

EXHIBIT B
FRANCHISE AGREEMENT AND RELATED AGREEMENTS

**ABRAKADOODLE
FRANCHISE AGREEMENT AND RELATED AGREEMENTS**

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FRANCHISE AGREEMENT

THIS AGREEMENT is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____
whose address is _____

("you" or "your").

RECITALS

A. We have expended time, skill, money and effort to develop a system for establishing and operating ABRAKADOODLE® businesses providing arts education programs for 2-20-month-old to- 12-year-old children in schools, day care centers, community centers and other host sites, and for instructing teachers in arts education and providing curriculum materials to those teachers (the "System").

B. We also have expended time, skill, money and effort in publicizing the System and the services and products offered under the System. We have developed and will continue to develop valuable goodwill in the service mark, trademark and trade name ABRAKADOODLE, and in its trade dress; and have or may develop or acquire other service marks, trademarks, trade names and trade dresses for use under the System, all of which marks, names and dresses are or will be our sole property (the "Marks").

C. We franchise others to use the System and the Marks, and provide to you continuing advice on the establishment and operation of ABRAKADOODLE businesses.

D. You desire to establish and operate an ABRAKADOODLE business, to use the Marks and all other elements of the System, and to derive the benefits of the System as developed by us. You acknowledge that it is essential to the maintenance of the high standards which the public has come to expect of ABRAKADOODLE services and products, and to the preservation of the integrity and goodwill of the Marks, that you adhere to the standards for the establishment and operation of ABRAKADOODLE businesses.

In consideration of the recitals above and of the terms below, we and you agree:

1. GRANT OF FRANCHISE

1.1 Subject to the terms of this Agreement, we grant to you the right, and you undertake the duty, to establish and operate an ABRAKADOODLE business ("Franchised Business") in the territory described in Section 2 ("Development Territory") for the term described in Section 3 (the "Franchise").

1.2 The Franchise includes the right and obligation to market ABRAKADOODLE arts education programs (as those programs may be modified) for 2-20-month-old to- 12-year-old children in schools, day care centers, community centers and other host sites; to instruct teachers in arts education for their students and provide

curriculum materials to those teachers for use with their students; and also includes the right and obligation to market additional programs involving similar or dissimilar services or products for persons other than ~~2-20-month-old~~ to- 12-year-old children, or involving dissimilar services or products for ~~2-20-month-old~~ to- 12-year-old children (“Additional Programs”), to the extent that the marketing rights for those programs are made available to ABRAKADOODLE franchisees and you accept those rights.

1.3 If the marketing rights for an Additional Program are made available to ABRAKADOODLE franchisees, you will have a 30-day option to accept or reject those rights. Acceptance of those rights by you may be conditioned on you agreeing to incur additional expenses, participate in additional training, be subject to an increased monthly minimum for the continuing franchise fee, and/or comply with other terms which we may specify. If you are offered but reject those rights, we will have the right to market the Additional Program ourselves in the Development Territory (as defined in Section 2.1), or to make available to any other person or entity, including any other franchisee, on terms comparable to those offered to you, the marketing rights for the Additional Program in the Development Territory.

1.4 The Franchise includes the right and obligation to use the complete System, as it exists or may be supplemented or modified during the term of the Franchise, as to the ABRAKADOODLE programs which you are entitled to market, and as to any Additional Programs which you may become entitled to market. You acknowledge that the System will continue to evolve in order to reflect changing market conditions and to meet new and changing consumer demands, and that variations and additions to the System may be required in order to preserve and enhance the public image of the System and to ensure the continuing operational efficiency of ABRAKADOODLE businesses generally. Accordingly, you agree that we may, on notice and acting reasonably, add to, modify and change the System, including the adoption and use of new and modified service marks, trademarks, trade names, trade dresses, materials, technology, techniques and methodologies relating to the preparation, marketing, promotion and sale of ABRAKADOODLE services and products, but any modifications or changes may not unreasonably increase your obligations under this Agreement or place an excessive economic burden on the Franchised Business. You further agree to promptly accept, implement, use and display in the operation of the Franchised Business all of those additions, modifications and changes at your expense.

2. DEVELOPMENT TERRITORY; RESERVED RIGHTS

2.1 Development Territory. You are granted the non-exclusive right to use the Marks and the ABRAKADOODLE arts education programs (other than Additional Programs that you have elected not to market under Section 1.3) in the Development Territory defined in Attachment 1. You must use your best efforts to solicit business within the Development Territory for ABRAKADOODLE programs and to locate, train and supervise sufficient numbers of employees and independent contractors to provide requested ABRAKADOODLE services and products within the Development Territory. You must achieve the minimum annual Gross Sales Quotas specified in Attachment 1 to retain the Franchise. You may not solicit clients in territories assigned to our other franchisees.

You must reasonably restrict your ABRAKADOODLE advertising, promotion and marketing (including direct mailings, personal visits, leaflets and signs), and any leads obtained through group advertising or pooled, centralized telephone arrangements in which you may participate with our other franchisees, to the ZIP code(s) of the Development Territory. You may advertise and promote the Franchised Business on the World Wide Web or any comparable electronic network of computers only as specified in the Operations Manual. During the term of the Franchise, we may not operate a company-owned business in the Development Territory that offers the same services and products to 2-20-month-old to 12-year-old children that you offer; and we may not grant any other person the right (by franchise, license or otherwise) to operate a business in the Development Territory that offers the same services or products to 2-20-month-old to 12-year-old children that you offer. We may not modify the Development Territory during the term of the Franchise, but we may modify the Development Territory on renewal (as specified in Section 3.2) or transfer (as specified in Section 25.2) of the Franchise.

2.2 Requests for Service Within Another Franchisee's Territory. In accordance with Section 2.1, you will not solicit clients or promote ABRAKADOODLE programs in territories assigned to our other franchisees. You will provide services at host sites within the Development Territory. However, the students at those host sites may reside in or outside of the Development Territory. If you receive a request for service at a host site in another franchisee's development territory or from a client seeking a class location in another franchisee's development territory, you will refer that request to the other franchisee in accordance with referral procedures specified in the Operations Manual.

2.3 International, National and Regional Clients. The marketing rights granted to you in Section 2.1 do not restrict us or our affiliates from contacting international, national or regional clients with headquarters or locations within the Development Territory for any purpose, including the purpose of promoting the use or increased use of ABRAKADOODLE services and products marketed by us or our franchisees.

2.4 Our Reservations of Rights. We, on behalf of ourselves and our affiliates, reserve the rights, among others:

(a) to establish and operate, and to grant to others the right to establish and operate, ABRAKADOODLE businesses anywhere outside of the Development Territory, including in territories adjacent to the Development Territory;

(b) to offer and sell products under ABRAKADOODLE trademarks to persons in and outside of the Development Territory;

(c) to offer and sell different services, under ABRAKADOODLE trademarks or different trademarks, in or outside of the Development Territory, although we may offer you marketing rights for these services under specified terms and conditions; and

(d) to acquire or establish, directly or indirectly, businesses operating under different trademarks in or outside of the Development Territory, although

we may offer you marketing rights as to those businesses under specified terms and conditions.

3. TERM OF FRANCHISE

3.1 Initial Term. The Franchise will begin on the date we execute this Agreement and will continue for an initial term of 10 years unless sooner terminated under Section 26.

3.2 Renewal Terms. You will have the right to renew the Franchise for successive 10-year renewal terms, if:

(a) You have given us written notice, not more than 1 year and not less than 180 days before the expiration of the prior term, of your intention to renew;

(b) You are solvent (are able to pay your debts as they come due and have assets that are greater than your debts), have not abandoned the Franchised Business, are not operating the Franchised Business in a manner that endangers public health or safety, have not repeatedly committed defaults of this Agreement during the prior term that have been noticed by us, have not repeatedly failed to submit timely reports to us during the prior term, and have not repeatedly submitted false or incomplete reports to us during the prior term;

(c) You, or any of your principal officers, partners, or members if you are a legal entity have not been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our sole judgment, to have an adverse effect on the Marks, the System, the goodwill associated with the Marks or System, or our interest in the Marks or System; and

(d) You have executed our then-current standard franchise agreement for the renewal term and paid the renewal fee specified in Section 9.7. You acknowledge that our then-current standard franchise agreement may contain terms different from those in this Agreement, including different fees, advertising contributions, training requirements and quotas. Depending on the then-current demographics of the Development Territory, and our then-current standards for territories and quotas, if the Development Territory is larger than our then-current standard territory, we may require you to: (a) accept a Renewal Territory smaller than the Development Territory, if you do not want higher quotas; (b) accept a Renewal Territory identical to the Development Territory but with higher quotas; or (c) execute multiple franchise agreements with Renewal Territories and quotas that more closely match our then-current standards for territories and quotas.

4. PERSONAL ATTENTION OF FRANCHISEE OR MANAGER TO BUSINESS

4.1 You, or a Manager who has successfully completed all required ABRAKADOODLE training, will personally manage the Franchised Business at all times.

4.2 You understand and agree that the success of the Franchised Business will depend on personal, continued and full-time attention to the business by you, or your Manager. Personal, continued and full-time attention will include at least: availability during normal and peak business periods; participation in the development and implementation of management and operational policies; and involvement in the training and supervision of employees and independent contractors to ensure that the System is followed.

5. ESTABLISHMENT AND MAINTENANCE OF BUSINESS

5.1 You agree to establish the Franchised Business within 30 days after your successful completion of initial training and to maintain the Franchised Business continuously after that time; but if you are delayed in establishing the Franchised Business because of reasons beyond your control, you will provide us with a written request to delay opening. The request will state: (1) that a delay is anticipated; (2) the reasons which have caused the delay; (3) the efforts you are making to open; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold its consent to a delay, up to a maximum of 60 days, if you have been diligently pursuing the establishment of the Franchised Business.

5.2 Establishing and maintaining the Franchised Business under Section 5.1 will involve at least all of the following:

(a) Establishing a home office for the operation of the business in accordance with the Operations Manual;

(b) Securing all permits and licenses necessary for the establishment and operation of the business;

(c) Securing adequate telephone service (minimum of one direct line) for use in the business and an ABRAKADOODLE telephone information listing, all subject to the Telephone Listing Agreement attached as Attachment 4. No other business will be transacted or advertised using any telephone number assigned to the business;

(d) Operating an answering machine for the business during both business and non-business hours;

(e) Using your or your Manager's best efforts to obtain initial clients for ABRAKADOODLE programs; and

(f) Having sufficient staff, equipment, materials and supplies available to provide requested services and products within the Development Territory.

5.3 As indicated in Section 5.2(a), you are not required to establish or maintain a commercial office for the operation of the Franchised Business. If choosing to establish and maintain a commercial office, however, you must:

(a) Locate a site for the office within the Development Territory and obtain our prior written approval of the site;

(b) Obtain our prior written approval of any lease or purchase agreement for the office;

(c) Conform the office to applicable building code requirements and to our specifications, as modified by you with our prior written consent to fit the particular site;

(d) Be responsible for securing all permits and licenses necessary for the establishment and operation of the office;

(e) Obtain our prior written approval of any plans for office construction or equipment installation, or of any deviations from the plans, to ensure that the plans or deviations conform to our specifications;

(f) Obtain our prior written approval of an outdoor sign for the business, and install the sign within 30 days after opening the office; and

(g) On written notice from us, promptly correct any variations from approved plans or deviations.

6. CONTINUOUS OPERATION OF BUSINESS

6.1 You must operate the Franchised Business on a continuous basis throughout the year, and must be open for business each week for the minimum hours and minimum days specified in the Operations Manual.

7. LIMITATIONS ON ACTIVITIES OF BUSINESS

7.1 In order to preserve the System and the identification of ABRAKADOODLE businesses operating under the Marks, you agree that the Franchised Business will not engage in activities other than those approved under the System. You further agree that you must obtain our prior written consent to offer any services or sell any products other than those approved under the System.

7.2 You may not engage in any deceptive or unfair trade practice or other activity, or offer any service or product which is harmful to the goodwill or reputation of you, us, our franchisees generally, the System or the Marks.

