

**FRANCHISE AGREEMENT
FOR PASTA RESTAURANT**

TABLE OF CONTENTS

Table of Contents	2
DEFINITIONS	3
ARTICLE 1 - FRANCHISE RIGHT GRANTED, LOCATION	4
1.1 GRANT.....	4
1.2 LICENSE.....	4
1.3 LOCATION.....	4
ARTICLE 2 - INSTALLATION AND COMMENCEMENT OF BUSINESS	5
ARTICLE 3 - TRAINING	5
ARTICLE 4 - MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE.....	6
4.1 STANDARDS.....	6
4.2 MANUALS.....	6
4.3 HOURS.....	6
4.4 APPEARANCE.....	7
4.5 PRODUCT LINE AND SERVICE.....	7
4.6 CONTAINERS, FIXTURES AND OTHER GOODS	7
ARTICLE 5 - MENUS, UNIFORMS, INSPECTIONS, SIGNS	7
5.1 MENUS.....	7
5.2 COMPLIANCE.....	8
5.3 SIGNS, DESIGNS AND FORMS OF PUBLICITY.....	8
5.4 UNIFORMS AND EMPLOYEE APPEARANCE	8
5.5 VENDING OR OTHER MACHINES	9
5.6 INSPECTION	9
ARTICLE 6 - ADVERTISING AND FRANCHISEE ASSOCIATIONS	9
ARTICLE 7 - COMPANY MARKS AND ADDITIONAL MARKS.....	11
ARTICLE 8 - DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS.....	11
8.1 DEFINITIONS.....	11
8.2 DISTRIBUTORS.....	12
8.3 MANUFACTURERS.....	12
8.4 PURCHASE OBLIGATIONS.....	13
ARTICLE 9 - CONTINUING FRANCHISE FEES, REPORTS, BOOKS AND RECORDS	14
9.1 CONTINUING FRANCHISE FEES.....	14
9.2 REPORTS AND INSPECTION OF RECORDS.....	15
ARTICLE 10 - COVENANT REGARDING OTHER BUSINESS INTERESTS.....	15
ARTICLE 11 - INTERFERENCE WITH EMPLOYMENT RELATIONS.....	16
ARTICLE 12 - SUBFRANCHISORS, SALESMEN.....	16
ARTICLE 13 - LOCAL RESTAURANT MARKETING MANUAL.....	16
ARTICLE 14 - NATURE OF INTEREST, AND TRANSFER	17
14.1 GENERAL PROVISIONS.....	17
14.2 CONSENT TO TRANSFER.....	17
ARTICLE 15 - TERM, DEFAULT AND TERMINATION	19
15.1 TERM.....	19
15.2 DEFAULTS WITHOUT OPPORTUNITY TO CURE.....	19
15.3 DEFAULTS WITH OPPORTUNITY TO CURE.....	20
ARTICLE 16 - RIGHTS AND OBLIGATIONS UPON TERMINATION.....	21
ARTICLE 17 - INSURANCE	22
ARTICLE 18 - SOLE OBLIGATIONS OF FRANCHISOR	22
ARTICLE 19 - POINT OF SALE SYSTEM, COLLECTION OF DATA	23
ARTICLE 20 - RELATIONSHIP OF PARTIES, DISCLOSURE.....	24
ARTICLE 21 - DISPUTE RESOLUTION: ARBITRATION AND LEGAL PROCEEDINGS	24
ARTICLE 22 - EXECUTION, REQUESTS, CONSENTS AND WAIVERS	25
ARTICLE 23 - MISCELLANEOUS PROVISIONS.....	26

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

Corporation A Inc., a [jurisdiction] corporation,
located at [address in full]
("Franchisor")

and

Corporation B Inc. located at [address in full]
("Operator," as also defined in Article 10)

WHEREAS, Franchisor is the owner of the trademark "Corporation A", for which an application for registration has been filed with, or a registration has been issued by the United States Patent and Trademark Office of the United States of America, and Franchisor may in the future become the owner, licensee and/or authorized distributor for related trademarks, including logos and designs (collectively, "Franchisor's Marks"); and

