

EXHIBIT 2

Franchise Agreement with Acknowledgment Addendum, State Specific Addenda to Franchise Agreement and Appendices A (Franchised Location, Territory, Promotional Zone), B (Marks), C (Addendum to Lease), D (Computer Software License Agreement), E (Draft Authorization), F (Assignment of Telephone Numbers), and G (Assignment of Domain Name and E-Mail Address)

FRANCHISE AGREEMENT

® LC

501 Haverty Court
Rockledge, Florida 32955
(321) 504-4422

AND

Name of Franchisee

Street

City State Zip Code

()
Area Code Telephone

FRANCHISED LOCATION:

Street

City State Zip Code

()
Area Code Telephone

CONFIDENTIAL

© 20052006 PIRTEK USA LLC

M1-1295696.01

M1-1289794.02

PIRTEK USA LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

| <u>SECTION</u> | <u>DESCRIPTION</u> | <u>PAGE</u> |
|----------------|---|---------------------|
| <u>1.</u> | <u>DEFINITIONS.....</u> | <u>1</u> |
| <u>2.</u> | <u>GRANT OF LICENSE</u> | <u>3</u> |
| <u>3.</u> | <u>TRADEMARK STANDARDS AND REQUIREMENTS.....</u> | <u>3</u> |
| <u>4.</u> | <u>TERM OF FRANCHISE; FRANCHISEE'S RIGHT TO RENEW</u> | <u>5</u> |
| <u>5.</u> | <u>PREMISES STANDARDS AND MAINTENANCE</u> | <u>6</u> |
| <u>6.</u> | <u>OPERATIONS STANDARDS AND REQUIREMENTS</u> | <u>8</u> |
| <u>7.</u> | <u>SUPERVISION AND TRAINING STANDARDS</u> | <u>12</u> |
| <u>8.</u> | <u>FEES, REPORTING AND AUDIT RIGHTS</u> | <u>13</u> |
| <u>9.</u> | <u>MARKETING FEES AND CONTROLS</u> | <u>15</u> |
| <u>10.</u> | <u>FRANCHISEE'S OTHER OBLIGATIONS</u> | <u>16</u> |
| <u>11.</u> | <u>DEFAULT AND TERMINATION.....</u> | <u>18</u> |
| <u>12.</u> | <u>POST-TERM OBLIGATIONS</u> | <u>20</u> |
| <u>13.</u> | <u>DISPUTE RESOLUTION; INJUNCTIVE RELIEF</u> | <u>21</u> <u>22</u> |
| <u>14.</u> | <u>ASSIGNMENT BY FRANCHISEE.....</u> | <u>23</u> <u>24</u> |
| <u>15.</u> | <u>ASSIGNMENT BY FRANCHISOR.....</u> | <u>28</u> <u>29</u> |
| <u>16.</u> | <u>GENERAL PROVISIONS</u> | <u>28</u> <u>29</u> |

APPENDICES

- A Franchised Location, Territory, Promotional Zone
- B Marks
- C Addendum to Lease
- D Computer Software License Agreement
- E Draft Authorization
- F Assignment of Telephone Numbers
- G Assignment of Domain Name and E-Mail Address

FRANCHISE AGREEMENT

This Agreement is made this _____ day of _____, 20____ between Pirtek USA LLC, a Delaware limited liability company ("we" or "us"), and _____, a(n) _____ ("you" or "Franchisee").

RECITALS

A. Pirtek Fluid Systems Pty. Ltd., an Australian company incorporated in New South Wales ("PFS"), has expended considerable time, effort, skill and financial resources in developing an image, technique and business system for the sale, custom assembly and installation of industrial and hydraulic hoses, fixed tube assemblies, fittings and related components and other products and services utilizing certain standards and specifications, and sales and business techniques and image (herein referred to as the "System," as defined below) throughout the world.

B. PFS is the owner of the Pirtek® service mark and other trademarks or commercial symbols used in connection with the System (herein referred to as the "Marks").

C. We are the master franchisee of PFS in the United States and are authorized to enter into franchise agreements pursuant to the Master Franchise Agreement dated June 18, 1997, by and between PFS and us ("Master Franchise Agreement").

D. Our rights include the right to license others to use certain of the Marks and the System in accordance with the terms of the Master Franchise Agreement.

E. You wish to obtain the right to use the Marks and the System in the operation of a PIRTEK Hose Service Business, subject to the terms and conditions of this Agreement.

In consideration of the foregoing and the covenants and consideration herein set forth, it is agreed by and between you and us as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms set forth below have the following definitions:

A. "Business" means your PIRTEK Business developed and operated pursuant to this Agreement. The Business includes all business that you conduct from your PIRTEK Hose Service Center, its MSS Units, or otherwise in the Territory or under or associated with the Marks.

B. "Designated Manager" means the individual who you appoint to actively direct your business affairs in regard to the PIRTEK Business and is responsible for the general management of the day-to-day operations of the Business. You must notify us in writing of any change to your Designated

Manager. Each Designated Manager must complete our full training program to our satisfaction prior to beginning the duties of the Designated Manager. Unless you notify us otherwise in writing, the Designated Manager will be deemed to have authority to sign on your behalf on all contracts and commercial accounts.

C. "Franchised Location" means the actual physical location of your PIRTEK Hose Service Center within the Territory, as further described in Section 2 and Appendix A.

D. "Gross Sales" means the total revenues and receipts from the sale of all products, services or benefits sold, provided or disposed of to your customers whether for cash, credit, charge account, check, exchange or other valuable consideration (whether or not you have received payment therefor), whether such orders for products or services originated from or were accepted at or from your PIRTEK Service Center, the customer's place of business or at any other place and including any sales by any related persons or companies that were from the PIRTEK Service Center or deemed to be sales of the Business. "Gross Sales" is net of any applicable sales tax and any sales credits, including the sales price of any products returned by customers where cash or allowances have been refunded or made to the customer.

E. "Marks" means the PIRTEK service mark, which has been registered with the United States Patent and Trademark Office, the other trademarks, service marks, and trade names set forth on Appendix B, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Business. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Business from time to time.

F. "MSSUs" or "MSS Units" means the PIRTEK vans or mobile sales and service units that service your customers in the Territory. "MSSTs" or "MSS Technicians" means the persons who are trained and authorized to operate the MSSUs.

G. "PIRTEK Hose Service Center" or "PIRTEK Service Center" or "Center" means the hose service center operated under the PIRTEK name at the Franchised Location defined in Appendix A.

H. "Principal Owner" means the individual who owns a 51% or greater interest in an entity Franchisee.

I. "System" means the PIRTEK System that consists of the operation of a PIRTEK hose service business specializing in the sale, custom assembly and installation of industrial and hydraulic hoses, fixed tube assemblies, fittings and related components, and includes proprietary rights in certain valuable marks, logos, business names, trade names, using distinctive products and services under the Marks and utilizing the specific image including names, marks, uniform

product ranges, specified designs and color schemes for the business premises, signs, layouts, fixtures and fittings and uniforms.

J. "Territory" means the geographic area described in Section 2 and Appendix A, from which you conduct your Business.

GRANT OF LICENSE

2. We hereby grant to you, subject to the terms and conditions of this Agreement, the right and license to engage in and conduct a PIRTEK Business identified by the Marks that we authorize for your use hereunder (or such other marks as may be directed by us) at the Franchised Location and for the Territory as defined in Appendix A. From time to time, we, in our sole judgment, may grant to you in writing an additional area within which you may conduct your Business on a temporary basis (the "Promotional Zone," as defined in Appendix A). You may conduct your Business in the Promotional Zone, subject to the terms and conditions of this Agreement. The Promotional Zone is not part of the Territory, however, and you must discontinue operating the Business in the Promotional Zone on 30 days notice from us with or without cause.