7.3 You may not maintain a web site for the Franchised Business on the Internet or any comparable electronic network of computers.

8. PRICES CHARGED BY BUSINESS

8.1 You will have the right to offer services and products at any prices you may determine. If we recommend a retail price, that price is suggested only, and is in no way binding on you.

9. FEES PAYABLE TO US

9.1 Initial Franchise Fee. If this Agreement is not being executed as part of a renewal or transfer of the Franchise, you must pay to us, by cashier's check, on execution, a ~~\$28,900~~**32,500** initial franchise fee for a standard territory. If this Agreement is for a territory that is larger than a standard territory, at our option, we may require you to pay us, by cashier's check, on execution, an additional initial franchise fee calculated at a rate of \$0.35 per household with an annual income of ~~\$60,000~~**75,000** or more within the Development Territory, above 60,000 such households. If you already operate a business similar to an ABRAKADOODLE business, or if you have been employed for a period of at least 1 year by an ABRAKADOODLE business, at our option, we may reduce the initial franchise fee by \$3,000. Except as specified below, the initial franchise fee or any portion of the fee is non-refundable and fully earned by us when paid. If, before the successful completion of initial training, we, in our sole and absolute right, decide that you should not operate an ABRAKADOODLE business, we may cancel this Agreement. If we so cancel this Agreement, we will refund the initial franchise fee or any portion of the fee previously paid, less expenses incurred, if you agree to terms substantially similar to those in Sections 19.1, 19.9, 20, 21.3, 21.4(b), 21.5-21.8, 27.1-27.2, and 32.

9.2 Continuing Franchise Fee. You must pay a continuing franchise fee of 8% or 6% of Gross Sales to us (as defined in Section 9.10) in the following manner:

(a) The fee is subject to a monthly minimum of \$500 for a standard territory. The fee may be subject to a higher monthly minimum if the Development Territory specified in Attachment 1 is larger than a standard territory or if you elect to market Additional Programs under Section 1.3.

(b) The fee is due and payable by the 10th day of each month for the preceding month, and begins to accrue in the month in which the Franchised Business is established.

(c) Initially each calendar year, the fee is 8% of Gross Sales. When Gross Sales exceed \$200,000 in a calendar year, the fee is reduced to 6% of Gross Sales for the remainder of the calendar year.

(d) Each payment of the fee must be accompanied by a statement in the form specified in the Operations Manual.

9.3 Advertising and Promotional Contributions. See Section 16.

9.4 Training Fees. See Sections 11.2(a),(b) and (d), 11.4 and 11.5.

9.5 Annual Conference Fee. See Section 11.2(c).

9.6 Audit Fee. See Section 13.7.

9.7 Renewal Fee. If this Agreement is being executed as part of a renewal of the Franchise, in lieu of paying the initial franchise fee specified in Section 9.1, you must pay to us on execution, a renewal fee equal to 5% of our then-current initial franchise fee for a comparable franchise territory. This fee will be non-refundable and fully earned by us when paid.

9.8 Transfer Fee. See Section 25.2(b)(viii).

9.9 Late Fees. If any sum required to be paid by you to us under this Agreement is not actually received by us by the due date, we may assess a \$25 late fee, and the unpaid sum will bear interest calculated daily after the due date until paid at the lesser of a rate equal to 1.5% of the monthly balance of principal and interest, or the highest rate of interest allowed by law. If the due date for a sum is not specified in this Agreement, generally it will be the 30th day after the billing date. Any payment received toward an overdue sum will first be applied to the interest due and will be applied to the overdue sum only after all outstanding interest is paid. We may change the late fee by giving you 30 days' prior written notice. We may not change the late fee more than once every 12 months. Late fees will be in addition to any other rights or remedies that we may have under this Agreement or otherwise. Regardless of any designation by you, we, in our sole and absolute right, may apply any payments by you to any of your past due indebtedness to us or our affiliates. See also Section 13.7.

9.10 Gross Sales. For purposes of this Agreement, "Gross Sales" equal all of the collected receipts of the Franchised Business, including all class fees (whether for students or for teachers), registration fees, late charges, other amounts received or charged, and the value of all services or products received, for services provided or products sold, whether for cash or barter, or on a charge, credit or time basis, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid by you based on sales, if those taxes are separately stated when the client is charged, and also excluding bona fide refunds, allowances or discounts to clients. Refunds or incentive fees paid to facilities at which ABRAKADOODLE services or products are offered, are not excluded from "Gross Sales."

9.11 Withholding of Sums Payable. You agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations under this Agreement, withhold payment of any fee or other sum payable to us under this Agreement, or of any other sum payable to us or our affiliated companies.

9.12 Equipment, Supplies or Supplier Testing or Inspection, and Grant or Approval of Equipment, Supplies or Suppliers. See Section 14.2.

9.13 Replacement Copies of Operations Manual. Currently \$60 (subject to change).

9.14 Accounting Software Upgrades and Support Fee**Class Management Program Fees**. You must pay a fee to us for upgrading and supporting the web-based class management program (or any comparable future program or software) that we provide to you for use in operating the Franchised Business.

9.15 Reimbursements and Penalty Fees. You must reimburse us for any charges that we incur on your returned checks, declined charges or similar financial defaults. You also must pay us penalty fees for such defaults and for unpaid invoices to you for products or services, as outlined in the Operations Manual.

10. SERVICES AND PRODUCTS FURNISHED BY US

10.1 During the term of the Franchise, we will provide the following:

(a) At no charge to you beyond the initial franchise fee, within 30 days of the execution of this Agreement, our initial packet of materials for establishing an ABRAKADOODLE business (in some cases, specific materials may take up to 90 days for delivery);

(b) Training programs and assistance as described in Section 11;

(c) Operations Manual as described in Section 12;

(d) Updates to the Operations Manual as described in Section 12;

(e) Specifications for equipment, materials, supplies and services used under the System, and continued efforts to negotiate purchasing agreements with suppliers for equipment, materials, supplies and services, as described in Section 14;

(f) Samples of initial advertising and promotional materials (class schedules, ads, brochures, etc.), and assistance in implementing an initial advertising and promotional program;

(g) Periodic efforts to report improvements in the System to you as they may be developed or acquired by us in our sole and absolute right;

(h) Continuing assistance by telephone, electronic mail, voice mail, facsimile, mail, newsletters, or other methods, that we, in our sole and absolute right, deem reasonable under the circumstances; and

(i) Curriculum, manuals and related materials other than the Operations Manual which we, in our sole and absolute judgment, may select.

10.2 If requested by you, we will furnish additional guidance and assistance relative to the operation of the business, other than continuing assistance provided at no charge, at per diem charges established by us. If special training of business personnel or other assistance in operating the business is requested by you, and must take place at the location of the Franchised Business, all expenses for training, including our then-current per diem charges and all reasonable transportation, meal and lodging expenses incurred by our personnel supplying the additional assistance, will be paid by you.

10.3 We may maintain a web site or web sites on the Internet or any comparable electronic network of computers to advertise and promote our franchise system and products and services marketed by us and our franchisees. We may permit you to establish a web site, of our design, as part of our web site(s) and/or to establish an email link to you from our web site(s). **We may maintain an Intranet for use by our franchisees.** Any representations and warranties of any kind whatsoever, express or implied, regarding our web site(s), including representations and warranties as to the operation, functionality, lack of interruption or resources of our web site(s), are expressly excluded. Without limiting the foregoing, we disclaim any implied warranties of merchantability and fitness for a particular purpose as to our web site(s). As to any malfunctioning of our web site(s), we will not be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised us that such damages are possible as a result of any breach of warranty or malfunction.

10.4 Our obligations under this Agreement are to you. No other person or entity, directly, indirectly or by subrogation, may rely on, enforce or obtain relief under this Agreement for any default by us.

11. TRAINING

11.1 You and your employees and independent contractors must maintain the standards of skill, efficiency and quality associated with the System.

11.2 To assist you in establishing and maintaining those standards, we will provide training as follows:

(a) We will provide you and your original Manager, if any, pre-training materials and initial training for the operation of an ABRAKADOODLE business, at a location designated by us. You must complete pre-training activities before attending initial training. Initial training will be of 5 business days' duration. You and your original Manager, if any, must successfully complete both pre-training activities and initial training to our satisfaction before opening the Franchised Business. We will bear the cost of providing pre-training materials and initial training, including the cost of basic initial training materials, but you must bear the cost of trainees' wages and benefits, and trainees' travel, lodging and meal expenses: **provided, however, that if you wish to send additional trainees, you must also pay us our then-current training fee for each additional trainee.**

(b) If the original or any succeeding Manager leaves your employ, a replacement Manager must successfully complete pre-training activities and initial training at a location designated by us, subject to scheduling by us, within 8 weeks of the date of replacement. You must bear the cost of the succeeding Manager's wages and benefits, and travel, lodging, and meal expenses. If we must give initial training of a succeeding Manager within 2 years of initial training of a prior Manager, you must pay us our then-current training fee, as to that initial training.

(c) We will conduct an annual conference for our franchisees to discuss and review new business, marketing, technology and educational ideas and concepts. The conference may be held on a regional, national or international basis. We will provide you with notice of the time and place of the conference, which time and place will be determined by us. You (or if you are not an individual, your principal operating officer or partner) or your Manager must attend the conference. For each of your representatives attending the conference, you must pay a non-refundable per-attendee fee to us equal to the approximate out-of-pocket cost of holding the conference, and also must pay all wages and benefits, and all travel, lodging and meal expenses, of your attendees.

(d) You and your Manager, if any, must successfully complete remedial or follow-up training if, in our sole and absolute judgment, that training is necessary. As to that remedial or follow-up training, you must pay our then-current training fees, and must bear the cost of you and your Manager's wages and benefits, and travel, lodging and meal expenses. If remedial or follow-up training is held within the Development Territory, you also must bear the then-current per diem charges for our trainers and the actual and reasonable travel, lodging and meal expenses of those trainers.

11.3 Except as otherwise stated in this Section 11, you are responsible for training instructors, employees and independent contractors other than your Managers.

11.4 If our trainers are requested by you to give any initial, remedial or follow-up training at your location, you must pay those trainers' per diem fees, and their actual and reasonable travel, lodging and meal expenses.

11.5 We may require you to make reservations for trainees or attendees in advance of any training or conference. We may require deposits for those reservations (which may be refunded or, in our sole and absolute right, applied toward training or conference fees) and may charge cancellation fees if reservations are cancelled.

12. OPERATIONS MANUALS; ADDITIONAL MANUALS AND MATERIALS

12.1 We have developed a copyrighted Operations Manual containing mandatory and suggested specifications, standards, procedures and rules applicable to the System. The Operations Manual is and will remain our exclusive property, and is merely loaned to you for the term of the Franchise. We may also loan to you additional manuals and materials developed by us related to aspects of the System. In order to protect our reputation and goodwill, the System and the Marks, you must operate the Franchised

Business in strict conformance with the Operations Manual and any additional manuals or materials developed by us that are loaned to you.

12.2 You acknowledge that the System may be modified by us, and that modifications to the System may require modifications to the Operations Manual and to any additional manuals or materials developed by us, as long as those modifications do not unreasonably increase your obligations under this Agreement or place excessive economic burdens on the Franchised Business. You agree to operate the Franchised Business in strict conformance with any modifications to the Operations Manual and any additional manuals or materials developed by us. Modifications will be effective on receipt by you, unless otherwise stated by us.

12.3 The provisions of the Operations Manual, including the mandatory specifications, standards, procedures and rules applicable to the System, and any modifications that are made by us, constitute provisions of this Agreement as if fully set forth in this Agreement. All references in this Agreement to the provisions of the Operations Manual mean the provisions of the Operations Manual, including all modifications and mandatory and recommended specifications, standards, procedures and rules, as of the time they are in effect.

12.4 You must at all times ensure that your copies of the Operations Manual and any additional manuals or materials developed by us are up-to-date and kept in a secure place. If there is any dispute as to their contents, the terms of the master copies of the Operations Manual, and any additional manuals or materials developed by us and maintained at our headquarters, will be controlling.

