

EXHIBIT B

FRANCHISE AGREEMENT

ΔINTELLIGENT OFFICE

FRANCHISE AGREEMENT

Franchisee: _____

Date: _____

Franchised Location: _____

**△INTELLIGENT OFFICE
FRANCHISE AGREEMENT**

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EXHIBITS

- I. Addendum to Franchise Agreement
- II. Guaranty and Assumption of Franchisee's Obligations
- III. Statement of Ownership
- IV. Telephone Assignment Agreement

△INTELLIGENT OFFICE
FRANCHISE AGREEMENT

THIS AGREEMENT ("Agreement") is made this ____ day of _____, 20__, by and between **THE INTELLIGENT OFFICE SYSTEM, LLC**, a Colorado limited liability company, located at 4450 Arapahoe Avenue, Boulder, Colorado 80303 ("**Franchisor**") and _____, located at _____ ("**Franchisee**"), who, on the basis of the following understandings and agreements, agree as follows:

1. PURPOSE

1.1. The Franchisor has developed methods for establishing, operating and promoting offices offering individuals and businesses advanced telecommunications and office support services, including, but not limited to, virtual office services, integrated, seamless, geographically non-specific telecommunications services, on-site and off-site reception and secretarial services, office technology, non-dedicated conference rooms and dedicated or non-dedicated office space ("**△INTELLIGENT OFFICE Centers**" or "**Centers**") which use the service mark "**△INTELLIGENT OFFICE**" and related trade names and trademarks ("**Marks**") and the Franchisor's proprietary methods of doing business ("**System**").

1.2. The Franchisor grants the right to others to develop and operate a Center, under the Marks and pursuant to the System.

1.3. The Franchisee desires to establish an **△INTELLIGENT OFFICE Center** at a location identified herein or to be later identified, and the Franchisor desires to grant the Franchisee the right to operate a Center at such location under the terms and conditions which are contained in this Agreement.

2. GRANT OF FRANCHISE

2.1. Grant of Franchise

The Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the right to use the Marks and System in connection with the establishment and operation of one **△INTELLIGENT OFFICE Center**, at the location described in Article 3 of this Agreement. The Franchisee agrees to use the Marks and System, as they may be changed, improved and further developed by the Franchisor from time to time, only in accordance with the terms and conditions of this Agreement.

2.2. Scope of Franchise Operations

The Franchisee shall at all times comply with the Franchisee's obligations hereunder, and shall continuously use best efforts to promote and operate the Center. The Franchisee shall utilize the Marks and System to operate all aspects of the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, all of which are a part of the System. The Franchisee's Center shall offer all telecommunications and office support services and related products as the Franchisor shall designate and shall be restricted from offering or selling any telecommunications and office support services and related products not previously approved by the Franchisor in writing.

3. FRANCHISED LOCATION AND TERRITORIAL RIGHTS

3.1. Franchised Location

The Franchisee is granted the right and franchise to own and operate ^Δan INTELLIGENT OFFICE Center at the address and location which shall be set forth in Exhibit I, attached hereto (“**Franchised Location**”). If, at the time of execution of this Agreement, the Franchised Location cannot be designated as a specific address because a location has not been selected and approved, then the Franchisee shall promptly take steps to choose and acquire a location for its Center within the “**Assigned Area**,” set forth in Exhibit I. In such circumstances, the Franchisee shall select and propose to the Franchisor for the Franchisor’s prior approval a specific location for the Franchised Location which, once approved by the Franchisor, shall then be described in the rider to Exhibit I. In addition, if at the time of execution of this Agreement the Protected Territory cannot be designated pursuant to Section 3.2 below, once the Franchised Location is selected and approved, the Franchisor shall designate the Protected Territory. The Protected Territory shall then be described in the rider to Exhibit I and the Franchisee shall immediately execute and return the rider to the Franchisor.

3.2. Protected Territory

So long as the Franchisee is in compliance with this Agreement, and subject to the Franchisor’s reservation of rights herein, the Franchisor shall not establish or license another person or entity to establish ^Δan INTELLIGENT OFFICE Center within that certain geographic area set forth in Exhibit I (“**Protected Territory**”).

3.3. Limitation on Franchise Rights

The rights that are granted to the Franchisee are for the specific Franchised Location and Protected Territory and cannot be transferred to an alternative Franchised Location or Protected Territory, or any other location, without the prior written approval of the Franchisor, which approval shall not be unreasonably withheld. The Franchisee shall not operate another Center or offer services or related products which are part of the System from any location other than the Franchised Location, transship or reship products or sell services or products to other ^ΔINTELLIGENT OFFICE franchisees, without the Franchisor’s prior written approval, which approval can be withheld for any reason, in the Franchisor’s sole discretion.

3.4. Market and Clients

The Franchisee is free to advertise for potential clients and to offer and sell services to clients of the Center (“**Clients**”) regardless of where the Clients live or where the principal office of their business is located, just as other franchisees are free to advertise for, and serve Clients from any geographic area. Upon termination or expiration of this Agreement, all Client information, including computer software data, shall be returned to the Franchisor for use solely by the Franchisor, its designated agent or other ^ΔINTELLIGENT OFFICE franchisees.

3.5. Franchisor’s Reservation of Rights

The Franchisee acknowledges that its franchise rights as granted are non-exclusive and that the Franchisor retains the rights, among others: (1) to use, and to license others to use, the Marks and System in connection with the operation of Centers at any location other than in the Protected Territory; (2) to use the Marks to identify and sell any type of services and products, promotional and marketing efforts or related items, Δwhich may be the same as or similar to those which the Franchisee will sell, made available

by the Franchisor, in its sole discretion, through alternative channels of distribution (other than Centers), at any location; and (3) to use and license the use of [△]different proprietary marks [△]and methods in connection with the sale of products and services similar to those which the Franchisee will sell, whether in alternative channels of distribution or in connection with the operation of businesses providing advanced telecommuting and office support services, at any location, which businesses are the same as, or similar to, or different from[△] INTELLIGENT OFFICE Centers (for example, if the Franchisor acquires another system which provides telecommuting or office support services which uses a different mark or name), on any terms and conditions as the Franchisor deems advisable.

4. INITIAL FRANCHISE FEE

4.1. Initial Franchise Fee

In consideration for the right to develop and operate one [△]INTELLIGENT OFFICE Center, the Franchisee shall pay to the Franchisor an initial franchise fee in the amount set forth in Exhibit I, due and payable contemporaneously with the execution of this Agreement. The Franchisee acknowledges that the initial franchise fee represents payment for the initial grant of the rights to use the Marks and System, that the Franchisor has earned the initial franchise fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid, unless otherwise specifically set forth in this Agreement.

5. DEVELOPMENT OF FRANCHISED LOCATION

5.1. Approval of Franchised Location

The Franchisee shall follow the Franchisor's site selection procedures in locating a Franchised Location for the Center. The Franchisee shall seek the Franchisor's approval of any site proposed as a Franchised Location, by submitting a complete site submittal package, including demographics and other materials requested by the Franchisor, containing all information reasonably required by the Franchisor to assess a proposed Franchised Location. The Franchisor will not unreasonably withhold approval of a proposed site that meets all of the Franchisor's site selection criteria. The Franchisor shall have a right to designate a national tenant broker that assists the Franchisee with site evaluation and lease review and, if the Franchisee chooses not use the designated broker, the Franchisor shall have the right to charge the Franchisee a fee per visit to the Protected Territory, plus out-of-pocket expenses, to perform or assist in site evaluation and lease review. If the Franchisor approves a site which the Franchisee refuses to adopt as its Franchised Location, then the Franchisor may open its own Center at the approved location or franchise a third party at the approved location, in which case, the Franchisor may, in its sole discretion, terminate this Agreement and refund a portion of the Franchisee's initial franchise fee. [△]The Franchisee shall obtain the Franchisor's approval of a Franchised Location within [△]120 days of the date of execution of this Agreement, unless the Franchisor and the Franchisee have entered into an Area Development Agreement ("ADA") which grants the Franchisee the right to develop multiple INTELLIGENT OFFICE Centers (in which case the 120 day deadline shall be modified by the ADA). If the Franchisor disapproves of any site proposed by the Franchisee, the Franchisor will grant the Franchisee an additional, reasonable period of time to obtain approval of a Franchised Location, as may be determined in the Franchisor's reasonable business judgment.

5.2. Approval of Site Acquisition or Lease

[△]On or before the date that is 90 days prior to the date that Franchisee is required to commence operations of the Center, Franchisee shall either: (1) execute the lease for the premises where the Center will be located; or (2) obtain title for the premises where the Center will be located; provided, however,

the Franchisee shall obtain the Franchisor's prior written approval before executing any lease or purchase agreement for the Franchised Location. Any lease for the Franchised Location shall, at the option of the Franchisor, [△]provide that:

a. the initial lease term, or the initial lease term together with any renewal terms (for which actual rental amounts must be specified in the lease), is at least 20 years;

b. lessor consents to the Franchisee's use of the Marks and the signage initially prescribed by the Franchisor for the Franchisee's Center;

c. the Franchisor is granted the right to enter the Franchisee's Center to make such modifications that the Franchisor deems necessary to protect the Marks and the System;

d. the Franchisor or its designee shall have the right to take assignment of the lease[△] in the event that this Agreement is terminated or not renewed for any reason and the right, without lessor's approval, to assign the lease or sublet the premises for the remainder of the lease term; [△]

e. the Franchisor be given written notice and the right to cure any default by the Franchisee under such lease; and [△]

f. there is a use provision which is acceptable to the Franchisor.

The lease shall be collaterally assigned to the Franchisor as security for the Franchisee's timely performance of all obligations under this Agreement and the Franchisee shall obtain the lessor's consent to such collateral assignment. The Franchisee shall deliver a copy of the signed lease for the Franchised Location and the collateral assignment of lease to the Franchisor within 15 days of execution. [△] In the event the Franchisee [△]engages a supplier of site evaluation and lease review services other than the supplier currently designated by the Franchisor, the Franchisee shall pay to the Franchisor prior to approval of the Franchised Location by the Franchisor a fee in the amount of \$[△]5,000, paid in advance, for each trip the Franchisor makes to the Franchisee's Protected Territory ("Site Evaluation and Lease Review Fee"), and shall thereafter reimburse the Franchisor for its out-of-pocket expenses incurred in assisting the Franchisee and any designee of the Franchisee in site selection and lease review. The Franchisee acknowledges that approval of a lease or purchase agreement for the Franchised Location by the Franchisor does not constitute a recommendation, endorsement or guarantee by the Franchisor of the suitability or profitability of the location or the lease or purchase agreement and the Franchisee should take all steps necessary to ascertain whether such location and lease or purchase agreement are acceptable to the Franchisee.