You hereby accept said license and undertake the obligation to operate your Business faithfully, honestly and diligently, using the System in compliance with our standards and requirements. You agree that you must maintain and operate your Business under your active and continuous supervision and management. You may not commence operations of your Business until you successfully complete our training program to our satisfaction (as more specifically provided in Section 7.B.) and we have approved the commencement date of operations. You must open your Business within 120 days of the Effective Date, as defined in Section 16.P of this Agreement.

The license granted herein is limited to the right to operate your Business only within the Territory and may not be used elsewhere or at any other location by you, except as we may authorize on a temporary basis in any Promotional Zone (as further set forth in Appendix A) or as otherwise set forth in the ~~Operations Manual~~ (as defined in Section 6.C). You do not have the right to sell products or services through any other channel or method of distribution (including the Internet or any other existing or future form of electronic commerce) or to any person or entity for resale or further distribution. You also do not have the right to subfranchise, sublicense, assign or transfer your rights under this Agreement, except for an assignment or transfer as specifically provided in this Agreement. During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Territory without your written permission, or (ii) establish either a company-owned or franchised PIRTEK Hose Service Center within the Territory, although we or another franchisee may from time to time service particular customers in the Territory in the event you are unable or unwilling for whatever reason to meet the service needs of those customers.

TRADEMARK STANDARDS AND REQUIREMENTS

3. You hereby acknowledge and agree that the Marks are the property of PFS and that your right to use the Marks is specifically conditioned upon the following terms and conditions.

A. Mark Ownership. We are the licensee of the right to use the Marks in the United States. The Marks are valuable property owned by PFS, and PFS is the exclusive owner of all right, title and interest in and to the Marks. Your use of the Marks inures to the benefit of PFS and us. You disclaim all rights, title and interest in or to the Marks and any goodwill associated with the Marks. You must not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest the rights of PFS or us in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Mark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with your Business, except those set forth in Appendix B or except as otherwise directed in writing by us. You may use the Marks only in connection with products and services as may be specified by us and only in the form and manner prescribed by us in writing. You must comply with all trademark, trade name and service mark notice marking requirements. You may use the Marks only in association with products and services approved by us and that meet our standards or requirements with respect to quality and production, sales techniques, installation procedures, service standards and method of operation. The use of any additional words with any of the Marks must have our prior written consent. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity in the matters described in this Section.

C. Business Identification. You may not use the word PIRTEK or any of the other Marks as part of your name for your legal entity. You must use the PIRTEK name as a d/b/a for the trade name of the Business as designated by us as follows: _____, and no other mark or words. You must hold yourself out to the public as an independent contractor operating the Business pursuant to a license from us. In addition, you may be required to post a sign in the Center identifying you as a PIRTEK franchisee in a format reasonably acceptable to us. You must clearly indicate on your business checks, stationery, purchase orders, receipts, and other written materials that you are the independent owner of the Business and a PIRTEK franchisee. You may use the Marks on various materials, such as business cards, stationery, purchase orders and checks, provided you (i) accurately depict the Marks on the materials, (ii) include a statement on the materials indicating that your Business is independently owned and operated by you, and (iii) do not use the Marks in connection with any other trademarks, trade names or service marks unless specifically approved by us in writing prior to such use.

D. Litigation. In the event any person or entity improperly uses or infringes the Marks, PFS and/or we will control all litigation and will be the sole judge as to whether suit is instituted, prosecuted or settled, the terms of settlement, and whether any other action is taken. You must promptly notify us of any such use or infringement of which you are aware. You must promptly inform us of any claim arising out of your use of any Mark and must cooperate with any action undertaken by PFS and/or us in respect thereof. We have no obligation to defend or indemnify you if the claim, suit or demand against you arises out of or relates to your use of the Marks.

E. Changes. You may not make any changes or substitutions whatsoever in or to the use of the Marks unless directed by PFS or us in writing. We reserve the right to change the Marks at any time. Upon receiving written notice from us, you must, at your expense, immediately make such changes and use such substitutions to the Marks as PFS or we may require.

TERM OF FRANCHISE; FRANCHISEE'S RIGHT TO RENEW

4. The term of the license granted in this Agreement is for a period of 10 years from the date of this Agreement. You have the right to renew your license for two additional 10-year terms, provided that as to each renewal the following conditions have been met:

(i) You must give written notice to us not less than 3 but no more than 6 months prior to the end of the initial 10-year term of your intent to renew the license. You must execute the then-current form of franchise agreement and all other agreements, legal instruments and documents then customarily used by us in the renewal of franchises (the form of franchise agreement will be modified to reflect that the agreement is for a renewal term and, if applicable, will provide for the second 10-year renewal term upon satisfaction of the renewal conditions).

These agreements, legal instruments and documents may vary materially from those agreements, legal instruments and documents currently in use by us, although the Territory will remain as defined in this Agreement. There will not be another initial franchise fee charged for renewal of the license; however, you must pay us a renewal fee in the amount of \$5,000, adjusted annually in accordance with any annual change in the National Consumer Price Index, as that change is described in Section 16.M. Your failure or refusal to execute the agreements, instruments and documents within 30 days after their delivery to you will be deemed an election by you not to renew the license.

(ii) During the term of this Agreement, you have complied with all of the terms and conditions of this Agreement and have complied with our operating and quality standards and requirements.

(iii) All monetary obligations owed by you to us, our affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise, have

been satisfied prior to renewal, and have been paid in a timely manner throughout the term of this Agreement.

(iv) You are able to maintain possession of the premises or obtain possession of mutually agreeable alternative premises for your Business for the duration of the renewal term and have agreed, in writing, to make such capital expenditures necessary to refurbish, replace and modernize your Business so that it will conform to our then-current standards for PIRTEK Hose Service Centers.

(v) You, your Principal Owner and your Personal Guarantors sign a general release of claims in a form we prescribe.

PREMISES STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we may promulgate, from time to time, quality standards regarding the business operations of PIRTEK hose service centers so as to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions.

A. Service Center Facility. The Service Center must be constructed and equipped in accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, location, accessory features and design and layout of the building premises. You will be furnished with lists of approved equipment, inventory, signage, fixtures and furnishings. You may not commence construction of the Service Center nor lease a location for the development of the Service Center until you have received our written consent to your building plans.

In the event you enter into a direct lease with the landlord for the Service Center premises, we must approve such lease prior to its execution. You acknowledge, however, that you have been advised to have any lease and/or sublease reviewed by your own legal counsel. Your lease must contain the Addendum to Lease attached as Appendix C. You must provide us a copy of the lease and Addendum to Lease at least 5 days prior to their execution.

We make no guarantees concerning the success of the Service Center located on any site consented to by us. You are solely responsible for selecting the site for the Service Center and obtaining all necessary permits, licenses and architectural seals, and in all other respects complying with applicable legal requirements relating to the building, signs, equipment and premises, including, but not limited to, the Americans With Disabilities Act. You may not use the Service Center premises or Franchised Location for any purpose other than the operation of your PIRTEK Hose Service Center.

B. Future Alteration. Any replacement, reconstruction, addition or modification in building, interior or exterior decor or image, equipment, fixtures,

furnishings or signage of the Service Center to be made after our consent is granted for initial plans, whether at the request of you or us, must be made in accordance with specifications that have received our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans.