12.5 You must treat the Operations Manual, any additional manuals or materials developed by us and loaned to you that are designated as "confidential," and the information in those manuals and materials, as confidential, and must take all reasonable precautions to maintain those manuals' and materials' confidentiality. You may not, without our prior written consent, copy, duplicate, record or otherwise reproduce the Operations Manual or any additional manual or material developed by us, in whole or in part, or otherwise make the same available to any person who is not bound by the confidentiality terms of this Agreement or who has not signed a separate confidentiality agreement (see Section 20.2 and Attachment 5).

13. ACCOUNTING PROCEDURES

13.1 You must use a computerized record-keeping system as prescribed by us.

13.2 You recognize the importance of financial and statistical analysis, and agree to provide us with monthly sales reports (by the 10th of each month for the preceding month) in the forms prescribed in the Operations Manual. All financial information provided by you to us must be prepared in accordance with accounting methods acceptable to us, consistently applied.

13.3 You must provide us annually, within 3 months after your fiscal year end, with a statement of revenues, expenses and income (or loss) for the year, and a statement of assets and liabilities as of the end of the year, which statements must be prepared in accordance with accounting methods acceptable to us, consistently applied. At our option, we may require this statement to be prepared by an independent certified public accountant in accordance with the standards for a compilation or review. Simultaneously with this statement, you must provide us with copies of all tax returns filed by you for the year as to the Franchised Business, including federal and state income tax returns, and with the business names, contact names, addresses and telephone numbers for all facilities at which ABRAKADOODLE services and products were offered by you at any time during the year.

13.4 You must submit to us any other financial or statistical reports, records, statements or information that we may reasonably deem to be required or desirable, in the forms and at the times and places reasonably specified by us, in the Operations Manual or otherwise in writing. **We may specify that you use software or web-based applications that give us independent access to your records.**

13.5 All financial or statistical information provided by you to us must be accurate and correct in all material respects.

13.6 We will have the right to use any financial or statistical information provided by you, as we deem appropriate. We will not identify you as the source of that information, and will not disclose any information shown in any of your tax returns (other than information disclosed in other documents submitted to us) except: (i) with your permission; (ii) as required by law or compulsory order; or (iii) in connection with audits or collections under this Agreement.

13.7 We or our designated agents will have the right, at all reasonable times, to examine, copy and audit your and the Franchised Business's books, records and tax returns. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest calculated daily from the due date until paid at the lesser of a rate equal to 1½% of the monthly balance of principal and interest or the highest rate of interest allowed by law. If an examination or audit discloses an underpayment or understatement of any amount due us by 3% or more for any 3-month period, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, you must, in addition, reimburse us for the cost of having your books examined or audited. If an examination or audit discloses an underpayment or understatement of any amount due us by 5% or more for any 3-month period, we will have the right to terminate the Franchise under Section 26.2(n). These rights and remedies will be in addition to any other rights or remedies we may have under this Agreement or otherwise.

13.8 During and after the term of the Franchise, you must maintain and preserve all books, records and accounts of the Franchised Business for at least 5 years after the close of the fiscal year to which the books, records and accounts relate.

14. EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES

14.1 You may generally purchase your equipment, materials, supplies and services from whomever you decide, except that:

(a) You must subscribe to an on-line computer network as prescribed by us.

(b) You must use equipment, materials, supplies and services which meet specifications prescribed by us in the Operations Manual. These specifications may include specific brand names and products or designate an approved supplier. The purpose of these specifications is to protect and maintain the quality of ABRAKADOODLE materials and classes, and the goodwill of the System and the Marks.

(c) You must use ~~the class management software that we provide to you.~~ software and/or web-based and/or other programs meeting the specifications that we periodically prescribe in our Operations Manual or otherwise in writing.

(d) You must purchase equipment, materials or supplies with our trademarks from us or suppliers that we approve or designate.

14.2 We reserve the right to inspect and re-inspect the products, supplies and facilities of your suppliers, to determine their conformity with this Section 14. We will maintain and make available to you a list of certain equipment, materials, supplies and services which meet our specifications. We may modify this list. If you desire to use items or services not on the list, you will so notify us in writing before using the items or services and, if we so request, will provide us samples of the items or services and any relevant data. At your option, we will test any item or service to determine whether it meets the required specifications and will notify you accordingly within a reasonable time. You will reimburse us for our expenses relating to item or service testing or grant or approval of items or services, and for the then-current per diem charges for our personnel. If we determine that any item or service does not meet the required specifications, you agree that you will not use the item or service in the Franchised Business. The supplier of any item or service proposed for use by you under this Section 14.2 may be required to demonstrate to our reasonable satisfaction that:

(a) the supplier meets our specifications, including its quality, quantity, warranty, variety, service and safety specifications, for the item or service and for the facilities used in the production and distribution of the item or service.

(b) the supplier has the capacity to supply franchisee requirements;

(c) the supplier has a sound financial condition and business reputation; and

(d) the supplier will supply items or services to a sufficient number of our franchisees to enable us to economically monitor compliance by the supplier with our specifications.

14.3 We or our related companies may offer to sell to you items or services used in operating an ABRAKADOODLE business, which may be purchased by you at your option. We or our related companies will endeavor, to the extent we are able to do so based on total purchases by our franchisees, to negotiate volume-purchasing arrangements for items and services, and to offer them to our franchisees at prices not otherwise generally available to the franchisees.

14.4 Unless specifically stated otherwise in writing, we do not provide any warranty or guarantee to you or any third party for any item or service which we may sell or provide to you, and you may not make any representation to the contrary to any third party. If we are able to secure from any manufacturer any warranty, guarantee or assumption of liability which we are authorized to convey to you, we will so notify you.

14.5 Security deposits or advance payments may be required by us or our related companies as to purchases of items or services by you. You agree to pay all invoices rendered by us or our related companies for items or services within 30 days after the dates of the invoices.

15. DESIGN AND APPEARANCE OF BUSINESS

15.1 You are not required to establish a commercial office for the operation of the Franchised Business. If, however, you choose to establish and maintain a commercial office, you acknowledge that the design and appearance of the office must be in conformity with the design and appearance of other offices within the System.

15.2 You may make no change to your commercial office design or appearance without our prior written consent, and must maintain and renovate periodically, at your expense, the interior and exterior of the office in the manner reasonably prescribed by us so as to maintain standards of design and appearance consistent with the image of the System. We will have the right to require remodeling changes to the office at your expense no more often than once every 5 years, but you will not be required to make any changes if the remodeling would occur within 1 year of the expiration date of any term of the Franchise.

15.3 You agree to purchase or lease, and to display at your commercial office, whether attached to a building or free-standing, only signs, emblems, logos, lettering and pictorial materials that are in accordance with specifications prescribed by us in the Operations Manual or otherwise in writing, subject to changes for which we have given our prior written consent. We have the right to revise the specifications for signs, emblems, logos, lettering and pictorial materials, and you must promptly alter your signs, etc., at your location to conform with the revised specifications. The alterations will be at your expense if revisions are required no more often than once every 3 years.

15.4 You must maintain your commercial office and all adjacent areas in good, clean, attractive and safe condition at all times. You must, at your expense, undertake all maintenance and make all repairs, replacements, alterations and additions as may be required for that purpose, including periodic cleaning, repainting, repairs and replacement of obsolete fixtures, furnishings, equipment, materials and supplies as we may reasonably require.

15.5 You, at your or your employees' expense, will cause your instructors, employees and independent contractors to present themselves to clients and prospective clients, in terms of general appearance, dress and accessories, in accordance with written standards prescribed by us in the Operations Manual or otherwise in writing.

16. ADVERTISING AND PROMOTION

16.1 Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the System and the Marks, you agree to contribute, on a monthly basis during the term of the Franchise, 1% of Gross Sales to a system-wide advertising and promotional fund ("Fund").

16.2 The Fund will be maintained as follows:

(a) You will contribute to the Fund on or before the 10th day of each month based on Gross Sales for the preceding month.

(b) Any company-owned ABRAKADOODLE businesses will make contributions to the Fund on a basis at least equal to that described in Section 16.1.

(c) We will direct all advertising and promotional programs, with the sole and absolute right of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. You agree that the Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that we and our designees undertake no obligation in administering the Fund to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that you benefit directly or pro rata from the placement of advertising.

(d) You agree that the Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and conducting television, radio, magazine, newspaper, direct mail and coupon advertising campaigns and other public relations activities; employing advertising agencies; providing a toll-free number for prospective parents and site directors to call for referral purposes; and providing promotional brochures and other marketing materials to franchisees in the System). All sums contributed to the Fund will be maintained in a separate account from our general funds and will not be used to defray our general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or

direction of the Fund (up to 15%), including conducting market research, preparing and distributing advertising and promotional materials, and collecting and accounting for contributions to the Fund.

(e) If we expend less than the total of all contributions to the Fund during any fiscal year, we will have the right to retain those contributions for use in subsequent years. If we expend more than the contributions accumulated in the Fund during any fiscal year, we will have the right to receive from the Fund, reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

(f) An unaudited summary report on the operation of the Fund will be prepared annually and will be made available to you on request 90 to 120 days after fiscal year end.

(g) Although the Fund is intended to be of perpetual duration, we retain the right to terminate the Fund. The Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a prorated basis.

16.3 If you use advertising or use promotional materials, those advertising and promotional materials must be dignified and conform to specifications in the Operations Manual. If prescribed advertising or promotional materials are available from us, you may not use any materials other than those prescribed by us, and must pay all reasonable fees and expenses associated with the provision of those materials. Otherwise, you must submit samples to us (by fax, or by receipted mail or delivery service) and obtain our prior written approval (except as to prices to be charged), of all advertising and promotional materials (including direct mailings, leaflets, brochures, signs, audios, videos and CDs) that you desire to use and that have not been prepared or previously approved by us. If written disapproval is not received by you (by fax, or by receipted mail or delivery service) within 10 days after our receipt of the materials, we will be deemed to have given the required approval. If any advertising or promotional materials previously approved by us are later disapproved, you must discontinue their use promptly on written notice from us.

17. INSURANCE

17.1 You must secure before opening the Franchised Business, and then must continuously maintain during the term of the Franchise, insurance at your expense, as follows:

(a) Worker's compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of the Franchised Business.

(b) Automobile liability insurance with a \$500,000 combined single limit or a \$250,000/\$500,000 split limit.

(c) Comprehensive general liability insurance with a limit of at least \$1,000,000.

(d) If maintaining a commercial office, insurance on the office, equipment (except portable equipment), materials and supplies, for loss or damage by fire, windstorm, flood and other risks usually insured against by the owners or lessors of similar property. The insurance must be for at least 90% of the replacement cost of the property. Unless a written waiver is obtained from us, any ABRAKADOODLE office sustaining loss or damage must be repaired, restored or rebuilt within 60 days of the date of the loss or damage.

17.2 If circumstances require for the protection of you and us, we, in our sole and absolute right, may increase or modify the insurance limits noted above and may require additional types of insurance. If we determine that any required insurance is not generally available to you at a cost which we, in our sole and absolute judgment, deem to be reasonable, then we may modify the insurance requirements to provide for lower limits until the insurance becomes available at a reasonable cost.

17.3 Each insurance policy maintained by you for the Franchised Business must: name you as the insured; name us, and our affiliates, successors, assigns, shareholders, partners, officers, directors, employees and agents as additional insureds (we will provide you with a list after you sign the franchise agreement); require the insurer to defend each person or entity if there is a claim; provide that any liability coverage afforded applies separately to each person or entity against which a claim is brought as though a separate policy had been issued to that person or entity; contain no provision which limits or reduces coverage if there is a claim by one or more additional insured, or by reason of any insurance which may be maintained by us; and provide coverage for your indemnification obligation under Section 24.2 of this Agreement. Coverage for the additional insureds will apply on a primary basis irrespective of any other insurance, whether collectable or not. All insurance policies must be issued by insurance companies with performance ratings of at least A+ as rated in the most recent edition of Best's Insurance Reports or comparable publication.

17.4 Within 30 days after opening the Franchised Business and then annually when annual financial statements are provided, you must furnish to us a then-current copy of each insurance policy, including all amendments and endorsements, evidencing the limits noted above or as then required, and proof of premium payments, and providing that the insurance will not be cancelled, amended or modified without 30 days' prior written notice to us, together with evidence of payment of premiums.

