

FRANCHISE AGREEMENT

FTC FRANCHISE RULE NOTICE (16 C.F.R. §436.2). The Franchisor represents that it furnished the prospective Franchisee with its current Franchise Disclosure Document ("FDD," issue date) on , which date is at least fourteen (14) calendar days before the earlier of (a) the Franchisee's signing of any binding agreement with the Franchisor or any affiliate in connection with the franchise sale, or (b) the Franchisee's payment of any consideration to the Franchisor or any affiliate in connection with the proposed franchise sale. The Franchisee acknowledges receipt of the FDD on and confirms that the 14-day disclosure period and any applicable state waiting periods have elapsed.

This Franchise Agreement (this "**Agreement**") is entered into and made effective as of (the "**Effective Date**"), by and between **[FRANCHISOR LEGAL NAME]**, a [STATE] Corporation, with a principal place of business at **[FRANCHISOR PRINCIPAL ADDRESS]** (the "**Franchisor**"), and **[FRANCHISEE LEGAL NAME]**, a Llc organized under the laws of [STATE], with a principal place of business at **[FRANCHISEE PRINCIPAL ADDRESS]** (the "**Franchisee**"). The Franchisor and the Franchisee are each a "**Party**" and collectively the "**Parties**."

1. Recitals

The Franchisor has developed and operates a distinctive system (the "**System**") for the operation of **[FRANCHISE BRAND SYSTEM NAME E G]**-branded businesses, identified by certain trademarks, service marks, trade dress, proprietary methods, recipes, operating procedures, and know-how (collectively, the "**Marks**" and "**System Standards**"). The Franchisee desires to obtain the right to operate a single **[FRANCHISE BRAND SYSTEM NAME E G]** unit under the System, and the Franchisor is willing to grant such right on the terms set forth herein.

2. Grant of Franchise

2.1 Grant. Subject to the terms of this Agreement, the Franchisor grants to the Franchisee the non-exclusive right and license, and the Franchisee accepts the obligation, to operate one (1) **[FRANCHISE BRAND SYSTEM NAME E G]** unit (the "**Unit**") at a location to be selected and approved by the Franchisor in accordance with Section 4, using the Marks and in accordance with the System Standards.

2.2 Location Type. The Unit shall be operated as a Fixed location.

2.3 Territory. During the Term, and subject to Section 2.4, the Franchisor shall observe the following territorial arrangements with respect to the territory described as: **[PROTECTED OR DESIGNATED TERRITORY GEOGRAPHIC DESCRIPTION]** (the "**Territory**").

- **Protected.** The Franchisor shall not grant another traditional [FRANCHISE BRAND SYSTEM NAME E G] franchise for a Unit within the Territory, but the Franchisor expressly reserves the right to (a) operate or license Alternative Channels (defined below); (b) sell branded goods through any retail, wholesale, institutional, e-commerce, catalog, or mobile channel, whether or not within the Territory; (c) acquire or be acquired by a competing business; and (d) operate any other brand.

2.4 Reserved Rights. Notwithstanding anything to the contrary, the Franchisor expressly reserves the right to (a) operate [FRANCHISE BRAND SYSTEM NAME E G] or any other business at any location outside the Territory; (b) sell or distribute any branded or unbranded goods or services through **Alternative Channels**, including without limitation the internet, mobile applications, delivery aggregators, grocery and club-store channels, vending, institutional feeding, and non-traditional venues (airports, stadiums, military bases, captive audience locations, travel plazas, hotels, colleges, and hospitals); and (c) acquire, be acquired by, merge with, or affiliate with any other franchise or business system.

3. Term and Renewal

3.1 Initial Term. The initial term of this Agreement is **10 (ten) years** from the Effective Date (the "**Initial Term**" and, together with any Renewal Term, the "**Term**").

3.2 Renewal. If the Franchisee has (a) substantially complied with this Agreement throughout the Term; (b) paid all monetary obligations owed to the Franchisor or its affiliates and timely met those obligations through the date of renewal; (c) given notice to the Franchisor at least one hundred eighty (180) days, and not more than three hundred sixty-five (365) days, prior to expiration; (d) executed the Franchisor's then-current form of franchise agreement, which may contain materially different economic and other terms; (e) brought the Unit into full compliance with the then-current System Standards, including remodeling and equipment upgrades at the Franchisee's expense; (f) paid the renewal fee of \$10,000.00; and (g) executed a general release of claims to the extent permitted by applicable law, then the Franchisee shall have the right to **1 (one) renewal term(s) of 5 years each**.

4. Site Selection and Development

4.1 Site Selection. The Franchisee shall propose a site for approval in accordance with the Franchisor's then-current site-selection criteria. The Franchisor's approval of a site does not constitute a representation that the site will be successful or profitable.

4.2 Opening Deadline. The Franchisee shall complete construction and fixturing, attend initial training, pass the Franchisor's pre-opening inspection, and open the Unit for business no later than **270 days** after the Effective Date. Failure to open by such date is a material breach giving the Franchisor the right to terminate.

4.3 Construction and Build-Out. All construction, signage, fixtures, furniture, equipment, and décor shall conform to the Franchisor's plans, specifications, and approved-supplier requirements. The Franchisee is solely responsible for all construction and build-out costs.

5. Fees

5.1 Initial Franchise Fee. The Franchisee shall pay the Franchisor an initial franchise fee of **\$40,000.00** (forty thousand dollars and 00/100), due in full on the Effective Date and fully earned upon receipt. The initial franchise fee is non-refundable in whole or in part except as expressly required by applicable law.

5.2 Royalty. Throughout the Term, the Franchisee shall pay the Franchisor a royalty equal to **6%** of Gross Sales, payable Weekly by electronic funds transfer not later than the Tuesday following each week.

5.3 Brand Fund Contribution. The Franchisee shall contribute **2%** of Gross Sales to the Franchisor's brand marketing fund, payable with the royalty. The brand fund is administered by the Franchisor in its reasonable business judgment; contributions are not held in trust, need not be spent in the Franchisee's Territory or year received, and the Franchisor and its affiliates may receive reasonable administrative reimbursement.

5.4 Local Marketing. The Franchisee shall spend no less than **100%** of Gross Sales on local marketing approved in advance by the Franchisor.

5.5 Training Fee. A one-time training fee of **\$0.00** is payable with the initial franchise fee.

5.6 Transfer and Renewal Fees. Transfer fee: **\$10,000.00**. Renewal fee: **\$10,000.00**.

5.7 Gross Sales. "Gross Sales" means all revenue from the operation of the Unit, whether cash, credit, electronic, gift-card redemption, or otherwise, excluding only (a) bona fide sales taxes collected from customers and remitted to taxing authorities; (b) documented customer refunds actually paid; and (c) such other exclusions as the Franchisor may authorize in writing.

5.8 Late Payments. Any amount not paid when due bears interest at **18%** per annum or the maximum rate permitted by law, whichever is less, plus a late-payment administrative charge reasonably set by the Franchisor.

5.9 Electronic Funds Transfer. The Franchisee shall execute and maintain an EFT authorization permitting the Franchisor to debit royalties, brand-fund contributions, and other amounts due from the Franchisee's designated account.

6. Training and Operations

6.1 Initial Training. The Franchisee (or its designated principal) and the Unit's general manager shall complete the Franchisor's initial training program of up to **15 days** at **Franchisor's headquarters or**

designated training center. The Franchisee bears all travel, lodging, meals, and wages for trainees.

6.2 Operations Manual. The Franchisee shall operate the Unit in strict accordance with the Franchisor's confidential Operations Manual, as amended from time to time. The Operations Manual is proprietary and constitutes a trade secret.

6.3 Suppliers. The Franchisee shall purchase all goods, supplies, equipment, ingredients, and services bearing the Marks or affecting System quality only from suppliers approved by the Franchisor. The Franchisor or its affiliates may designate exclusive suppliers and may derive revenue from such suppliers.

6.4 Continuing Obligations. The Franchisee shall (a) operate the Unit only from the approved location; (b) offer all required products and services and no unapproved products; (c) keep the Unit open during the hours prescribed by the Franchisor; (d) maintain cleanliness, staffing, and service at System Standards; (e) permit unannounced inspections and mystery shoppers; and (f) cooperate with required remodels and refreshes at the Franchisee's expense.

7. Marks and Intellectual Property

7.1 License. Subject to this Agreement, the Franchisor grants a limited, non-exclusive, non-transferable license to use the Marks solely in connection with the Unit. All goodwill from such use inures exclusively to the Franchisor.

7.2 Franchisee Covenants. The Franchisee shall not (a) register, or attempt to register, any domain name, trademark, business name, or social handle containing the Marks or confusingly similar; (b) challenge the Franchisor's ownership or validity of the Marks; or (c) use the Marks as part of its corporate or legal name.

7.3 Infringement and Defense. The Franchisee shall promptly notify the Franchisor of any suspected infringement or challenge. The Franchisor controls all enforcement and defense of the Marks; the Franchisee shall cooperate at the Franchisor's expense.

8. Insurance

Throughout the Term, the Franchisee shall maintain, at its expense, insurance naming the Franchisor and its affiliates as additional insureds, including: (a) commercial general liability of at least **\$1,000,000.00** per occurrence and **\$2,000,000.00** aggregate; (b) workers' compensation as required by law; (c) property insurance on the Unit at full replacement cost; (d) business interruption insurance; (e) cyber-liability insurance; and (f) such additional coverages as the Franchisor may reasonably require.

9. Records, Reports, and Audit

The Franchisee shall maintain true and complete books and records using the Franchisor's designated point-of-sale, accounting, and reporting systems. The Franchisor may audit the Unit upon reasonable

notice. If an audit reveals an understatement of Gross Sales of 2% or more, the Franchisee shall pay the understated royalty, brand-fund, and other amounts, plus interest, plus the Franchisor's audit costs.

10. Restrictive Covenants

10.1 In-Term Non-Compete. During the Term, neither the Franchisee nor any principal, officer, director, or controlling owner of the Franchisee shall, directly or indirectly, own, operate, consult for, lend money to, or be employed by any business offering products or services competitive with [FRANCHISE BRAND SYSTEM NAME E G], other than the Unit.

10.2 Post-Term Non-Compete. For a period of **2 (two) years** following expiration, termination, transfer, or non-renewal of this Agreement, neither the Franchisee nor any principal, officer, director, or controlling owner of the Franchisee shall, directly or indirectly, own, operate, consult for, lend money to, or be employed by any business that offers products or services competitive with [FRANCHISE BRAND SYSTEM NAME E G] and is located within **10 miles** of the former Unit or any other [FRANCHISE BRAND SYSTEM NAME E G] unit operating or under development as of the date of termination. The Parties acknowledge that the Franchisor is entitled to injunctive relief for breach of this covenant and agree that the restrictions are reasonable in scope, duration, and geography.

10.3 Confidentiality. The Franchisee shall maintain in strict confidence, during and after the Term, all Confidential Information (including the Operations Manual, System Standards, recipes, customer lists, pricing, vendor terms, and training materials) and shall use such information only for operation of the Unit. This obligation is perpetual with respect to trade secrets and survives termination.

11. Transfer

The Franchisee shall not sell, assign, pledge, or otherwise transfer this Agreement, the Unit, or any controlling interest in the Franchisee without the Franchisor's prior written consent. The Franchisor's consent may be conditioned on (a) payment of the \$10,000.00 transfer fee; (b) the transferee qualifying under the Franchisor's then-current standards and executing the then-current form of franchise agreement; (c) completion of training by the transferee; (d) cure of any existing defaults; (e) full payment of all amounts owed; (f) execution of a general release of claims by the transferor to the extent permitted by law; and (g) the Franchisor's waiver or exercise of any right of first refusal. The Franchisor's right of first refusal applies to any proposed transfer on the same terms as any bona fide third-party offer.

12. Default and Termination

12.1 Termination Without Cure. The Franchisor may terminate this Agreement immediately, to the extent permitted by applicable law, upon the occurrence of any of: (a) the Franchisee's insolvency, assignment for benefit of creditors, or bankruptcy filing; (b) abandonment of the Unit; (c) conviction of the Franchisee or any controlling principal of a felony or a crime of moral turpitude; (d) repeated defaults of the same or similar nature (3 or more in any 12-month period) regardless of cure; (e) understatement of

Gross Sales by more than 3%; (f) unauthorized use or disclosure of Confidential Information or the Marks; (g) a threat to the public health or safety arising from the Unit.

12.2 Termination With Cure. For any other material breach, the Franchisor may terminate if the Franchisee fails to cure within thirty (30) days (or, for monetary defaults, ten (10) days) after written notice, provided that any greater cure period required by applicable state franchise-relationship law shall apply.

12.3 Effect of Termination. Upon termination or expiration, the Franchisee shall immediately (a) cease all use of the Marks and System; (b) pay all amounts due; (c) return the Operations Manual and all Confidential Information; (d) de-identify the Unit at its expense; (e) assign to the Franchisor the Unit telephone numbers, domain names, social handles, and customer lists; and (f) comply with all post-term covenants. The Franchisor shall have an option (but not an obligation) to purchase the tangible assets of the Unit at fair market value.

13. Relationship and Indemnity

13.1 Independent Contractor. The Parties are independent contractors. Nothing herein creates a partnership, joint venture, agency, fiduciary, or employment relationship. Neither Party may bind the other.

13.2 Indemnification by Franchisee. The Franchisee shall indemnify, defend, and hold harmless the Franchisor and its affiliates, officers, directors, employees, and agents from and against all claims, damages, losses, costs, and expenses (including reasonable attorneys' fees) arising from (a) the operation of the Unit; (b) the Franchisee's breach of this Agreement; or (c) acts or omissions of the Franchisee, its employees, agents, or contractors.

14. Dispute Resolution

14.1 Governing Law. This Agreement is governed by the laws of the State of [STATE] (excluding conflict-of-laws principles), except that any federal law (including the Federal Arbitration Act and the Lanham Act) and any non-waivable provision of the state where the Unit is located shall apply to the extent required.

14.2 Arbitration. Except for claims for injunctive relief or collection of undisputed amounts, all disputes arising out of or relating to this Agreement shall be resolved by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, by a single arbitrator, seated in , [STATE].

14.3 Jury Waiver. EACH PARTY IRREVOCABLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT.

14.4 Class-Action Waiver. EACH PARTY WAIVES ANY RIGHT TO BRING OR PARTICIPATE IN ANY CLASS, COLLECTIVE, OR REPRESENTATIVE ACTION. All disputes must be brought in each Party's individual capacity.

14.5 Limitations Period. Any claim arising out of or relating to this Agreement must be brought within the shorter of (a) two (2) years after the cause of action accrues or (b) the period required by applicable law that cannot be contractually shortened.

15. Miscellaneous

15.1 Entire Agreement. This Agreement, together with the FDD receipt and any exhibits, is the entire agreement between the Parties and supersedes all prior negotiations, representations, and understandings. No representation or statement not expressly contained in this Agreement has been relied upon.

15.2 Amendments. Amendments require a writing signed by both Parties, except the Franchisor may unilaterally amend the Operations Manual and System Standards as expressly authorized herein.

15.3 Severability and Reformation. If any provision is held invalid, the remainder shall continue in effect, and the invalid provision shall be reformed to the maximum extent enforceable.

15.4 Notices. All notices shall be in writing and delivered by nationally recognized overnight courier or certified mail, return receipt requested, to the addresses above (or by email to addresses the Parties designate).

15.5 Counterparts; Electronic Signatures. This Agreement may be executed in counterparts. Electronic and PDF signatures are valid under the federal ESIGN Act, 15 U.S.C. §7001 et seq.

16. Acknowledgments

The Franchisee represents and acknowledges that: (a) the Franchisee has received the FDD at least fourteen (14) calendar days before signing or paying consideration as required by 16 C.F.R. §436.2(a); (b) the Franchisee has had the opportunity to consult with independent legal, financial, and tax advisors; (c) no representation, promise, or projection of earnings, revenue, or profit has been made except as expressly contained in Item 19 of the FDD; (d) the franchise is a speculative business; and (e) success depends substantially on the Franchisee's ability and efforts.

17. Personal Guaranty

The undersigned principal of the Franchisee, ****, jointly and severally, personally and unconditionally guarantees to the Franchisor the full and timely performance of all of the Franchisee's obligations under this Agreement, including payment of all monetary amounts, and agrees to be personally bound by the restrictive covenants in Section 10 as if a party hereto. This guaranty is continuing and survives termination of this Agreement. The guarantor waives notice of default, presentment, and demand.

Signatures

Franchisor

PRINTED NAME

SIGNATURE

DATE

Franchisee

PRINTED NAME

SIGNATURE

DATE

Guarantor (Principal of Franchisee)

PRINTED NAME

SIGNATURE

DATE