C. Maintenance. The building, equipment, signage, fixtures, display areas and furnishings employed in the operation of your Service Center must be maintained in accordance with requirements established periodically by us and reasonable schedules prepared by us based upon periodic evaluations of the premises by our representatives. In addition, you must conduct routine maintenance in accordance with general schedules furnished by us. Within a period of 20 days after the receipt of any particular report prepared following such an evaluation, you must effect the items of maintenance designated therein, including, but not limited to, the repair of defective items and/or the replacement of irreparable or obsolete items. If 20 days is not a reasonable period of time to complete the designated items, then you must begin to take such steps as directed by us within 10 days and complete the items within 45 days from the receipt of a particular report.

D. Relocation. Should it become necessary, on account of condemnation, sale or other cause, including cancellation of your lease, to relocate the Service Center, we will grant you authority to do so at a site acceptable to us that is within the Territory, is reasonably suited for a Service Center, does not infringe on the rights of any other PIRTEK franchisee, and is reasonably distant from other PIRTEK hose service centers; provided that (i) you resume your Business at a temporary premises that meets our standards within 48 hours from the closing of the Service Center; and (ii) the new Service Center is open and operating within 120 days after your discontinuing operation of the Service Center at the Franchised Location, all in accordance with our current standards at that time.

E. Modernization or Replacement. From time to time as we require, you must effect such items of modernization, refurbishing and replacement of building, equipment, signage, fixtures, display areas, furnishings and grounds as may be necessary to permit the same to conform to our standards then prescribed for similarly situated new PIRTEK hose service centers. The maximum amount that you will be required to spend on any such modernization, refurbishing and or replacement will be a cumulative amount equal to \$5,000 per year for each year that you have operated your Business under this Agreement, with the \$5,000 amount adjusted annually in accordance with any annual change in the National Consumer Price Index, as that change is described in Section 16.M. For example, in year 5 of this Agreement, you may be required to spend \$25,000 (plus any Consumer Price Index increase) on modernizing the premises. In year 6 after you have modernized your premises, the cumulative amount is reduced back to \$5,000 with the \$5,000 per year increase thereafter. ~~This \$5,000 per year limitation does not apply to the modernization requirement as a condition of franchise renewal~~

~~under Section 4.~~ You acknowledge and agree that the requirements of this Section 5.E are both reasonable and necessary to insure continued public acceptance and patronage of PIRTEK hose service centers and to avoid deterioration or obsolescence in connection with the operation of your Business. Each and every transfer of any interest in this Agreement or business conducted hereunder governed by Section 14 is expressly conditioned upon your compliance with the foregoing requirement. This \$5,000 per year limitation does not apply to the modernization requirement as a condition of franchise renewal under Section 4.

F. MSS Units. You, at your cost, must operate within the Territory the number of MSS Units as we reasonably deem necessary from time to time. You must acquire and have operating a MSSU within 2 months of being notified by us in writing of the requirement to operate the MSSU. The MSS Units must be operated by your MSS Technicians, who must be employees fully trained in the operation of MSS Units. You, at your cost, must purchase or lease motor vehicles as specified by us from a dealer who sells vehicles that meet our specifications and standards. You promptly must fit out, paint and equip the motor vehicles as a PIRTEK MSSU, and thereafter maintain and properly register and insure the MSS Units, all in accordance with our standards and specifications as we may prescribe from time to time. Each MSSU must be retired from service and a new replacement motor vehicle purchased or leased by you at least once every 4 years. We, at our option, may permit you to operate such MSSU for an additional one-year period, provided the MSSU is repainted and refurbished to our standards. The MSS Units may only be used by you to assist in conducting your Business within the Territory, unless we otherwise approve in writing. Upon disposal of a MSSU, you must ensure that all Marks and other references to the PIRTEK Marks or Business have been removed or obliterated from the MSSU, and if you fail to do so, we may enter upon the Business premises or elsewhere to do so at your cost.

OPERATIONS STANDARDS AND REQUIREMENTS

6. You acknowledge and agree that we have established and may revise, from time to time, quality standards regarding the operations of PIRTEK Hose Service Center businesses so as to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our quality standards and requirements for the System and agree to the following terms and conditions.

A. Products and Services. You may sell only those products and services in connection with the Marks and Business that we have approved in writing (sometimes referred to in this Agreement as "approved products and services"). The approved products and services may be identified in the Operations Manual, inventory lists or otherwise in writing. These products and services meet standards and specifications prescribed by us, which we may modify from time to time.

B. Purchases from Us and Other Vendors and Suppliers. You must purchase all hoses, fixed tube assemblies, fittings, adapters, components and other products for resale to customers ("Inventory Products") from us only, except for limited instances when you must satisfy a customer's immediate demand for products, as described in our ~~Operation~~ Manual. In addition, you must purchase fixtures, equipment, and other supplies ("Non-Inventory Items"), which we determine meet our standards and specifications of quality required to protect the valuable goodwill and uniformity symbolized by and associated with the Marks and Business. You must purchase these Non-Inventory Items from us or other vendors or suppliers that sell the Non-Inventory Items meeting our standards and specifications, although we are the only available supplier for equipment necessary to outfit the MSSUs and Non-Inventory Items containing the PIRTEK Marks. With respect to certain Inventory Products, we may require you to hold specified levels of inventory at the Franchised Location. We will endeavor to use our best efforts to have available for your purchase from us a full line of Inventory Products. We have the right to apportion Inventory Products and any other items due to shortages. **ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, FIXTURES OR OTHER APPROVED ITEMS. WE, HOWEVER, WILL PASS THROUGH ANY APPLICABLE MANUFACTURER WARRANTIES ON PRODUCTS AND EQUIPMENT THAT YOU PURCHASE FROM US, SUBJECT TO ALL WARRANTY TERMS AND CONDITIONS IMPOSED BY THE MANUFACTURER.**

C. Operations Manual. To help protect our reputation and goodwill and to maintain uniform operating standards under the Marks and Business, you must conduct your Business in accordance with the required standards and procedures contained in our Operations Manual and any other manuals created for or approved for use in the operation of your Business (collectively the "Manual"). Any required standards exist to protect our interest in the System and the Marks and not for the purpose of establishing any control, or the duty to take control, over those matters that are reserved to you.

You acknowledge having received one copy of the Manual on loan from us for the term of this Agreement. The Manual at all times is ~~the~~our sole property ~~of us.~~ You must at all times treat the Manual, and the information contained therein, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Manual and you expressly agree to comply with each new or changed requirement. You must at all times insure that your copy of the Manual is kept current and up to date, and in the event of any dispute as to the contents of said Manual, the terms of the master copy of the Manual that we maintain is controlling. You acknowledge and agree that in the future the Manual and other system communications may only be available on the internet or other on-line or computer communications, as described in Section 6.K.

D. Operating Procedures. The Manual contains requirements, recommendations and suggestions for the operation of a PIRTEK Hose Service Center Business. You must adopt and use the required standards, procedures, techniques and systems described in the Manual. We may revise the Manual and the standards, procedures, techniques and systems set forth therein periodically to meet changing conditions of operation in the best interest of all businesses operating under the Marks. You must conform to all quality and customer service standards prescribed by us in writing.

You acknowledge and agree that we may from time to time establish policies or procedures in the Manual or otherwise in writing that apply to national or regional accounts, as we designate. You agree to follow the policies and procedures for national or regional accounts. For these purposes, national or regional accounts are those customers who do business with two or more PIRTEK hose service franchisees.

If requested by us, you must provide us with customer lists for the Business in the form prescribed by us as well as copies of customer invoices— for the Business. We have the right to contact the customers to ascertain your quality of customer service and the level of customer satisfaction. As those customers are PIRTEK customers, you may not use the customer lists for the Business for any purpose whatsoever other than the normal conduct of your Business.