17.5 You may not reduce any insurance limit, restrict any insurance coverage, or cancel, alter or amend any insurance policy without our prior written consent. If you fail to obtain or maintain any required insurance, you agree that we may, but are not obligated, to obtain the insurance and that you will reimburse us for the cost of the insurance, and for any reasonable expenses incurred in procuring the insurance, within 30 days of the date of our invoice. You expressly waive any objection to our purchase of insurance under this Section.

18. LEGAL COMPLIANCE, TAXES, LICENSES, UTILITIES AND OTHER OBLIGATIONS

18.1 You must comply with all laws applicable to the operation of the Franchised Business, including all administrative and governmental regulations relating to fictional business names, occupational hazards, health, consumer protection, and unfair or deceptive practices, securing and promptly paying for all licenses, permits and inspections, and promptly paying all withholding, unemployment, occupational, privilege, license, sales, use and income taxes and the like, including all taxes and fees levied and asserted on your business property, and all water, sewer, gas, telephone, electric, power and other utility charges assessed or charged to the Franchised Business.

18.2 You must promptly satisfy any other indebtedness that you incur in operating the Franchised Business.

18.3 You must promptly notify us of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that may adversely affect the operation of the Franchised Business.

18.4 If there is any bona fide dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, you may not permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

19. PROPRIETARY MARKS

19.1 The Marks are our exclusive property. You acknowledge that your use of the Marks is a temporary authorized use under franchise and that we retain all ownership interests in the Marks and all goodwill generated by the Marks. All uses of the Marks by you will inure to our benefit. You agree to use the Marks only in accordance with the terms of this Agreement and acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our prior written consent, is an infringement of our exclusive right, title and interest in and to the Marks. You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks, or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

19.2 You must provide services and products to the public under the service mark, trademark and trade name "ABRAKADOODLE." Except as we permit in writing, you may not use any Mark, any derivation or modified version of any Mark, or any confusingly similar mark or name: as part of any corporate, partnership, firm or other business name,

web site address, email address, domain name or other identification in any print, electronic or other medium; or with any prefix, suffix or other modifying word, term, symbol or design. You agree to execute, during or after the term of the Franchise, at our request, any consents necessary for the registration of our corporate name in the state where you conduct the Franchised Business.

19.3 You agree that when any Mark is affixed to any packaging or point of sale display, or is used in advertising or promotional materials, the Mark will be accompanied either by an appropriate notice immediately following the Mark ("TM" if on a product package and "SM" if advertising a service) or by an asterisk immediately following the Mark and the legend "*Service mark or trademark of Abrakadoodle, Inc. (or other appropriate corporate name)" printed on or in the package, display, advertisement or material. A suitably abbreviated form of the legend, approved by us, may be used where space restrictions so require. If a Certificate of Registration is received by us from the United States Patent and Trademark Office for any Mark, the symbol "@" will be substituted for the notices described above, and the word "Registered" will precede the word "service" in the legend described above, as required by written notice from us to you.

19.4 If it becomes advisable at any time, in our sole and absolute judgment, for the business to modify or discontinue use of any Mark and/or to use one or more additional or substitute service marks, trademarks, trade names or trade dresses, you agree to comply with our directions to modify or otherwise discontinue the use of the Mark, and/or to use one or more additional or substitute service marks, trademarks, trade names or trade dresses, within a reasonable time after receiving notice from us. You will be responsible for the costs of modifying or discontinuing the use of any trademark, service mark or trade name, or using one or more substitute trademarks, service marks or trade names. We will not be responsible for reimbursing you for any loss of goodwill in connection with the modification or discontinuation of any trademark, service mark or trade name.

19.5 During the term of the Franchise, in conjunction with the use of any Mark, you must identify yourself as the operator of the Franchised Business on letterhead sheets, invoices, order forms, receipts, contracts and similar documents, and, where required by us, on signs. The form and content of the identification must comply with specifications in the Operations Manual.

19.6 During the term of the Franchise, you must file and maintain requisite trade name or fictitious name registrations, and must execute any documents deemed necessary by us or our counsel to obtain protection for the Marks or maintain their continued validity and enforceability.

19.7 You must promptly notify us of any use, by any person or entity other than us or another of our franchisees, of any Mark or any name or mark confusingly similar to any Mark.

19.8 You must promptly notify us of any litigation brought or threatened by any person or entity against you, involving any Mark. If we, in our sole and absolute

judgment, undertake the defense or settlement of that litigation or claim, we will do so at our own expense, but you agree to execute any documents, and to render any assistance (excluding financial assistance) as may, in the sole and absolute right of our counsel, be reasonably necessary to carry out the defense or settlement. If the defense does not involve issues concerning the operation of your business, we will reimburse you for all reasonable out-of-pocket costs incurred in connection with assisting in the defense or settlement.

19.9 You agree that the use of any Mark contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief.

20. TRADE SECRETS AND CONFIDENTIAL INFORMATION

20.1 You acknowledge that the System involves trade secrets owned by us and that, during your relationship with us, you will acquire knowledge of confidential information, including know-how, sales, organizational, operational and other information concerning the System.

20.2 You agree that, without our prior written consent, you will never either during or after the term of the Franchise, use or allow the use of any trade secret or confidential information except in connection with the operation of the Franchised Business by persons actively involved in the operation of the business. You further agree that you will not disclose the contents of any manuals, plans, records or other documents relating to the Franchised Business to any third party, except a party who is actively involved in the operation of the business and who has a valid need for disclosure. Any third party or employee to whom a trade secret or confidential information is disclosed will be informed that the trade secret or confidential information is confidential and proprietary to us and that it may not be used except under a franchise agreement with us. You must have each of your Managers, supervisory employees and independent contractors, and persons attending initial training enter into a Confidentiality and Noncompetition Agreement substantially similar to Attachment 5.

20.3 You agree to promptly reveal to us discoveries, inventions, innovations or improvements made by you, or, for any of your Managers, instructors, employees or independent contractors relating to materials, devices, methods or processes in any way connected with the System, and further agree that all proprietary interests in the information, materials, devices, methods, techniques, know-how and processes utilizing those discoveries, inventions, innovations and improvements will be our property.

20.4 You agree that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of

competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and expressly waive all claims for damages caused by the wrongful issuance of any injunction.

21. NONCOMPETITION

21.1 Unless otherwise specified in this Agreement, the term "you" in this Section 21 includes, collectively and individually, each shareholder, member, partner, officer and/or director ("principal"), and each direct or indirect holder (and each principal of each holder) of any beneficial interest in you, if you are a legal entity.

21.2 You agree that during the term of the Franchise, you will not, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person or entity, divert or attempt to divert any business or customer of the Franchised Business to any competitor or other person by direct or indirect inducement or otherwise, but this Section 21 will not prevent you from referring customers in good faith to other businesses, including competitors' businesses, that may be able to provide those customers with services or products not available from the Franchised Business.

21.3 You agree that during the term of the Franchise, and for an uninterrupted period of 1 year after repurchase, expiration or termination of the Franchise, regardless of the cause of repurchase, expiration or termination, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any person or entity, employ, engage as an independent contractor, or seek to employ or engage as an independent contractor, any person who, within the prior 6 months, has been an employee or independent contractor of us or any of our franchisees, or induce or seek to induce any person who is an employee or independent contractor of us or any of our franchisees, to leave his or her employment or engagement.

21.4 You acknowledge: that certain methods of doing business and other elements comprising the System are unique and distinctive, and have been developed by us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the System; and that you recognize your continuing obligation to promote the Franchised Business. You accordingly agree as follows:

(a) During the term of the Franchise, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business located in the United States or abroad which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services or products that are or could be offered by you under this Agreement.

(b) You agree that, for an uninterrupted period of 2 years after the expiration or termination of the Franchise, regardless of the cause of expiration or termination, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business, which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services or products that were or could have been offered by you under this Agreement, and which operates: (1) within the Development Territory, or (2) within the development territory of any other ABRAKADOODLE business operating or in planning at the time of expiration or termination.

21.5 You acknowledge that your violation of any term of this Section 21 will cause irreparable injury to us for which no adequate remedy at law is available. You accordingly consent to the issuance of an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, prohibiting any conduct by you in violation of any term of this Section 21.

21.6 Each term and subpart of a term of this Section 21 is independent of each other term and subpart of a term of this Agreement. If a term or subpart of a term of this Section 21 is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by any lesser term or subpart that imposes the maximum duty permitted by law, as if the resulting lesser term or subpart were separately stated in this Section 21, and also agree to be bound by each other subpart of a term of this Agreement.

21.7 You acknowledge that we may, in our sole and absolute right, reduce the scope of any term or subpart of any term in this Section 21 without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any term or subpart so modified, which will be fully enforceable notwithstanding any other term or subpart of this Agreement.

21.8 You agree that any claim you may have against us, whether or not related to the Franchised Business, will not be a defense to the enforcement by us of any term of this Section 21. You further agree that we will be entitled to set off any amounts owed by us to you against any loss or damage to us arising from your breach of this Agreement, including this Section 21.

21.9 This Section 21 will not apply to any ownership by you of less than a 5% beneficial interest in the outstanding equity securities of any publicly held corporation.

21.10 You must have each of your Managers and supervisory employees and independent contractors enter into a Confidentiality and Noncompetition Agreement substantially similar to Attachment 5.

22. INSPECTION BY US

22.1 Our field representative or designee may make an announced or unannounced inspection of the Franchised Business at any reasonable time to ensure compliance with all terms of this Agreement, which inspection may include interviews of your Manager, instructors, employees and independent contractors to ascertain their knowledge of and compliance with the System, as well as interviews with your clients to determine their level of satisfaction. You agree that the field representative or designee will be allowed to take a physical inventory of the assets of the Franchised Business, and to inspect any records of the Franchised Business, including your books and financial accounts, at any time during normal business hours. Any inspection will be made at the expense of us or our designee, but if we or our designee must make 2 inspections concerning your repeated or continuing failure to comply with this Agreement, we will have the right to charge you for the costs of making all further inspections concerning your failure to comply, including travel expenses, room, board and compensation of our field representative or our designee. At the conclusion of his or her inspection, the field representative or designee will prepare a written report. You (or if you are not an individual, your principal operating officer or partner), if present, or your Manager, will be given a copy of the report and will sign a second copy to be sent to us, on which he or she may acknowledge or contest the field representative's or designee's conclusions and observations.

22.2 During any inspection, you agree to cooperate fully and to give any assistance reasonably requested. Promptly after receiving notice of any deficiencies detected in an inspection, you agree to take steps necessary to correct the deficiencies, including if necessary the temporary closing of the Franchised Business. Without limiting our other rights and remedies, we will have the right, if you fail or refuse to act promptly, to make or cause to be made any required corrections and to charge the costs of correction to you.

23. FRANCHISEE AS INDEPENDENT CONTRACTOR

23.1 This Agreement does not create a partnership, joint venture, fiduciary, parent/subsidiary, principal/agent or employer/employee relationship between us and you. You will be an independent contractor with entire control and direction of the Franchised Business, subject only to the terms of this Agreement and the related agreements. The Franchised Business will be totally separate from any business that may be operated by us. You will conspicuously identify yourself in all dealings with clients, suppliers, public officials, your personnel and others as the independent owner and operator of the business under a franchise granted by us, and will place notices of independent ownership and operation on signs, forms, business cards, stationery, advertising and other materials as we may require. We will have no right to hire or fire any of your employees or independent contractors or to exercise any control over those employees or independent contractors, all of whom will be entirely under your control and direction and you will be responsible for their acts and omissions.

23.2 No party to this Agreement may make any representation tending to create an apparent partnership, joint venture, fiduciary, parent/subsidiary, principal/agent or employer/ employee relationship between us and you. No party may act for or on behalf of any other party in any manner to create obligations or debts binding on the other party, or may make any agreement, warranty or representation on behalf of any other party. No party is responsible for any obligations, debts or expenses of any other party.

