**FRANCHISE AGREEMENT**

This Franchise Agreement (referred to as the “**Agreement**”) is made as of [INSERT DATE] (the “**Effective Date**”), by and between [FRANCHISOR COMPANY NAME], a [JURISDICTION OF INCORPORATION/FORMATION] [corporation/LLC/other entity type] with its principal place of business at [FRANCHISOR ADDRESS] (the “**Franchisor**”), and [FRANCHISEE COMPANY NAME], a [JURISDICTION OF INCORPORATION/FORMATION] [corporation/LLC/other entity type] with its principal place of business at [FRANCHISEE ADDRESS] (the “**Franchisee**”). The Franchisor and the Franchisee are individually referred to as a “**Party**” and collectively as the “**Parties**”.

The Franchisor is engaged in the business of developing and operating the [SPECIFIC FRANCHISE BUSINESS OR BRAND] system, which includes proprietary operating methods, trade secrets, trademarks, logos, and other intellectual property.

The Franchisee desires to establish a franchise relationship under the Franchisor’s system and brand in order to operate a [SPECIFIC FRANCHISE LOCATION OR BUSINESS TYPE] at an approved location.

The Parties hereby desire to set forth the terms and conditions under which the Franchisee will operate under the System.

1. **PURPOSE AND SCOPE**

The purpose of this Agreement is to set forth the terms and conditions under which the Franchisor grants the Franchisee the right to operate a franchise using the Franchisor’s system (the “**System**”). Under this arrangement, the Franchisee will utilize the System, including all operational procedures, marketing strategies, and proprietary materials provided by the Franchisor, to operate a business under the [FRANCHISE BRAND NAME] banner.

1. **APPOINTMENT AND RELATIONSHIP**
   1. The Franchisor hereby appoints the Franchisee as its [non-exclusive/exclusive] franchisee for the operation of a [FRANCHISE BUSINESS] (the “**Franchise Business**”) within the territory defined in Schedule 1 (the “**Territory**”). The Franchisee accepts this appointment subject to the terms and conditions of this Agreement.
   2. The license to set up the Franchise Business shall be provided to the Franchisee on a non-exclusive basis. Accordingly, the Franchisor shall be entitled to provide a license in the nature of the license hereunder to persons other than the Franchisee.
   3. The Parties are independent contractors. Nothing in this Agreement shall be construed to create a partnership, joint venture, agency, or employment relationship between the Parties.
2. **PREREQUISITES**
   1. The Parties shall cooperate in good faith and shall exchange any documents or information that may be useful for the proper performance of the Agreement. In particular, each Party shall, on request, promptly provide the other Party with all information, assistance, materials, and resources that the requesting Party may reasonably require from time to time in connection with the performance of the requesting Party’s obligations under this Agreement.
   2. Each Party shall inform the other Party without undue delay of any difficulties encountered in the performance of this Agreement.
3. **FRANCHISOR OBLIGATIONS**
   1. The Franchisor shall:
      1. reasonably assist the Franchisee in setting up the Franchise Business;
      2. provide the Franchisee with know-how, advice, and guidance relating to the Franchise Business;
      3. provide comprehensive initial training to the Franchisee and its management team;
      4. offer ongoing refresher courses, workshops, and access to updated operational manuals and technical support;
      5. develop and implement national and regional marketing campaigns;
      6. supply the Franchisee with approved marketing materials and guidelines to ensure brand consistency;
      7. offer continuous support through periodic field visits, telephone and email assistance, and access to proprietary management systems;
      8. provide timely updates and enhancements to the operating procedures and technology platforms;
      9. regularly review and update the standards and benchmarks to ensure high-quality service and customer satisfaction;
      10. monitor compliance with the System and advise on corrective actions if necessary; and
      11. ensure that all materials and guidelines related to the franchise system remain current and legally compliant.
4. **FRANCHISEE OBLIGATIONS**
   1. The Franchisee shall:
      1. operate the business strictly according to the Franchisor’s operations manual and guidelines;
      2. maintain high-quality service and uphold the brand’s image at all times;
      3. comply with instructions from the Franchisor;
      4. promptly pay all Franchise Fees, including the Initial Fee and any other fees and/or contributions as outlined in this Agreement;
      5. keep accurate financial records and submit regular performance and financial reports for audit purposes;
      6. comply with all ordering, invoicing and accounting procedures and requirements as set forth by the Franchisor;
      7. without delay, inform the Franchisor of any possible or actual improvement or modification to the Franchise Business or any business opportunity which comes to its attention;
      8. obtain and maintain all necessary licenses, permits, and approvals required for business operations;
      9. ensure full compliance with all applicable federal, state, and local laws;
      10. protect all proprietary and confidential information provided by the Franchisor, including trade secrets and operational procedures;
      11. avoid any unauthorized use or disclosure of such information;
      12. actively promote the franchised business within the designated Territory;
      13. implement local marketing strategies approved by the Franchisor to enhance community engagement and brand reputation;
      14. participate in all scheduled training sessions and meetings;
      15. proactively seek guidance and clarification on any aspects of the System to ensure ongoing compliance and operational excellence;
      16. operate the Franchise Business with all due care, skill and diligence and in accordance with the highest standards; and
      17. introduce any improvements and/or modifications into the Franchise Business promptly and when requested by the Franchisor.
5. **FEES AND PAYMENTS**
   1. The Franchisee shall pay a non-refundable initial fee (the “**Initial Fee**”) upon execution of this Agreement, as detailed in Schedule 2. This fee secures the right to access the System, receive initial training, and utilize the Franchisor's proprietary materials and brand assets. The Franchisor reserves the right to modify the Initial Fee for subsequent agreements based on market conditions, operational enhancements, or changes in the System.