In addition, you agree to actively and aggressively promote and market the PIRTEK products and services within the Territory. Without limiting the generality of the foregoing, you agree to attain or exceed the minimum annual performance target for your Business (as specified annually in writing by us in good faith).

E. Confidential Information. You may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate your Business. For purposes of this Agreement, "Confidential Information" means proprietary information contained in the Manual or otherwise communicated to you in writing, verbally or through the internet or other on-line or computer communications, and any other knowledge or know-how concerning the methods of operation of your Business. Any and all Confidential Information, including, without limitation, processes, materials, methods, procedures, suggested pricing, specifications, techniques and other data, may not be used for any purpose other than conducting the Business in the Territory. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from any persons owning a minority interest in you, your Designated Manager and other key employees. These agreements also may include noncompete covenants. Copies of the executed agreements must be provided to us upon request.

F. Evaluations. We or our authorized representative has the right to enter your Business premises at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your premises used for your Business, to observe and accompany you on service calls and to test, inspect and evaluate your products and services. Your failure to receive a satisfactory rating on any evaluation is considered a default under Section 11.A. Any evaluation is for the sole purpose of protecting our interest in the Marks and in no way may be construed as the assumption of any duty to control day-to-day operation and maintenance of the Business.

G. Adaptations. Complete and detailed uniformity under many varying conditions may not always be possible or practical, and we reserve the absolute and exclusive right to vary the standards for any franchisee based upon the customs or circumstances of a particular territory, density of population, existing business practices or any condition that we deem to be of importance to the operation of your business. You are not entitled to require us to grant to you a like or other variation hereunder on account of any variation from standards, specifications and practices granted to any other franchisee. You acknowledge and agree that any requirement, standard or specification prescribed by us under this Agreement is subject to our periodic modification or rescission as may be necessary in our reasonable judgment to adapt our System to changing conditions and competitive circumstances.

H. Period of Operation. Subject to any contrary requirements of local law, your Service Center must be opened to the public and operated at least 9 hours each regular business day of the year plus 3 hours each Saturday. In addition, you must have 24-hour on-call service each day of the year. We must authorize, in writing, any variance from these provisions. You acknowledge and agree that if the Service Center is closed for a period of 7 consecutive days or more without our prior written consent, such closure constitutes your voluntary abandonment of your Business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement and the franchise operated hereunder. Acts of God, war, strikes, riots and other causes set forth in Section 16.L preventing you temporarily from complying with the foregoing will suspend compliance therewith for the duration of such interference.

I. Compliance with Law. You must maintain at all times your Business premises and conduct your Business operations in compliance with all applicable laws, regulations, codes and ordinances, including, but not limited to, environmental laws regarding the storage and disposal of hazardous waste and other hazardous substances or materials. You acknowledge that you are an independent business and solely responsible for control and management of your Business, including, but not limited to, such matters as hiring and discharging your employees; and you acknowledge that we have no power, responsibility or liability in respect to such hiring, discharging or related matters. You must

promptly notify us of any claim or litigation in which you are involved that arises from the operation of your Business or Service Center.

J. Computer System. You must install in your Hose Service Center and Business the computer network system (the "Computer System") that we have developed or selected for your Business, including all future updates, supplements and modifications. You must use the Computer System in the format and manner that we prescribe. The computer software package developed for use in your Business may include a proprietary software program developed for PFS and us by a third party. You must lease the proprietary software from us, which software will remain our confidential property. In addition, you and we will enter into our standard form of Computer Software License Agreement, a copy of which is attached as Appendix D. We reserve the right to assign our rights, title and interest in the proprietary software or the Computer Software License Agreement to a third party that we designate. In such event, you may be required to enter into a separate computer software license agreement specified by the third party supplier of the proprietary software. The computer hardware component of the Computer System must conform to specifications we develop and must be configured in a package unit as we designate. If we are requested to configure your computer hardware component to conform to the designated computer software component of the Computer System, we may provide such assistance for additional agreed upon compensation. You acknowledge and agree that we have full and complete access to information and data produced by the Computer System. You will be required to use and pay for all future updates, supplements and modifications to the Computer System.

K. Participation in Internet Web Site or Other On-line Communications. You must have internet access and an e-mail address. In addition, we may require you, at your expense, to participate in a PIRTEK web site on the internet or other on-line communications, including any intranet system we may develop in the future. You may not separately register any domain name or operate any web site containing any of the Trademarks without our written approval. We determine the content and use of a PIRTEK web site and have the right to establish the rules under which franchisees may or must participate in the web site or separately use the internet or other on-line communications. We retain all rights relating to the PIRTEK web site and may alter or terminate the web site. Your general conduct on the web site or other on-line communications and specifically your use of the Marks or any advertising on the web site or other on-line communications (including the domain name and any other Marks we may develop as a result of participation in the web site or other on-line communications) is subject to the provisions of this Agreement. You shall not use or download any software on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in the PIRTEK web site may be considered Confidential Information, including access

codes and identification codes. Your right to participate in the PIRTEK web site or any intranet system we may develop or otherwise use the Marks or System on the internet or other on-line communications terminates when this Agreement expires or terminates.

SUPERVISION AND TRAINING STANDARDS

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

A. Supervision of the Business. Your Business must at all times be under the direct, on-premises supervision of the Principal Owner or the Designated Manager.

B. Training. Prior to commencement of your Business, you, your Principal Owner, your Designated Manager (if any), at least 2 MSS Technicians and your administration person must, at your expense for room, board and travel, attend and successfully complete our training program. The training program will take place at a location and for a period as we designate. There is no separate fee payable to us for this initial training, as the training is included in the Initial Franchise Fee described in Section 8.A. You understand that this Agreement will not become effective unless these individuals successfully complete the training program to our satisfaction.

In the event that you are given notice of default as set forth in Section 11.A and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing said default that you, your Principal Owner, your Designated Manager or MSS Technicians again attend and successfully complete our training program at a place that we designate at your expense. Under no circumstances may you (i) permit management of the Service Center's operations on a regular basis by a Designated Manager who has not successfully completed our training program; or (ii) permit the operation of an MSSU by an MSST who has you have not ~~been~~ properly trained ~~by you~~ in accordance with our standards.

Any Designated Manager or MSST must participate in and satisfactorily complete such additional training programs as we may reasonably designate from time to time, which may include on-site training at another PIRTEK hose service center prior to the commencement of your Business. Attendance at any additional training program is at your expense for room, board and travel.

C. Staffing. You must at all times maintain a sufficient number of trained employees to service properly and efficiently your customers. You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of your Business with no liability therefor on us. No employee of you is deemed to be an employee of us for any purpose whatsoever.

D. Attendance at Meetings. You and your Designated Manager, at your expense, must attend all meetings that we sponsor for PIRTEK franchisees to set forth new methods and programs for operation, training, management, sales or advertising. These meetings include one national conference for all franchisees and also may include regional seminars. If you are unable to attend any such meeting, you should so notify us prior to the meeting and attempt to cause a substitute person from your Business acceptable to us to attend and represent you at such meeting.

FEES, REPORTING AND AUDIT RIGHTS

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

A. Initial Franchise Fee; Shop Set-up Fee. You must pay to us an Initial Franchise Fee of \$_____, of which \$_____ has been paid on the date of or prior to execution of this Agreement and a balance of \$_____ is payable prior to you attending the initial training program described in Section 7.A. In addition, you must pay to us a Shop Set-up Fee in an amount equal to \$10,000, which amount also is payable prior to you attending the initial training program.