24. INDEMNIFICATION

24.1 We must indemnify you, your affiliates, successors and assigns, and your principals, for any expenses arising out of any claim for copyright or trademark infringement or unfair competition directly or indirectly related to your authorized use of our materials or the Marks under this Agreement and the provisions of the Operations Manual, if you notify us in writing within 30 days, or within any shorter period necessary to avoid prejudice, after learning of the claim, and also if we are given the opportunity, if we so choose, in our sole and absolute right, to control the settlement or defense of the claim. You may not settle any claim to which this Section 24.1 applies without our prior written consent.

24.2 You must indemnify us, our affiliates, successors and assigns, and our principals, for any expenses arising out of any claim directly or indirectly related to your operation of the Franchised Business or performance or lack of performance under this Agreement, if the claim does not arise from our negligent or wrongful conduct. You also must promptly notify us of any claim by or against you directly or indirectly related to your operation of the Franchised Business and, on request, must furnish us with copies of any filings in any proceeding involving the claim.

24.3 As used in this Section 24, the word "expenses" includes all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys' fees, accountants' fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to reputation or goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and costs of recall, refunds, compensation and public notices.

24.4 The indemnification obligations of us and you will survive the expiration or termination of the Franchise for as long as any potential for liability under any applicable law, rule, ordinance, statute or judicial decision remains. In this regard, to the maximum extent permitted by law, we and you each waive the effect of any statute of limitation which would, by lapse of time, limit our indemnification obligations.

25. TRANSFERS OF INTEREST

25.1 Transfer by Us. We may sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber ("transfer") all or any part of our rights, interests or obligations in this Agreement to any person or entity.

25.2 Transfer by You.

(a) Your rights and obligations under this Agreement are personal to you, and we have granted the Franchise in reliance on your and/or your principals' business skill, financial capacity, personal character, and reputation for honesty, integrity and fair dealing. Accordingly, you, and your successors, assigns, and principals, may not transfer any interest in you, in this Agreement or any related agreement, in the Franchise or the Franchised Business, without our prior written consent. Any purported transfer not having our prior written consent will be null and void.

(b) We will not unreasonably withhold our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business, but if a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring either a controlling interest in or operating control of you, this Agreement, any related agreement, the Franchise or the Franchised Business, we may, in our sole and absolute right, require as conditions to its consent that:

(i) You are in compliance with the terms of this Agreement;

(ii) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has demonstrated to our satisfaction that it meets the then-current standards which we would normally apply to any prospective franchisee. The transferee, for example, has demonstrated that it meets our educational, personal, managerial and business standards; possesses a good moral character and a good business reputation; has the aptitude and ability to conduct the Franchised Business (as may be shown by prior related experience); has adequate financial resources and capital to operate the Franchised Business; is financially responsible and has a good credit rating; will be likely in our sole and absolute judgment to comply with the terms of this Agreement and our then-current standard franchise agreement and Operations Manual; and has no direct or indirect connection with any actual or potential competitor of us or any of our franchisees;

(iii) Your debts to us and others relating to the Franchised Business have been satisfied;

(iv) You and the transferor have executed a general release, in a form satisfactory to us, of any claims against us and our principals, in their corporate and individual capacities (see Attachment 7);

(v) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) has entered into a written transfer agreement, in a form satisfactory to us, assuming and agreeing to discharge your and/or the transferor's obligations under this Agreement and any related agreements;

(vi) The transferee (including any person with a beneficial interest in the transferee if it is a legal entity) executes our then-current standard franchise

agreement (excluding any requirement to pay an initial franchise fee) and related agreements (including any guaranty agreements). The then-current franchise agreement may have the same term expiration date of this Agreement, but may contain terms substantially different from those in this Agreement, including different fees, advertising contributions, training requirements, territory(ies) and quotas. Depending on the then-current demographics of the Development Territory, and on our then-current standards for territories and quotas, if the Development Territory is larger than our then-current standard territory, we may require the transferee to: (a) accept a Transfer Territory smaller than the Development Territory, if the transferee does not want higher quotas; (b) accept a Transfer Territory identical to the Development Territory but with higher quotas; or (c) execute multiple franchise agreements with Transfer Territories and quotas that more closely match our then-current standards for territories and quotas.

(vii) The transferee and its Manager, if any, have agreed to successfully complete (at the transferee's expense and to our satisfaction) any then-current initial training programs;

(viii) You or the transferor has paid, in lieu of paying the initial franchise fee specified in Section 9.1, a transfer fee equal to 30% of our then-current initial franchise fee for a comparable franchise territory, plus full reimbursement for any actual and reasonable travel, lodging and meal expenses incurred by us in connection with the transfer;

(ix) We have decided not to exercise our right of first refusal, if any, under Section 25.5;

(x) You have updated your equipment, materials and supplies to our then-current specifications in the Operations Manual;

(xi) We have consented to the material terms and conditions of the transfer, including the price and terms of payment, which will not be so burdensome as to adversely affect the operation of the Franchised Business by the transferee;

(xii) If any part of the sale price of any transferred interest is to be financed, the transferor will have agreed that all obligations of the transferee under any promissory notes, agreements or security interests reserved by the transferor in the assets of the Franchised Business will be subordinate to the obligations of the transferee to pay continuing franchise fees, advertising contributions and other amounts due to us and our affiliated companies, or otherwise to comply with this Agreement or the franchise agreement executed by the transferee; and

(xiii) You or your transferee has paid all applicable broker fees, if a broker was involved in the transaction.

(c) Except as specified below, the transfer fee specified in Section 25.2(b)(viii) is non-refundable and fully earned by us when paid. If, before the completion of the transferee's initial training, we, in our sole and absolute right, decide that

transferee should not operate an ABRAKADOODLE business, we may cancel this Agreement or the transferee's then-current franchise agreement. If we so cancel this Agreement or the transferee's then-current franchise agreement, we will refund the transfer fee, less expenses incurred, if the transferee agrees to terms substantially similar to those in Sections 19.1, 19.9, 20, 21.3, 21.4(b), 21.5-21.8, 27.1-27.2, and 32.

(d) No transfer in the nature of a grant of a security interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business will be permitted without our prior written consent, in our sole and absolute right. If we consent to a transfer in the nature of a grant of a security interest, and if the holder of the security interest later seeks to exercise your right or assume the interest of you in the Franchise, this Agreement, any related agreement, you or the Franchised Business due to a default under any documents related to the security interest, we will have the option to purchase the rights of the secured party by paying all sums then due to the secured party, and the secured party will sign an agreement to that effect before any transfer takes place.

25.3 Transfer to Franchisee's Legal Entity. If a proposed transfer is to a legal entity controlled by you which is formed solely for the convenience of ownership, our consent to the transfer may, in our sole and absolute right, be conditioned on the following requirements:

(a) The legal entity's activities will be confined exclusively to operating the Franchised Business;

(b) You will own a majority stock interest or partnership interest in the transferee legal entity, and will act as its principal operating officer, member, shareholder or partner;

(c) Each stock certificate, evidence of ownership, or certificate of interest will have conspicuously endorsed on its face a statement in a form satisfactory to us that it is held subject to, and that further transfer is subject to, all restrictions on transfers in this Agreement;

(d) All principals will jointly and severally guarantee the legal entity's performance and will bind themselves to the terms of this Agreement and any related agreements;

(e) You will maintain a then-current list of all principals and beneficial owners, and furnish the list to us on request; and

(f) Copies of the transferee's Certificate and Articles of Incorporation, Certificate and Articles of Organization, Certificate and Agreement of Partnership, By-Laws, resolution authorizing entry into this Agreement and any other significant governing documents, promptly will be furnished to us.

25.4 Transfer and Issuance of Securities. If you are a legal entity, you will maintain stop transfer instructions against the transfer of any stock certificate, certificate of

interest, or evidence of ownership contrary to the terms of this Section 25, and will issue no certificate on the face of which the following statement does not legibly and conspicuously appear:

The transfer of this [stock certificate, certificate of interest, or evidence of ownership] is subject to the terms of a Franchise Agreement dated _____ between Abrakadoodle, Inc. and [the legal entity].

25.5 Our Right of First Refusal.

(a) If you or any other person or entity at any time determines to sell an interest in you, the Franchise or the Franchised Business, a true and complete copy of the offer (and any proposed ancillary agreements) will immediately be submitted to us by you or the other person or entity involved. The offer must apply only to an interest in you, the Franchise or the Franchised Business. It must not include the purchase of any of your other property or rights (or those of your principal), but if the offeror proposes to buy any other of your property or rights (or those of your principal) under a separate, contemporaneous offer, the price and terms of purchase offered to you (or to your principal) for the interest in you, the Franchise or the Franchised Business will reflect the bona fide price offered and will not reflect any value for any other property or rights. We will have the right, exercisable by written notice delivered to you, or the person or entity involved, within 30 days after receipt of the copy of the offer, to purchase the interest for the price and on the terms and conditions contained in the offer, but we may substitute cash, a cash equivalent, or marketable securities of equal value for any form of payment proposed in the offer. Our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than 60 days to prepare for closing. If the parties cannot agree on a cash equivalent within a reasonable time, they will either jointly select one appraiser, or three appraisers will be selected (one by us, one by you, and one jointly by the 1st two appraisers), and his, her or their determination will be binding. The parties will share equally the fees and expenses of any appraiser jointly selected, but each must pay any separately selected appraiser individually. We will be entitled to purchase the interest subject to all customary representations and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including representations and warranties as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, of any corporation whose stock is purchased. If we do not exercise our right of first refusal, you or the person or entity involved may complete the sale to the purchaser under the terms of the offer subject to our consent to the transfer under Section 25.2(b), but if the sale to the purchaser is not completed within 120 days after receipt of the offer by us, or if there is a material change in the terms of the sale, we will have an additional right of first refusal for 30 days on the same terms and conditions as were applicable to the initial right of first refusal.

(b) If a proposed transferee is the spouse, child or parent of the proposed transferor, or is a person or entity already holding an equity interest in you or the Franchised Business, as of the date of this Agreement, that has been disclosed to us, we

will not have any right of first refusal as provided in Section 25.5(a), unless the proposed transferee has a direct or indirect connection with any actual or potential competitor of us or any of our franchisees. However, written notification of this type of transfer must be provided to us by the transferor at least 30 days before consummation of that transfer.

25.6 Transfer On Death, Permanent Incapacity or Dissolution. On the death or permanent incapacity of any person with an interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business, or on your dissolution if you are a legal entity, the executor, administrator, personal representative or trustee (“personal representative”) of that person or entity will transfer his, her or its interest to a third party acceptable to us within 180 days after assuming that capacity. Any transfer of this type, including a transfer by devise or inheritance, will be subject to the same requirements as other transfers under this Agreement, but if the transfer is to a spouse, child or parent, the fee required under Section 25.2(b)(viii) will not be required. If the personal representative is unable to meet these conditions, the personal representative of that deceased person will have an additional 60 days to dispose of the interest, which disposition will be subject to the requirements for transfers in this Agreement, including the requirements of this Section 25. If the interest is not disposed of within 60 days the additional 60 days (a total of 240 days after the death or permanent incapacity of any person with an interest in you), we may terminate this Agreement, or may exercise an option to purchase the Franchised Business at fair market value, determined by reference to the income and asset value of the Franchised Business as a going concern, but the earnings multiple used to determine the going concern value will be reduced to exclude any goodwill associated with your use of the Marks. The going concern value, which will be determined as of the date of the transfer, will be payable in cash or cash equivalent at closing, unless otherwise agreed by the parties. If the parties fail to agree on a going concern value, three appraisers will be designated (one by Franchisor, one by the personal representative, and one by the first two appraisers), and their determination will be binding. The parties will share the appraisers’ fees and expenses equally.

25.7 Non-Waiver of Claims. Our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Franchised Business will not be a waiver of any claims we may have against the transferring party, nor will it be a waiver of our right to demand the transferee’s compliance with the terms of this Agreement.

