of ownership, or other disposition, whether it occurs voluntarily or involuntarily, such as by legal process or the foreclosure of a security interest. "Transfer" also means the transfer, issuance, or reacquisition of any interest in, or the merger, acquisition, consolidation, other restructuring, or recapitalization of, any entity that owns this franchise if such a transfer exceeds 20% of the interests of the original owner or owners of that entity.

15.02 You can only transfer this franchise with our prior written consent. Any transfer we do not approve in advance in writing is not binding on us. Any attempted transfer without our approval is grounds for the termination of this Agreement.

15.03 In determining whether the proposed transferee is acceptable, we will consider, among other things, our then-current standards for new franchisees including the proposed transferee's net worth, creditworthiness, background, training, personality, reputation, and business experience.

15.04 You agree to provide us with all of the information we reasonably request about the proposed transferee. Until all of the information we request is provided, we are not obligated to take any action on the transfer application.

15.05 If this Agreement covers more than one *Parable* store, you cannot transfer less than all of the stores covered by this Agreement without our consent.

15.06 You may finalize the proposed transfer only when you receive our written approval of the prospective transferee and the transfer transaction.

15.07 You agree to follow the transfer procedures we specify, sign the transfer documents we require, and perform the other duties regarding the transfer that we indicate.

15.08 If any transfer transaction results in the cumulative transfer of 50% or more of the ownership of the original owner or owners of this franchise or the original owners of any entity owning this franchise, as a condition of our approving the proposed transfer, we can require that the transferee sign the form of Franchise Agreement we are using for new *Parable* franchisees at the time of the transfer. Even though a new Franchise Agreement may be signed, the term of the new agreement will be the term remaining on this Agreement. Before you finalize the transfer, you agree to reimburse us for our costs in connection with the transfer as described in Section 15.13 below.

15.09 (a) If you want to transfer this franchise to your spouse, child, or children, all of our transfer requirements apply, including our right to approve the transferee.

(b) If you transfer this franchise to your spouse, child, or children, we can require you to guaranty their obligations under this Agreement as a condition of our approving the transfer. Our Continuing Guaranty is attached to this Agreement as Exhibit E.

15.10 As a condition of our approving the transfer, we can require the transferee to attend our training course, or such parts of it as we designate, and to complete it to our reasonable satisfaction. If your transferee is required to attend our training course and does not complete it to our reasonable satisfaction, you cannot complete the transfer.

15.11 If we allow the transfer to take place before the proposed transferee completes our training course, you agree to operate your store for the transferee while he or she is attending our training course. If the proposed transferee does not complete our training course to our reasonable satisfaction, you must retake the ownership of the store and cancel the transfer.

15.12 So that we can review the proposed transferee's qualifications, you agree to submit to us an application in the form we specify on behalf of the proposed transferee.

15.13 As a condition of our approving any transfer, you agree to reimburse us for any costs we incur in connection with the transfer, such as reviewing the application of, and interviewing, your proposed transferee, sending our representative to conduct on-site training of your staff, and so forth. The amount to be reimbursed will include an allowance for the time of our employees as well as an administrative and overhead charge equal to 15% of the reimbursable costs.

15.14 You agree to sign a general release of all claims against us before you complete any transfer. The form of general release we are using on the date of this Agreement is attached as Exhibit F.

15.15 We can request that you guarantee the obligations of your transferee under your transferee's new Franchise Agreement if, in our reasonable judgment, we feel that your transferee does not have the financial resources and business experience that you do. You can decline to provide this guarantee if you wish. However, we can consider the absence of your guarantee in deciding whether to approve your proposed transfer. Our Continuing Guaranty is attached to this Agreement as Exhibit E.

15.16 After you transfer your interest in this franchise and are no longer the owner of a *Parable* store, you agree not to operate, be employed by, serve as a consultant to, or otherwise take part in the operation of, or have any ownership in, any business a principal activity of which is the selling of goods or providing services of the type sold by, or provided in connection with, *Parable* stores for a period of 2 years following the date of the closing of your transfer transaction within the protected territory of each *Parable* store you transfer.

15.17 You can transfer this franchise to a corporation, limited liability company, or other business entity wholly-owned by those who owned the franchise before the transfer. This type of transfer will not require our approval or the signing of a new Franchise Agreement. However, you must notify us of the proposed transfer prior to its completion so that we can send any documents we require to reflect the change of ownership.

15.18 Those owning any entity to which this franchise is transferred agree:

(a) They will own the entity in the same proportion as they currently own this franchise.

(b) They are personally responsible for the entity's performance of the terms of this Agreement and any other agreements between us.

(c) The share or ownership certificates of the entity will show the restrictions required by this section.

(d) Before the completion of the transfer, the owners of the entity will be required to sign the documents we require concerning the transfer, including personal continuing guarantees of the obligations of the entity.