B. Continuing License Fee. In addition to the Initial Franchise Fee and in consideration of the rights licensed hereunder, you must pay monthly to us as a Continuing License Fee an amount equal to 1-1/2% of Gross Sales during the first year from the opening of your Business and 4% of Gross Sales beginning with the second year of your Business and for the remaining term of this Agreement.

C. Computations and Remittances. All amounts due and owing hereunder, except the Initial Franchise Fee, must be computed at the end of each month's operation and remittance for the same must be made to us on or before the 10th day of the following month for which the amounts are due. The computation of said amounts must be certified by you in the manner and form specified by us, and you must supply to us such supporting or supplementary materials as we may reasonably require to verify the accuracy of such remittances.

You must sign a draft authorization, attached as Appendix E, to authorize and direct your bank or financial institution to transfer electronically directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

You waive any and all existing and future claims and offsets against any amounts due hereunder, which amounts must be paid when due. We are entitled

to apply or cause to be applied against amounts due to us any amounts that may from time to time be held by us on your behalf or owed to you by us.

D. Reports and Financial Management. You agree to employ sound financial management and planning practices in connection with your Business. You must keep such books and records as we may periodically require, all of which must accurately reflect the operations and conditions of your Business.

Within 7 days after the end of each month, you must submit to us reports with respect to the preceding calendar month in the form and content as we may prescribe periodically. The reports must include, ~~but not be limited to, the following information for the preceding month:~~ a fully completed Monthly Management Report including Gross Sales of the Business for sales made during the previous month and other information as we require from time to time. In addition, if requested by us at reasonable periodic intervals in order to monitor the financial or operational condition of your Business, you must submit to us copies of your tax returns for the Business, year to date balance sheets and statements of profit and loss, and monthly sales summaries and profit plans. Finally, if requested by us to verify your Gross Sales, you must submit to us all the books and records as we may require under our audit policies published from time to time.

You must maintain at all times your books and records for your Business at your Business premises. In addition, you must maintain all financial information on the Computer System described in Section 6.J and provide the information to us according to reporting formats, methodologies and time schedules established by us from time to time. You are required to allow us electronic and manual access to any and all records and information relating to your Business.

E. Audits. We or our authorized representative has the right at all times during the business day to enter your Business premises and to evaluate, copy and audit your books and records. In the event that any such evaluation or audit reveals an understatement of your Gross Sales, Continuing License Fee or other material financial information related to your Business of 4% or more from data reported to us, in addition to any other rights we may have (including collection of amounts owed with respect to any understatement), you must reimburse us for all audit costs including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, we may conduct such further periodic audits and evaluations of your books and records, at your sole expense, as we reasonably deem necessary for up to two years thereafter. You acknowledge and agree that if a subsequent audit or evaluation conducted within the two year period reveals any such understatement or variance of 4% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement in accordance with Section 11.B of this Agreement.

MARKETING FEES AND CONTROLS

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

A. Marketing Programs and Payment to Us of Administration Expenses. We reserve the right periodically to establish, organize and prescribe sales promotion programs. You must pay monthly to us as a Marketing Fee during the term of this Agreement an amount equal to 1-1/2% to 3% of Gross Sales. You acknowledge and agree that we may establish the percentage of Gross Sales level annually at any level from 1-1/2% up to 3%, although you will not be required to pay a higher Marketing Fee than other franchisees in your designated marketing area ("DMA"), as specified by us. We will notify you annually regarding the exact percentage of Gross Sales for your Marketing Fee, except for any year in which there is no change from the previous year.

Upon request, we will annually advise you of the unaudited receipts and expenditures of the Marketing Fees. You acknowledge and agree that (i) we have the absolute and exclusive right to determine expenditures of funds collected and as to the selection of the promotional materials, items and programs for which said expenditures are made, (ii) we have no fiduciary obligation to PIRTEK franchisees with respect to the marketing programs or expenditures of funds; and (iii) we may compensate ourselves for the expense of administering and promoting such marketing programs. Reasonable disbursements from the Marketing Fees may be made for the payment of expenses incurred in connection with the general promotion of the Marks and System including the cost of formulating, developing and implementing advertising and promotional programs, and the reasonable costs of administering these programs, including accounting expenses and the actual cost of salaries and fringe benefits paid to our employees or designees engaged in administration of the programs.

We have the absolute and exclusive right to determine the methods of advertising, media employed and contents, terms and conditions of the marketing programs. In addition, you acknowledge that from time to time we may loan money to the marketing programs to fund specific promotions or other similar reasons and we may be repaid out of the Marketing Fees, at our option, with interest computed at the "base" or "prime" interest rate as publicly announced by the Wall Street Journal and as further defined in Section 10.A.

B. Local Marketing. In addition to the Marketing Fee contributions, in order to promote local marketing for PIRTEK hose service centers, you must fully participate in local sales and promotional activities, including the introduction of new products and other marketing programs. These marketing programs, from time to time, may include local point of sale promotional materials prepared by us. You must purchase and use any local marketing materials prepared by us. You are required to spend a monthly amount between 3/4% - 1-1/2% of Gross Sales for such local marketing materials and programs.

The monthly amount will be an amount that is equal to one-half of your Marketing Fee for that month. For example, if your Marketing Fee is 2% of Gross Sales for a given year, then you must spend 1% of Gross Sales each month on local advertising. Any such local marketing must be factual, dignified and meet the highest standards of ethical marketing, and cannot be injurious to our Marks or their goodwill. Unless the local materials are prepared by us, you must submit all such proposed advertising or marketing materials to us for approval before using the materials.

C. Yellow Pages. If requested by us, you must place a separate listing, or participate in a joint listing with other PIRTEK franchisees, in the Yellow Pages of your local telephone directory containing such copy as we may reasonably specify. The cost of the listing (which will be pro-rated if a joint listing is used) must be paid by you and can be included in your local marketing requirements under Section 9.B.

FRANCHISEE'S OTHER OBLIGATIONS

10. You agree to comply with the following terms and conditions.

A. Payment of Debts. You agree to pay promptly when due (i) all payments, obligations, assessments, and taxes due and payable to us, vendors, suppliers, lessors, or creditors in connection with your Business or its premises, products or services used in connection with your Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of said property; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of your Business. In the event you should default in making any such payment, we will be authorized, but not required, to pay the same on your behalf and you covenant promptly to reimburse us on demand for any such payment.

Any and all amounts owing to us by you, whether the same arise under the provisions of this Section 10.A or otherwise, will bear interest computed using a fluctuating interest rate equal to the interest rate per annum publicly announced by the Wall Street Journal as the "prime" rate (currently the prime rate is the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks) as effective on the last day of the prior month plus 2% per annum, or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual thereof.

We expressly reserve the right to withhold or delay the shipment of products and services to you if you are in arrears with respect to any amount owed to us.

B. Liability and Insurance. You waive all claims against us for damages to property, death or injuries to persons arising out of the management or operation of your Business and Center. You must fully protect, indemnify and

hold us and our owners, directors, officers, successors and assigns and our affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Business and Center (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred.

You further agree to purchase and maintain in full force and effect, solely at your expense, liability insurance in an aggregate amount designated periodically by us, insuring both parties hereto and any other person designated by us by name from liability for any and all such damage or injury. As of the effective date of this Agreement, the liability insurance must be not less than \$5,000,000 3,000,000 combined single limit per occurrence. In addition, you agree to purchase and maintain in full force and effect, at your expense, insurance in amounts designated periodically by us covering operation or maintenance of any building, equipment or MSSU vehicles owned or leased by you in connection with your Business and any other insurance specified in writing by us from time to time or required by local, state or federal law. You further agree to deliver to us periodically or at our request proper certificates evidencing the existence of all such insurance coverage and your compliance with the provisions of this Section. All coverage must name us as an additional insured thereunder and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. You must promptly and in accordance with the terms of the policies report all claims or events which may give rise to claims against you or us to both the appropriate insurer and us. All insurance coverage must be submitted to us and fully effective at least 14 days prior to the earlier of your possession of the Business premises or the commencement of your Business.

