

ABC INC.
FRANCHISE AGREEMENT
(With a Regional Subfranchisor)
Dated: _____

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is entered into on the Effective Date between _____, a _____ Company organised under the laws of _____ ("Regional Franchisor"), and the Franchisee identified in Attachment B to this Agreement. Capitalized terms are used in this Agreement with the meanings assigned in the Glossary of Terms appended as Attachment A.

RECITALS

- A. ABC Inc., ("Franchisor") has granted Regional Franchisor the right to use and license the Marks and Systems throughout the Development Area in accordance with the Regional Franchise Agreement.
- B. Franchisee desires to obtain a franchise to use the System and Marks in conjunction with the operation of one ANY BUSINESS FORMAT in accordance with the terms and conditions of this Agreement.

WHEREFORE IT IS AGREED:

Article 1. Grant of Franchise and License

1.1 Grant

Subject to the terms and conditions of this Agreement, Regional Franchisor grants to Franchisee, and Franchisee accepts, the right, license and obligation to operate one ANY BUSINESS FORMAT at the Approved Location identified in Attachment B in accordance with the System and in association with the Marks.

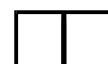
Article 2. Competitive Protection

2.1 Protected Area

During the Term, neither Franchisor nor Regional Franchisor shall operate, or grant a franchise to any Person except Franchisee to operate a ANY BUSINESS FORMAT in the Protected Area described in Attachment B.

2.2 Certain Exceptions

- (a) The competitive protection that Section 2.1 provides to Franchisee will not prohibit or restrict Franchisor, Regional Franchisor or their respective Affiliates from marketing the availability of franchises for territories outside the Protected Area to residents of the Protected Area or from offering and selling franchises for territories outside the Protected Area to residents of the Protected Area.
- (b) Franchisee will have no protection against competition from other franchisees whose ANY BUSINESS FORMATS are located anywhere outside the Protected Area's physical boundaries, even if these ANY BUSINESS FORMATS market their products and services in or draw customers from the Protected Area. On the other hand, there will be no limitation on the geographic area in which Franchisee may advertise and promote its ANY BUSINESS FORMAT.
- (c) The competitive protection that Section 2.1 provides to Franchisee will not prohibit or restrict Franchisor, Regional Franchisor or their respective Affiliates from selling proprietary merchandise, services, memorabilia and other Products to customers inside the Protected Area through catalogues, telemarketing campaigns, an Internet website and other direct-order



techniques, except that Franchisor must share profits from the sale of products and services via the Internet with Franchisee in accordance with Section 8.14. Franchisor, Regional Franchisor and their respective Affiliates may distribute catalogues and similar sales solicitation materials in the Protected Area, broadcast television and radio commercials for direct-order merchandise and services into the Protected Area, initiate telephone contact with and accept telephone orders from residents of the Protected Area, and fill customer orders for direct-order merchandise and services in the Protected Area, without in any such case infringing Franchisee's competitive protection rights.

2.3 Reservation of Rights.

Franchisor reserves all rights that are not expressly granted to Franchisee in this Agreement.

Article 3. System Evolution

3.1 Right to Modify System

Regional Franchisor reserves the right to modify the ANY BUSINESS FORMAT concept, Trade Dress, equipment package and other elements of the System from time to time in the manner prescribed or directed by Franchisor. Reasons justifying the changes or modifications include the need (a) to respond to changes in consumer expectations, life styles and buying habits, (b) to seize efficiencies made possible by growth of the ABC INC. ANY BUSINESS FORMAT network, (c) to implement efficiencies made possible by technological advances or as a result of Franchisor's research and development activities, (d) to implement co-branding alliances with other companies, and (e) to meet competition. Regional Franchisor, at the direction of Franchisor, reserves the right and discretion (1) to modify, change or abandon the instructional theory on which ABC Type Services is currently based, (2) to add new and different instructional techniques to those that ANY BUSINESS FORMATS currently offer, (3) to change the Trade Dress, equipment and functional component standards for ANY BUSINESS FORMATS, (4) to add or change the standards for customer service, and (5) to require the use of new or different electronic instructional devices and electronic data processing and communications equipment and facilities.

3.2 Predicates for Change

- (a) Before Franchisee can be required to implement a material change to the System or to the characteristics or components of the ANY BUSINESS FORMAT, Franchisor will first test the change for a period of not less than 90 days in a select group of ANY BUSINESS FORMATS that Franchisor invites to participate in the test. Franchisor will share the test results with the Regional Franchisor Council and will not implement the change if a majority of the members of the Regional Franchisor Council object to the change. However, Franchisor may modify the change to meet objections voiced by Regional Franchisor Council and may direct Regional Franchisor to require Franchisee to implement the change, as modified, without conducting additional testing.
- (b) If the Regional Franchisor Council supports a change, Franchisor may instruct Regional Franchisor to cause Franchisee to implement the change on a schedule specified in a supplement to the Operations Manual. However, if implementation of a change would require the purchase or replacement of equipment or leasehold improvements having an aggregate average cost per ANY BUSINESS FORMAT of \$25,000 or more, Regional Franchisor will not require Franchisee to implement the change until the franchise comes up for renewal. Further, if implementation of a change would require the purchase or replacement of equipment or leasehold improvements having an aggregate average cost per ANY BUSINESS FORMAT between \$10,000 and \$24,999, Regional Franchisor will not require Franchisee to implement the change until the end of the 24th month after the Regional Franchisor Council votes to support the change.

3.3 Ownership of Concept Changes

If Franchisee develops or suggests an innovation or improvement that Franchisor decides to incorporate into the ANY BUSINESS FORMAT concept or System, either temporarily or permanently, Franchisee will assign ownership of the innovation or improvement to Franchisor without compensation. The sole