26. DEFAULT AND TERMINATION

26.1 Automatic Termination. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be deemed to be in default under this Agreement, and the Franchise will automatically terminate without notice to you, if you make a general assignment for the benefit of creditors, suffer the filing of an involuntary bankruptcy petition which is not dismissed within 60 days after filing, file a voluntary bankruptcy petition, are adjudicated a bankrupt, or suffer temporary or permanent court-appointed receivership of substantially all of your property; if suit to foreclose any lien or mortgage against the premises or equipment of your business is instituted and not dismissed within 30 days; if the premises or equipment of your business is sold after levy

thereupon by any sheriff, marshal or constable; or if you (or a principal, if you are a legal entity) are convicted of a crime involving moral turpitude.

26.2 Termination Upon Notice. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be in default and we may, in our sole and absolute right, terminate the Franchise, without giving you any opportunity to cure the default, effective immediately on giving written notice of termination to you, if:

(a) You are insolvent (are unable to pay your debts as they come due or have debts that are greater than your assets) and not otherwise subject to automatic termination under Section 26.1;

(b) You, without our prior written consent, cease to operate the Franchised Business;

(c) You (or your principal, if you are a legal entity) are convicted of a felony, a crime involving consumer fraud, or any other crime that is reasonably likely, in our sole and absolute judgment, to have an adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or our interest in the System or the Marks;

(d) The operation of the Franchised Business is creating a threat or danger to public health or safety;

(e) You have repeatedly failed to make timely payments of continuing franchise fees or any other monies owed to us, or have repeatedly committed defaults of this Agreement, within 12 months of any prior default for which we have given you written notice;

(f) You knowingly make a material false or incomplete statement in any report submitted to us;

(g) We discover that you knowingly made a material false or incomplete statement to us to obtain the Franchise;

(h) You or any other person or entity purportedly transfer any interest contrary to Section 25;

(i) You participate in in-term competition contrary to Section 21;

(j) You improperly disclose the contents of the Operations Manual or any other information learned or received under this Agreement and designated as "confidential", contrary to Section 12 or 20;

(k) An approved transfer is not effected following death, permanent incapacity or dissolution as required by Section 25.6;

(l) You suffer any federal, state or local tax lien, levy or suit to enforce the same brought against you or your property;

(m) You fail to open for business within the period specified in Section 5.1 of this Agreement; or

(n) You underpay or under-report any amount by 5% or more for any 3-month period.

26.3 Termination After Notice and 30-Day Opportunity to Cure. You will have 30 days, or any greater period permitted by us or required by law, to cure any default for which we have given written notice of termination to you under this Section 26.3, and to provide us with evidence of the cure. If a default is not cured within that period, the Franchise will terminate without the need for further notice to you, effective immediately on the expiration of the cure period. We may give written notice of termination under this Section 26.3 for any failure by you to comply with any term of this Agreement or any requirement in the Operations Manual. Defaults may include, for example, if:

(a) You fail, refuse or neglect to pay to us or any affiliated company any sum owing when due, or to submit to us any required information when due;

(b) You fail to maintain any standard, specification or procedure required to be maintained or followed by this Agreement or the Operations Manual;

(c) You fail, refuse or neglect to obtain our prior written acceptance, approval or consent as required by this Agreement;

(d) You misuse or make any unauthorized use of the System or the Marks, or otherwise materially impair the goodwill associated with or our rights in the System or the Marks;

(e) You or your Manager fail to comply with the requirement of personal attention in Section 4;

(f) You fail to maintain books and records as specified in the Operations Manual and other manuals, and in a manner which permits an accurate determination of Gross Sales; or

(g) You fail, refuse or neglect to pay to any third party, including any major supplier, or government taxing or licensing authority, any sum owing when due, or to satisfy any other material obligation relating to the Franchised Business.

26.4 Termination For Failure To Meet Minimum Annual Gross Sales Quota. If you fail to meet the minimum annual Gross Sales Quota in Attachment 1 for the 12-month period from the 13th month after you complete initial training through the 24th month after you complete initial training, or for any calendar year ending later than the 24th month after you complete initial training, we may give written notice of default to you within 6 months of

the end of the period or any later calendar year, putting you on notice that you should take action to increase Gross Sales. If you fail to meet the minimum annual Gross Sales Quota for the next calendar year, we may give written notice of termination to you within 6 months of the end of that calendar year, and you will have 6 months in which to transfer the Franchise to an independent third party in accordance with the terms of Section 25.2 of this Agreement or to close your Franchised Business.

26.5 Termination With Cause by Franchisee. You may terminate the Franchise with cause, if we have materially defaulted in the performance of any material obligation under this Agreement, and if:

- (a) You have given us written notice of termination; and
- (b) We have failed to cure a noticed default within 60 days after the notice is given; but if we will be delayed, hindered in or prevented from the performance of any act required by the notice because of strike, labor trouble, inability to procure materials, restrictive governmental law or regulation, riot, insurrection, war or act of war, default of another party, or other reason beyond our control, then performance of the act will be excused for the period of delay, and the period of performance of the act will be extended for a period equivalent to the period of the delay.

26.6 Termination Without Cause by Franchisee. You may terminate the Franchise without cause at any time, if:

- (a) You have given us 60 days' written notice of termination;
- (b) You have satisfied your monetary obligations to us and all other suppliers and clients of your Franchised Business; and
- (c) You have executed a general release, in a form satisfactory to us, of all claims against us and our partners, shareholders, officers, directors, employees and agents, in their corporate and individual capacities (see Attachment 7).

27. OBLIGATIONS ON REPURCHASE, EXPIRATION OR TERMINATION

27.1 On repurchase, expiration or termination of the Franchise, in addition to fulfilling your other continuing obligations under this Agreement:

- (a) You promptly will surrender to us or our designee, or, if directed by us, destroy and immediately discontinue the use of, any materials or designations indicating or intending to indicate in any way that you are our franchisee;
- (b) You immediately and permanently will discontinue use of the System and any information received under this Agreement and designated as "confidential";

(c) You promptly will deliver to us or our designee the Operations Manual and all other manuals, bulletins, instruction sheets, forms, devices, client, employee and independent contractor lists, and written materials, and all copies of the same, received by you under this Agreement;

(d) You promptly will pay all charges due for telephone services and ABRAKADOODLE telephone listings, assign those telephone listings to us or our designee, and discontinue any radio, newspaper or other advertising which may in any way identify you with our services or products;

(e) You promptly will pay all charges due for on-line computer network (Internet service provider) services, and cause any appropriate Internet or comparable authority (such as InterNIC) to assign to us ownership of any email address(es) or other electronic identifier(s) used in connection with the Franchised Business, unless we have waived our right to any such assignment(s);

(f) You promptly will take any action necessary to cancel any assumed name or equivalent registration that contains the mark ABRAKADOODLE or any other Mark, and submit to us proof of compliance with this obligation within 30 days after repurchase, expiration or termination.

27.2 You and we will make a prompt and final accounting on expiration or termination of the Franchise. Any sums owed under this Agreement, any sums related to the Franchised Business owed to third parties, and any other sums related to the Franchised Business owed for judgments or otherwise, promptly will be paid by the owing party.

28. ENTIRE AGREEMENT; EXECUTION DATE; MODIFICATION

28.1 This Agreement and the related agreements are the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter. The terms of this Agreement are binding on the parties, and on their heirs, executors, administrators, successors and assigns.

28.2 The execution date of this Agreement is the date it is countersigned by us.

28.3 Except as otherwise specified in this Agreement, this Agreement may not be modified except in a written agreement of at least equal formality signed by the parties.

29. INTERPRETATION

29.1 The caption headings of this Agreement are for convenience only and should in no way affect the manner in which any term of this Agreement is interpreted.

29.2 Whenever the context requires, the singular includes the plural, the plural includes the singular, the whole includes any part, and any gender includes all other genders.

29.3 The following words have the following meanings in this Agreement and any related agreements: "including" means "including but not limited to"; "will" means "shall"; and "repeatedly" means "at least 3 times".

29.4 Whenever this Agreement gives us the right to perform an act in the future, that act may be performed "from time to time", when we choose, in our sole and absolute right, unless stated otherwise in this Agreement.

29.5 If two or more parties sign this Agreement for you or as guarantors for you, their liability is joint and several.

29.6 This Agreement is governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) and the laws of the Commonwealth of Virginia; but if any term of this Agreement not governed by the Federal Arbitration Act is not enforceable under the laws of the Commonwealth of Virginia, that term is governed by the laws of the state in which the largest portion of the Development Territory is located. If the Development Territory is wholly outside the Commonwealth of Virginia, the Virginia Retail Franchising Act and its regulations will not apply.

30. PARTIAL INVALIDITY

30.1 If any Section of this Agreement is determined to be wholly invalid, that determination will not be deemed to affect the validity of any other Section. The parties agree that the remaining Sections will be deemed to be in full force and effect as if they had been executed by the parties after removal of the invalid Section. If any Section is determined to be partially invalid, the remainder of that Section will continue to be enforceable if in accordance with the intent of the parties.

30.2 If any applicable and binding law or rule of any jurisdiction requires greater prior notice of the termination of or refusal to renew the Franchise than is required by this Agreement or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the notice and/or action required by the law or rule will be substituted for the notice or action requirements of this Agreement, or the invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. The modifications to this Agreement will be effective only in the jurisdiction requiring them, and this Agreement will be enforced as originally made and entered into in all other jurisdictions.

31. WAIVER AND ESTOPPEL

31.1 No failure of us to exercise any right reserved to us under this Agreement, or to insist on compliance by you with any term of this Agreement, and no custom or practice of the parties at variance with any term of this Agreement, will constitute a waiver of our right to demand compliance with any term of this Agreement. Waiver by us of any default will not affect or impair our rights as to any subsequent default of the same or a different nature; nor will any delay, forbearance or omission by us to exercise any right as to any default of any term of this Agreement affect, impair or be a waiver by us of any right as to any subsequent default. Our rights and remedies under this Agreement are cumulative, and our exercise or enforcement of any right or remedy under this Agreement will not preclude us from exercising or enforcing any other right or remedy to which we are entitled.

32. ARBITRATION; ENFORCEMENT

32.1 Except as otherwise specified in this Agreement, the parties agree that any dispute between them, or any claim by one or more of them, concerning this Agreement, any related agreement, the Franchise or the Franchised Business that cannot be settled through negotiation or voluntary mediation, will be resolved solely and exclusively by binding arbitration initiated at and supervised by the American Arbitration Association ("AAA") office nearest our home office at the time, unless agreed otherwise by the parties.

32.2 Arbitration will be conducted under the then-prevailing commercial arbitration rules of the AAA by 1 arbitrator. Any arbitration hearing will take place at the AAA office nearest our home office at the time, and will be conducted on an individual, not a class-wide, basis. No arbitration award will have any preclusionary or collateral estoppel effect in any other arbitration or adjudicatory proceeding. Judgment on an arbitration award may be entered in any court of competent jurisdiction, and will be binding, final and non-appealable.

32.3 If any dispute or claim cannot be the subject of arbitration, the parties agree that the dispute or claim will be separated from all other disputes and claims, which other disputes and claims will first be resolved by arbitration, after which any dispute or claim which cannot be the subject of arbitration will be brought before any court specified in Section ~~32.8~~32.7. If the parties are unable to separate out these matters, their allegations and positions on them will be brought before the arbitrator(s), who will rule separately on the matters, and that ruling will be subject to appropriate judicial review on the petition of a party.

32.4 Nothing in this Section 32 will prevent us from obtaining temporary, preliminary or permanent injunctive relief, without bond, from a court or agency of competent jurisdiction against actual or threatened conduct causing loss or damage that can be remedied under usual equity rules.

32.5 If any arbitration, any action for any dispute or claim which cannot be the subject of arbitration, or any action for injunctive relief is started concerning this Agreement, any related agreement, the Franchise or the Franchised Business, the party which substantially prevails in that arbitration or action will be entitled to a judgment against the other party for the costs of the arbitration or action, including reasonable attorneys' fees, reasonable expenses of arbitration or litigation, and arbitration or court costs.