If you at any time fail or refuse to maintain any insurance coverage required by us, or to furnish satisfactory evidence thereof, we will be entitled to obtain such insurance coverage on behalf of you and you must promptly execute any applications or other forms or instruments required to obtain such insurance, and you agree to pay us, on demand, any and all costs incurred and premiums that may have been paid by us in connection therewith.

C. Conflict of Interest. You (including specifically Principal Owner and also any Personal Guarantors as described in Section 16.F) may not during the term of this Agreement (i) engage as an owner, partner, director, officer, franchisee, employee, consultant, agent or in any other capacity in any business selling products and services similar to the products and services sold by your Business licensed under this Agreement without our prior written approval or (ii) employ or seek to employ any person who is at that time employed by us or any other PIRTEK franchisee or otherwise directly or indirectly induce such person to leave his or her employment.

DEFAULT AND TERMINATION

11. The following provisions apply with respect to default and termination:

A. Defaults. You will be in default if we determine that you or any Personal Guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing, includes (i) voluntary abandonment of your Business, (ii) making any false report to us, (iii) failure to submit any required report, (iv) failure to pay when due any amounts required to be paid to us or any of our affiliates whether pursuant to this Agreement or otherwise or to any third party (including vendors and suppliers) as required by this Agreement, (v) conviction of you or any Personal Guarantor of (or pleading no contest to) any felony or an offense that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair the goodwill of any of the Marks, (vi) failure to abide by our standards and requirements in connection with the operation of your Business, (vii) your failure to meet your minimum annual performance target, (viii) filing of any tax liens or voluntary or involuntary bankruptcy by or against you or any Personal Guarantor, (ix) your insolvency or any Personal Guarantor's insolvency, (x) making an assignment or entering into any similar arrangement for the disposition of assets for the benefit of creditors, (xi) any unauthorized assignment or transfer of your Business, this Agreement or your ownership, or (xii) failure to meet any requirements or specifications we establish with respect to service quality, customer service, sales procedures, or use of approved products and services.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this Section 11.B: (i) you will have 30 days from the date of a written notice of default to cure any default under this Agreement; (ii) your failure to cure a default within the 30-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and (iv) the termination will be effective 30 days after the date of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: voluntary abandonment of your Business; you willfully and materially falsify any report, statement or other written data furnished to us; conviction of you or any Personal Guarantor of (or pleading no contest to) any felony or offense that brings or tends to bring any of the Marks into disrepute or

impairs or tends to impair the goodwill of any of the Marks; your failure to meet your minimum annual performance target as noted in Section 6.D (in this case only we will give you a 60-day written warning before the end of the annual period that you are not on track to meet the annual performance target); your insolvency or any Personal Guarantor's insolvency; making an assignment or entering into any similar arrangement for the disposition of assets for the benefit of creditors; any unauthorized assignment or transfer of your Business, this Agreement or your ownership; any default that results from a subsequent audit of your Business conducted within two years of a previous audit and both audits reveal an understatement of 4% or more in financial information provided to us; or any default by you that is the third default within any 12 month consecutive period. Furthermore, we may declare this Agreement null and void if you make any material misrepresentation on the franchise application or otherwise relating to the acquisition of the franchise.

3. Immediate Termination After 24 Hours to Cure. In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Marks (i) you will have 24 hours after we provide written notice of the default to cure the default; and (ii) the termination will be effective immediately upon our issuance of written notice of termination.

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

C. Termination by You. You may terminate this Agreement only for good cause and provided that you are in full compliance with all terms and conditions of this Agreement. Our failure to cure a default by us hereunder within 30 days from the date of a written notice of default will give you good cause to terminate this Agreement. You must notify us in writing that we have committed an alleged material breach of this Agreement, in which case we have 30 days after receipt of such notice to cure the alleged material breach. The notice must specify with particularity the nature of the alleged material breach and the steps you request that we take to cure the alleged material breach. You may terminate this Agreement only if we fail to cure the alleged material breach.

POST-TERM OBLIGATIONS

12. Upon the expiration or termination of this Agreement:-

A. Reversion of Rights; Discontinuation of Mark Use. All of your rights to the use of the Marks and all other rights and licenses granted herein and the right and license to conduct Business under the Marks in the Territory will

revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. You must immediately (i) cease all use and display of the Marks and of any material copyrighted by us (including, without limitation, the Manual and other Confidential Information), (ii) take such action as may be required to cancel all assumed name, d/b/a designations or equivalent registrations relating to the use of any trade name or Marks, (iii) notify the telephone company and listing agencies of the termination or expiration of your right to use all telephone numbers of your Business and all classified and other directory listings of your Business and assign to us the telephone numbers used in the operation of your Business in accordance with the Assignment of Telephone Numbers (in accordance with the form attached hereto as Appendix F, which you must sign at the time you sign this Agreement). You also must cease your participation in any PIRTEK web site, discontinue your use of the Marks on the internet or other on-line communications and assign to us your domain name and e-mail address used in the operation of your Business in accordance with the Assignment of Domain Name and E-Mail Address (in accordance with the form attached hereto as Appendix G, which you must sign at the time you sign this Agreement). Furthermore, you must not use any of the PIRTEK Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

You must immediately pay all sums due to us, our affiliates or designees or to whom payment by you, us or any of our affiliates has guaranteed. You must immediately return to us all copies of the Manual and any other materials containing Confidential Information, return to us and stop using all customer lists for the Business (you agree that the customers are PIRTEK customers and you will not contact those customers), and otherwise comply with the confidentiality and nondisclosure provisions of Section 6.E. You must promptly and in any event within 30 days, at your expense, remove or obliterate all signage, displays or other materials in your possession that bear any of the Marks or names or material confusingly similar to the Marks and so alter the appearance of the Business premises (including MSSUs) as to differentiate your Business unmistakably from duly licensed businesses identified by the Marks.

Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your indemnification obligations specified in Section 10.B or under common law and other obligations pursuant to any applicable lease for your Business premises or pursuant to this Agreement or otherwise, which by their very nature are intended to survive the expiration or termination of this Agreement.

B. Purchase Rights. We have the unqualified right, at our option, to purchase any or all Inventory Products in your possession or owned by you at the time of expiration or termination. If we exercise our unqualified right to purchase your Inventory Products, we will pay you the actual amount that you paid for such Inventory Products, less a 15% restocking fee, and less the cost of shipping. Additionally, we have the unqualified right to purchase, at our option, any

equipment, fixtures, signage, furnishings, products or supplies of whatever kind that we choose and that is owned by you and used by you in your Business, or to obtain an assignment of your lease for your Business premises (if applicable). The value of any equipment, fixtures, signage, furnishings, products or supplies (other than Inventory Products) that we choose to purchase will be determined using an 8 year depreciation schedule. We may exercise our purchase rights at any time within 30 days from the date of termination.

Your attempt to sell the Business or any assets of the Business for which we have a purchase option in violation of this Section 12.B will cause irreparable damage to us and will entitle us to an injunction as set forth in Section 13.B. Further, you agree that part of the injunctive relief will be declaring the unauthorized sale null and void, so our purchase option is restored. Our interest hereunder in said property will constitute a lien thereon and may not be impaired or terminated by your sale or other transfer of any such equipment, fixtures, signage, furnishings, products, supplies or other items to a third party. Upon our exercise of our purchase rights and tender of payment for any such Inventory Products, equipment, fixtures, signage, furnishings, supplies or other items, you agree to sell and deliver the same to us, free and clear of all encumbrances, and to execute and deliver to us a bill of sale therefor and such other documents as may be necessary to effectuate the transfer. We also may elect to use part of the purchase proceeds to pay off any lender who has a superior security interest to free the purchased assets from those encumbrances.