5.3. Conversion and Design

The Franchisee acknowledges that the leasehold improvements, layout, design, decoration and color scheme of [△]INTELLIGENT OFFICE Centers are an integral part of the Franchisor's proprietary System and, accordingly, the Franchisee shall convert, improve, design, decorate and furnish the Franchised Location in accordance with the Franchisor's plans and specifications and with the assistance of contractors, architects and other suppliers designated by or otherwise approved by the Franchisor. The Franchisee shall obtain the Franchisor's written consent to any conversion, improvements, design, decoration or furnishing of the premises before remodeling or decorating begins, recognizing that any related costs are the Franchisee's sole responsibility. It shall be the Franchisee's responsibility to have prepared and to pay for all required blueprints and construction plans and specifications to suit the shape and dimensions of the Franchised Location and to insure compliance with applicable laws and the lease. The [△]Franchisee shall pay a [△]fee to a third[△] party architectural design firm [△]designated by the Franchisor[△] for

the provision of space planning and interior design [^]service, which fee the Franchisee acknowledges is in addition to costs that are incurred by the Franchisee for a local architect's and an engineer's provision of services related to construction drawings, local approval and construction oversight. Any changes to the design must be pre-approved in writing by the Franchisor or the design firm prior to implementation.

5.4. Sign Boards, Build-Out Equipment and Furnishings

The Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the Center a sign board, to list the names of all Clients of the Center, and related signs which comply with the standards and specifications of the Franchisor as set forth in the Operations Manual, as that term is defined in Section 8.1 of this Agreement. It is the Franchisee's sole responsibility to insure that any signs comply with applicable local ordinances, building codes and zoning regulations. Any modifications to the Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval. The Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor. The Franchisee shall also purchase or otherwise obtain for use at the Franchised Location carpeting, mailboxes, light fixtures, key padlock, folding wall, furniture and artwork, all of which shall be available for purchase through the Franchisor or through an alternative supplier, that is first approved by the Franchisor, that can provide such items which meet the minimum standards and specifications of the Franchisor. If purchased through the Franchisor, the total purchase price shall be paid by the Franchisee: (1) one-half upon placement of the order for the items; and (2) the remaining amount on or before the date on the invoice mailed to the Franchisee by the Franchisor just prior to shipment of the items in the package. All such payments are non-refundable once made.

5.5. Equipment and Computers

The Franchisee shall obtain and utilize for the Center such office equipment, telecommunications equipment and computer hardware [^](**Designated Equipment**) as is consistent with the standards and specifications of the Franchisor. The Franchisee shall purchase, install and utilize in its Center operations the computer software and related materials approved or designated by the Franchisor ([^]**Programs**) (the Programs and the Designated Equipment are collectively referred to in this Agreement as "Technology Systems"). The Technology Systems and related proprietary systems installation, configuration and integration services must be [^]purchased and ordered from the Franchisor and payment of a fee (**Technology Charge**) for the same[^], in the amount set forth in Exhibit I, which shall be due and payable: (1) one-half as of the earlier of the date of the Franchisee's Technology Systems order or the first day of the Franchisee's attendance at the Franchisor's initial training program, described in Section 6.1 below; and (2) one-half just prior to shipment of the Technology Systems to the Franchisee's Center. The Technology Charge is non-refundable once paid. The Franchisor shall pay certain third party vendors for the Technology Systems as may be supplied by them and the Franchisor, itself or through its employees or other designated representatives, will install, configure and integrate the Technology Systems at the Franchisee's Center. The Franchisee shall, at the Franchisee's sole cost, purchase and install a modem and join an electronic network connection service which meets the Franchisor's standards and specifications, to facilitate communication between the Franchisor and the Franchisee. The Franchisee shall provide the Franchisor with 24/7 access to the Technology Systems and to information and data regarding the Center by computer modem or other means designated by the Franchisor. The Franchisor reserves the right to require on 30 days notice that the Franchisee purchase, install and implement Program updates and revisions in the operation of the Center.

5.6. Permits and Licenses

The Franchisee shall obtain all such permits and certifications as may be required for the lawful construction and operation of the Center together with all certifications from government authorities having jurisdiction over the site. The Franchisee shall, before commencing the build-out of the Center, complete all requirements for zoning, access, sign, health, safety requirements, building and other required construction permits and, before opening the Center, all licenses to do business and fictitious name registrations, sales tax permits (if applicable), health permits and ratings and fire clearances. The Franchisee shall comply with all federal, state and local laws, codes and regulations, including applicable provisions of the Americans with Disabilities Act, regarding construction, design, and operation of the Center. The Franchisee shall obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement in connection with the conduct of the Center which indicates the Franchisee's failure to meet or maintain the highest governmental standards, or less than full compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to the Franchisor within five days of the Franchisee's receipt thereof.

5.7. Commencement of Operations

~~△~~The Franchisee ~~△~~shall have 270 days from the date of this Agreement within which to: (1) secure all necessary financing for the Center; (2) complete the initial training programs, including the requisite technical support training described in Article 6 of this Agreement; (3) complete selection, leasing and build-out of the Franchised Location; (4) purchase or lease and have installed such furniture, equipment and software as meets the standards and specifications of the Franchisor; (5) purchase an opening inventory of office supplies; (6) obtain and provide evidence of insurance as described in Section 21.1 below; and (7) commence operation of the Center. The Franchisor will extend the time in which the Franchisee has to commence operations for a reasonable period of time in the event factors beyond the Franchisee's reasonable control prevent the Franchisee from meeting this development schedule, so long as the Franchisee has made reasonable and continuing efforts to comply with such development obligations and the Franchisee requests, in writing, an extension of time in which to have its Center open before such development period lapses. The Franchisee shall obtain the Franchisor's approval prior to opening the Center for business. If the Franchisor and the Franchisee have entered into an Area Development Agreement which grants the Franchisee the right to develop multiple INTELLIGENT OFFICE Centers: (i) the 270 day deadline shall be modified by the Area Development Agreement; and (ii) if the Franchisee desires to extend the time in which the Franchisee has to commence operation of the remaining undeveloped Centers, by 180 days each, the Franchisee shall obtain the Franchisor's prior written consent to the extension at least 60 days prior to the next deadline, which consent may be withheld in the Franchisor's sole discretion, and the Franchisee shall pay the then current fee charged by the Franchisor for the grant of the extension ("Development Schedule Extension Fee") and shall otherwise satisfy the terms and conditions of the Area Development Agreement.

6. TRAINING AND TECHNICAL SUPPORT TRAINING

6.1. Initial Training Program

The Franchisee or, if the Franchisee is not an individual, the person designated by the Franchisee to assume primary responsibility for the operation of the Center ("**Principal Operator**") is required to attend and successfully complete the initial training program. The Franchisee, if an individual, or if the Franchisee is not an individual, the principal owner of the Franchisee, is required to attend the initial training program. The initial training program is offered by the Franchisor at one of the Franchisor's

designated training facilities and remotely via electronic means. Up to three individuals are eligible to participate in designated portions of the Franchisor's initial training program without charge of a tuition or fee. The Franchisee shall be responsible for any and all traveling expenses, living expenses and wages incurred by the Franchisee and its employees in connection with attendance at and completion of the training program. Training program participants will not receive any compensation from the Franchisor while attending or completing the Franchisor's training. At least one individual must successfully complete the initial training program prior to the Franchisee commencing operation of its Center.

6.2. Length of Training

The initial training program shall consist of remote technical instruction, up to five days of classroom instruction and hands-on training, and up to five days of on-the-job training, on-site at the Franchised Location at or near the time the Center opens for business. The classroom instruction and hands-on training shall be at a location designated by the Franchisor. The Franchisee, and if applicable, the Principal Operator and other persons the Franchisor may designate shall attend the on-site training at the Franchised Location. The Franchisor reserves the right to waive a portion of the training program or alter the training schedule, if in the Franchisor's sole discretion, the Franchisee or Principal Operator has sufficient prior experience or training.

6.3. Additional Training

From time to time, the Franchisor may present seminars, conventions or continuing development programs or conduct meetings for the benefit of the Franchisee. The Franchisee or its Principal Operator shall be required to attend any ongoing mandatory seminars, conventions, programs or meetings as may be offered by the Franchisor. The Franchisor shall give the Franchisee at least 30 days prior written notice of any ongoing seminar, convention or program which is deemed mandatory. The Franchisor shall not require that the Franchisee attend any ongoing training more often than once a year. All mandatory training will be offered without charge of a tuition or fee; provided, however, the Franchisee will be responsible for all traveling expenses, living expenses and wages which are associated with attendance at the same.

7. DEVELOPMENT ASSISTANCE

7.1. Franchisor's Development Assistance

The Franchisor shall assist the Franchisee with the initial establishment of the Franchisee's INTELLIGENT OFFICE Center at no additional cost to the Franchisee except as described below or elsewhere in this Agreement, as follows:

- a. Provision of the initial training program to be conducted at the Franchisor's designated training facilities or at another location designated by the Franchisor, as described in Article 6 above.
- b. Provision of written specifications for a Franchised Location which shall include, without limitation, specifications for space requirements, build-out and the demographics and character of the surrounding market area. The Franchisee acknowledges that the Franchisor shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such written specifications and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be based on information submitted to the Franchisor in a form sufficient to assess the proposed location as may be reasonably required by the Franchisor.

c. Directives regarding the required leasehold improvements, layout, design, decoration and color schemes of the Center premises, as prescribed by the Franchisor's designated architect. The Franchisor shall also provide specifications concerning signs, office equipment, furniture, telecommunications equipment and computer hardware and software for the Center, all of which may be purchased through the Franchisor as part of the Franchisor's equipment package purchase program.

d. Information regarding the selection of suppliers of furniture, equipment, items and materials used and inventory and services offered for sale in connection with the Center. After execution of this Agreement, the Franchisor will provide the Franchisee with the opportunity to purchase most of the furniture, artwork, equipment, computer hardware and software for the Center through the Franchisor's equipment package purchase program. Otherwise, the Franchisor will provide a list of approved suppliers, if any, of such furniture, equipment, artwork, computer hardware and software, items and materials.

e. Provision of an operations manual in accordance with Section 8.1 below.

7.2. Technology Systems and Software, Installation, Configuration and Maintenance

The Franchisee shall execute the Technology Systems Installation, Integration and License Agreement and purchase through the Franchisor the Technology Systems and the proprietary installation, configuration and integration services^Δ and, in accordance with Section 5.5 above, pay the Technology Charge on a timely basis. The Franchisee shall obtain any necessary ongoing Designated Equipment maintenance services from sources approved by the Franchisor.

8. OPERATIONS MANUAL

8.1. Operations Manual

The Franchisor agrees to provide to the Franchisee one or more manuals, technical bulletins or other written materials (collectively referred to as "**Operations Manual**") covering certain standards and specifications for advanced telecommuting and office support services and for operating and marketing techniques for^Δ INTELLIGENT OFFICE Centers. The Franchisee agrees that it shall comply with the Operations Manual as an essential aspect of its obligations under this Agreement and failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement.

8.2. ΔConfidentiality of Operations Manual Contents

The Franchisee shall use the Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the term of this Agreement and in strict accordance with the terms and conditions hereof. The Franchisee shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who have signed a confidentiality and noncompetition agreement in a form approved by the Franchisor. The Franchisee shall return the Operations Manual to the Franchisor upon the expiration, termination or assignment of this Agreement.