WHEREAS, Franchisor has developed and continues to develop a system for merchandising Corporation A authorized products, which system includes distinctive signs, food recipes, uniforms, and various trade secrets and other confidential information, and in some cases also includes architectural designs, equipment specifications, layout plans, inventory, record-keeping and marketing techniques (the "System"). The System is materially reflected in Franchisor's Operations Manual, Local Restaurant Marketing Manual and Construction Manual (collectively, the "Manuals"). Franchisor identifies the System by Franchisor's Marks, and such other trademarks, service marks, trade names, logos and designs as may be designated by Franchisor in writing as being authorized for use under the System. Franchisor's Marks identify for the public the source of the services rendered in accordance with the standards and specifications established by Franchisor; and

WHEREAS, the System as used in existing Traditional and Nontraditional Corporation A Restaurants and Corporation A Distribution Points have established or will establish a reputation for quality, cleanliness, appearance and service, and through such operations and continued marketing and advertising efforts, have created demand and goodwill for the authorized Corporation A food products sold as a result of which the System has acquired valuable goodwill and a favorable reputation; and

WHEREAS, Operator desires to enjoy the benefits of (i) operating under the System and using Franchisor's Marks, and (ii) being authorized and licensed to operate one System Restaurant as set forth below within the System in strict accordance with the standards and specifications established by Franchisor; and

WHEREAS, Franchisor is willing to grant Operator a license under Franchisor's Marks and the System, subject to Operator's strict compliance with the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

DEFINITIONS

In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

- (a) A Corporation A Branded Product is any product now existing or developed in the future that bears Franchisor's Marks and is sold by some or all Corporation A Franchisees or Franchisor or other entities authorized by Franchisor, such as supermarkets, grocery stores or convenience stores.
- (b) A Corporation A Distribution Point or Distribution Point is any system other than a Corporation A Restaurant, where Authorized Corporation A Products using Franchisor's

Marks are sold, such as carts, kiosks, vending machines or other product distribution systems developed now or in the future and authorized by Franchisor.

- (c) A Corporation A Restaurant is a restaurant or other outlet, whether a Traditional Restaurant or a Nontraditional Restaurant, that specializes in the sale of Authorized Corporation A Products, as defined below, that is operated under Franchisor's Marks, as defined below, and is authorized by a Franchise or License Agreement made or approved by Franchisor.
- (d) A Nontraditional Restaurant is a Corporation A Restaurant located within another primary business or in conjunction with other businesses, some of which may be other fast-food type operations.
- (e) A Traditional Restaurant is a business premises that exists primarily as a Corporation A Restaurant. However, such Traditional Restaurant may also have other types of businesses located in it, but in such case the Corporation A Restaurant is the primary business.
- (f) A System Restaurant is a Corporation A Restaurant from which Corporation A Authorized Products are sold for on-premises or off-premises consumption, and from which Authorized Corporation A Products may be delivered for off-premises consumption.

Authorized Products or Corporation A Authorized Products are products approved or authorized by Franchisor in accordance with Article 5 or 8 of this Agreement.

ARTICLE 1 - FRANCHISE RIGHT GRANTED, LOCATION

1.1 GRANT.

In consideration of the issuance of the franchise granted herein, Operator shall pay to Franchisor the non-refundable sum of \$Price (the "Initial Fee"). In exchange, Franchisor hereby awards Operator the exclusive right to open and operate, under the terms of this Agreement, one System Restaurant specializing in selling high quality limited and specific food items as specified by Franchisor in Franchisor's Operations Manual, or subsequently added in accordance with Operations Manual amendments, under the name Corporation A at a location to be mutually agreed upon by both parties. No exclusive or protected market is intended to be granted by this Article. The Initial Fee shall be deemed fully earned by Franchisor upon the execution of this Agreement by Franchisor and Operator and shall not be refunded, in whole or in part, upon any termination of this Agreement, or at any other time or under any other circumstances.