C. Noncompetition. You (including specifically Principal Owner and also any Personal Guarantors as described in Section 16.F) may not engage as an owner, partner, director, officer, franchisee, employee, consultant, agent or in any other capacity in any business that sells products and services similar to the products and services sold by a PIRTEK business within the Territory or 15 miles of the Territory or any Promotional Zone or the territory or promotional zone of any other PIRTEK center for a period of 2 years after expiration or termination of this Agreement. In addition, for the same 2-year period, you may not employ or seek to employ any person who is at that time employed by any other PIRTEK franchise or center or otherwise directly or indirectly induce such person to leave his or her employment. You expressly agree that the 2-year period and 15-mile radius are the reasonable and necessary time and distance needed to protect us if the Agreement expires or is terminated for any reason.

DISPUTE RESOLUTION; INJUNCTIVE RELIEF

13. You and we agree as follows.

A. Dispute Resolution. Except as qualified below in Section 13.B, any dispute involving us, you, Principal Owner or Personal Guarantors (including the partners, officers, members, directors, heirs, beneficiaries or other similar parties claiming an interest through any of these entities) arising under, out of, or in any way connected with or related to this Agreement, the relationship between

the parties or your Business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the rules and procedures and under the auspices of the American Arbitration Association. The arbitration must take place in Orlando, Florida, or at such other place as may be mutually agreeable to the parties. Any arbitration must be resolved on an individual basis and not joined as part of a class action or the claims of other parties. The arbitrators must follow the law and not disregard the terms of this Agreement. The arbitrators appointed must have at least 5 years' experience in franchising or in franchise law. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award that extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by us. Judgment upon the award may be entered in any court having jurisdiction thereof.

Except as qualified below in Section 13.B, ~~prior to the initiation of before you or we can initiate~~ arbitration or litigation in connection with a dispute arising under this Agreement, the parties agree to meet for at least two hours at our home office ~~or other mutually agreeable site~~ in an attempt to resolve the dispute. The meeting will be on an individual basis between you and our President and must take place within two weeks of a party's request for the meeting, and each party must pay its own costs and expenses with respect to the meeting. If a party refuses to participate in this meeting, the refusing party must pay the other party \$5,000.

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

The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any

breach of this Agreement by the other party. Finally, we reserve the right to commence a civil action against you or take other appropriate action for the following reasons: to collect sums of money due to us; to compel your compliance with trademark standards and requirements to protect the goodwill of the Marks; to compel you to compile and submit required reports to us; or to permit evaluations or audits authorized by this Agreement.

C. Attorneys' Fees. The prevailing party in any legal proceeding before a court, arbitrators or other tribunal to enforce the terms and provisions of this Agreement is entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party. This Section 13.C will survive termination or expiration of this Agreement.

D. Enforcement. During the term of this Agreement, if you do not give us written notice of the alleged breach within one year from the date that you have knowledge of circumstances reasonably indicating that you may have a claim for our breach of this Agreement, then the alleged breach is deemed to be waived by you in all respects and you will be barred from commencing any legal or other action against us for the alleged breach. Furthermore, upon expiration or termination of this Agreement, you may not assert any claim or cause of action against us relating to this Agreement, the relationship between the parties or the Business conducted hereunder unless commenced within one year following the effective date of expiration or termination of this Agreement. Notwithstanding the preceding two sentences, where the one year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

ASSIGNMENT BY FRANCHISEE

14. You agree that the following provisions govern any transfer or proposed transfer by you.

A. Transfers. This Agreement is entered into by us with specific reliance upon your financial qualifications and the personal experience, skills and managerial and financial qualifications of you and the Principal Owner as being essential to the satisfactory operation of the Business licensed hereunder. Consequently, neither your nor your Principal Owner's interest in this Agreement or in your Business conducted hereunder, nor Principal Owner's interest in you, may be transferred or assigned to or assumed by any other person or entity (the "assignee"), in whole or in part, unless you or Principal Owner has first tendered to us the right of first refusal in accordance with Section 14.E, and if we do not exercise such right, unless you obtain our prior written consent and satisfy the transfer conditions described in Section 14.C.

Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, gift or otherwise or any

arrangement pursuant to which you turn over all or part of the daily operation of your Business licensed hereunder to a person or entity who shares in the losses and/or profits of your Business in a manner other than as an employee is considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this ~~Paragraph~~Section 14:

1. Any change or series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner) which results in a ~~change in 50% or more of the ownership of the franchisee entity or any series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Principal Owner (including any addition or deletion of any person or entity who qualifies as a Principal Owner) that results within a period of 3 years in any change in 50% or more of the ownership of the franchisee~~the Principal Owner owning less than 51% of the franchisee entity;

2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or

3. For purposes of this ~~subparagraph~~Section 14.A, a pledge or seizure of any ownership interests in you or in any Principal Owner that affects the ownership of 25% or more of you or Principal Owner, which we have not approved in advance in writing.

In the event of your or Principal Owner's insolvency or the filing of any petition by or against you or Principal Owner under any provisions of any bankruptcy or insolvency law, if legal representative, successor, receiver or trustee desires to succeed to your or Principal Owner's interest in this Agreement or the business conducted hereunder, such person first must so notify us, tender the right of first refusal provided for in Section 14.E, and if we do not exercise such right, apply for and obtain our consent to the transfer and satisfy the transfer conditions described in Section 14.C. In addition, you, Principal Owner or the assignee must pay our attorneys' fees and costs in any bankruptcy or insolvency proceeding pertaining to you or Principal Owner.

B. Consent to Transfer. Our consent to transfer hereunder will not be unreasonably withheld, provided that the proposed assignee is, in our reasonable judgment, qualified to provide active supervision over the operation of the Business operated hereunder, the proposed assignee possess sufficient net worth and sources of capital to meet our standards for the Business operated hereunder, and the conditions defined in Section 14.C are satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Section

14.E must be made by submission of our form of application for consent to transfer, which will be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other information required therein. The application will indicate whether you or Principal Owner proposes to retain a security interest in the property to be transferred. No such security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer is subject to the prior written approval of us, which approval will not be withheld unreasonably. You and Principal Owner immediately must notify us of any proposed transfer hereunder and must submit promptly to us the application for consent to transfer. Any attempted transfer by you or Principal Owner without our prior written consent or otherwise not in compliance with the terms of this Agreement is void and provides us with the right to elect either to terminate this Agreement or to collect from you a transfer fee equal to two times the transfer fee provided for in this Agreement.

C. Conditions of Transfer. Whether the transfer be to an individual, a corporation, a partnership or to any other entity, the following provisions apply:

1. We may condition our consent to any proposed transfer upon the following:

(a) all of your obligations in connection with your Business have been assumed by assignee;

(b) all of your ascertained or liquidated debts in connection with your Business, including all amounts owed to us or any of our affiliates or your suppliers have been paid in full;

(c) you are not in default under any provision of this Agreement;

(d) the assignee meets our then-current reasonable qualifications for new franchisees and executes our then current Franchise Agreement for a full term as provided therein;

(e) the assignee completes all training required of new franchisees and pays all then-current training fees;

(f) you or assignee has paid \$10,000, as adjusted annually in accordance with the increase in the National Consumer Price Index as described in Section 16.N, as a transfer fee to reimburse us for our legal and accounting fees, credit and investigation charges and expenses incurred as a consequence of such assignment;

(g) you and all Personal Guarantors, officers, directors, and shareholders must execute a general release in favor of us and agree to comply with the covenant not to compete set forth in Section 12.C of this Agreement;

(h) in the case of an installment sale, if you or any Principal Owner proposes to retain a security interest or other financial interest in the Franchise Agreement or the business operated thereunder (with our consent), you or such principal owner must agree to guarantee the performance of the Franchise Agreement until the final close of the installment sale or the termination of such interest, as the case may be;

(i) you refurbish, replace and modernize your Business so that it will conform to our then-current standards for PIRTEK Hose Service Centers; and

(j) any other conditions that we may reasonably require from time to time as part of our transfer policies.