32.6 Any claim concerning the Franchised Business, the Franchise or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within 2 years after the date on which you or we knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

32.7 You and we each waive, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other, and agree that if there is a dispute with the other, each party will be limited to the recovery of actual damages sustained by it. You and we each irrevocably waive trial by jury in any action, whether at law or equity, brought by either party. You and we each also agree that any action brought by either party relating to this Agreement, any related agreement, the Franchise or the Franchised Business will be brought in a state or federal court of general jurisdiction in the county or city in which our home office is located at the time. You irrevocably submit to the jurisdiction of these courts and waive any objections you may have to the venue of these courts.

Your Initials _____

33. NOTICES

33.1 Any notice required to be given under this Agreement will be deemed to be given when delivered: by certified, registered or other receipted mail; by fax; by receipted courier or delivery service; by telegram; or personally. If delivery has not occurred after at least two of these methods have been used, any notice required to be given under this Agreement will be deemed to be given 3 days after being posted by first-class mail, postage prepaid.

33.2 Notices to us will be sent to our address as stated in this Agreement or to any other address we may specify to you in writing. Notices to you will be sent to the address of the Franchised Business as stated in this Agreement or any other address you may specify to us in writing.

34. ACCEPTANCES, APPROVALS AND CONSENTS

34.1 Acceptances, approvals and consents required by this Agreement will not be unreasonably withheld or delayed.

34.2 Whenever this Agreement requires our prior acceptance, approval, or consent, you will make a timely written request to us for the acceptance, approval or consent, which will be obtained in writing.

34.3 We assume no liability or obligation to you by providing any acceptance, approval, consent or suggestion to you, or by delaying action on or denying any request for an acceptance, approval or consent.

35. ACKNOWLEDGEMENTS BY FRANCHISEE

35.1 You acknowledge that:

(a) You have conducted an independent investigation of the business contemplated by this Agreement and recognize that it involves significant risks, making the success of the business largely dependent on your abilities and attention. We expressly disclaim the making of, and you acknowledge that you have not received or relied on, any representation, warranty or guarantee, expressed or implied, as to the potential sales, profits or success of the Franchised Business.

Your Initials _____

(b) In entering into this Agreement, you have not relied on any representation by us, or any of our officers, directors, partners, shareholders, employees or agents concerning the Franchised Business which are contrary to the terms of this Agreement, the documents incorporated into this Agreement or attached to it, or the disclosure document provided to you by us.

Your Initials _____

(c) You (and each of your principals, if you are a legal entity) have read and understood this Agreement and all related agreements; we have fully and adequately explained the terms of each to your satisfaction; and we have accorded you ample time and opportunity to consult, and you have consulted, with existing franchisees, and with financial, legal and other advisors of your own choosing, about the potential benefits and risks of entering into the Franchised Business.

Your Initials _____

(d) You acknowledge that complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole and absolute right, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other ABRAKADOODLE franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.

Your Initials _____

(e) You have received a disclosure document, our standard Franchise Agreement and all related agreements at least 10 business days before the execution of this Agreement, and have received a substantially complete version of this Agreement and all related agreements at least 5 business days before the execution of this Agreement.

Your Initials _____

(f) You have made no payment to us before the execution of this Agreement.

Your Initials _____

Each of the undersigned agrees to the terms of this Agreement.

FRANCHISEE ("You")

Name: _____

Name: _____

Date Received: _____

Date Signed: _____

ABRAKADOODLE, INC. ("We)

By: _____

Its: _____

Date Signed: _____

RIDER FOR USE IN ILLINOIS

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____ whose address is _____ ("you" or "your").

1. Section 3.2 is modified to include the following paragraph:

(f) The conditions under which the franchise can be terminated and the parties' rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

2. Section 26 is modified to include the following paragraph:

26.7 The conditions under which the franchise can be terminated and the parties' rights on termination may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

3. Section 29.6 is modified by the addition of the following language:

In accordance with Illinois Rule § 200.608, Illinois law (in particular, § 41 of the Illinois Franchise Disclosure Act) applies where the provisions of the franchise agreement are inconsistent with Illinois law.

4. Section 32.7 is modified by the addition of the following language:

Any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void as to any cause of action which otherwise is enforceable in Illinois, but a franchise agreement may provide for arbitration in a forum outside of Illinois.

5. Sections 35.1(a), (b), (e) and (f) are deleted in their entirety.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

ABRAKADOODLE, INC. ("WE")

Name(s): _____ By: _____

_____ Its: _____

Date Received: _____ Date Signed: _____

Date Signed: _____

RIDER FOR USE IN MARYLAND

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____ whose address is _____ ("you" or "your").

- 1. Sections 25.2b(iv) and 26.6c are revised to add the following words:

", except any claims arising under the Maryland Franchise Registration and Disclosure Law".
- 2. The 3rd sentence in Section 32.7 is revised to add the following clause:

", but you and we each agree that any action based on any claim arising under the Maryland Franchise Registration and Disclosure Law may be brought in a court in Maryland".
- 3. The following Section 32.8 is added:

32.8 Franchisee understands that any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise.
- 4. The following Section 35.2 is added:

35.2 The acknowledgements in Section 35.1 in no way constitute a release, estoppel or waiver by Franchisee of its rights under the Maryland Franchise Registration and Disclosure Law.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

ABRAKADOODLE, INC. ("WE")

Name(s): _____ By: _____

_____ Its: _____

Date Received: _____ Date Signed: _____

Date Signed: _____

RIDER FOR USE IN MINNESOTA

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____ whose address is _____ ("you" or "your").

1. Section 19.9 is deleted in its entirety and replaced with the following paragraph:

19.9 You agree that the use of any Mark contrary to any term of this Agreement is an act of infringement, and that the use will entitle us to seek an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorney's fees, and any other appropriate relief.

2. Section 20.4, the 1st sentence, is deleted in its entirety and replaced with the following paragraph:

20.4 You agree that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and will entitle us to seek an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorney's fees, and any other appropriate relief.

3. Section 21.5 is deleted in its entirety and replaced with the following paragraph:

21.5 You acknowledge that we are entitled to seek the issuance of an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, prohibiting any conduct by you in violation of any term of this Section 21.

4. Section 25.2(b)(iv) is modified to add ", except any claims arising under the Minnesota Franchise Act".

5. Section 26 is modified to include the following paragraph:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sect. 80C.14, subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the franchise.

6. Section 29.6 is modified to include the following sentence:

Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

7. Section 32.4 is modified by deleting the words "from obtaining" and substituting in their place the words "from seeking to obtain".

8. Section 32.7 is modified by deleting the last 3 sentences.

9. Section 32.8 is added:

32.9 Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the offering circular or franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

10. Attachment 5, Section 6, is deleted in its entirety and replaced with the following:

6. Injunctive Relief. We or AI, in addition to other legal and equitable rights and remedies, will be entitled to seek a temporary, preliminary or permanent injunction, without bond, restraining any actual or threatened violation by you of any covenant in this Agreement.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

ABRAKADOODLE, INC. ("WE")

Name(s): _____ By: _____

_____ Its: _____

Date Received: _____ Date Signed: _____

Date Signed: _____

RIDER FOR USE IN NEW YORK

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____ whose address is _____ ("you" or "your").

1. The 12th line of Section 9.1 is modified to replace "in our sole and absolute right" with "in our good faith judgment."
2. Section 19.9 is modified to replace "entitle" with "entitle us to apply for".
3. The 2nd line of Section 21.5 is modified to replace "You accordingly consent to the" with "You accordingly consent to the application for the".
4. The following Section 21.11 is added.

21.11 We and you agree that if a panel of arbitrators selected under Section 32 or a court of competent jurisdiction finds that you had proper grounds for terminating the franchise with cause under Section 26.5, you will be relieved of your post-termination obligations under Sections 21.3 and 21.4(b).

5. Section 24.1 is modified to include the following sentence:

However, we will not be required to hold harmless or indemnify you for any claim arising out of a breach of this Agreement by you or any other civil wrong of Franchisee.

6. Section 24.2 is modified to include the following sentence:

However, you will not be required to hold harmless or indemnify us for any claim arising out of a breach of this Agreement by us or any other civil wrong of ECW.

7. Section 25.1 is modified to include the following sentence:

However, we will not make any such transfer or assignment except to a person who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

8. Section 25.2(b)(iv) is modified by adding the following proviso:

, but all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

9. Section 28.3 is modified to include the following sentence:

No amendment or modification of any provision of this Agreement, however, will impose any new or different requirement which unreasonably increases your obligations or places an excessive economic burden on your operations.

10. Section 29.6 is modified to include the following language:

The foregoing choices of law will not be a waiver of any right conferred on you or us by the General Business Law of the State of New York, Article 33.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

ABRAKADOODLE, INC. ("WE")

Name(s): _____ By: _____

_____ Its: _____

Date Received: _____ Date Signed: _____

Date Signed: _____

RIDER FOR USE IN WASHINGTON

THIS RIDER is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____

_____ whose address is _____
_____ ("you" or "your").

1. The following paragraphs are added:

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

If any of the provisions in the franchise offering circular or franchise agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the franchise offering circular and franchise agreement with regard to any franchise sold in Washington.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

A release or waiver of rights executed by franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to a jury trial, may not be enforceable.

2. Section 29.6 is deleted and the following section is substituted in its place:

29.6 This Agreement is governed by the Federal Arbitration Act (9 U.S.C. 1 et seq.) and the laws of the Commonwealth of Virginia; but if any term of this Agreement not governed by the Federal Arbitration Act is not enforceable under the laws of the Commonwealth of Virginia, that term is governed by the laws of the state in which the largest portion of Franchisee's Territory is located. The foregoing choices of law shall not be waivers of any right conferred upon Franchisee or Franchisor by the Washington Franchise Investment Protection Act.

Each of the undersigned agrees to the terms of this Rider.

FRANCHISEE ("YOU")

ABRAKADOODLE, INC. ("WE")

Name(s): _____ By: _____

_____ Its: _____

Date Received: _____ Date Signed: _____

Date Signed: _____

Attachment 1

DEVELOPMENT TERRITORY

The Development Territory is as follows:

If the U.S. Postal Service alters the boundary(ies) or number(s) of any assigned ZIP codes(s), we will reassign to you the re-designated ZIP code(s) which most closely correspond to any previously held ZIP code(s). If you renew or transfer the Franchise under specified circumstances, we may change the boundaries of the Development Territory or divide it into multiple territories (see Sections 3.2(d) and 25.2(b)(vi) of the Franchise Agreement).

During the 12-month period from the 13th month after you complete initial training through the 24th month after you complete initial training, and during each calendar year ending later than the 24th month after you complete initial training, you must meet a minimum annual Gross Sales Quota. For a standard territory, the minimum annual Gross Sales Quota is \$75,000, subject to our right to increase this quota amount annually, for 2007 and later calendar years, based on increases in the Consumer Price Index.

If the Development Territory specified in this Attachment 1 is larger than a standard territory, the minimum annual Gross Sales Quota is \$_____, subject to our right to increase this quota amount annually, for 2007 and later calendar years, based on increases in the Consumer Price Index.

If you elect to market Additional Programs under Section 1.3 of the Franchise Agreement, higher minimum annual Gross Sales Quotas may be required.

If you renew or transfer the Franchise under specified circumstances (see Sections 3.2(d) and 25.2(b)(vi) of the Franchise Agreement), higher or multiple minimum annual Gross Sales Quotas may be required.

Attachment 2

LEGAL ENTITY INFORMATION SHEET

Legal Entity Name/Type: _____

State/Date of Formation: _____

List of Shareholders/Members/Partners:

% Interest	Class/General or Limited Partner	Name
% Interest	Class/General or Limited Partner	Name
% Interest	Class/General or Limited Partner	Name
% Interest	Class/General or Limited Partner	Name
% Interest	Class/General or Limited Partner	Name
% Interest	Class/General or Limited Partner	Name

Documents:

	Not Required	Provided to Us	To Be Provided to Us Within 30 Days
Certificate and Articles of Incorporation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certificate and Agreement of Partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certificate and Articles of Organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
By-Laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Partnership Agreement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Resolution Authorizing Franchise Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Conditions:

No

Yes

The legal entity's activities must be confined exclusively to operating the Franchised Business.

(or another person with our written consent) must act as the legal entity's operating principal.

