

owed to us) has been understated in any report to us, you must immediately pay to us, upon demand, the amount understated in addition to interest at the lesser of 18% per annum or the highest rate permitted by law beginning from the time the required payment was due. If any inspection discloses an understatement of 2% or more of Franchisee Income you must, in addition, reimburse us for the expenses for the inspection (including accounting, auditors' and attorneys' fees and costs). In addition, we reserve the right to require that all your future year-end financial statements be audited by an independent certified public accountant approved by us or deemed acceptable by us, at your expense. These remedies are in addition to any other remedies we have under this Agreement or under applicable law. If the audit discloses an overpayment in any amount you paid to us, we will promptly pay you the amount of the overpayment or offset the overpayment against any amounts owed to us.

Section 8.4 Your Name, Address and Telephone Number. You agree to the disclosure of your name, address and telephone number. You must notify us of any change in your name, address and telephone number within 10 days of the change. You release us and our officers, directors, stockholders, agents and legal successors and assigns from all causes of action, suits, debts, covenants, agreements, damages, judgments, claims and demands, in law or in equity, that you ever had, now have, or that you later may have, from our disclosure of your name, address and telephone number.

ARTICLE 9 INSURANCE

Section 9.1 Types and Amounts of Coverage. You agree, at all times during the Term, to maintain at your expense insurance policies with coverages we designate or approve as meeting or exceeding our System Standards. We currently require you to obtain a comprehensive general liability insurance policy insuring you and us against any liability occurring in connection with the operation of your Business and the indemnity in this Agreement by you of us with coverage limits of \$1,000,000 (on a multiple occurrence basis) and a deductible no greater than \$5,000. You agree that each policy must name us as an additional insured and provide that it shall not terminate, expire or be modified prior to 30 days following written notice to us. Each policy must be issued by an insurer satisfactory to us, and you must deliver to us a certificate of insurance certifying the existence of the coverage insuring us and that it may not be terminated or modified and will not expire except after 30 days following notice to us. You agree that if you fail to furnish the certificate to us, we may obtain insurance and you agree to pay us the cost thereof. If we elect not to obtain insurance for you, we can elect to declare that there has been a breach of this Agreement.

Section 9.2 Evidence Of Insurance. At least: (i) 30 days before the date any construction for the Site begins; (ii) 10 days from the Effective Date if the Site is constructed and presently owned or leased by you; or (iii) 10 days after a lease of the Site is signed, whichever is applicable, you must furnish to us a certificate of insurance issued by an approved insurance company showing compliance with these requirements and a paid receipt showing the policy number. The certificate of insurance must include a statement by the insurer that the policy will not be canceled, subject to nonrenewal, or materially altered without at least 30 days' written notice to us. Copies of all insurance policies and proof of payment will be submitted promptly to us upon our request. You will send to us current certificates of insurance and copies of all insurance policies on an annual basis.

Section 9.3 Waiver of Subrogation. The parties agree that, for any loss that is covered by insurance then being carried by them, their respective insurance companies have no right of subrogation against the other.

Section 9.4 Effect of Our Insurance. Your obligation to maintain the policies in the amounts required is not limited by reason of any insurance we maintain, nor will our performance of your obligations relieve you of liability under the indemnity provisions in this Agreement.

Section 9.5 Failure to Maintain Insurance. If you fail to obtain and maintain the insurance required by this Agreement, we have the right and authority (without any obligation to do so) immediately to procure the insurance on your behalf and to charge you the cost to obtain and/or maintain the insurance, plus interest at the maximum rate permitted by law and a fee in the amount of \$1,000, to cover our expenses in so acting. You agree to pay all such fees and expenses immediately upon notice.

Section 9.6 Group Insurance. If we make available to you insurance coverage through group or master policies we arrange, including property and casualty, workers' compensation, liability and health, life and disability insurance, you may participate, at your expense, in this group insurance program.

**ARTICLE 10
TRANSFER OF INTEREST**

Section 10.1 Transfer by Us. We have the right to assign this Agreement to any person without your consent.

Section 10.2 Transfer by You.

(a) **Personal Rights.** You agree that, unless otherwise expressly permitted by this ARTICLE, you will not sell, assign, transfer, convey or give voluntarily, involuntarily, directly or indirectly, by operation of law or otherwise (collectively a "transfer") any direct or indirect interest in this Agreement, your Business, a major portion of your Business assets, or the agreements relating to businesses listed for sale, without our written consent. However, our written consent is not required for: (i) a transfer of less than a 5% interest in a publicly held Business Entity; or (ii) a transfer of all or any part of any interest in you (if you are a Business Entity) to one of the other original shareholders or partners. A transfer of 20% or more of the voting or ownership interests in your Business Entity, individually or in the aggregate, directly or indirectly, is, for all purposes of this Agreement, considered a transfer of an interest in this Agreement by you. Any purported transfer by you, by operation of law or otherwise, in violation of this Agreement, is void and is an event of default.