8.3. Changes to Operations Manual

The Franchisor reserves the right to revise the Operations Manual from time to time as it deems necessary to update or change operating and marketing techniques or standards and specifications. The Franchisee, upon receipt of any updated information, shall update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations with the updated provisions within a reasonable time thereafter. The Franchisee acknowledges that a master copy of the Operations Manual maintained by the Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

9. OPERATING ASSISTANCE

9.1. Franchisor's Services

The Franchisor shall, during the Franchisee's operation of the Center, make available to the Franchisee the following services at no additional charge, except as described below:

a. Upon the reasonable request of the Franchisee, consultation by telephone, facsimile or electronic mail regarding the continued operation and management of the Center and advice regarding telecommunications equipment and services, office needs, Client relations, billing and collections and supplier relations issues and similar advice.

b. Access to advertising and promotional materials as the Franchisor may, but is not required to, develop, the cost of which may be passed on to the [△]Creative Fund, defined and described in Section 12.4 below. The cost of reproducing any of the materials ordered by the Franchisee shall be the Franchisee's responsibility.

c. Additional training courses on new methods, equipment, services and office products, as often as the Franchisor shall determine. The Franchisor reserves the right to charge the Franchisee a tuition fee commensurate with the Franchisor's then current published prices for such training payable in advance. The Franchisee shall be responsible for all travel expenses, living expenses and wages incurred by its personnel during the training program.

d. On-going updates of information and programs regarding Centers, [△]the INTELLIGENT OFFICE concept and the System, as often as the Franchisor shall determine, including, without limitation, information about special or new products which may be developed and made available to [△]INTELLIGENT OFFICE franchisees as a part of the System.

e. A telephone number and an electronic mail address for the Franchisee's technical support questions, Technology Systems maintenance, repair and trouble-shooting issues and related questions, charged to the Franchisee at an hourly rate based on use.

9.2. Additional Initial Training

The Franchisor shall make the initial training program available to replacement or additional Principal Operators during the term of this Agreement. The Franchisee shall pay to the Franchisor the then published tuition for the initial training program. The Franchisee shall be responsible for all travel expenses, living expenses and wages incurred by its personnel during the training program. The availability of space in the training programs shall be subject to prior commitments to new [△]INTELLIGENT OFFICE franchisees.

9.3. Additional Franchisor Services

Although not obligated to do so, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the Center governed by this Agreement. In the event that the Franchisee requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current hourly rates being charged by the Franchisor for assistance.

10. FRANCHISEE'S OPERATIONAL COVENANTS

10.1. Operation of Center

The Franchisee acknowledges that it is solely responsible for the successful operation of its Center and that the continued successful operation thereof is, in part, dependent upon the Franchisee's compliance with this Agreement and the Operations Manual. In addition to all other obligations contained in this Agreement and in the Operations Manual, the Franchisee shall comply with the following operational obligations.

a. Quality of Operations. The Franchisee shall maintain and operate ~~the~~ INTELLIGENT OFFICE Center efficiently, professionally and in accordance with high quality standards. The Franchisee shall operate the business in accordance with this Agreement and the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with ~~the~~ INTELLIGENT OFFICE Marks.

b. Compliance With Laws and Good Business Practices. The Franchisee shall conduct itself and operate its Center in compliance with all applicable laws, regulations and other ordinances and in such a manner so as to promote a good public image in the business community. In connection therewith, the Franchisee will be solely and fully responsible for obtaining any and all licenses to carry on business at the Center.

c. Management. The Franchisee acknowledges that proper management of the Center is important and shall insure that the Franchisee or a designated Principal Operator who has completed the Franchisor's initial training program be responsible for the management of the Center.

d. Approved Services and Products. The Franchisee shall offer only such advanced telecommuting and office support services and related office products through its Center which meet or exceed the minimum standards and specifications established by the Franchisor, more fully described in the Operations Manual. The Franchisee shall offer all types of services and related office products as from time to time may be prescribed by the Franchisor and shall refrain from offering any other types of services or products, or operating or engaging in any other type of business or profession, from or through the Center and, if Franchisee is an entity, through such entity.

e. Payment of Obligations. The Franchisee will pay on a timely basis all amounts due and owing to the Franchisor pursuant to any separate agreements between the Franchisee and the Franchisor and all amounts due and owing by the Franchisee to all third parties, including national vendors and taxing authorities, with whom the Franchisee does business at or through the Center. The Franchisor reserves the right to require the Franchisee to sign the Franchisor's form of Bank Authorization Agreement to allow the Franchisor to directly withdraw from the Franchisee's bank account, amounts due

to the Franchisor, if the Franchisee pays any amount due to the Franchisor five or more days after it is due on more than one occasion in any calendar year. In connection with any amounts due and owing by the Franchisee to third parties which in any manner relate to the Center and its operations, the Franchisee expressly acknowledges that a default by the Franchisee with respect to such indebtedness may be considered a default hereunder and the Franchisor may avail itself of all remedies provided for herein in the event of default.

f. Other Agreements. The Franchisee shall comply with all agreements with third parties related to or affecting the Center, including, in particular, all provisions of any premises lease, any furniture or equipment lease or Software Installation, Integration and Maintenance Agreement.

g. Employees. The Franchisee and all employees of the Franchisee shall present a professional appearance, as described in the Operations Manual, and shall render competent and courteous service to Clients of the Center, and to the Client's clients, while working at the Franchised Location. The Franchisor has the right, in its sole and absolute discretion, to establish dress code guidelines for personnel.

h. Remodeling and Upgrading. The Franchisee shall renovate, refurbish, remodel, upgrade or replace, at its own expense, the personal property, furniture, decorations, equipment and software used in the operation of the Center, when reasonably required by the Franchisor in order to comply with the image, standards of operation and performance capability established by the Franchisor from time to time. If the Franchisor changes its image or standards of operation, it shall give the Franchisee a reasonable period of time within which to comply with such changes.

i. Training of Employees. The Franchisee shall be responsible for training all of its employees who work in any capacity in the Center and shall be fully responsible for all employees' compliance with the operational standards which are part of the System. The Franchisee must conduct its employee training in the manner and according to the standards as prescribed in the Operations Manual. Any employee who does not satisfactorily complete the training shall not work in any capacity in the Franchisee's Center.

j. Ownership of Center. The Franchisee shall at all times during the term of this Agreement own and control the Center authorized hereunder. Upon request of the Franchisor, the Franchisee shall promptly provide satisfactory proof of such ownership to the Franchisor. The Franchisee represents that the Statement of Ownership, attached hereto as Exhibit III and by this reference incorporated herein, is true, complete, accurate and not misleading, and, in accordance with the information contained in the Statement of Ownership, the controlling ownership of the Center is held by the Franchisee. The Franchisee shall promptly provide the Franchisor with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in Article 16 herein. In addition, if the Franchisee is an entity, all of the owners of the Franchisee shall sign the Personal Guaranty, attached to this Agreement as Exhibit II.

k. Hours of Operation. The Franchisee shall at all times during the term of this Agreement keep its Center open during such business hours and keep certain after hours services available as may be designated by the Franchisor from time to time in the Operations Manual. Unless the Franchisor consents in writing, the Franchisee shall, during such business hours as the Franchisor may designate, have at least one employee physically present at the Center to answer the telephone and otherwise assist Clients. The Franchisee shall maintain sufficient supplies of office products and employ adequate personnel at all times so as to operate the Center at its maximum capacity and efficiency.

1. Client Services. The Franchisee shall have its Clients execute an agreement, in a form that has been approved by the Franchisor. The Franchisee shall provide Client services to visiting Clients of other ^ΔINTELLIGENT OFFICE Centers and shall then bill and obtain payment from the Client's home Center for providing visiting Client services. Conversely, the Franchisee shall be responsible for handling the billing for its Clients that utilize other Centers. The Operations Manual describes recommended fee structures for visiting Clients. The Franchisee shall not discriminate against visiting Clients in its pricing structure; it shall charge visiting Clients at rates commensurate with its own Clients.

11. ROYALTIES

11.1. Monthly Royalty

The Franchisee shall pay to the Franchisor a monthly royalty ("**Royalty**") equal to 5% of the total amount of its "Gross Revenues" (defined in Section 11.2 below), which royalties shall commence when the Franchisee opens its Center for business to Clients.

11.2. Gross Revenues

"Gross Revenues" shall mean and include the aggregate amount of all sales of services and products of every kind or nature performed, sold from, at or in connection with the operation of the Center or arising out of the operation or conduct of business by the Center or, if the Franchisee is an entity, arising out of the operation or conduct of any business by such entity, including, but not limited to, any and all dues, fees, rents, rent security deposits or other assessments charged to and paid by Clients whether for cash or credit, but excluding all: (i) federal, state or municipal sales or service taxes collected from Clients and paid to the appropriate taxing authority; (ii) the amount of any cash refunds of any security deposit returned to a client; and (iii) other exclusions as may be authorized in writing by the Franchisor. The Franchisee shall not receive the services or products of Clients in exchange or barter for its products and services.

11.3. Royalty Payments

Royalty payments shall be made monthly and sent to the Franchisor, postmarked or otherwise transmitted no later than the 10th day of each month based on Gross Revenues for the immediately preceding month. Royalty payments shall be accompanied by monthly reports, as more fully described in Article 15 hereof, which reports shall be submitted to the Franchisor on the same day as the Royalty payments are due and shall be submitted to the Franchisor on standard transmittal forms containing information regarding the Franchisee's Gross Revenues and such additional information as may be requested by the Franchisor. The Franchisor reserves the right to require Royalty payments be made on a weekly or bi-weekly basis if the Franchisee does not timely or fully submit the required payments or reports. The Franchisor shall have the right to verify such Royalty payments from time to time as it deems necessary, in any reasonable manner. In the event that the Franchisee fails to pay any Royalties when they are due, the Franchisee shall, in addition to such Royalties owe a \$^Δ150 late fee, to be automatically assessed and paid along with the late payment. In addition, the Franchisor shall have the right to charge interest on any payments made after the due date at the highest applicable legal rate for open account business credit, not to exceed 1½% per month. The Franchisee acknowledges that this Section 11.3 shall not constitute the Franchisor's or its affiliates' agreement to accept such payments after they are due or a commitment to extend credit to or otherwise finance operation of the Center. The Franchisor shall have the right, upon 30 days prior written notice to the Franchisee, to require that the Franchisee execute an authorization agreement for preauthorized payment of Royalties, ^ΔCreative Fund Contributions and other amounts owed under this Agreement^Δ, for the electronic transfer of funds from the Franchisee's bank account to the Franchisor's bank account^Δ, through transactions initiated by the

Franchisor, or payment by other means designated by the Franchisor. If the Franchisee delays or otherwise fails to cooperate in the electronic transfer of funds process, if instituted by the Franchisor, the Franchisee shall pay a monthly processing fee of \$100 until the Franchisee's then current payment method is converted to electronic transfers in accordance with the Franchisor's specifications.

11.4. Application of Payments

Notwithstanding any designation by the Franchisee, the Franchisor shall have sole discretion to apply any payments by the Franchisee, and any credits received by the Franchisor on the Franchisee's behalf from third party vendors, to any of the Franchisee's past due indebtedness to the Franchisor for Royalties,[△] Creative Fund Contributions, purchases from the Franchisor or its affiliates, interest or any other indebtedness.

12. ADVERTISING

12.1. Approval of Advertising

The Franchisee shall obtain the Franchisor's prior written approval of all written advertising or other marketing or promotional programs regarding the Center, including, without limitation, "Yellow Pages" advertising, newspaper ads, flyers, brochures, direct mail pieces, specialty and novelty items and advertising on the radio, television, Internet and World Wide Web. The Franchisee shall also obtain the Franchisor's prior written approval before using any promotional materials as may be provided by vendors. The proposed written advertising or a description of the marketing or promotional program shall be submitted to the Franchisor at least 30 days prior to publication, broadcast or use. Any proposed written advertising materials shall be deemed approved if no verbal or written response is received by the Franchisee within 30 days after receipt of the proposed materials by the Franchisor. The Franchisee acknowledges that advertising and promoting the Center in accordance with the Franchisor's standards and specifications is an essential aspect of the System, and the Franchisee agrees to comply with all advertising standards and specifications. The Franchisee shall display all required promotional materials, signs, point of purchase displays and other marketing materials in its Center and in the manner prescribed by the Franchisor and shall participate in all marketing, advertising and promotional campaigns that the Franchisor may implement from time to time for all Centers, or for Centers within a particular market.

12.2. Initial Advertising and Promotion

The Franchisee and the Franchisor shall mutually agree upon an initial advertising and promotional campaign, to be conducted at or around the time the Center opens and memberships to the Center are offered. Within 30 days of completion of the initial advertising and promotion campaign, the Franchisee shall submit to the Franchisor a summary of campaign expenditures.

12.3. Local Advertising

△After the Franchisee's Center opens for business, the Franchisee shall spend △annually \$60,000 (\$15,000 per quarter) △on local advertising, in such manner and form with such content as then approved by the Franchisor△. During the second and △each subsequent year after the Franchisee's Center opens for business, the △Franchisor shall have the right to increase the amount the Franchisee is required to spend on local advertising each year during the term of this Agreement based on changes in the CPI, which increase shall be calculated in the same manner as the increase in the Creative Fund Contribution is calculated pursuant to Section 12.4.b. below. The Franchisor reserves the right to obtain an accounting △from the Franchisee△ of its local advertising expenditures, within 10 days after the end of each calendar

quarter, which accounting shall show how the Franchisee spent its local advertising commitment for the calendar quarter just ended.

12.4. △Creative Fund Contribution

The Franchisee shall contribute to an advertising fund established by the Franchisor ("△Creative Fund") \$250 each month ("△Creative Fund Contribution"). The △Creative Fund Contribution shall be paid in addition to the amount which the Franchisee shall expend for local advertising, as described in Section 12.3 above. The △Creative Fund Contribution shall be paid to the Franchisor in addition to Royalties and the following terms and conditions shall apply:

a. The △Creative Fund Contribution shall be payable concurrently with the payment of the Royalties, mailed to the Franchisor, postmarked or otherwise transmitted as designated by the Franchisor no later than the 10th day of each month, for the immediately preceding month.

b. The Franchisor shall have the right to adjust the amount of the Franchisee's △Creative Fund Contribution each year during the term of this Agreement based on changes in the Consumer Price Index ("CPI") for the then current year as compared to the preceding year's CPI. The amount of the △Creative Fund Contribution may be adjusted annually on each January first during the term of this Agreement and any renewals thereof, for the year beginning that January first ("Year"). The adjustment will be the difference between the Price Index for that December which immediately precedes the date of adjustment and the Price Index for the Year. "Price Index" means the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items, and Major Group Figures for all Urban Consumers (CPI-U 1982 - 84 = 100). Price Index for the Year means the average of the monthly price indexes for each of the 12 calendar months immediately preceding the January first starting the Year. Neither the Creative Fund Contribution nor the minimum required expenditures for local advertising described in Section 12.3 above shall ever be increased by more than 5% over the previous Year in any successive Year, nor shall the adjusted △Creative Fund Contribution in any successive Year decrease below the adjusted △Creative Fund Contribution for the previous Year.

c. The △Creative Fund Contributions will be subject to the same interest and late charge as the Royalties, in an amount and manner set forth in Section 11.3 above.

d. Upon the request of the Franchisee, the Franchisor will make available to the Franchisee, no later than 120 days after the end of a calendar year, an unaudited financial statement which indicates how the △Creative Fund has been spent.

e. The Franchisor shall direct all advertising and marketing programs financed by the △Creative Fund, with sole discretion over the creative concepts, materials and endorsements used therein, geographic, market allocation, and the administration thereof. If the Franchisor develops advertising and promotional materials, in addition to payment of the Creative Fund Contribution, the Franchisor shall have the right to pass the cost of reproducing such materials on to the Franchisee. The Franchisee agrees that the △Creative Fund may be used to pay the costs of preparing advertising materials; employing advertising agencies and in-house staff assistance; local promotions; website development and updating; Internet advertising; supporting public relations, market research and other advertising and marketing activities.

f. The △Creative Fund shall be accounted for separately from the Franchisor's other funds and shall not be used to defray any of the Franchisor's general operating expenses, except for such reasonable administrative costs, salaries and overhead as the Franchisor may incur in activities related to the implementation and administration of the △Creative Fund and its marketing programs, including,

without limitation, conducting market research, incurring related accounting and legal expenses, preparing material and collecting and accounting for ΔCreative Fund contributions. The Franchisor may spend in any fiscal year an amount greater or less than the aggregate contribution of all ΔINTELLIGENT OFFICE Centers to the ΔCreative Fund in that year and the ΔCreative Fund may borrow from the Franchisor or other lenders to cover deficits or cause the ΔCreative Fund to invest any surplus for future use. All interest earned on monies contributed to the ΔCreative Fund will be first used to pay costs. The ΔCreative Fund may be incorporated or operated through an entity separate from the Franchisor at such time as the Franchisor deems appropriate, and such successor entity shall have all rights and duties of the Franchisor pursuant to this Section 12.4.

g. The Franchisee acknowledges that the ΔCreative Fund is intended to maximize recognition of the Marks and patronage of ΔINTELLIGENT OFFICE Centers. Although the Franchisor will endeavor to utilize the ΔCreative Fund to develop advertising and marketing materials and programs that will benefit all ΔINTELLIGENT OFFICE Centers, the Franchisor undertakes no obligation to ensure that expenditures by the ΔCreative Fund in or affecting any geographic area are proportionate or equivalent to the contributions by ΔINTELLIGENT OFFICE Centers operating in that geographic area or that any ΔINTELLIGENT OFFICE Center will benefit directly or in proportion to its contribution to the ΔCreative Fund. The ΔCreative Fund is not a trust fund, and the Franchisor does not owe the Franchisee a fiduciary duty with respect to the maintenance, direction or administration of the ΔCreative Fund. Except as expressly provided in this Section 12.4, the Franchisor assumes no direct or indirect liability or obligation to the Franchisee with respect to the maintenance, direction or administration of the ΔCreative Fund.

h. The Franchisor reserves the right to terminate the ΔCreative Fund, upon 30 days' written notice to the Franchisee. All unspent monies on the date of termination shall be distributed to the Franchisor's franchisees in proportion to their respective contributions to the ΔCreative Fund during the preceding 12 month period. The Franchisor shall have the right to reinstate the ΔCreative Fund upon the same terms and conditions set forth herein upon 30 days' prior written notice to the Franchisee.

12.5. Regional Advertising Programs

The Franchisor reserves the right, upon 30 days prior written notice to the Franchisee, to create a regional advertising association ("ΔRegional Ad Group") for the benefit of ΔINTELLIGENT OFFICE franchisees located within a particular geographic area. If a ΔRegional Ad Group is established for the area where the Franchisee is located, the Franchisee will be required to participate in the ΔRegional Ad Group for the purpose of selecting and participating in regional marketing and promotion programs for ΔINTELLIGENT OFFICE Centers. The Franchisee will be required to remain a member of and be bound by the decisions of the majority of the members of the ΔRegional Ad Group regarding expenditures, assessments and dues of the ΔRegional Ad Group, to the extent that they are approved by the Franchisor. The ΔRegional Ad Group, if established in a market area which includes the Franchisee's Center, will have the right, by majority vote, to require its members to pay contributions to the ΔRegional Ad Group, on a regular or intermittent basis, of up to \$60,000 per Center annually. During the second and each subsequent year after the Franchisee's Center opens for business, the Franchisor shall have the right to increase the \$60,000 amount that the Franchisee may be required to contribute to the Regional Ad Group each year during the term of this Agreement based on the change in the CPI, which increase shall be calculated in the same manner as the increase in the Creative Fund Contribution is calculated pursuant to Section 12.4.b. above. The Franchisor shall have the right to cast the deciding vote in the case of a vote that ends in a deadlock. ΔRegional Ad Group contributions would be in addition to the Franchisee's ΔCreative Fund Contribution set forth in Section 12.4 above. If such a ΔRegional Ad Group contribution is required, the percentage amount of the ΔRegional Ad Group contributions made by the members of the ΔRegional Ad Group will be counted toward the fulfillment of their required local advertising expenditure set forth in Section 12.3 above. The failure of the Franchisee to participate in the ΔRegional Ad Group or

pay any dues or contributions required by the △Regional Ad Group, may, at the option of the Franchisor, be deemed to be a breach of this Agreement. The Franchisor has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of such regional advertising and promotion campaigns and to require that the Franchisee participate in such regional advertising programs as and when they may be established by the Franchisor. The Franchisor has the right to change and dissolve the △Regional Ad Group. If a regional advertising program is implemented on behalf of a particular region by the Franchisor, the Franchisor, to the extent reasonably calculable, will only use contributions from △ INTELLIGENT OFFICE franchisees within such region for the particular regional advertising program. The Franchisor also reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the regional advertising program. If the Franchisor creates a △Regional Ad Group, the Franchisor has the right to charge the △Regional Ad Group for the actual costs of forming and administering the △Regional Ad Group.

12.6. Electronic Advertising

The Franchisee shall not develop, create, distribute, disseminate or use any Internet advertising or website, or any multimedia, telecommunication, mass electronic mail, facsimile or audio/visual advertising, promotional or marketing materials, directly or indirectly related to △INTELLIGENT OFFICE Centers and the services, the Marks or the System ("**Electronic Advertising**"), without the Franchisor's prior written consent which may be withheld in the Franchisor's sole discretion. The Franchisor shall retain the exclusive right to develop and control the content of all Electronic Advertising for △INTELLIGENT OFFICE services and any use of a domain name for the business conducted by or through the Franchisee's Center. The Franchisor reserves the right, upon 30 days' prior written notice, to require the Franchisee to participate in any Electronic Advertising of △INTELLIGENT OFFICE services sponsored by the Franchisor by creating, customizing or providing access to a linked webpage or otherwise. If the Franchisor permits the Franchisee to develop any Electronic Advertising, the Franchisee shall do so in strict compliance with the Franchisor's policies and rules regarding the creation, maintenance, use and content of such Electronic Advertising as set forth in this Agreement or the Operations Manual. The only website or webpage that the Franchisee can maintain for the Center and for the business conducted by and through the Center is by link to the Franchisor's website at www.intelligentoffice.com. Any amounts that the Franchisee spends to participate in Electronic Advertising shall be credited toward the Franchisee's local advertising obligations. The Franchisee shall reference the Franchisor's URL and website on all Electronic Advertising and written advertising in a manner as shall be prescribed by the Franchisor. The Franchisor shall have the right to charge the Franchisee a reasonable fee for access to electronic or other communication services provided by the Franchisor or otherwise made available to the Franchisee.

13. QUALITY CONTROL

13.1. Standards and Specifications

The Franchisor will make available to the Franchisee, through the Operations Manual or otherwise, standards and specifications for Client services and related office products offered at or through the Center and for decor, displays, furniture, equipment, materials, forms, items, supplies and services used in connection with the Center. The Franchisor reserves the right to change standards and specifications for these services and products offered at or through the Center and for the decor, displays, furniture, equipment, materials, forms, items, supplies and services used in connection with the Center, upon 30 days prior written notice to the Franchisee. The Franchisee shall, throughout the term of this Agreement, remain in compliance and strictly adhere to all of the Franchisor's current standards and specifications for the Center as prescribed from time to time.

13.2. Inspections

The Franchisor shall have the right to examine the Franchised Location, including the furniture, equipment, materials, supplies or services used or sold there, to ensure compliance with all standards and specifications set by the Franchisor. The Franchisor shall conduct such inspections during regular business hours and the Franchisee may be present at such inspections. The Franchisor, however, reserves the right to conduct the inspections without prior notice to the Franchisee.

13.3. Restrictions on Services and Products

The Franchisee is prohibited from offering or selling any services or products not authorized by Franchisor as being a part of the System. However, if the Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items, supplies or services for use in connection with or sale through the Center which are not previously approved by the Franchisor as meeting its specifications, the Franchisee shall first notify the Franchisor in writing requesting approval. The Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, the Franchisor may require submission of specifications, information or samples of such products, services, materials, forms, items or supplies. The Franchisor will advise the Franchisee within a reasonable time whether such products, services, materials, forms, items or supplies meet its specifications.

13.4. Approved Suppliers

The Franchisee shall purchase all furniture, office equipment, telecommunications equipment, computer hardware and software, products, services, supplies and materials ("**Items**") required for the operation of the Center from suppliers designated or approved by the Franchisor or, if there is no designated or approved supplier for particular Items from suppliers approved in advance by the Franchisor who meet all of the Franchisor's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply the Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the Center.

13.5. Request to Approve Supplier

In the event the Franchisee desires to purchase or use an Item from suppliers other than those previously approved by the Franchisor, the Franchisee shall, prior to purchasing from or otherwise utilizing any supplier, give the Franchisor a written request to approve the supplier. In the event the Franchisor rejects the Franchisee's requested new supplier, the Franchisor must, within 60 days of the receipt of the Franchisee's request to approve the supplier notify the Franchisee in writing of its rejection. The Franchisor may continue from time to time to inspect any suppliers' facilities and products to assure compliance with the Franchisor's standards and specifications. Permission for such inspection shall be a condition of the continued approval of such supplier. The Franchisor may not unreasonably withhold approval of any proposed supplier; however, in order to make such determination, the Franchisor may require that samples from a proposed new supplier be delivered to the Franchisor for testing prior to approval and use. A charge not to exceed the actual cost of the test may be made by the Franchisor and shall be paid by the Franchisee.

14. MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

14.1. Marks

The Franchisee acknowledges that the Franchisor has the sole right to own, license and control the Franchisee's use of the service mark "INTELLIGENT OFFICE" and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of the Franchisor. The Franchisee acknowledges that it has not acquired any right, title or interest in such Marks except for the right to use such marks in the operation of its Center as it is governed by this Agreement. The Franchisee agrees not to use any of such Marks as part of an electronic mail address, or on any sites on the Internet and the World Wide Web and the Franchisee agrees not to use or register any of such Marks as a domain name on the Internet.

14.2. No Use of Other Marks

The Franchisee shall use no service mark other than ~~the~~ "INTELLIGENT OFFICE" service mark or such other Marks as may be specified by the Franchisor for use in the identification, marketing, promotion or operation of the Center.

14.3. System

The Franchisee acknowledges that the Franchisor owns and controls the distinctive plan for the establishment, operation and promotion of the Center and all related licensed methods of doing business, previously defined as the "System," which include, but are not limited to, the Franchisor's standards and specifications for the Franchised Location, premises, lease, leasehold improvements, interior finish, furniture, office equipment, Technology Systems, telecommuting and office support services, Client relations, relations with clients of Clients, reception and secretarial services, supplies, technical equipment standards, marketing techniques, written promotional materials, advertising and accounting systems, all of which constitute confidential trade secrets of the Franchisor, and the Franchisee acknowledges that the Franchisor has valuable rights in and to such trade secrets. The Franchisee further acknowledges that it has not acquired any right, title or interest in the System except for the right to use the System in the operation of the Center as it is governed by this Agreement and that it is obligated to maintain the confidentiality of the System in accordance with Section 20.3 below. The Franchisee's changes or improvements to the System will inure to the exclusive benefit of the Franchisor.

14.4. Mark Infringement

The Franchisee shall notify the Franchisor in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention. The Franchisee acknowledges that the Franchisor shall have the right, in its sole discretion, to determine whether any action will be taken on account of any possible infringement or illegal use. The Franchisor may commence or prosecute such action in the Franchisor's own name and may join the Franchisee as a party to the action if the Franchisor determines it to be reasonably necessary for the continued protection and quality control of the Marks and System. The Franchisor shall bear the reasonable cost of any such action, including attorneys' fees. The Franchisee shall fully cooperate with the Franchisor in any such litigation.

14.5. Franchisee's Business Name

The Franchisee acknowledges that the Franchisor has a prior and superior claim to the "△INTELLIGENT OFFICE" trade name. The Franchisee shall not use the words "△INTELLIGENT OFFICE" in the legal name of its corporation, partnership or any other business entity used in conducting the business provided for in this Agreement. The Franchisee also agrees not to register or attempt to register a trade name using the words "△INTELLIGENT OFFICE" in the Franchisee's name or that of any other person or business entity, without prior written consent of the Franchisor. The Franchisee shall not identify itself as being "The Intelligent Office System, LLC" or as being associated with the Franchisor in any manner other than as a franchisee or licensee. The Franchisee shall, in all advertising and promotion and promotional materials, display its business name only in obvious conjunction with the phrase "△INTELLIGENT OFFICE Licensee" or "△INTELLIGENT OFFICE Franchisee" or with such other words and in such other phrases to identify itself as an independent owner of the Center, as may from time to time be prescribed in the Operations Manual.

14.6. △Change of Marks

In the event that the Franchisor, in its sole discretion, shall determine it necessary to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, the Franchisee shall, within a reasonable time after receipt of written notice of such a modification or discontinuation from the Franchisor, take such action, at the Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution.

15. REPORTS, RECORDS AND FINANCIAL STATEMENTS

15.1. Franchisee Reports

The Franchisee shall establish and maintain, at its own expense, bookkeeping, accounting and data processing systems designated by the Franchisor. The Franchisee shall comply with the Franchisor's requirements for timely entry of information into data bases of the Technology Systems, periodic printouts of reports generated by the Technology Systems and the Franchisor's access to all Program and Technology Systems data and all accounting information access by modem or other immediate, complete access. Each transaction of the Center shall be processed on the Program in the manner prescribed by the Franchisor. The Franchisor shall have the right of access to the Program, the Technology Systems, and all data processed thereon with respect to the Center. The Franchisee shall provide access to the Franchisor at any time by installing a modem or other immediate complete access which meets the Franchisor's standards and specifications. The Franchisee shall supply to the Franchisor such types of reports in a manner and form as the Franchisor may from time to time reasonably require, including:

a. within 10 days after the end of each calendar month (or weekly or bi-weekly if the Franchisor requires the Franchisee to pay the Royalty described in Section 11.3 hereof on a weekly or bi-weekly basis), a report on the Center's Gross Revenues which shall include, if the Franchisee is an entity, a report on such entities' Gross Revenues, for such calendar month (or week or two week period) and a monthly lead and sales report compiled in the Franchisor's format;

b. within 10 days after the end of each calendar quarter, a report on the Franchisee's local advertising expenditures, as further described in Section 12.3 of this Agreement and in the Franchisor's recommended format;

c. within 10 days after the end of each of the Franchisee's fiscal quarters and within 90 days after the end of the Franchisee's fiscal year, a balance sheet and profit and loss statement for the Center which shall include, if the Franchisee is an entity, a balance sheet and profit and loss statement for such entity, for such period (the quarterly statements shall also reflect year-to-date information), prepared in accordance with generally accepted accounting principles, consistently applied, in the Franchisor's recommended format;

d. within 10 days after such returns are filed and in any event by no later than the 15th of September (each calendar year), exact copies of federal and state income, sales and any other tax returns and such other forms, records, books and other information as the Franchisor may periodically require; and

e. any other data, information and supporting records reasonably requested by the Franchisor from time to time, including without limitation daily, weekly or monthly reports of services provided to Clients by category.

The Franchisor reserves the right to require that the Franchisees submit financial statements on a monthly basis. The Franchisor also reserves the right to disclose data derived from such reports, without identifying the Franchisee, except to the extent identification of the Franchisee is required by law. The Franchisee consents to the Franchisor obtaining financial and account information regarding the Center and its operations from third parties with whom the Franchisee does business, as and when deemed necessary by the Franchisor. In the event that the Franchisee fails to submit to the Franchisor when due any reports or information required by this Section 15.1, the Franchisee shall, in addition to submitting the report or information, owe a \$150 late fee, to be automatically accessed and paid along with submission of the report or information.

15.2. Books and Records

The Franchisee shall maintain all books and records for its Center in accordance with generally accepted accounting principles, consistently applied, and in a manner as reasonably prescribed by the Franchisor, and shall preserve these records for at least five years after the fiscal year to which they relate.

15.3. Audit of Books and Records

The Franchisee shall permit the Franchisor to inspect and audit the books and records of the Center at any reasonable time, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of 1½% per month or the maximum rate allowed by law. In the event such inspection or audit is made necessary by the Franchisee's failure to furnish required reports, supporting records or other information, or to furnish such information on a timely basis for two or more consecutive reporting periods, or if the Franchisee has received advance notice from the Franchisor and fails to have the books and records available for such audit or otherwise fails to cooperate therewith or if an understatement of Gross Revenues for the period of any audit is determined by any such audit or inspection to be greater than 3%, the Franchisee shall reimburse the Franchisor for the cost of such audit or inspection, including, without limitation, the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of the Franchisor's employees.

16. TRANSFER

16.1. Transfer by Franchisee

The franchise granted herein is personal to the Franchisee and, except as stated below, the Franchisor shall not allow or permit any transfer, assignment, subfranchise or conveyance of this Agreement or any interest hereunder. As used in this Agreement, the term "transfer" shall mean and include the voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition by the Franchisee (or any of its owners) of any interest in: (1) this Agreement; (2) the ownership of the Franchisee; or (3) the Center or any assets of the Center. An assignment, sale, gift or other disposition shall include a transfer resulting from a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law or, in the event of the death of the Franchisee, or an owner of the Franchisee by will, declaration of or transfer in trust or under the laws of intestate succession.