Each principal who has an interest of more than 5% must sign the Guaranty Agreement (Attachment 3).

The legal entity must maintain stop transfer instructions against transfer on its records of any stock certificate or certificate of interest or certificate of ownership contrary to the terms of Section 25 of the Franchise Agreement.

Each stock certificate or certificate of interest or certificate of ownership must include the statement specified in Section 25.4 of the Franchise Agreement.

The legal entity must maintain a current list of all principals and other beneficial owners, and must furnish the list to us on request.

Attachment 3

GUARANTY AGREEMENT

In consideration of, and as an inducement to, the execution by ABRAKADOODLE, INC. ("we", "us" or "our") of the Franchise Agreement between us and _____ ("Franchisee") executed _____ (the Agreement") each undersigned Guarantor ("you or "your") personally and unconditionally, for the term of the Franchise and thereafter as provided in the Agreement, (1) guarantees to us and our successors and assigns, that Franchisee will punctually pay or perform each obligation in the Agreement and (2) agrees to be personally bound by, and personally liable for the default of, each term of the Agreement. Each of you waives:

- (1) our acceptance and notice of acceptance of these undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligation guaranteed;
- (3) protest and notice of default to any party as to any indebtedness or nonperformance of any obligation guaranteed;
- (4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (5) any other notices and legal or equitable defenses to which you may be entitled.

Each of you agrees that:

- (1) your direct and immediate liability under this guaranty is joint and several;
- (2) you will render any payment or performance required under the Agreement on demand if Franchisee fails or refuses to do so punctually;
- (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchisee or any other person; and
- (4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may grant to Franchisee or any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claim, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable for as long as any obligation in the Agreement remains in effect.

Each of you affixes your signature to this guaranty as of the same date as the date of execution of the Agreement.

GUARANTOR

Name: _____

Address: _____

Percentage Ownership in Franchise: _____

GUARANTOR

Name: _____

Address: _____

Percentage Ownership in Franchise: _____

Attachment 4

TELEPHONE LISTING AGREEMENT

THIS AGREEMENT is entered into by ABRAKADOODLE, INC., a Virginia corporation with its principal office at 1800 Robert Fulton Drive, Suite 250, Reston, Virginia 20191 ("we", "us" or "our"), and _____ whose address is _____ ("you" or "your").

RECITALS:

A. We are the franchisor of ABRAKADOODLE® businesses and the owner of service marks, trade marks, trade names and trade dresses related to the operation of those businesses (the "Marks");

B. We and you have executed a Franchise Agreement dated _____ (the "Franchise Agreement"), under which you are granted a franchise (the "Franchise") involving certain rights to use the Marks in your business telephone directory listings to promote its ABRAKADOODLE business; and

C. You are authorized to continue using the Marks until the Franchise is repurchased, terminated or expires.

In consideration of the recitals above and the terms below, we and you agree:

1. You must obtain a business telephone service and listing for the Franchised Business. That service is not to be used in conjunction with any other business telephone service and you may not use a residential listing or service for your business line.

2. You must obtain white page, yellow page and information listings, under ABRAKADOODLE and any other Marks you may be authorized to use. You are authorized, but not required, to obtain yellow page advertisements. No proper names or city names may be used in conjunction with the Marks and no additional listings may be used with any telephone number(s) assigned to the Franchised Business, without our prior written consent.

3. All yellow page advertisements must be approved in advance in writing by us.

4. You must pay all charges for telephone service, white page, yellow page and information listings, and yellow page advertisements.

5. On repurchase, termination or expiration of the Franchise, you acknowledge that your right to the use of any service marks, trademarks, trade names and trade dresses made available by us to you for use under the Franchise Agreement, will immediately end, and that all telephone numbers appearing under the Marks will immediately become our property, and irrevocably release to us all rights to and use of all telephone numbers associated with the Marks then listed. You irrevocably authorize the telephone company,

on notification by us of repurchase, termination or expiration of the Franchise, to assign all of those telephone numbers to us or to disconnect those telephone numbers and to transfer calls coming to those disconnected numbers to any telephone numbers issued by the telephone company to us, without the need for any further document(s) from you.

6. You irrevocably release the telephone company, us, and our respective successors, assigns, directors, officers, employees and agents, from liability of any kind which may result directly or indirectly from our exercise of our rights under this Agreement or from the telephone company's cooperation with us in effecting the terms of this Agreement.

The undersigned agree to the terms of this Agreement.

FRANCHISEE:

Date Received: _____

Date Signed: _____

ABRAKADOODLE, INC.

Name: _____

Title: _____

Date Signed: _____

Attachment 5

**MANAGER/SUPERVISOR CONFIDENTIALITY
AND NONCOMPETITION AGREEMENT**

(Note: To be signed by Franchisee and Manager or Supervisor, if Applicable)

THIS AGREEMENT is entered into by _____ (“we”,
“us”, or “our”), a franchisee of ABRAKADOODLE, INC. (“AI”), and _____
_____ (“you”, “your” or “yourself”).

RECITALS

- A. We desire to engage you; and
- B. You desire to be engaged or employed by us, in connection with our ABRAKADOODLE® business.

In consideration of the recitals above and the terms below, the parties agree:

1. Covenants Not to Disclose; Covenants Not to Compete. You acknowledge that certain methods of doing business and other elements comprising the ABRAKADOODLE system are distinctive and have been developed by AI and us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the ABRAKADOODLE system; and that you recognize your obligation to promote and develop our ABRAKADOODLE business. You accordingly agree as follows:

(a) Except as required in duties performed for us, you will never, either during or after the term or engagement or employment, either directly or indirectly, use, or disseminate or disclose to any person or entity, any trade secrets or confidential information, including client names, other client information and business methods, of AI or us, and will always seek to preserve the confidentiality of those trade secrets and confidential information.

(b) During your engagement or employment, you will not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, divert or attempt to divert any business or client of ours to any competitor or other person by direct or indirect inducement or otherwise, but this Section will not prevent you from referring customers in good faith to other businesses, including competitors’ businesses, that may be able to provide those customers with services or products not available from our business.

(c) During your engagement or employment and for an uninterrupted period of 1 year after termination of your engagement or employment, regardless of the cause of termination, you will not, without the prior written consent of us and AI, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, engage or seek to engage as an independent contractor or employ or seek to employ any

person who, within the preceding 6 months, has been an independent contractor or employee of AI, us or any other AI franchisee.

(d) During your engagement or employment, you will not, without the prior written consent of us and AI, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business other than us located in the United States which, offers or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services and products offered by us or AI.

(e) For 1 year after termination of your engagement or employment, regardless of the cause of termination, you will not, without the prior written consent of us and AI, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any other person or entity, own, maintain, engage in, have any interest in or perform any service for any business which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to the services or products that were or could have been offered by us or AI when you were engaged or employed, and which operates: (1) within our Development Territory, or (2) within the Development Territory of any other ABRAKADOODLE franchisee's business operating or in planning at the time of termination.

2. You acknowledge that we may, if required by us in our sole and absolute right, reduce the scope of any term or subpart of any term in this Agreement without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any term or subpart so modified, which will be fully enforceable notwithstanding any other term or subpart of this Agreement.

3. Covenants As Independent and As Conditions Precedent to Employment. Your covenants in Section 1 are independent of any other terms of this Agreement, and are conditions precedent to engagement or employment. Any claim or cause of action against us or AI, whether predicated on this Agreement or otherwise, will not be a defense to the enforcement by us or AI of the covenants in Section 1.

4. Covenants Concerning Company Property. You agree that all our records, including records of our clients and all other records relating in any manner to our ABRAKADOODLE business, whether prepared by you or otherwise coming into your possession, are the exclusive property of us or AI. Additionally, you agree that all files, records, documents, drawings, specifications and similar items relating to our ABRAKADOODLE business, including all copies of those items, whether prepared by you or otherwise coming into your possession, will not be removed by you from our premises without our prior written consent. Any records not at our premises will immediately be returned to us by you on termination of your engagement or employment, regardless of the cause of termination.

5. Severability. If a part of a covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, you agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in this Agreement. If

an entire covenant in this Agreement is held invalid, unreasonable or unenforceable by a court or agency, the remaining covenants in this Agreement will continue in effect.

6. Injunctive Relief. We or AI, in addition to other legal and equitable rights and remedies, will be entitled to temporary, preliminary or permanent injunctive relief, without bond, restraining any actual or threatened violation by you of any covenant in this Agreement.

7. Attorneys' Fees. In a legal action for damages, injunctive relief, the return of property or any other legal or equitable remedy, you agree to pay our or AI's reasonable attorneys' fees, court costs and reasonable out-of-pocket expenses related to the action.

8. Governing Law. This Agreement will be governed by the laws of the state in which our principal business office is located on the date of execution of this Agreement.

9. Binding Effect. This Agreement will be binding on the parties, and their heirs, executors, administrators, successors and assigns.

10. Modification. This Agreement may not be modified except in written agreement of at least equal formality signed by the parties.

The undersigned agree to the terms of this Agreement.

INDEPENDENT CONTRACTOR OR EMPLOYEE

Date: _____

COMPANY

Name: _____

Title: _____

Date: _____

Attachment 6

AUTHORIZATION FOR AUTOMATIC PAYMENTS

I authorize Abrakadoodle, Inc., through the financial institution named below, to initiate variable charges to my checking/savings account designated below, for service fees that are due, and for amounts that are overdue for services or products received from Abrakadoodle, Inc. As to the financial institution, this authority will remain in effect until I notify the financial institution in writing to cancel it in such time as to afford the financial institution an opportunity to act on the notice. As to Abrakadoodle, Inc., this authority will remain in effect until I notify Abrakadoodle, Inc. in writing and provide Abrakadoodle, Inc. with a replacement authority designating a different financial institution and/or account. I can stop payment on any charge by notifying Abrakadoodle, Inc. or the financial institution three (3) days before my account is charged. I can have the amount of an erroneous charge immediately credited to my account up to fifteen (15) days following issuance of my account statement or forty-five (45) days after posting, whichever occurs first.

If there are insufficient funds in my account to cover any proper charge by Abrakadoodle, Inc., I authorize Abrakadoodle, Inc. to initiate a charge of any amount due, plus a five (5) percent administrative fee, to the credit card designated below.

Name of Franchisee: _____

Name of Financial Institution: _____

Address of Franchise: _____

City: _____

State and Zip: _____

Checking Account Number: _____

Or Savings Account Number: _____

Bank Routing Number (on bottom left of check): _____

Credit Card Type: _____

Credit Card Number: _____

Credit Card Expiration Date: _____

Signature: _____

Printed Name: _____

Date: _____

Attachment 7

SAMPLE GENERAL RELEASE

This **GENERAL RELEASE** is made and executed by **[NAME]**, individually ("you"), as of **[DATE]** ("Effective Date").

WHEREAS, **ABRAKADOODLE, INC.**, a Virginia corporation doing business as **ABRAKADOODLE** ("us") and you entered into a franchise agreement dated **[DATE]**, and **[DESCRIBE FACTS]**.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are acknowledged, you agree as follows:

You, for yourself and each of your past and present heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasors"), hereby release and forever discharge us and each of our predecessors, successors, affiliates, subsidiaries, assigns, officers, directors, shareholders, agents and employees, and their respective heirs, executors, administrators, representatives, successors and assigns, in their corporate and individual capacities (collectively "Releasees"), from, in respect of and in relation to any and all claims, demands, causes of action, suits, debts, obligations, sums of money, acts, omissions or refusals to act, damages, judgments and demands, of any kind whatsoever, joint or several, known or unknown, which against Releasees the Releasors ever had, now have or which Releasors hereinafter can, shall or may have, for, upon or by reason of any matter, cause or thing whatsoever, through the Effective Date, except that this General Release does not apply to any claim under the Maryland Franchise Registration and Disclosure Law.

Name, individually

STATE OF _____ §

§

COUNTY OF _____ §

§

I hereby certify that before me, a notary public, personally appeared **[NAME]** who made oath in due form of law that s/he was executing the foregoing General Release for the purposes therein contained.

As witness, my hand and Notarial Seal on _____, 20__.

Notary Public
My Commission Expires: