

LICENSE AGREEMENT

(NARCONON INTERNATIONAL/CENTER—MARKS)

THIS AGREEMENT is made this _____ day of _____, 20__ by and between,

NARCONON INTERNATIONAL, a California non-profit corporation having a place of business at 7060 Hollywood Boulevard, Suite 220, Los Angeles, California 90028 (hereinafter referred to as NARCONON INT"); and

(Center Name)

(Address)

(hereinafter referred to as "CENTER").

RECITALS

A. Lafayette Ronald Hubbard (hereinafter referred to as "LRH") was the discoverer and the developer of a certain philosophy and techniques for bettering the condition of mankind and establishing a civilization without war, crime or insanity, and described that philosophy and those techniques (hereinafter referred to as "Hubbard Philosophy and Technology") in numerous written and recorded spoken works (hereinafter referred to as "the Hubbard Writings").

B. Association For Better Living And Education (hereinafter referred to as ABLE) was formed for the purpose of supervising and coordinating the promotion and dissemination of the Hubbard Philosophy and Technology in secular fields by organizations formed to use the Hubbard Philosophy and Technology in those fields, and specifically for the purposes of (1) improving and revitalizing society, especially in the fields of education, drug rehabilitation, and the rehabilitation of criminals, by the use and application of methods and information applicable to such purposes, (2) making training available to organizations with like purposes, (3) coordinating the activities of such organizations toward effective actions in such fields and (4) ensuring that information and materials which are useful to the improvement of society in such fields are broadly disseminated.

C. ABLE is the owner of certain trademarks and service marks, including the mark "Narconon" and certain design marks (hereinafter "the Marks") for which one or more registrations have been obtained in some countries of the planet, and for which applications for registrations have been, or will be, made in other countries of the planet. A list of the Marks and registrations is attached as Exhibit 1.

D. NARCONON INT is an organization which uses the Hubbard philosophy and technology in secular fields, with emphasis on the field of drug rehabilitation and education, and has the responsibility of supervising and coordinating the use, promotion and dissemination of the Hubbard Philosophy and Technology by its organizations in this field. NARCONON INT has been licensed by ABLE to use the Marks and to sublicense the use of the marks to other organizations in the field of drug rehabilitation and education.

E. NARCONON INT and CENTER wish to enter into a formal agreement defining the rights and responsibilities of each of them with respect to use of the Marks by CENTER and its staff and employees.

AGREEMENT

1. Recitals

The recitals are hereby made part of this Agreement and are acknowledged to be true.

2. Grant

a. NARCONON INT hereby grants to CENTER the nonexclusive right and license to use the Marks in connection with services in the field of drug rehabilitation and education, and on and in connection with approved products that are related to these services. CENTER shall use the Marks exclusively for charitable and educational purposes that are described in Section 501(c)(3) of the Internal Revenue Code of 1986 (hereinafter referred to as "Section 501(c)(3)").

b. This grant does not include the right to grant sublicenses of any kind.

c. This grant does not include any right to use the name of LRH, or any part thereof, in or as a trademark or service mark, and CENTER expressly agrees not to do so. CENTER may, however, use the name of LRH, and parts thereof, in accurate factual reference to him and to his works.

1. Consideration

a. As consideration for the grant herein made, and as a way to provide financial support for the educational and charitable purposes of NARCONON INT, CENTER shall pay to NARCONON INT a weekly fee equal to Ten Percent (10%) of its gross income, including donations received to support its services, after deduction of costs only of materials purchased from NARCONON INT or ABLE, investment income, commissions received for referrals to other organizations, refunds and bounced checks (that have previously been included in gross income).

b. As additional consideration for the grant herein, CENTER acknowledges, as a condition of this license, CENTER'S prior and continuing commitment to the full and faithful performance of the promises made herein, particularly including the promise to actively use the Marks in advancing and disseminating the Hubbard Philosophy and Technology in accordance with the Hubbard Writings in CENTER'S field and to promote and protect the Hubbard Philosophy and Technology under and in connection with the Marks and the name of LRH.

4. Payments and Accountings

a. Weekly Payments. License fees shall be due to NARCONON INT when monies subject to license fees are received by CENTER and shall be paid weekly to NARCONON INT or an authorized continental or national office which is designated by NARCONON INT, accompanied by an informal statement indicating the basis of the payment, together with such other information as may be requested by NARCONON INT. All payments under this Agreement shall be payable in United States currency. CENTER shall be responsible for handling all currency and exchange controls.

b. Books and Records. CENTER shall keep and maintain accurate books and records pertaining to all activities for which CENTER is licensed under this Agreement, in sufficient detail to permit calculation and verification of license fees payable under this Agreement.

c. Quarterly Statements. CENTER shall prepare statements accounting for all license fees due to NARCONON INT under this Agreement during each of the following periods in every year:

From January 1 to March 31;
From April 1 to June 30;
From July 1 to September 30;
From October 1 to December 31.

CENTER shall mail each such statement to NARCONON INT within thirty (30) days after the close of each period. Each Quarterly Statement shall report the gross income, the amounts deducted as cost of materials purchased from NARCONON INT, investment income, donations by corporate directors and officers, commissions received for referrals to other organizations, refunds and bounced checks (that have previously been included in gross income), the amount of license fees paid to NARCONON INT or its authorized continental or national office during the quarter, the amount of license fees due NARCONON INT but unpaid, and such other information as may, from time to time, be requested by NARCONON INT. Each statement shall be certified as true and correct by CENTER.

d. Quarterly Payments. Any amounts shown to be due on the Quarterly Statement shall be paid with the Quarterly Statement. Should such payment not be made within thirty (30) days following the close of the quarter, the amount due shall bear interest from the last day of the quarter for which it is due until paid at the rate of ten percent (10%) per annum.

Should the Quarterly Statement show an overpayment, such overpayment shall be deducted proportionately from the remaining weekly payments during the quarter following the one in which the overpayment was made.

e. Right to Audit Books and Records. Upon written request, NARCONON INT may examine the books and records of CENTER which relate to the activities of CENTER under this Agreement for purposes of verification of the license fees due and paid hereunder. Such records shall be available for five (5) years following submission of any Quarterly Statement. If such examination discloses an underpayment of five percent (5%) or more with respect to any quarterly statement, CENTER shall reimburse NARCONON INT for all reasonable costs of the examination.

5. Control and Supervision

a. NARCONON INT shall have the right to disseminate standards, specifications and guidelines for the proper use and display of the Marks, and for the proper non-trademark use of the name of LRH, and CENTER and all of its staff and employees shall follow and abide by all such standards, specifications and guidelines.

b. CENTER shall not use or associate any of, or permit the use or association of any of, the Marks with any goods or services, or with any other activity, that is in conflict with or hostile to the Hubbard Philosophy and Technology, or the Hubbard Writings, and shall not use any of the Marks on or in connection with any matter that is not part of, or related to, the Hubbard Philosophy and Technology.

c. NARCONON INT and ABLE shall have the right to monitor all operations of CENTER with respect to use of the Marks, inspect all books, records and facilities pertaining to use of the Marks, and

receive sample specimens and summaries of literature, publications and products using the Marks, in reasonable numbers and with reasonable frequency to insure compliance with all standards, specifications and guidelines.

d. NARCONON INT and ABLE may, if NARCONON or ABLE ever deems it necessary or advisable, send a corrective mission to CENTER to correct any deviation from the standards, specifications or guidelines of NARCONON INT, and CENTER shall compensate NARCONON INT or ABLE, as the case may be for all of its reasonable costs and expenses of the corrective action, including reasonable travel and living costs of personnel and reasonable charges for the time of such personnel at NARCONON INT's or ABLE's standard rates for such corrective action.

1. General Obligations of CENTER

CENTER agrees that:

a. CENTER shall conduct its activities in accordance with the technical and ethical standards prescribed by the Hubbard Writings and in accordance with all standards, specifications and guidelines of NARCONON INT pursuant to this Agreement.

b. CENTER shall devote its best efforts and due diligence to the promotion and dissemination of the Hubbard Philosophy and Technology in the field of drug rehabilitation and education under the Marks.

c. CENTER shall not engage in any activity that is in conflict with or hostile to the Hubbard Writings, or hostile to or derogatory to the image of LRH.

7. Enforcement

a. NARCONON INT and ABLE are responsible for protection of the Marks and the name of LRH against any unauthorized or improper use, and shall have the final authority for such enforcement. CENTER shall report to NARCONON INT all unauthorized or improper use that comes to its attention, and shall render all assistance to NARCONON INT and ABLE that may be required in correcting or terminating such use.

b. CENTER shall have direct responsibility for monitoring the use of the Marks and the name of LRH in CENTER's area, and for determining whether any unauthorized or improper use is occurring in such area, but shall not initiate any enforcement action regarding the Marks or the name of LRH without the express written approval of NARCONON INT or ABLE.

8. Indemnity

CENTER acknowledges its full responsibility for the ethical and proper use of the Marks and the Hubbard Philosophy and Technology according to the Hubbard Writings, and covenants that neither it nor any of its staff or employees will make any claim against NARCONON INT, ABLE, the successors of LRH, or any person associated with NARCONON INT or ABLE. CENTER shall indemnify and hold harmless NARCONON INT, ABLE, the successors of LRH, and all of NARCONON INT's and ABLE's agents, employees, representatives, successors and assigns, from and against all liabilities, claims and actions of any kind, and costs, including attorneys' fees, which arise from or relate to the use of the Marks, or relate to or arise from any of the services or products associated with the Marks.

9. Names And Ownership

CENTER acknowledges and agrees that:

a. This Agreement replaces and supersedes all previous agreements with CENTER with respect to the Marks, and that CENTER has no rights of any kind with respect to any of those marks except the rights that are granted by this Agreement;

b. The Marks shall not become part of the assets of CENTER, and all use by CENTER of any of the Marks, in its name and otherwise, is and shall be pursuant to this Agreement alone, and shall support the ownership of the Marks by ABLE with the same effect as if ABLE had itself made that use; and

c. If this Agreement ever is terminated for any reason, CENTER shall immediately cease all use of each of the Marks, in its name and otherwise, and shall forever refrain from further use of any of the Marks, unless and until formally reinstated hereunder.

10. Term and Termination

a. The first term of this Agreement shall extend from the date in the introductory paragraphs hereof until December 31, 2003, and this Agreement shall be renewed automatically at the expiration of the first term and each additional term for successive additional five (5) year terms unless and until one of the parties gives notice of non-renewal within the ninety (90) days next preceding the expiration of any term, or unless sooner terminated in a manner provided herein.

b. In the event of failure by CENTER to perform any of its obligations under this Agreement, NARCONON INT may, in addition to any other remedy it may have, terminate this Agreement by giving CENTER thirty (30) days written notice specifying the nature of the failure to perform, the identity of the party to be terminated, and the intended effective date of termination, at least thirty (30) days later. The termination notice will be effective on the stated effective date unless, prior to that date, the failure to perform has been corrected.

c. At its discretion, NARCONON INT may immediately suspend the right of CENTER to use any of the Marks if CENTER (1) has ceased using the Marks or (2) is misusing any of the Marks in a manner that places the validity or enforceability of any of the Marks in danger under applicable laws.

d. This Agreement shall terminate immediately if CENTER becomes bankrupt or insolvent or is liquidated or dissolved, or becomes controlled, directly or indirectly, by any individual or entity, which in the judgment of NARCONON INT or ABLE, is likely to compromise the charitable and equitable purposes of ABLE or the technical and ethical standards established by ABLE for use of the Marks.

11. Lack of Agency

Neither party shall be deemed to be the agent, joint venturer, or partner of the other, and neither shall have the authority to act in behalf of the other in any matter, including acceptance of service of process.

12. Governing Law

This Agreement shall be interpreted according to the laws of the State of California, United States of America.

13. Assignability and Binding Effect

a. This Agreement is personal to CENTER, and the rights and obligations hereunder shall not be assignable or otherwise transferable by CENTER, in whole or in part, without the prior written approval of NARCONON INT. In the event of any attempted assignment or transfer by CENTER of its rights under this Agreement, whether voluntary or involuntary, all rights of CENTER with respect to the Marks shall immediately terminate.

b. This Agreement shall be binding upon and for the benefit of the successor, assigns and legal representatives of NARCONON INT.

c. Each reference to LRH shall be deemed to include all successors in interest of LRH.

Signed in triplicate at Los Angeles, California on the date first above written.

NARCONON INTERNATIONAL
("NARCONON INT")

(Signature of Corporate Officer)

Corporate Title

"CENTER" (Center Name)

(Signature of Corporate Officer)

Corporate Title