15.19 (a) If any transfer results in a change in the managing agent, the provisions of Section 8.25 of this Agreement concerning the appointment of a successor managing agent will apply.

(b) If the new managing agent does not complete our training course to our reasonable satisfaction, we can require you to appoint a new managing agent who must, if we so require, satisfactorily complete our training course. If the subsequent managing agent does not satisfactorily complete our training course, we can terminate this franchise.

15.20 If there is a transfer of interests among the original owners of any entity that owns this franchise, we agree not to require a new Franchise Agreement to be signed unless control of the entity changes as a result.

15.21 You agree not to use this franchise as security for a loan, or otherwise encumber this franchise, without our prior written consent, which consent we can grant or withhold in our sole and absolute discretion. This limitation does not prevent you from using the physical assets of the store as security for a loan.

15.22 (a) You do not have the right to grant a subfranchise or to franchise, license, or otherwise permit anyone else to use any of the licensed assets.

(b) You cannot make partial transfers of this franchise or any of the rights granted by this Agreement.

15.23 There are no restrictions on our right to transfer some or all of our interest in this Agreement.

15.24 Your interest in this franchise is transferable by will or by intestate succession upon your death. Also transferable by will or by intestate succession is any interest you may have in any entity that owns an interest in this franchise.

15.25 If the owner of any interest in this franchise, or the owner of an interest in any entity with an interest in this franchise, is determined by a court of competent jurisdiction to be legally incompetent, his or her court-appointed guardian can transfer this franchise or the concerned interest as allowed by this Agreement.

15.26 (a) A transfer because of death or legal incompetence is subject to all of the conditions and requirements concerning transfers described in this Section 15. As such, we must approve the potential transferee, and, if the appropriate conditions apply, the transferee must satisfactorily complete our training course. The transferee also must sign an updated Franchise Agreement. We must also be paid our additional training fee as discussed in Section 7.05 and be reimbursed for our other costs as discussed in Section 15.13.

(b) If we do not approve a potential transferee who would otherwise take the interest proposed to be transferred under a will or by intestate succession, your estate can sell this franchise, or the concerned interest, to a transferee acceptable to us within 6 months after the appointment of your executor, administrator, guardian, or other personal representative. If an approved transfer of this franchise is not completed within the 6-month period, we have the right to terminate this Agreement.

(c) During any period following your death or incapacity, your estate must substantially comply with the terms of this Agreement and must run your *Parable* store as this Agreement requires. This compliance is not excused or reduced because of your death or incapacity.

15.27 (a) If your will seeks to make a transfer to your spouse and/or to a child or children, we agree not to require that a new Franchise Agreement be signed. However, all of our other conditions on transfer apply, including our right to approve the transferee and, if the transferee has not already done so, the completion by the transferee of our training course to our reasonable satisfaction. If we require the transferee to attend our training course, we can charge our additional training fee described above.

(b) In the case of any transfer by will or by intestate succession, the concerned estate must reimburse us for all of the expenses we incur in connection with the transfer as described in Section 15.13.

15.28 If a court of competent jurisdiction orders you to transfer all or any part of your interest in this franchise, in any entity which owns an interest in this franchise, or in a substantial portion of the assets used in your *Parable* store, to your spouse, domestic partner, or their equivalent, that order will constitute a proposed transfer of this franchise and will cause the transfer to be subject to all of the terms and conditions concerning transfers described in this Section 15.

16. Defaults, Cures, Termination and Remedies.

16.01 Except as provided elsewhere in this Section 16.01, we can terminate this Agreement without notice and without an opportunity for you to correct a default under any of the following circumstances:

(a) If you, or any entity with any interest in this Agreement, is declared bankrupt or judicially determined to be insolvent, if all or a substantial part of your store property, is assigned for the benefit of creditors, or if you or the concerned entity admits an inability to pay its debts as they become due;

(b) If we mutually agree in writing to terminate this Agreement;

(c) If you, or the owner of any interest in an entity that owns any interest in this Agreement, has made a material misrepresentation relating to the acquisition of this franchise

(d) If you, or the owner of any interest in an entity that owns any interest in this Agreement, engages in conduct that reflects upon the operation and/or reputation of your store or the *Parable* system in a materially adverse manner;

(e) If you fail to comply with any material federal, state, or local law or regulation applicable to the operation of your store within the time period allowed to cure the noncompliance following notice of the violation;

(f) If during any 12-month period you receive 3 or more notices of valid defaults under material provisions of this Agreement, even if the defaults have been cured within the time limits allowed in such notices;

(g) If a levy of execution has been made upon this Agreement or on a material portion of the property used in your store, or if your store, or any material portion of your store property, is seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder, or anyone else, and you, or such entity, is not restored to possession of that property within 5 days of the levy or seizure;