2. Notwithstanding the conditions stated in Section 14.C.1 above, an individual Franchisee may assign the franchise to a corporation or other similar entity in which you own all of the issued and outstanding capital stock, provided that:

(a) you or a manager approved by us actively manages the Business and continues to devote the individual's best efforts and full and exclusive time to the day to day operation and development of the Business;

(b) the corporation or other similar entity is newly organized and its activities are confined exclusively to acting as you under this Agreement;

(c) the corporation or other similar entity executes a document in such form as we approve in which it agrees to become a party to and be bound by all the provisions of this Agreement;

(d) you remain personally liable in all respects under this Agreement and you execute on a form we approve a personal guaranty and agreement not to sell, assign, pledge, mortgage or otherwise transfer or encumber the stock; and

(e) all certificates representing shares or ownership interests in the corporation or other similar

entity bear a legend that they are subject to the terms of this Agreement.

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

D. Death, Disability or Incapacity. If you (or Principal Owner) die or become disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a franchisee hereunder, such person or entity must apply for our consent thereto under Section 14.B, and satisfy the transfer conditions described in Section 14.C, as in any other case of a proposed transfer. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee is payable to us. In the event that you (or Principal Owner) die or become permanently incapacitated, and the rights hereunder are not assigned (with our approval) pursuant to Sections 14.A-C and 14.E, then unless and until we terminate this Agreement pursuant to Section 13.B hereof, we have the right, but not the obligation, to enter onto your Business premises and to operate and manage your Business until the franchise is terminated or assigned to a party acceptable to us in accordance herewith or you have appointed a manager who is approved and trained by us; provided, however, no such operation and management by us continues for more than 180 days without the written consent of either you or the representative of the estate. In the event that we operate your Business, we will account for all net income for such operation less our reasonable expenses incurred in, and a reasonable management fee for, our operation of your Business and it is agreed that you must bear all losses incurred.

E. Right of First Refusal. If you or Principal Owner proposes to transfer or assign this Agreement or your interest herein (including Principal Owner's interest in an entity Franchisee) or in the Business conducted hereunder, in whole or in part, to any third party, including, without limitation, any transfer contemplated by Sections 14.A and 14.D, you or Principal Owner first must offer to sell to us said interest as provided herein. In the event of a bona fide offer from such third party, you or Principal Owner must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer.

In the event of (i) a transfer or assignment of stock or similar ownership interests of you or Principal Owner's interest in you or (ii) you or Principal Owner's insolvency or the filing of any petition by or against you or Principal Owner under any provisions of any bankruptcy or insolvency law, the offer will be for you and Principal Owner's interest in this Agreement, and the building equipment, inventory, fixtures, and leasehold interest used in the operation of the Center. An amount and terms of purchase must be established by a qualified appraiser selected by the parties. If the parties cannot agree upon the selection of such an appraiser, the American Arbitration Association will appoint one upon petition of either party to appoint an appraiser to establish such price in accordance with the rules and procedures of the Association. We must receive a statement in writing incorporating the appraiser's report.

We have 60 days from our receipt of the statement setting forth the third-party offer or the appraiser's report to accept the offer by delivering written notice of acceptance to you or Principal Owner. The acceptance will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 60 day period, you or Principal Owner are free for six months from the date the offer was submitted to us to effect the disposition described in the statement delivered to us; provided such transfer is not at a lower price or more favorable terms than have been offered to us and is otherwise in accordance with this Section 14. If the disposition is not closed within the six-month period with the proposed assignee, then you or Principal Owner must reoffer to sell to us prior to the sale to a third party. You or Principal Owner may effect no other sale or assignment of you, this Agreement or the business conducted hereunder without first offering the same to us in accordance with this Section 14.E.

ASSIGNMENT BY FRANCHISOR

15. We reserve the right to sell or assign, in whole or in part, our interest in this Agreement. Any such sale or assignment will inure to the benefit of any assignee or other legal successor.

GENERAL PROVISIONS

16. The parties agree to the following provisions.

A. Severability. Should one or more clauses of this Agreement be held to be void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses must be deemed to be separable in such jurisdiction and the remainder of this Agreement must be deemed to be valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and

enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding hereunder may, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices or System standards and requirements and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement together with any addenda and appendices constitutes the sole agreement between the parties with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to the business authorized hereunder. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your Business. There are no representations or warranties of any kind, express or implied, except as contained herein and in the aforesaid application.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If intended for us, addressed to the President, Pirtek USA LLC, 501 Haverty Court, Rockledge, Florida 32955;
2. If intended for you or Principal Owner, addressed to

_____; or,

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

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President.

E. References. If Franchisee is two or more individuals, the individuals are jointly and severally liable, and references to Franchisee in this

Agreement includes all such individuals. Headings and captions contained herein are for convenience of reference and must not be taken into account in construing or interpreting this Agreement.

F. Principal Owner; Personal Guarantors. The Principal Owner must be identified on the Ownership Acknowledgment at the end of this Agreement and must sign the attached undertaking and guarantee as a Personal Guarantor. In addition, any person or entity that is an owner of a minority interest of Franchisee, or at any time becomes an owner of a minority interest of Franchisee, is a Personal Guarantor and must execute the form of undertaking and guarantee attached to this Agreement, as a condition of becoming a minority owner.

G. Relationship of Parties. You are an independent contractor with control and direction of your Business and operations, subject to the conditions and obligations established by this Agreement. No agency, employment, or partnership is created by this Agreement. Your Business is separate and apart from any that we may operate. Neither party to this Agreement may make any representations tending to create apparent agency, employment, or partnership.

H. Successors/Assigns. Subject to the terms of Sections 14 and 15, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

I. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law. Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement is governed by and interpreted in accordance with the laws of the state of Florida. While the laws of Florida shall apply, Florida conflicts of law rules shall not be used to apply the laws of a state other than the state of Florida. Franchisee and Principal Owner acknowledge and agree that any Florida franchise or business opportunity law shall not apply, unless Franchisee or Principal Owner is a Florida resident or their PIRTEK Center is located in Florida. You expressly waive any rights or protections you have or may have under any statute or law of any other state to the fullest extent permitted by law. This Agreement may be deemed to be amended from time to time as may be necessary to bring any of its provisions into conformity with valid applicable laws or regulations. Subject to Section 13.A, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Federal District Court for the Middle District of Florida in Orlando, Florida, or in Brevard County Circuit Court, Fifth Judicial District, Titusville, Florida. Both parties hereto irrevocably admit themselves to, and consent to, the exclusive jurisdiction of said courts. The provisions of

this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve or are deemed to have reserved discretion in a particular area or where we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of us. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System.

J. JURY WAIVER. YOU AND WE HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.

K. WAIVER OF PUNITIVE DAMAGES. YOU AND WE (AND OUR RESPECTIVE OWNERS AND GUARANTORS, IF APPLICABLE) AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.