(b) **Transfer to Your Business Entity.** This Agreement may be assigned to a corporation, limited liability company or other legal entity (a "Business Entity") in which you own a majority of the issued and outstanding capital stock or other form of ownership interest if:

(i) You or a Manager approved by us actively manages the Business Entity and continues to devote his or her best efforts and full and exclusive time to the day-to-day operation of your Business. You must advise us of the name of the Manager and the Manager must meet our standards including training;

(ii) The Business Entity cannot use the Marks in any derivative or form in its corporate name;

(iii) An authorized officer, partner or member, as applicable, of the Business Entity signs a document in a form we approve, agreeing to become a party bound by all the provisions of this Agreement; and

(iv) All stock certificates and any other form of ownership representing shares or other form of ownership bear a legend that they are subject to this Agreement.

You understand that, if you transfer this Agreement to a Business Entity, you remain personally liable for all the monetary and non-monetary obligations under this Agreement.

(c) **No Subfranchising Rights.** You have no right to grant a subfranchise or to open or operate multiple locations within the Territory.

(d) **No Encumbrance of Franchise Right and Controlling Interest.** You may not encumber your interest in this Agreement nor encumber a controlling interest in a Business Entity, if this Agreement is assigned to a Business Entity, without our consent. You agree that your rights under this Agreement and any voting or ownership interest of 20% or more in you (or any Franchise Owner) may not be pledged, mortgaged, hypothecated, given as security for an obligation or in any manner encumbered without our written consent.

(e) **"For Sale" Restrictions.** You will not permit to be placed upon the Site a "Business For Sale" or "For Sale" sign, or any sign of a similar nature or purpose, nor in any manner use the IP to advertise the sale of your

Business or the sale or lease of the Site. These prohibitions apply to any activities under a listing agreement that you may enter into with a real estate or business broker. If you desire to sell your Business, we or our assignee have the non-exclusive right to attempt to sell it on your behalf. If we find an acceptable purchaser to whom you will sell on terms acceptable to you, you will pay us, in addition to the Transfer Fee, a commission equal to 2½% of the gross sales price at the closing of the sale.

(f) **Permitted Transfer.** We will consent to a transfer of this Agreement if the following requirements are satisfied or waived by us in our sole discretion:

- (i) We have not exercised our right of first refusal as provided in Section 10.5;
- (ii) You are not in default of any term of this Agreement or any other agreement between you and us;
- (iii) We interview the transferee and he or she demonstrates to our reasonable satisfaction that he or she has the business and personal skills, reputation and financial capacity we require;
- (iv) The transferee satisfactorily completes our application procedures for new franchisees;
- (v) The transferee demonstrates to our reasonable satisfaction that he or she has properly assumed your obligations including an assumption of the lease, if the Site is leased. You will remain liable for all obligations to us under this Agreement before the effective date of the transfer and will sign all instruments we reasonably request to evidence these liabilities;
- (vi) At the transferee's expense, the transferee or transferee's Manager completes Initial Training then in effect for new franchisees upon all terms, as we reasonably require;
- (vii) The transferee signs our then current form of Franchise Agreement, the terms of which may be materially different than this Agreement;
- (viii) You will pay us a transfer fee of \$10,000 for our costs in approving the transfer and you or the transferee pay us a training fee of \$3,000 for training each of the transferee's personnel. If we assist you by procuring your buyer / transferee, you will pay to us the commission described in Section 10.2(e). If the transferee is a wholly owned Business Entity, spouse or child of the transferor, no Transfer Fee or training fee will be charged, provided a trained Manager continues to operate the Franchise;
- (ix) You and all your officers, directors and shareholders have signed and delivered a general release in a form we prescribe releasing us, our subsidiaries and affiliates from any claims against us, our subsidiaries and affiliates and our and their respective officers, directors, agents and employees;
- (x) You and the transferee fully comply with all of our requests for information and you provide to us your year-to-date financial statements for the period ending within 7 days of the transfer, we satisfactorily audit or review, to the extent we designate, your books, and we receive a copy of the final form of purchase / transfer agreements at least 48 hours prior to closing; and
- (xi) The transferee carries out our required upgrading, repairs and improvements to the Site and its equipment in order to conform with our then-current standards and specifications for a VR® Office.

You and each of your owners are not released or relieved of any continuing obligation of confidentiality and non-competition under this Agreement as the result of a transfer or our consent to a transfer. The consent to a transfer by us is subject to the condition subsequent that the assignee (or an approved designee of assignee) completes the training to our satisfaction and if the training is not so completed the transfer is null and void.

Our consent to a transfer is not a waiver of any claims we may have against you, nor is it a waiver of our right to demand the transferee's exact compliance with this Agreement. No transfer (even if we approve such

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