(h) If a final judgment against you, or any entity with any interest in this franchise, remains unsatisfied for 30 days, unless an appropriate appeal bond has been filed;

(i) If you or any partner, officer, director, shareholder, member, or other owner of any entity that owns any interest in this franchise is convicted of a felony of any type, or any criminal misconduct that is relevant to, or that reflects adversely upon, your store or the *Parable* system;

(j) If you fail to pay any initial, ongoing, or other fees, charges, or other amounts due to us when due, but in any event within 10 days after receiving notice that such fees or other amounts are overdue;

(k) If we make a reasonable determination that continued operation of your store will result in an imminent danger to public health or safety;

(l) Except as otherwise allowed in this Agreement, if anyone who is required by the terms of this Agreement to complete our training course fails to complete that course at the time and in the manner required;

(m) If you intentionally underreport your gross sales for any period in any amount;

(n) If you, or any partner, shareholder, member, or other owner of any entity that owns any interest in this franchise, attempts or purports to sell, transfer, assign, or otherwise dispose of any part of this franchise, this Agreement, his or her interest in an entity that owns any interest in this franchise, or any in material portion of the property used in connection with your *Parable* store, except as allowed by this Agreement, or if you, or such persons, attempt or purport to subfranchise, assign, authorize, or otherwise to permit any third person or entity that we do not authorize to use or participate in any way the rights, assets, or property licensed to you under this Agreement or that you use in connection or your store;

(o) If at any time you advise us of your unwillingness or inability to go forward with any of your material obligations under this Agreement;

(p) If you abandon your *Parable* store by failing to operate it for 5 consecutive days during which you are required by this Agreement to keep the store in operation, or if you fail to operate it for any lesser period after which, under the facts and circumstances, it is not unreasonable for us to conclude that you do not intend to continue its operation, unless that failure is caused by fire, flood, earthquake, or other similar cause beyond your control, but not including your inability to operate the business financially or otherwise;

(q) If the transfer or sale of the rights of a deceased or incompetent person who has any interest in this franchise, or in an entity that owns any such interest, is not accomplished within the time periods and in the manner required by this Agreement; or

(r) If you lose your right to occupy your business premises because you defaulted under any of your obligations.

16.02 In addition to the grounds for immediate termination set forth in Section 16.01 above, we can terminate this Agreement immediately if you violate any other agreement between us, or any agreement between you and any of our affiliates, including any other Franchise Agreement between us, and that violation is not cured within the time period allowed by the concerned agreement.

16.03 (a) If you have committed a violation under this Agreement and that violation does not result in immediate termination, the correction that the default must be accomplished to our reasonable satisfaction within 20 days after you are given written notice describing the condition that constitutes the violation and the corrective action that must be taken to cure the default, if any corrective action is possible.

(b) If a default does not result in the immediate termination of this Agreement, and the default is of such a nature that more than 20 days are reasonably required to cure the default, you will be given such additional time as may be necessary in our reasonable judgment to cure the default provided that the corrective action is started within the initial 20 day period following notice and is pursued diligently to completion.

(c) If the term of your lease expires, or if your right to possession of your business premises is otherwise lost without you being at fault, we will not terminate this Agreement provided that you relocate and reopen your *Parable* store at a location and under occupancy terms we find acceptable. The provisions of Section 5.13 above, and the other provisions of this Agreement, apply to the relocation of your *Parable* store. Your relocated *Parable* store must be open to the public within 90 days from the date on which your prior lease terminated.

16.04 If we elect not to enforce any of the applicable immediate termination provisions of Sections 16.01 or 16.02, or if any of those terms are not enforceable under applicable law, the provisions of Section 16.03 will apply to the concerned event or events of default.

16.05 If a default under this Agreement is not cured within any time period allowed for the correction of the default, the termination of this Agreement will occur without further notice as of the expiration of the time allowed to cure the default.

16.06 If you maintain that we are in violation of any material term of this Agreement, you agree to give us written notice of the claimed default. We will have 20 days after receipt of that notice within which to correct any actual condition of default. If we do not cure the claimed default within the designated time period, plus such additional time as is reasonably necessary to

accomplish the required action, you can pursue all rights allowed to you under applicable law on account of the default.

16.07 (a) Upon the termination of this Agreement for any reason, including its expiration by lapse of time, you agree that without delay you will:

- (i) Bring all accounts with us and with our affiliates current;
 - (ii) Stop using our trade names, trademarks, service marks, logotypes, commercial symbols, designs, patents, copyrighted material, confidential information, trade secrets, proprietary material, and other intellectual property;
 - (iii) Change your store's color scheme, decoration, signs, displays, and other attributes, to the extent necessary to distinguish your store's appearance from that of a *Parable* store. You also agree not to use any advertising and promotion material, packaging, uniforms, equipment, and the like, that could be associated with *Parable* stores or that would tend to identify your store in the mind of the public as continuing to be affiliated with the *Parable* system.
 - (iv) Return to us our operations and other manuals and all other material that you obtained from or through us, or by virtue of being a *Parable* franchisee; and
 - (v) Obtain a new telephone listing and telephone number and, at our election, assign your previous telephone listing and telephone number, as well as all Internet-related items as described in Section 8.26 above, to us in the manner we specify; and
 - (vi) Cancel any fictitious business name or equivalent registrations or listings indicating that you are affiliated with the *Parable* system.
- (b) When this Agreement ends, you also agree to notify all of your suppliers, customers, utilities, landlords, creditors, and concerned others, that you are no longer affiliated with the *Parable* system.
- (c) After the termination or expiration of this Agreement, you agree not to identify any present or future business, yourself, or any entity that owned any interest in this franchise, as having been associated with the *Parable* system.
- (d) As provided in our Database Agreement, at the expiration or termination of this Agreement, all databases relating to your store or stores in our possession, and those in possession of our affiliates, will become our property.

16.08 (a) On the termination of this Agreement for any reason, including its expiration by lapse of time, we have the right to purchase from you any items of equipment, decor, furniture, fixtures, and any or all of the other tangible property used in the operation of your *Parable* store. If we so choose, you agree to sell us your entire *Parable* store and assign your lease to us as described below.

(b) For the items we want to purchase from you, we will pay an amount equal to their fair market value as of the date this Agreement came to an end. The "fair market value" of the items is to be determined without any allowance for any claimed going business value, goodwill, or any other intangible assets of the store and without any consideration of the store being or having been a *Parable* store.

(c) We will notify you whether we will purchase some or all of the assets of your *Parable* store during the period from 60 days before to 30 days after the termination, cancellation, expiration, or nonrenewal of this Agreement. If we give you this notice, you agree to meet with us promptly to try to agree on the fair market value of the assets we propose to purchase.

(d) If we cannot agree on the fair market value of the assets we propose to purchase within 30 days after we give you notice of our desire to purchase those assets, you agree that we each will appoint a professional appraiser who will separately determine the fair market value of the concerned assets. The appraisers will be instructed to make and deliver their appraisals to us both within 20 days of their appointment. If we cannot agree on the fair market value of the concerned assets within 10 days of the delivery of the appraisals, the two appraisers will then appoint a third appraiser who will be instructed to pick within 20 days after his or her appointment which of the appraisals he or she deems to be closest to the fair market value of the concerned assets and that value shall then be the purchase price of the assets. The third arbitrator can hold such hearings as he or she may determine to assist at arriving at a decision. Each of us will bear the cost of our own appraiser and will divide equally the cost of the third appraiser. If either of us refuses to appoint an appraiser within the required time period, the determination of fair market value by the single appointed appraiser shall be the purchase price.

(e) Once the fair market value of the assets we propose to purchase has been determined, we each agree to enter into a standard purchase and sale of assets agreement within 10 days after the purchase price has been determined. If we have not entered into such an agreement within 20 days after the purchase price is determined, the terms of the agreement can be determined by the Superior Court of California for the County of San Luis Obispo and will be deemed complete and binding as of the date specified by the court, whether or not the agreement is signed by either or both of us. Unless we mutually agree otherwise, we will have the right to allocate the purchase price among the assets we purchase and will pay any resulting sales tax on the transaction. We will divide equally any escrow fees and any costs related to searching for liens and encumbrances on the assets we are purchasing, including those on the real property on which your store is located if we are taking over your lease. You will be responsible for compliance with the Bulk Sale law to the extent it applies to the transaction and will bear the costs of such compliance. Each side will bear their own attorneys' fees in the transaction.

(f) The transfer of the assets we purchase and the assignment of your lease to us, if we so elect, will occur on the date we specify but not later than 30 days after the purchase and sale agreement is completed.

(g) Unless we otherwise agree in writing, our election to purchase some or all of the assets of your store, and the purchase procedure set forth above, will not extend the term of this Agreement, will not waive or cure any default that has resulted in the termination of this Agreement, and will not extend any period within which you have the opportunity to correct any condition of default.

16.09 If we elect to purchase any or all of the physical assets of your store as described in Section 16.08 above, we will pay you the purchase price, less any amounts you owe us or any of our affiliates and any of your indebtedness that we assume as part of the purchase price, in a lump sum at the closing of the transaction.

16.10 (a) On the termination of this Agreement for any reason, including its expiration by lapse of time, and whether or not we elect to purchase some or all of the assets of your store, we have the option to have you assign your lease to us without us having to pay you for the assignment.

(b) If we require an assignment of your lease, you agree promptly to bring the store premises into full compliance with the requirements of the lease and with all laws, statutes, ordinances, rules, regulations, orders, and the like, applicable to the premises. You also agree to bring all accounts with the lessor current as of the date on which the lease is assigned to us.

(c) If we assume your lease, you agree to indemnify us against all losses and costs attributable to the period of your possession of the premises. Following our taking over possession of the premises, we agree to indemnify you against all losses and costs attributable to the period of our possession of the premises, except to the extent that any of those losses or costs are the result of any of your actions or inactions during, or attributable to, your period of occupancy.

(d) If we are notified by the lessor at any time after we take over the lease that you have overpaid any costs or expenses attributable to your period of occupancy, we will refund those amounts to you to the extent that we have gained the benefit of such overpayments. To the extent you have underpaid any costs or expenses attributable to your period of occupancy, you agree to pay us those amounts promptly upon being notified of them.

16.11 In addition to the remedies set forth above, in the event of your default under this Agreement, we will have all other remedies available to us at law or in equity.

16.12 (a) Upon the termination, nonrenewal, or expiration of this Agreement for any reason, no payment is due to you on account of any goodwill, going business value, equity, or other intangible asset or assets claimed as arising from your operation or ownership of the store, or otherwise.

(b) Any claimed increase in the value of the goodwill associated with the trademarks, service marks, logotypes, symbols, and any other intellectual property we have licensed to you, claimed to have occurred because of the operation of your store belongs to us and you hereby assign any such increase to us without cost.

16.13 All of the provisions of this Agreement that apply by their terms, or by implication, following the end of this Agreement will survive the termination or expiration of this Agreement.

17. Covenant Not to Compete.

17.01 (a) You, and those with any interest in this franchise or in any entity with an interest in this franchise, agree that during the term of this Agreement, and any extensions or renewals of this Agreement, you, and they, will not have any ownership interest, or engage in any capacity or at any location, in a business a principal activity of which is the sale of goods or services of the type provided by *Parable* stores.

(b) The foregoing provision will not apply to any existing stores of a type similar to those franchised by this Agreement that you owned and operated prior to the date of this Agreement, including those you operated as a member of The Parable Group, Inc.'s marketing association.

17.02 Since you and those with any interest in this franchise or in any entity with an interest in this franchise will have obtained valuable information concerning the operation of the *Parable* system and *Parable* stores, following the termination or expiration of this Agreement for any reason, you, and they, agree not to engage in any capacity, whether as an owner, employee, agent, consultant, or otherwise, in any business a principal activity of which is selling goods or services of the type provided, by *Parable* stores, for a period of 2 years following the date that this Agreement ends within the protected territory granted in connection with your former *Parable* store or stores.

17.03 You agree not to induce, or attempt to induce, any of our employees, or those of our affiliates or of another *Parable* franchisee, to leave such person's employment during the term of this Agreement, any renewals or extensions hereof, and within 1 year thereafter.

17.04 The foregoing covenants, and the covenants contained in Section 15.16, to the extent they apply following the termination, expiration, or transfer of this Agreement, or following the transfer of any interest in any entity that has an interest in this franchise, shall survive the termination, expiration, or transfer of this Agreement or the concerned interest, and they will apply regardless of whether this Agreement was terminated by lapse of time, by the default of either party, or for any other reason.

17.05 If a court or arbitration tribunal determines that the foregoing covenants cannot be enforced as written in the jurisdiction where your store is located, the court or arbitration tribunal is authorized, to alter the terms of these covenants in area, scope, and duration to the extent necessary to permit the covenants to be enforced to the greatest extent possible in the concerned jurisdiction.

18. Dispute Resolution.

18.01 If a dispute between us arises out of, or related to, this Agreement, its inducement, its execution, performance, nonperformance, or breach and we cannot resolve the controversy between us within a reasonable time, we mutually agree to refer the matter to mediation to be conducted by a Christian mediation service reasonably acceptable to both of us. We each must bear our own costs in connection with the mediation and will divide evenly the costs of the mediator and the mediation service.

18.02 (a) In the event the dispute between us cannot be settled after mediation, we mutually agree to refer the matter to arbitration under the Commercial Rules of the American Arbitration Association.

(b) The decision of the arbitrator shall be final and binding upon the parties to the arbitration and a judgment on the award of the arbitrator may be entered in any court having appropriate jurisdiction. The foregoing arbitration provision will not apply to the portion of any dispute that involves the claims of more than one *Parable* franchisee, those for which class action certification is possible, those involving the validity of the trademarks, service marks, logotypes, or other commercial symbols licensed to you under this Agreement, or disputes involving claims under state or federal antitrust and/or other trade regulation laws.