16.2. Pre-Conditions to Franchisee's Transfer

The Franchisee shall not transfer its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it or all or a substantial portion of the assets of the Center, unless the Franchisee obtains the Franchisor's written consent and complies with the following requirements:

- a. Payment of all amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor or its affiliates or to third parties holding a security interest in any asset of the franchised business;
- b. Agreement by the proposed transferee to satisfactorily complete the initial training program described in this Agreement, which training may be completed by the transferee either prior to or immediately after assignment of this Agreement;
- c. Execution of a Franchise Agreement by the proposed transferee in a form then currently offered by the Franchisor, which shall supersede this Agreement in all respects. If a new Franchise Agreement is signed, the terms thereof may differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional initial franchise fee;
- d. Provision by the Franchisee of written notice to the Franchisor 30 days' prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer;
- e. The proposed transferee shall have provided information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and the Franchisor shall have ascertained that the proposed transferee meets such qualifications;
- f. Execution by the Franchisee of a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor, its affiliates and their respective officers, directors, employees and agents;
- g. Payment by the Franchisee or the proposed transferee of a transfer fee equal to the greater of \$12,000 or 25% of the then current initial franchise fee;

h. Agreement by the Franchisee to abide by the post-termination covenant not to compete set forth in Section 20.2 below; and

i. At the time of the written request by the Franchisee seeking to obtain the written consent of the Franchisor to the transfer, the Franchisee shall be in compliance with the terms and conditions of this Agreement including, without limitation, the payment of Royalties and[△] Creative Fund Contributions.

16.3. Franchisor's Approval of Transfer

The Franchisor has 30 days from the date of the written notice of the proposed transfer to approve or disapprove in writing, of the Franchisee's proposed transfer, which approval shall not be unreasonably withheld. The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that the Franchisor shall provide such proposed transferee, if appropriate, with such disclosures as may be required by state or federal law. The Franchisor shall have the right to confirm that the price and terms of payment are not so burdensome as to affect adversely the transferee's operation of the Center. If the Franchisee and/or the transferring owners finance any part of the sale price of the transferred interest, if any, unless waived in writing by the Franchisor, the Franchisee and/or its owners must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements or security interests reserved by the Franchisee or its owners in the assets of the Center or the Franchised Location shall be subordinate to the transferee's obligations to pay Royalties,[△] Creative Fund Contributions and other amounts due to the Franchisor and its affiliates and to otherwise comply with this Agreement. If the Franchisee and the proposed transferee comply with all conditions for assignment set forth herein and the Franchisor has not given the Franchisee notice of its approval or disapproval within the 30 day period, approval is deemed granted.

16.4. Right of First Refusal

In the event the Franchisee wishes to engage in a transfer, the Franchisee shall grant to the Franchisor a 30 day right of first refusal to purchase the Franchisee's rights, interest or assets on the same terms and conditions as are contained in the written offer submitted to the Franchisee by the proposed transferee; provided, however, the following additional terms and conditions shall apply:

a. The Franchisee shall notify the Franchisor of such offer by sending a written notice to the Franchisor (which notice may be the same notice as required by Section 16.2(d) above), enclosing a copy of the written offer from the proposed transferee;

b. The 30 day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee;

c. Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which a new 30 day right of first refusal shall be given to the Franchisor;

d. If the consideration or manner of payment offered by a third party is of a type such that the Franchisor may not reasonably be required to furnish the same, then the Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent of such consideration. In no event will the Franchisor be required to pay any broker's fees included in the proposal. If the parties cannot agree within a reasonable time on the cash value, each party shall select an independent appraiser and those two appraisers shall in turn select a third independent appraiser, whose determination will be

binding upon the parties. All expenses of the appraiser shall be paid for equally between the Franchisor and the Franchisee; and

e. If the Franchisor chooses not to exercise its right of first refusal, the Franchisee shall be free to complete the transfer, subject to compliance with Sections 16.2 and 16.3 above. Absence of a reply to the Franchisee's notice of a proposed sale within the 30 day period is deemed a waiver of such right of first refusal.

16.5. Specific Types of Transfers

The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed transfer, and all other requirements and rights related to such proposed transfer, as provided for above, shall apply (1) if the Franchisee is a partnership or other business association, to the addition or deletion of a partner of the association or the transfer of any partnership or membership among existing partners; (2) if the Franchisee is a corporation or limited liability company, to any proposed transfer or assignment of 40% or more of the stock, membership interests or entity ownership of the corporate or limited liability company Franchisee, whether such transfer occurs in a single transaction or several transactions; and (3) if the Franchisee is an individual, to the transfer from such individual or individuals to a corporation controlled by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of shares which would affect a change in ownership of 40% or more of the stock in the corporation being conditioned on the Franchisor's prior written approval; (iii) a limitation on the corporation's business activity to that of operating the Center and related activities; and (iv) other reasonable conditions. With respect to a proposed transfer as described in subsection (1) and (3) of this Section 16.5, the Franchisor's right of first refusal to purchase, as set forth above, shall not apply and the Franchisor will waive any transfer fee chargeable to the Franchisee for a transfer under these circumstances.

16.6. Assignment by the Franchisor

This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall in such event be fully released from the same.

16.7. Franchisee's Death or Disability

Upon the death or permanent disability of the Franchisee (or the Franchisee's individual controlling the Franchisee entity), the executor, administrator, conservator, guardian or other personal representative of such person shall transfer the Franchisee's interest in this Agreement or such interest in the Franchisee entity to an approved third party. Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 180 days from the date of death or permanent disability, and shall be subject to all terms and conditions applicable to transfers contained in this Article 16, provided, however, that for purposes of this Section 16.7, there shall be no fee charged by the Franchisor for the initial training program offered to the transferee. Failure to transfer the interest in this Agreement or such interest in the Franchisee entity within said period of time shall constitute a breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent the Franchisee or the owner of a controlling interest in the Franchisee entity from supervising the management and operation of the Center for a period of 180 days from the onset of such disability, impairment or condition.

17. TERM AND EXPIRATION

17.1. Term

The term of this Agreement is for a period of 20 years from the date of this Agreement, unless sooner terminated as provided herein.

17.2. Continuation

If, for any reason, the Franchisee continues to operate the Center beyond the term of this Agreement or any subsequent renewal period, it shall be deemed to be on a month-to-month basis under the terms of this Agreement and subject to termination upon 30 days notice or as required by law. If said holdover period exceeds 90 days, this Agreement is subject to immediate termination unless applicable law requires a longer period. Upon termination after any holdover period, the Franchisee and those in active concert with the Franchisee, including family members, officers, directors, members, managers, partners and managing agents, are subject to the terms of Section 18.4 and Article 20 of this Agreement and all other applicable post-termination obligations contained in this Agreement.

17.3. Rights Upon Expiration

At the end of the initial term hereof the Franchisee shall have the option to renew its franchise rights for an additional term of 20 years, by acquiring successor franchise rights, if the Franchisor does not exercise its right not to offer a successor franchise in accordance with Section 17.5 below and if the Franchisee:

- a. At least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by the Franchisor;
- b. Has complied with all provisions of this Agreement during the current term, including the payment on a timely basis of all Royalties and other fees due hereunder. "Compliance" shall mean, at a minimum, that the Franchisee has not received any written notification from the Franchisor of breach hereunder more than four times during the term hereof;
- c. Upgrades and/or remodels the Center and its operations at the Franchisee's sole expense (the necessity of which shall be in the sole discretion of the Franchisor) to conform with the then current Operations Manual; and
- d. Executes a general release, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its affiliates, and their respective officers, directors, employees and agents arising out of or relating to this Agreement.

17.4. Exercise of Option for Successor Franchise

The Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to the Franchisor not later than 180 days prior to the scheduled expiration of this Agreement. The Franchisee's successor franchise rights shall become effective by signing the Franchise Agreement then currently being offered to new franchisees of the Franchisor. No renewal fee is charged to renew Franchisee's franchise rights for a single additional term.

17.5. Conditions of Refusal

The Franchisor shall not be obligated to offer the Franchisee a successor franchise upon the expiration of this Agreement if the Franchisee fails to comply with any of the above conditions of renewal. In such event (except for failure to execute the then current Franchise Agreement or pay the successor franchise fee) the Franchisor shall give notice of expiration at least 180 days prior to the expiration of the term, and such notice shall set forth the reasons for such refusal to offer successor franchise rights. Upon the expiration of this Agreement, the Franchisee shall comply with the provisions of Section 18.4 below.

18. DEFAULT AND TERMINATION

18.1. Termination by Franchisor - Effective Upon Notice

The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted to the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon receipt of notice by the Franchisee, addressed as provided in Section 22.13, upon the occurrence of any of the following events:

a. **Abandonment.** If the Franchisee ceases to operate the Center or otherwise abandons the Center for a period of five consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the Center, unless and only to the extent that full operation of the Center is suspended or terminated due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;

b. **Insolvency; Assignments.** If the Franchisee becomes insolvent or is adjudicated a bankrupt; or any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act and such action is not dismissed within 60 days of the filing thereof, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.), or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed by the Franchisee;

c. **Unsatisfied Judgments; Levy; Foreclosure.** If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's business or any of the property used in the operation of the Center and is not discharged within five days; or if the real or personal property of the Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

d. **Criminal Conviction.** If the Franchisee is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the System, Marks, goodwill or reputation thereof;

e. **Failure to Make Payments.** If the Franchisee fails to pay any amounts due the Franchisor or affiliates, including any amounts which may be due as a result of any subleases or lease assignments between the Franchisee and the Franchisor, within 10 days after receiving notice from the Franchisor or its affiliates that such fees or amounts are overdue;

f. **Misuse of Marks.** If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within ten days after notification from the Franchisor;

g. **Unauthorized Disclosure.** If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other trade secrets or confidential information of the Franchisor;

h. **Repeated Noncompliance.** If the Franchisee has received two previous notices of default from the Franchisor and is again in default of this Agreement within a 12 month period, regardless of whether the previous defaults were cured by the Franchisee; or

i. **Unauthorized Transfer.** If the Franchisee sells, transfers or otherwise assigns the Franchise, an interest in the Franchise or the Franchisee entity, this Agreement, the Center or a substantial portion of the assets of the Center owned by the Franchisee without complying with the provisions of Article 16 above.

18.2. Termination by Franchisor - Thirty Days Notice

The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to the Franchisee, if the Franchisee breaches any other provision of this Agreement and fails to cure the default during such 30 day period. In that event, this Agreement will terminate without further notice to the Franchisee, effective upon expiration of the 30 day period. Defaults shall include, but not be limited to, the following:

a. **Failure to Maintain Standards.** The Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee;

b. **Deceptive Practices.** The Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks;

c. **Failure to Obtain Consent.** The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;

d. **Failure to Comply with Manual.** The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual; or

e. **Breach of Related Agreement.** The Franchisee defaults under any term of the sublease or lease assignment for the Franchised Location, any other agreement material to the Center or any other agreement between the Franchisor or its affiliates and the Franchisee or its affiliates and such default is not cured within the time specified in such sublease or other agreement. Provided however, that so long as financing from the United States Small Business Administration remains outstanding, the Franchisee will be given the same opportunity to cure defaults under any other agreement between the Franchisor or its affiliates and the Franchisee, as the Franchisee is given under this Agreement.

Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within such 30 day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30 day period, the Franchisee shall be given an

additional reasonable period of time to cure the same, and this Agreement shall not automatically terminate without written notice from the Franchisor.

18.3. Right to Purchase

Upon termination or expiration of this Agreement for any reason, the Franchisor shall have the option to purchase the Center or a portion of the assets of the Center, which may include, but not be limited to, at the Franchisor's option, all of the Franchisee's leasehold interest, if applicable, in and to the real estate upon which the Center is located, and all Client contracts and lists and all telecommunications equipment and computer hardware and software at the Center, at fair market value, less any amount apportioned to the goodwill of the Center which is attributable to the Franchisor's Marks and System, and less any amounts owed to the Franchisor by the Franchisee. The following additional terms shall apply to the Franchisor's exercise of this option:

a. The Franchisor's option hereunder shall be exercisable by providing the Franchisee with written notice of its intention to exercise the option given to the Franchisee no later than the effective date of termination, in the case of termination, or at least 90 days prior to the expiration of the term of the franchise, in the case of non-renewal.

b. The terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by the Franchisor, in the real property records and the Franchisor and the Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording.

c. After the Franchisor notifies the Franchisee of the exercise of the option, the Franchisor and the Franchisee shall obtain an independent appraisal of the fair market value of the assets being purchased by each appointing an independent appraiser, who in turn will appoint a third appraiser. The third appraiser shall value the assets and this appraisal shall be binding on both parties. The obligation of the Franchisor to purchase the assets shall be contingent on the appraisal being acceptable to the Franchisor.

d. The Franchisor shall set the closing for the purchase to take place no later than 60 days after the termination or nonrenewal date. At the Franchisor's option the Franchisee shall continue the Center operations by extension of this Agreement, through the closing date. The Franchisor will pay the purchase price in full at the closing or as may be otherwise agreed upon by the Franchisor and the Franchisee. The Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the Center or its assets by the Franchisor.

In the event that the Franchisor does not exercise its right to purchase the Franchisee's Center as set forth above, the Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its Center; provided, however, that all appearances of the Marks are first removed in a manner approved in writing by the Franchisor.

18.4. Obligations of Franchisee Upon Termination or Expiration

The Franchisee is obligated upon termination or expiration of this Agreement to immediately:

a. Pay to the Franchisor all Royalties, Creative Fund Contributions, other fees, and any and all amounts or accounts payable then owed the Franchisor or its affiliates pursuant to this Agreement, or pursuant to any other agreement, whether written or oral, including subleases and lease assignments, between the parties;

b. Cease to identify itself as an INTELLIGENT OFFICE Center franchisee or publicly identify itself as a former Franchisee or use any of the Franchisor's trade secrets, signs, symbols, devices, trade names, trademarks or other materials;

c. Immediately cease to identify the Franchised Location as being, or having been, associated with the Franchisor and, if deemed necessary by the Franchisor, paint or otherwise change the interior and exterior of the Center to distinguish it from an INTELLIGENT OFFICE Center and immediately cease using any proprietary mark of the Franchisor or any mark in any way associated with the Marks and System;

d. Deliver to the Franchisor all items which bear the Mark "INTELLIGENT OFFICE," signs, sign-faces, advertising materials, forms and other materials bearing any of the Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;

e. Immediately deliver to the Franchisor the Operations Manual and all other information, Client contracts, lists and data and other documents and copies thereof which are proprietary to the Franchisor;

f. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of the Franchisor or, at the option of the Franchisor, assign the same to the Franchisor;

g. Notify the telephone company and all telephone directory publishers of the termination or expiration of the Franchisee's right to use all telephone numbers for the Center and for the Clients who use the Center and any regular, classified or other telephone directory listings associated with any Mark and to authorize transfer thereof to the Franchisor or its designee. The Franchisee acknowledges that, as between the Franchisee and the Franchisor, the Franchisor has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers and directory listings associated with any Mark, including but not limited to, all telephone numbers for the Center and all numbers for the Clients who use the Center. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor and any of its officers as the Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers to transfer any telephone, telecopy or facsimile machine numbers and directory listings relating to the Center to the Franchisor or its designee, should the Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of the Franchisor's exclusive rights in such telephone numbers and directory listings and the Franchisor's authority to direct their transfer. In addition, the Franchisee agrees to sign the Telephone Assignment Agreement attached to this Agreement as Exhibit IV at the time the Franchisee signs this Agreement, in furtherance of the Franchisee's transfer of such telephone numbers;

h. Deliver to the Franchisor all data, information and documents regarding Clients and prospective clients including, without limitation, data and information contained in the Technology Systems;

i. Cooperate with the Franchisor or its designee to ensure, at the option of the Franchisor, a smooth transition of Clients to and the continuity of client services by the Franchisor or its designee.

j. Comply with the terms of the Software Installation, Integration and Maintenance Agreement;

k. Abide by all restrictive covenants set forth in Article 20 of this Agreement; and

1. If applicable, take such action as may be required to remove from the internet all sites referring to the Franchisee's former ^ΔINTELLIGENT OFFICE Center or any of the Marks and to cancel or assign to the Franchisor, in the Franchisor's sole discretion, all rights to any domain names for any sites on the internet that refer to the Franchisee's former^Δ INTELLIGENT OFFICE Center or any of the Marks.

18.5. State and Federal Law

THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN THE FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT.

19. ^ΔBUSINESS RELATIONSHIP

19.1. Independent Businesspersons

The parties acknowledge that each of them are independent businesspersons, that their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement. Neither the Franchisor nor the Franchisee will hold themselves out to be the agent, employer or partner of the other and that neither the Franchisor nor the Franchisee has the authority to bind or incur liability on behalf of the other.

19.2. Payment of Third Party Obligations

The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon the Franchisee, the Franchisee's property, the Center or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor).

19.3. Indemnification

The Franchisee shall indemnify, defend and hold harmless the Franchisor, its subsidiaries and affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against, and to reimburse them for all claims, obligations and damages described in this Section 19.3, any and all third party obligations described in Section 19.2 and any and all claims and liabilities directly or indirectly arising out of the operation of the Center or arising out of the use of the Marks and System in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

20. RESTRICTIVE COVENANTS

20.1. Non-Competition During Term

The Franchisee acknowledges that, in addition to the license of the Marks hereunder, the Franchisor has also licensed commercially valuable information which comprises and is a part of the System, including without limitation, operations, marketing, advertising and related information and materials and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage of the same by all the franchisees of the Franchisor using the Marks and System. Therefore, other than the Center licensed herein or authorized by separate agreement with the Franchisor, neither the Franchisee nor any of the Franchisee's officers, directors, shareholders or partners, nor any Client of his, her or their immediate families, shall during the term of this Agreement:

- a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a "Competitive Business" as defined below;
- b. perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or
- c. divert or attempt to divert any business related to, or any customer or account of the Center, the Franchisor's business or any other ^ΔINTELLIGENT OFFICE franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Franchisor or another franchisee licensed by the Franchisor to use the Marks and System, to any Competitive Business by any direct inducement or otherwise.

The term "Competitive Business" as used in this Agreement shall mean any business operating and providing, or granting franchises or licenses to others to operate and provide, telecommuting services combined with office support services, executive suites or the leasing of office space or any similar business (excluding operating or granting franchises or licenses to others for ^ΔINTELLIGENT OFFICE Centers operated under franchise agreements with the Franchisor). Notwithstanding the foregoing, the Franchisee shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

20.2. Post-Termination Covenant Not to Compete

Upon termination or expiration of this Agreement for any reason, the Franchisee and its officers, directors, shareholders, and/or partners agree that, for a period of two years commencing on the effective date of termination or expiration, or the date on which the Franchisee ceases to conduct business, whichever is later, neither the Franchisee nor any of its officers, directors, shareholders and/or partners shall have any direct or indirect interest (through a member of any immediate family of the Franchisee or its Owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business, defined in Section 20.1 above, located or operating within a 25 mile radius of the Franchised Location or within 25 miles of any other franchised or company-owned ^ΔINTELLIGENT OFFICE Center. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. The Franchisee, on behalf of itself and its officers, directors, shareholders and/or partners, expressly acknowledges that it and those persons possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently,

enforcement of the covenants made in this Section will not deprive the Franchisee or those persons of their personal goodwill or ability to earn a living.

20.3. Confidentiality of Proprietary Information

The Franchisee shall treat all information it receives which comprises or is a part of the System licensed hereunder as proprietary and confidential and will not use such information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Franchisor's written consent. The Franchisee acknowledges that the Marks and the System have valuable goodwill attached to them, that the protection and maintenance thereof is essential to the Franchisor and that any unauthorized use or disclosure of the Marks and System will result in irreparable harm to the Franchisor.

20.4. Confidentiality Agreement

The Franchisor reserves the right to require that the Franchisee cause each of its officers, directors, managers, owners, sales coordinators and Principal Operators, and, if the Franchisee is an individual, immediate family members, to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by the Franchisor. The Franchisee shall have executed and returned to the Franchisor any Nondisclosure and Noncompetition Agreement required to be executed by the Franchisor within 30 days of such demand.

21. INSURANCE

21.1. Insurance Coverage

The Franchisee shall procure, maintain and provide evidence of (i) commercial general liability insurance for the Franchised Location and its operations with a limit of not less than \$1,000,000 combined single limit, or such greater limit as may be required as part of any lease agreement for the Franchised Location; (ii) if your Center's business operations will include use of an automobile, automobile liability insurance covering all employees of the Center with authority to operate a motor vehicle in an amount not less than \$1,000,000 or, with the prior written consent of the Franchisor, such lesser amount as may be available at a commercially reasonable rate, but in no event less than any statutorily imposed minimum coverage; (iii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; and (iv) all-risk personal property insurance in an amount equal to at least 100% of the replacement costs of the contents and tenant improvements located at the Center. All of the required policies of insurance shall name the Franchisor as an additional insured and shall provide for a 30 day advance written notice to the Franchisor of cancellation or amendment.

21.2. Proof of Insurance Coverage

The Franchisee will provide proof of insurance to the Franchisor prior to commencement of operations at its Center. This proof will show that the insurer has been authorized to inform the Franchisor in the event any policies lapse or are cancelled. If the Franchisee fails to purchase the required insurance types and amounts, the Franchisor shall have the right to purchase such insurance for the Franchisee, in which case the Franchisee must reimburse the Franchisor for the Franchisor's costs and expenses related to obtaining the insurance. The Franchisor has the right to change the types and amount of insurance the Franchisee is required to maintain by giving the Franchisee prior reasonable notice, giving due consideration to what is reasonable and customary in similar businesses. Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement; in the event of any lapse in insurance coverage, in addition to all other remedies, the Franchisor shall have the right to

demand that the Franchisee cease operations of the Center until coverage is reinstated, or, in the alternative, pay any delinquencies in premium payments and charge the same back to the Franchisee.

22. MISCELLANEOUS PROVISIONS

22.1. Governing Law/Consent to Venue and Jurisdiction

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, its officers or directors (collectively, "Franchisee Affiliates") and the Franchisor, its officers, directors or sales employees (collectively, "Franchisor Affiliates") both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. The Franchisor, the Franchisor Affiliates, the Franchisee and the Franchisee Affiliates each waive their rights to a trial by jury.

22.2. Modification

The Franchisor and/or the Franchisee may modify this Agreement only upon execution of a written agreement between the two parties. The Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor, in its sole discretion, deems necessary to protect, promote or improve the Marks and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination.