1.2 LICENSE.

Franchisor hereby grants and awards to Operator, for the term set forth in this Agreement, and any renewal term, beginning on the date of this Agreement, the right and license, and Operator hereby undertakes the obligation, to operate the business described in this Agreement under Franchisor's Marks and such other of Franchisor's Marks as may be designated by Franchisor, to operate such business solely in accordance with the System, and only at the specific location to be agreed upon by Franchisor and Operator (the "Location").

1.3 LOCATION.

No Location has been agreed upon at the time of the execution of this Agreement unless set forth and identified in this Agreement or an attached rider. Upon the leasing of the Location, Operator agrees to sublet the Location from an independent corporation designated by Franchisor, on the approved sublease form annexed to Franchisor's Uniform Franchise Offering Circular (the "UFOC", as further defined in Article 18). Any material violation of the sublease that is not cured after notice is given and within the applicable grace periods, as required by the terms of the sublease for the Location, is a violation of this Agreement. The signing of the sublease for the Location, or Operator's or any of its principle

stockholder's or officer's written approval of the master lease for the Location, shall constitute Operator's approval of the Location. Operator shall engage only in the business of operating a System Restaurant at the Location and no other, except with Franchisor's prior written consent. Operator acknowledges its sole responsibility for finding the Location and that Franchisor is not obligated to directly or indirectly obtain an approved location for Operator. Franchisor's area subfranchisor, if any, as identified herein, however, may voluntarily (without obligation) assist Operator in obtaining an approved location, as well as other approved locations for other System Restaurant operators who have executed existing franchise agreements.

ARTICLE 2 - INSTALLATION AND COMMENCEMENT OF BUSINESS

Operator, at its own expense, shall (i) renovate the Location into a System Restaurant; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of its Location into a System Restaurant and Operator shall fully complete the renovation, construction and equipping within a reasonable time thereafter. Operator shall commence operation of each System Restaurant no later than thirty (30) days following substantial completion of the renovation and equipment installation at the Location, and shall give Franchisor ten (10) days written notice prior to commencing operations. In no event shall Operator construct or remodel the interior or exterior of any System Restaurant or make any improvements which vary from the then-current standards, plans, and specifications approved by Franchisor, without first obtaining Franchisor's prior written approval. Operator, at its own expense, shall obtain all municipal and state licenses necessary to operate Operator's System Restaurant prior to commencing business at its System Restaurant and shall maintain all licenses in full force and effect during the term of this Agreement.

ARTICLE 3 - TRAINING

- 3.1 Operator will designate individuals (up to 4 persons) as trainee(s) to attend Franchisor's training school in [location] (the "Corporation A Training School") or at another training location selected by Franchisor. Franchisor will offer initial training programs for Operator and its management employees at times selected by Franchisor. Franchisor will bear the costs of providing training programs, including the overhead costs of training, staff salaries, materials, and all technical training tools. Operator shall pay all traveling, living, compensation, and other expenses incurred by Operator and/or Operator's employees in connection with attendance at training programs. The training program and manner of conducting such program shall be at Franchisor's sole discretion and control. The training course will be structured to provide practical training in the implementation and operation of a System Restaurant.
- 3.2 Operator will not allow any System Restaurant to be opened or managed by any person who has not attended and successfully completed the management training course designated by Franchisor. If Operator is an individual, and does not manage its System Restaurant on a day-to-day basis, and in the event its designated System Restaurant manager resigns or is terminated, Operator must arrange to have the successor restaurant manager (i) begin the required training course within forty-five (45) days of first assuming the duties of a restaurant manager and (ii) successfully complete the course. Provided Operator successfully completes the training program, the required training course conducted at Franchisor's facilities will not extend beyond two (2) weeks. However, the course conducted at Franchisor's facilities, requires an additional 96 hours of operational training in a Franchisor-approved System Restaurant.
- 3.3 If at any time the trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend and carry out the course of study to the reasonable satisfaction of Franchisor, then Franchisor shall have the right to require Operator's trainee to attend other training class(es) or to perform additional operational training until Franchisor is reasonably satisfied that Operator's trainee has satisfactorily completed the training course. Operator may not open its System Restaurant until training is completed to Franchisor's reasonable satisfaction.
- 3.4 In the event of a sale to a third party of Operator's System Restaurant after opening, the transferee must be trained in the Corporation A Training School as a condition of Franchisor's consent to such transfer. All tuition costs for such training shall be deemed paid upon receipt by