18.03 As part of the arbitrator's decision in the matter, the arbitrator will decide which of us is the "prevailing party" in the matter. The party not found to be the prevailing party shall bear the costs of the American Arbitration Association in the matter. However, we will each bear our own attorneys' fees and costs and expenses in connection with the arbitration.

18.04 Nothing in this Section 18, or elsewhere in this Agreement, will prevent us from seeking a temporary restraining order, a preliminary, and/or a permanent injunction against any action or inaction which is necessary to prevent or remedy any irreparable injury or damage to our trademarks, trade names, service marks, logotypes, commercial symbols, goodwill, trade secrets, our other intellectual or proprietary property, and/or to the *Parable* system, without prior resort to the arbitration procedure set forth above.

18.05 The venue of any mediation, arbitration, and/or legal action involving this Agreement, or any of the transactions concerning it, its inducement, execution, interpretation, performance, nonperformance, or breach, shall be in San Luis Obispo, California. You hereby consent to the jurisdiction of the courts, mediation, and arbitration tribunals located in San Luis Obispo, California, and agree to be subject to them.

18.06 We both hereby agree to the following:

(a) We waive any common law damages arising out of this Agreement, its inducement, execution, performance, nonperformance, or breach;

(b) We agree that neither party shall be entitled to punitive or exemplary damages against the other;

(c) We agree that any claim either of may have against the other will expire one year from the date the claim arises, unless through the exercise of reasonable diligence the complaining party could not have learned of the claim, in which case the one year period of limitations will begin when the complaining party learns of the claim, or through the use of reasonable diligence could have learned of the claim.

19. Modification of This Agreement.

19.01 This Agreement can be modified only by a written agreement signed by both of us.

19.02 We periodically can modify our manuals, operating procedures and all other aspects of the *Parable* system. You agree to adhere to such changes at such times and in the ways we direct, subject to the limitations of this Agreement.

19.03 No course of dealing, custom, practice, or temporary concession at variance with the terms of this Agreement shall modify this Agreement, and the rights and duties of the parties to this Agreement, unless the modification is made in writing as provided above.

20. Notices and Approvals.

20.01 (a) In order to be effective, all notices, approvals, and consents required by this Agreement, or related to it, must be in writing or be transmitted as otherwise allowed below.

(b) By providing a facsimile number and or an electronic mail address to the other party, the indicating party consents that notices, approvals, and consents can be transmitted to them electronically as long as the method of electronic communication creates a record that can be retained, retrieved, and reviewed by the recipient and can be directly reproduced in paper form through an automated process.

(c) Notices, approvals, and consents shall be deemed to have been received by the addressee at the earlier of when personally delivered to the addressee, when an acknowledgment of receipt is signed by the addressee or a duly authorized agent of addressee, when sent to the addressee by facsimile transmission at a telephone number or by electronic mail when sent to the electronic address provided for that purpose by the addressee, the next business day after sent using a recognized overnight express delivery service, or 4 days after the deposit in the United States mail, when sent by certified mail, postage prepaid, and properly addressed to the address set forth at the beginning of this Agreement or one duly substituted for it.

(d) Any party to this Agreement can change his, her, or its address by giving notice of the change to the other party as provided above.

21. Consumer Price Index Adjustment.

21.01 Whenever in this Agreement any charge, fee, or other payment is to be adjusted by the Consumer Price Index, that adjustment will be based upon any increase between the date of this Agreement, or such other time as may be set forth in the provision of this Agreement requiring the adjustment, and the date on which any such payment is due, in the Consumer Price Index for All Urban Consumers (base year 1982-84=100) for San Francisco-Oakland-San Jose, California, published by the United States Department of Labor, Bureau of Labor Statistics, most immediately preceding the concerned dates.

21.02 No adjustment occurring by virtue of this Section 21 will result in the charge, fee, or other payment that is subject to adjustment being adjusted below the original amount of the concerned charge, fee or other payment.

21.03 If the Index designated in Section 21.01 above is changed so that the base year differs from that in effect on the date of this Agreement, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term of this Agreement, including any extensions or renewals hereof, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would have been obtained had the Index not been discontinued or revised.

22. Heirs, Successors, and Assigns.

22.01 This Agreement is binding upon, and inures to the benefit of, both of us and our heirs, successors, representatives, and assigns, except to the extent, and only on the conditions and in the manner, more specifically set forth elsewhere in this Agreement, including the transfer requirements of Section 15 above.

23. Waivers.

23.01 The failure by any party to this Agreement to enforce any right that he, she, or it may have, or to enforce or declare any default by the other party, under this Agreement, shall not be deemed to be a waiver or abandonment of such right or default unless the concerned right or default is waived by a written document signed by the party who is waiving the right or default.

23.02 The waiver of any right or default in one instance shall not be deemed to be a continuing waiver of the concerned right or default or a waiver of the concerned right or default, or any other right or default, in any other instance.

23.03 The acceptance of money or other performance by either party shall not constitute a waiver of any right or default other than the one to which such payment or performance pertains, and then only to the extent of the payment or performance accepted by the other party.

24. Severability.

24.01 The invalidity or unenforceability of any portion of this Agreement shall not affect the validity of any other portion of this Agreement and, unless the substantial performance of this Agreement taken as a whole is frustrated as a result, this Agreement shall remain in full force and effect.

24.02 Any invalidity or unenforceability of any portion of this Agreement in any jurisdiction shall not invalidate such portion, or any other portion, in any other jurisdiction.

25. Covenant of Further Assurances.

25.01 Whenever in our sole judgment it is advisable to execute any other documents necessary or desirable to carry out the purposes of this Agreement, you agree to execute such documents promptly, provided that they do not substantially alter your rights or increase your duties under this Agreement.

25.02 You agree to respond promptly and accurately to all inquiries from our accountants, auditors, lenders, and others we authorize, concerning the status of this Agreement, the status and amounts of any accounts between us, and/or any other matters pertaining to our mutual rights and obligations under this Agreement.

26. Governing Law.

26.01 (a) This Agreement and its interpretation shall be governed and interpreted by the laws of the state of California, except for the noncompetition provisions of this Agreement, which shall be governed by the laws of the state where your *Parable* store is located.

(b) Even though California law has been selected for the interpretation of this Agreement, if your store is not located in California, California's choice of law and conflicts of law rules will not apply. In addition, the California Franchise Investment Law, *California Corporations Code* Sections 31000 and following, the California Franchise Relations Act, *California Business and Professions Code* Sections 20000 and following, as well as the other substantive statutory law of California dealing with anything other than the interpretation of contracts, whether it now exists or is enacted at a later time, will not apply unless its jurisdictional requirements are met independently and not merely because of the reference to California law in this Agreement.

26.02 If a court of competent jurisdiction determines that some or all of this Agreement must be governed by the laws of a state other than the state or states described in subsection 26.01(a) above, then the laws of that other state will govern the interpretation of this Agreement to the extent required by that court.

26.03 If applicable law requires there to be terms other than, or in addition to, the terms contained in this Agreement, then the required terms will be considered to be a part of this

Agreement, but only to the extent necessary to prevent the invalidity of this Agreement, or any of its provisions, or to prevent the imposition of any civil or criminal penalties or liability.

26.04 To the extent permitted by the laws of the state whose laws govern this Agreement, you hereby waive any provisions of law or regulations that render any portion of this Agreement altered, invalid, or unenforceable in any respect.

27. Counterparts.

27.01 This Agreement may be executed in counterparts, all of which shall constitute but one agreement.

28. Headings and Gender.

28.01 The headings used in this Agreement are for convenience only and are not to be used in interpreting the provisions of this Agreement.

28.02 As used in this Agreement, the male or female gender shall include the other and the neuter as the context requires. The singular shall include the plural and the plural shall include the singular, as appropriate.

29. Miscellaneous.

29.01 Time is of the essence in this Agreement.

29.02 In entering into this Agreement neither of us intend to confer any benefit or right on any person or entity not a party to this Agreement. We both agree that no third party shall have any right to claim any benefit or right as a third party beneficiary under this Agreement or any provision of this Agreement.

29.03 You are not entitled to claim any rights or benefits, including those of a third party beneficiary, under any contract, understanding, or agreement between us and any other person or entity, unless that contract, understanding, or agreement specifically refers to you by name, or to a class to which you belong, and specifically grants rights or benefits to you or to the concerned class.

29.04 (a) Where a partnership, corporation, limited liability company, or other entity is a party to this Agreement, the person or persons signing this Agreement on behalf of the concerned entity warrant to us that he, she, or they have the necessary authority to sign this Agreement on behalf of the concerned entity.

(b) At our request, each of the persons signing this Agreement on behalf of any entity agrees promptly to provide us with a certified copy of a resolution or other authorization from the concerned entity authorizing the execution of this Agreement and naming the partners, officers, members, or agents, who are authorized to sign this Agreement on behalf of the entity.

29.05 It is agreed that no fees, charges, advertising fees, or other payments of any kind that you make to us, or that are made on your behalf, are refundable in whole or in part except as otherwise set forth in this Agreement.

29.06 As used in this Agreement, the term "days" means calendar days unless the term "business days" is specified. The term "business days" means all days except Saturday, Sunday, and legal holidays in the jurisdiction whose laws govern this Agreement.

30. Inventions, Discoveries, and Ideas

30.01 All inventions, discoveries, and ideas that we, our employees, or agents, or you, your employees, or agents, develop or use in connection with your *Parable* store or the *Parable* system are our property, whether they are developed by us, you, or people affiliated with either, or otherwise.