22.3. Entire Agreement

This Agreement, including all exhibits, riders and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. The Franchisee agrees and understands that the Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation based on any such oral representations or commitments and that no modifications of this Agreement shall be effective except those in writing and signed by both parties. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. The Franchisee further acknowledges that no representations have been made to it by the Franchisor regarding projected sales volumes, market potential, revenues, profits of the Franchisee's Center, or operational assistance other than as stated in this Agreement or in any disclosure document provided by the Franchisor or its representatives.

22.4. Delegation by the Franchisor

From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

22.5. Effective Date

This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor.

22.6. Review of Agreement

The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 10 full business days, during which time the Franchisee has had the opportunity to submit same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

22.7. Attorneys' Fees

In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the losing party in any legal action, arbitration or other proceeding will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable costs and attorneys' fees, plus interest at the highest rate allowable by law.

22.8. Injunctive Relief

Nothing herein shall prevent the Franchisor or the Franchisee from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies.

22.9. Payment of Taxes

The Franchisee shall reimburse the Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by the Franchisor, or its affiliates or designees, on account of services or goods furnished by the Franchisor, its affiliates or designees, to the Franchisee through sale, lease or otherwise, or on account of collection by the Franchisor of the initial franchise fee, Royalties,[△] Creative Fund Contributions or any other payments made by the Franchisee to the Franchisor required under the terms of this Agreement.

22.10. No Waiver

No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by the Franchisor or the Franchisee shall be considered to imply or constitute a further waiver by the Franchisor or the Franchisee of the same or any other condition, covenant, right or remedy.

22.11. No Right to Set Off

The Franchisee shall not be allowed to set off amounts owed to the Franchisor for Royalties,[△] Creative Fund Contributions, fees or other amounts due hereunder, against any monies owed to Franchisee, nor shall the Franchisee in any event withhold such amounts due to any alleged nonperformance by the Franchisor hereunder, which right of set off is hereby expressly waived by the Franchisee.

22.12. Invalidity

If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

22.13. Notices

All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, at the address set forth in the first Section of this Agreement or at such other addresses as the Franchisor or the Franchisee may designate from time to time, and shall be effectively given when deposited in the United States mails, postage prepaid, or when received via overnight delivery, as may be applicable.

22.14. Cumulative Rights

The rights and remedies of the Franchisor and the Franchisee hereunder are cumulative and no exercise or enforcement by the Franchisor or the Franchisee of any right or remedy hereunder shall preclude the exercise or enforcement by the Franchisor or the Franchisee of any other right or remedy hereunder which the Franchisor or the Franchisee is entitled by law to enforce.

22.15. Approvals and Consents

Whenever the Franchisee fails to request the approval or consent of the Franchisor as required under this Agreement before taking a particular action, any subsequent action taken by the Franchisee without first obtaining Franchisor's approval or consent as required hereunder shall be deemed an unauthorized action and shall be treated as if the Franchisor had disapproved or withheld its consent to Franchisee's request to take such action.

22.16. Acknowledgement

BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. THE FRANCHISEE ACKNOWLEDGES THAT:

(A) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON THE FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS, AND

(B) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(C) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY OFFERING CIRCULAR SUPPLIED TO THE FRANCHISEE IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth.

THE INTELLIGENT OFFICE SYSTEM, LLC,
a Colorado limited liability company

By: _____
Ralph S. Gregory, President

FRANCHISEE

(Print Name)

Individually

City: _____
State: _____ Zip: _____

OR:
(if a corporation or partnership)

Company Name _____

By: _____
Name: _____
Title: _____
Address: _____
City: _____
State: _____ Zip: _____

**EXHIBIT I TO
FRANCHISE AGREEMENT**

**ADDENDUM TO THE INTELLIGENT OFFICE SYSTEM, LLC
FRANCHISE AGREEMENT**

1. **Franchised Location and Protected Territory.** The Franchised Location, set forth in Section 3.1 of the Agreement shall be: _____, and the Protected Territory described in Section 3.2 of the Agreement, shall be: _____

OR

Assigned Area. The Franchisor and the Franchisee acknowledge that the Franchised Location cannot be designated in Section 1 above as a specific address because the location has not been selected and approved; therefore, within 180 days following the date of the Agreement, the Franchisee shall take steps to choose and acquire a location for its INTELLIGENT OFFICE Center within the following geographic area ("**Assigned Area**"): _____

If the attached Exhibit I-1, the Rider to Addendum – Location Approval, is for any reason not executed by both the Franchisor and the Franchisee, the Protected Territory described in Section 3.2 of the Agreement shall be a one-half mile radius from the Franchised Location if located in an urban area and a five-mile radius from the Franchised Location if located in a suburb. The Franchisor shall determine, in its sole discretion, if the Franchised Location is located in an urban or suburban area.

2. **Initial Franchise Fee.** The Franchisee shall pay to the Franchisor an initial franchise fee of \$ _____, due and payable in the manner described in Section 4.1 of the Agreement. In no event shall the initial franchise fee be refundable. The parties agree that \$ _____ of the amount of the initial franchise fee will be paid by the Franchisor to the Franchisor's designated architect to design the Franchisee's Franchised Location.

3. **Technology Charge.** The Franchisee shall pay to the Franchisor a Technology Charge of \$ _____, due and payable in the manner described in Section 5.5 of the Agreement.

4. **Commencement of Operations.** The Franchisee shall have _____ days within which to comply with the conditions described in Sections 5.1 and 5.7 of the Agreement and commence operation of the Center.

5. **Acknowledgement.** By executing this Exhibit and/or the Rider hereto, the Franchisee acknowledges that the Franchisor's approval of a site does not constitute a representation or warranty of any kind, express or implied, as to the suitability of the site for an INTELLIGENT OFFICE Center or for any other purpose and that the Franchisee's acceptance of a franchise for the operation of an INTELLIGENT OFFICE Center at the site is based on its own independent investigation of the suitability of the site.

Fully executed this ____ day of _____, 20____.

THE INTELLIGENT OFFICE SYSTEM, LLC

By: _____
Ralph S. Gregory, President

FRANCHISEE

By: _____
Title: _____

**EXHIBIT I-1
TO FRANCHISE AGREEMENT**

RIDER TO ADDENDUM - LOCATION APPROVAL

1. **Franchised Location.** The Franchised Location, set forth in Section 3.1 of the Agreement shall be: _____

_____.

2. **Protected Territory.** The Protected Territory described in Section 3.2 of the Agreement, shall be: _____
_____.

3. **Legal Address.** The business address for any notices mailed pursuant to Section 22.13 of the Agreement shall be changed to read as follows: _____
_____.

Fully executed this ____ day of _____, 20__.

THE INTELLIGENT OFFICE SYSTEM, LLC

By: _____
Ralph S. Gregory, President

FRANCHISEE

By: _____
Title: _____

**EXHIBIT II
TO FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "**Agreement**") by The Intelligent Office System, LLC (the "**Franchisor**"), each of the undersigned hereby personally and unconditionally: (1) guarantees to the Franchisor, its affiliates and its successors and assigns, for the term of the Agreement, including renewals thereof, that the franchisee as that term is defined in the Agreement ("**Franchisee**") shall punctually pay all money owed or that becomes due and payable to the Franchisor or its affiliates while the Franchisee's Center (as defined in the Agreement) is under development and while it is operating; and (2) each of the undersigned shall be personally bound by and personally liable for the breach of each and every undertaking, agreement and covenant set forth in Sections 8.2, 18.4 and 19.3, and Article 20 of the Agreement.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. Such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and
4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement, including renewals thereof.
5. The governing law, consent to jurisdiction and related provisions contained in Section 22.1 and the costs and attorneys' fees provision contained in Section 22.7 of the Agreement shall govern this Guaranty and such provisions are incorporated into this Guaranty by this reference.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

WITNESS

GUARANTOR(S)

**EXHIBIT III
TO FRANCHISE AGREEMENT**

STATEMENT OF OWNERSHIP

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited
Liability
Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, indicate the state in which the partnership was formed and the date of formation.

If a Limited Liability Company, provide name and address of each member and each manager, show percentage owned and indicate the state in which the Limited Liability Company was formed and the date of formation.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

Franchisee acknowledges that this Statement of Ownership applies to its ^{an}INTELLIGENT OFFICE Center authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to the Franchisor in writing.

Date

Name

**EXHIBIT IV
TO FRANCHISE AGREEMENT**

TELEPHONE ASSIGNMENT AGREEMENT

THIS TELEPHONE ASSIGNMENT AGREEMENT is made as of this ____ day of _____, 20__ by and between _____ (hereinafter the "**Assignor**") and The Intelligent Office System, LLC, a Colorado limited liability company (hereinafter the "**Assignee**").

WITNESSETH:

WHEREAS, the Assignor has been licensed to use the proprietary system ("**System**") for the operation of a business (the "**Center**") offering telecommuting and office support services to various clients ("**Clients**") under the trademark ^ΔINTELLIGENT OFFICE ("**Mark**") by the Assignee under the terms of a Franchise Agreement dated _____, 20__.

WHEREAS, in order to operate its Center, the Assignor shall be acquiring two or more telephone numbers and telephone listings and shall be acquiring rights to the telephone numbers of Clients;

WHEREAS, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its telephone numbers and those of the Clients using its Center and related telephone listings, to the Assignee in the event of a termination or expiration of the Franchise Agreement;

NOW, THEREFORE, in consideration of the forgoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Assignment.** In the event of termination or expiration of the Franchise Agreement, and in order to assure continuity and stability of the operation of the System, the Assignor hereby sells, assigns, transfers and conveys to the Assignee all of its right, title and interest in and to all telephone numbers and telephone listings associated with the Mark, including but not limited to, all telephone numbers and listings for the Center and for those Clients who use the Center's telephone answering services (collectively, "**Telephone Numbers**") pursuant to which Assignor shall operate its Center in accordance with the terms of the Franchise Agreement; provided, however, this Agreement shall not be effective unless and until the Franchise Agreement terminates or expires in accordance with the provisions thereof.

2. **Representation and Warranties of the Assignor.** The Assignor hereby represents, warrants and covenants to the Assignee that:

a. As of the effective date of the assignment contemplated by this Agreement, all of the Assignor's obligations and indebtedness for Telephone Numbers and related listing services shall be paid and current;

b. As of the date hereof, the Assignor has full power and legal right to enter into, execute, deliver and perform this Agreement;

c. This Agreement is a legal and binding obligation of the Assignor, enforceable in accordance with the terms hereof;

d. The execution, delivery and performance of this Agreement does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which the Assignor is a party or by which the Assignor is bound, and no consent of nor approval by any third party is required in connection herewith; and

e. The Assignor has or will have the specific power to assign its right, title and interest in the Telephone Numbers and the Assignor has obtained or will obtain all necessary consents to this Agreement.

3. **Miscellaneous.** The validity, construction and performance of this Agreement shall be governed by the laws of the State of Colorado. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of the Assignee shall inure to its benefit and to the benefit of its successors and assigns.

IN WITNESS WHEREOF, each of the parties have executed this Agreement as of the day and year first written above.

THE INTELLIGENT OFFICE SYSTEM, LLC

By: _____
Ralph S. Gregory, President

ASSIGNOR

By: _____
Title: _____