Franchisor of five (5%) percent of the sales price of operator's System Restaurant due in accordance with Article 14 herein. In the event of an approved non-sale management transfer to a third party of Operator's System Restaurant, the transferee shall attend the Corporation A Training School and pay to Franchisor the training fee, which fee shall not exceed \$**. No System Restaurant shall open or re-open until the Corporation A Training School certifies that the transferee is approved to operate the respective System Restaurant.

- 3.5 Additional training sessions are available at Operator's request and expense, and at Franchisor's request, at Operator's expense, except for the initial training course itself. Operator's attendance at additional training sessions is mandatory if they are scheduled in Operator's state. For these additional training sessions, Franchisor will provide the instructors and instructional materials, but Operator must arrange for transportation, lodging and food for itself and/or its manager. The cost will depend on the distance Operator must travel and the type of accommodations Operator chooses. Additionally, all Operators must attend regional meetings when and if established by Franchisor, and must attend annual national conventions when and if scheduled, and pay the registration fee.

ARTICLE 4 - MANUALS AND STANDARDS OF OPERATOR QUALITY, CLEANLINESS AND SERVICE

4.1 STANDARDS.

In order to promote the value and goodwill of Franchisor's Marks and the System and to protect Franchisor's Marks and the other Corporation A operators who comprise the Corporation A franchise system, Operator agrees to conduct its business in accordance with the standards promulgated by Franchisor as follows:

4.2 MANUALS.

- 4.2.1 In the Manuals and other publications, Franchisor will list authorized products to be sold by Operator, and promulgate standards of operation for System Restaurants, including standards of quality, cleanliness, and service for all food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment used in connection with each System Restaurant. Operator agrees to operate its System Restaurant in accordance with the standards, specifications and procedures set forth in the Manuals, this Agreement and the sublease for the Location. Operator further agrees that changes in the menu, or the standards, specifications and procedures may become necessary from time to time and agrees to accept as reasonable all modifications, revisions and additions to the Manuals as authorized by Franchisor. The sale of any product or service at the Operator's Location, without Franchisor's prior written approval shall constitute a material violation of this Agreement.
- 4.2.2 The Manuals and all amendments to the Manuals (and copies thereof) are copyrighted and remain Franchisor's property. They are loaned to Operator for the term of the Agreement, and must be returned to Franchisor upon the Agreement's termination, expiration or non-renewal. The Manuals are highly confidential documents which contain certain trade secrets of Franchisor, and Operator shall never reveal, and shall take all reasonable precautions, both during and after the term of this Agreement, to assure that its employees or any other party under Operator's control, shall never reveal any of the contents of the Manuals or any other publication, recipe or secret provided by Franchisor, except as is necessary for the operation of Operator's System Restaurant.

4.3 HOURS.

Franchisor and Operator agree that the hours of operation of Operator's System Restaurant are at a minimum, [hour] a.m. to [hour] p.m., [no.] days per week, and Operator agrees to operate its System Restaurant during such hours. If the Location is in a mall or shopping center, the hours of the mall or shopping center shall control. Operator shall diligently and efficiently exercise its best efforts to achieve the maximum gross sales possible from its location, and will be open for business not less than [no.]

hours per day, seven days per week, unless additional opening hours are reasonably required to maximize operations and sales. If such hours are incorrect in relation to the sales potential of Operator's System Restaurant, then Franchisor and Operator shall reasonably adjust such hours by jointly establishing new hours of operation. It is acknowledged that the hours of other operators will vary in relation to each respective location, and local legal restrictions, if any.

4.4 APPEARANCE.

From time to time, Operator's System Restaurant may need a cosmetic improvement or equipment change or addition in order to comply with the Manuals and/or to maintain proper operations and an aesthetic appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary. Franchisor shall not require any such work at a particular System Restaurant less than three (3) years after the opening of the System Restaurant except: (i) for additional equipment if new food preparation methods or products are developed and authorized by Franchisor; (ii) if repairs or repainting are necessary to maintain the appearance of the interior and exterior of the Location in a clean and orderly condition satisfactory to Franchisor; or (iii) upon the sale of the Operator's System Restaurant. Within ninety (90) days after receipt of written notice, Operator shall fully implement and complete such changes to its System Restaurant operating under this Agreement.

4.5 PRODUCT LINE AND SERVICE.

Operator agrees to only serve the approved limited product line items specified by Franchisor in this Agreement or in the Manuals and to follow all specifications and formulas of Franchisor as to specifications, contents, weight and quality of products served to its customers from Operator's System Restaurant.

4.6 CONTAINERS, FIXTURES AND OTHER GOODS

- 4.6.1 Operator agrees that all food and drink items will be served in containers bearing accurate reproductions of Franchisor's Marks. All containers, napkins, bags, cups, matches, menus and other packaging and like articles used in connection with Operator's System Restaurant shall conform to Franchisor's specifications, shall be imprinted with Franchisor's Marks and shall be purchased by Operator from a distributor or manufacturer approved in writing by Franchisor, as provided in Article 8, which approval will not be unreasonably withheld.
- 4.6.2 No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment or utensils bearing any of Franchisor's Marks shall be used in or upon any System Restaurant unless the same shall have been first submitted to and approved in writing by Franchisor.

ARTICLE 5 - MENUS, UNIFORMS, INSPECTIONS, SIGNS

5.1 MENUS.

- 5.1.1 Operator shall not manufacture, advertise for sale, sell or give away any product unless such product has been approved in the Manuals as an authorized product for sale in Operator's System Restaurant and not thereafter disapproved in writing by Franchisor. All approved products shall be distributed under the specific name designated by Franchisor. Operator shall establish all menu prices in its sole discretion. Operator shall offer for sale in its System Restaurant only those food products which Franchisor designates as "approved and authorized" or which Franchisor has made available as a "regionalized" menu or has otherwise specifically approved in writing (each, "Authorized Product"). No standard product will be removed from the menu unless Operator is so instructed by Franchisor.
- 5.1.2 Such "Authorized Products" shall be marketed by approved menu formats to be utilized in Operator's System Restaurant. The approved and authorized menu and menu

format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters (except prices) related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and/or menu format(s) may vary depending upon region, market size, and other factors. Franchisor may change the menu and/or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or non-uniform System Restaurant(s) within regions, in which case Operator will be given a reasonable time (not longer than thirty (30) days) to discontinue use of any old menu format(s) and implement use of the new menu format(s).

- 5.1.3 Operator shall, upon receipt of notice from Franchisor, add any Authorized Product to its menu according to the instructions contained in the notice. Operator shall have a minimum of thirty (30) days after receipt of written notice in which to fully implement any such change. Operator shall cease selling any previously approved product within thirty (30) days after receipt of notice that the product is no longer approved.
- 5.1.4 The Authorized Products sold by Operator shall be of the highest quality, and the ingredients, composition, specifications, and preparation of such food products shall comply with the instructions and recipes provided by Franchisor or contained in Franchisor's Operations Manual, and with the further requirements of Franchisor as they are communicated to Operator from time to time.

5.2 COMPLIANCE

Operator shall operate each of its System Restaurants as a clean, orderly, legal and respectable place of business in accordance with Franchisor's business standards and merchandising policies, and shall comply with all applicable ordinances, laws, statutes and regulations governing the operation of such premises, including all disability, food and drug laws and regulations. Operator shall not allow any Location or part of a Location to be used for any immoral or illegal purpose.

5.3 SIGNS, DESIGNS AND FORMS OF PUBLICITY

- 5.3.1 Operator shall maintain a suitable sign or awning at, on, or near the front of the Location, identifying the Location as a "Corporation A Restaurant". Such sign shall conform in all respects to Franchisor's requirements and in accordance with the layout and design plan approved for the Location, except to the extent prohibited by local legal restrictions.
- 5.3.2 No exterior or interior sign or any design, advertisement, sign, or form of publicity, including form, color, number, location, and size, shall be used by Operator or any Association (as defined below) unless first submitted to Franchisor and approved in writing (except with respect to prices). Any request by Operator for such approval shall be properly submitted in duplicate to: (i) Franchisor's Legal Department, Attention: General Counsel, 740 Broadway, New York, New York 10003; and (ii) Franchisor's marketing department, 1775 The Exchange, Suite 600, Atlanta, Georgia 30339. Franchisor shall respond to such request within thirty (30) days of its receipt. Whenever Operator elects to utilize, in the form supplied, advertising supplied by Franchisor or any promotional item specifically approved by Franchisor, no further approval for use of such material is required. Upon written notice from Franchisor, Operator shall discontinue and/or remove any objectionable advertising materials or any other materials not suitable for display, in Franchisor's sole discretion.

5.4 UNIFORMS AND EMPLOYEE APPEARANCE

Operator shall cause all employees, while working in System Restaurants, to: (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time, and (ii) present a neat and clean appearance. If the type of uniform utilized by Operator is removed from the list of approved uniforms, Operator shall have sixty (60) days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform.

5.5 VENDING OR OTHER MACHINES

Operator shall not permit vending or game machines or any other mechanical device to be installed or maintained in its Location without Franchisor's prior written approval

5.6 INSPECTION

- 5.6.1 Franchisor's authorized representatives shall have the right to enter upon the entire main floor and basement of Operator's System Restaurant during business hours, without disrupting Operator's business operations, for the purposes of examining same, conferring with Operator's employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement, the System and the Manuals.
- 5.6.2 In the event any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including but not limited to quality, cleanliness, service, health and authorized product line, Franchisor will notify Operator in writing of Operator's non-compliance with the Manuals, the System, or this Agreement. Operator shall have twenty-four (24) hours after receipt of such notice, or such other greater time period as Franchisor in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition, if it can be corrected or repaired within such period of time. If not, Operator shall within such time period commence such correction or repair and thereafter diligently pursue it to completion.

ARTICLE 6 - ADVERTISING AND FRANCHISEE ASSOCIATIONS

- 6.1 Operator and Franchisor acknowledge the value of advertising and accordingly Operator agrees to pay 4% of its gross sales for each and every week of its operations to Franchisor (the "Advertising Fee"). These funds will be deposited, at Franchisor's sole discretion, into a segregated advertising account (with other advertising collections) controlled by Franchisor or to a regional advertising cooperative covering Operator's System Restaurant. Advertising payments will then be spent for advertising to benefit Operator and/or all or regional operators of System Restaurants. The Advertising Fee shall be paid in accordance with the procedure described in Article 9.
- 6.2 Franchisor, at its sole discretion, may spend the collected fees directly, or may authorize payment of the advertising collections for media time, production of media materials, whether for radio, television, newspapers or store level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor is not, under any circumstances, obligated to contribute to any national or local advertising fund, program, Association, or other organization any advertising fees or contributions.
- 6.3 Franchisor encourages the formation and operation of voluntary Operator Cooperative Advertising Associations (each an "Association"). Each Association shall function for the purpose of creating a cohesive team to coordinate advertising, marketing efforts and programs and maximizing the efficient use of local advertising media. If an Association is formed for Operator's region, each Operator must participate in the Association or lose its right to vote as to decisions regarding advertising and marketing efforts and programs.