30.02 If you develop, or anyone affiliated with you develops, any inventions, discoveries, and/or ideas related to the *Parable* system or any concepts, processes, modifications, practices, techniques, procedures, products, or merchandise related your *Parable* store, you agree to advise us of it promptly in writing.

30.03 It is within our sole and absolute discretion whether to authorize the use and/or dissemination of the invention, discovery, or idea, and, if we do so, the manner of such use.

30.04 You agree not to implement any invention, discovery, or idea until we authorize you to do so in writing.

30.05 No compensation will be due and payable to you, or to any person or entity affiliated with you, on account of any invention, discovery, or idea developed by you or by such person or entity whether or not we use, disseminate, authorize, or otherwise employ the invention, discovery, and/or idea.

31. Accord and Satisfaction.

31.01 (a) Any payment you make, any payment made by anyone for your account, our receipt of any amount of less than that required to be paid under this Agreement, or any payment to any person or entity affiliated with us, or otherwise, shall not be considered to be anything but a payment on account, regardless of any endorsement to the contrary contained on the payment or in any oral or written communication transmitted in connection with the payment.

(b) Any payment made to us, or to our affiliates, and the acceptance of any such payment, shall not be considered to be a waiver of any of our rights, or those of our affiliates, to require full payment and performance of all of your duties and obligations under this Agreement or the agreement under which the concerned obligation arose.

31.02 Neither by endorsing nor accepting any check, accepting any amount from you, or any amount paid on your behalf, are we bound by any claim that such endorsement or acceptance was an accord and satisfaction for less than the full amount due.

31.03 All payments you make to us, or to our affiliates, and any payments made on your behalf, shall be applied first to any administration charges, late charges and/or interest owing, and then to the earliest of the principal amounts due.

32. Joint and Several Liability.

32.01 If 2 or more people, corporations, partnerships, limited liability companies, or other entities, or any combination of them, sign this Agreement, the liability of each is joint and several.

33. Our Right to Act.

33.01 If you fail to perform any duty or obligation required under this Agreement, we have the right, but not the obligation, to perform that duty or obligation for your account, on your behalf, and/or in your name. If we elect to do so, you agree immediately to pay us all costs and expenses we incur in that performance.

33.02 All sums required to be paid to us pursuant to Section 33.01 that are not immediately paid will be subject to the late charge set forth in Section 11.07(a) of this Agreement.

33.03 No action we may take on your behalf under Section 33.01 will constitute a waiver or release of any claims we may have because of your failure to perform the concerned duty or obligation.

34. Entire Agreement.

34.01 This Agreement contains the entire understanding between us. This Agreement and the Franchise Offering Circular accompanying it includes all representations on which we both have relied.

34.02 This Agreement supersedes all negotiations, agreements, representations, promises, commitments, inducements, assurances, conditions, and covenants between us whether direct, indirect, or implied, and whether oral or written except for those in the Franchise Offering Circular that accompanied this Agreement.

34.03 By signing this Agreement you confirm that we have made no promises that are not contained in the Franchise Offering Circular accompanying this Agreement, in this Agreement, or in an addendum, amendment, or exhibit to this Agreement that we have signed, including promises or representations concerning your potential for success in, or the profitability of, your store. You also confirm that we have advised you that there can be no

guaranty or assurance of sales levels, profitability, or success in your store and that your business ability and dedication to your store are crucial to your success.

34.04 This Agreement is intended to be the entire integration of all of our understandings of every type concerning the matters contained in and/or related to this Agreement and your *Parable* store, whether those understandings arose before or contemporaneously with the execution of this Agreement, except for those contained in the Franchise Offering Circular accompanying this Agreement.

34.05 We both confirm and agree that no other agreements, representations, negotiations, understandings, promises, commitments, inducements, assurances, terms, conditions, or covenants of any kind or nature exist between us except as specifically set forth in this Agreement, and in the Franchise Offering Circular accompanying it, whether pertaining to this Agreement or to any future, further, or additional rights of either or both of us, or otherwise. To the extent that there may be any agreements, representations, negotiations, understandings, promises, commitments, inducements, assurances, terms, conditions, covenants, or the like, not contained in this Agreement, we both agree that they are waived.

34.07 YOU CONFIRM THAT WE HAVE ADVISED YOU THAT YOU MUST INSURE THAT ALL PROMISES AND REPRESENTATIONS FOR PRESENT AND FUTURE RESULTS AND RIGHTS, WHETHER ABSOLUTE OR CONTINGENT, ARE CONTAINED IN THIS AGREEMENT OR THEY MAY BE LOST.

IN WITNESS WHEREOF, we both execute this Agreement as of the date and year first above written.

Parable Franchising, LLC
a California limited liability company

By: _____

Name: _____

Title: _____