* 1. The Franchisee agrees to pay a Royalty Fee, as detailed in Schedule 2. For the purposes of this Agreement: (i) “**Royalty Fee**” means a percentage of Gross Sales; and (ii) “**Gross Sales**” refers to all revenue generated from the operation of the franchised business prior to deductions for returns, allowances, or discounts.
  2. The Franchisee may be required to pay a monthly fee of $[AMOUNT] to cover the costs associated with technology, software licensing, and ongoing system maintenance provided by the Franchisor.
  3. Upon the renewal of the Term, a renewal fee of $[AMOUNT] (the “**Renewal Fee**”) may be applicable. The Franchisor will notify the Franchisee of the Renewal Fee and any updated terms at least [NUMBER] days prior to the expiration of the initial Term.
  4. The Franchisor may, from time to time, introduce additional fees for new services, enhanced training programs, or system upgrades. Such fees will be communicated in advance and shall apply only if the Franchisee elects to utilize the additional services.
  5. All payments under this Agreement shall be made via electronic funds transfer, credit card, or any other approved method as designated by the Franchisor. Payment instructions and account details will be provided in writing.
  6. All fees and payments shall be made in U.S. Dollars (USD).
  7. Any fee not received by the Franchisor by the designated due date will incur a late payment charge of [PERCENTAGE]% per month on the outstanding amount, or the maximum rate permitted by applicable law, whichever is lower.
  8. Failure to remit payments on time may constitute a material breach of this Agreement. In such cases, the Franchisor reserves the right to suspend support services, impose additional administrative fees, initiate collection actions, or ultimately terminate the Agreement as outlined in Section 12.
  9. Should any discrepancies arise regarding fee calculations or payments, the Franchisee must notify the Franchisor in writing within [NUMBER] days of receiving the relevant invoice. The Parties will work in good faith to resolve any disputes.
  10. The fee structure described herein is subject to an annual review. Any changes to the fee percentages or the introduction of additional fees will be communicated in writing at least [NUMBER] days prior to implementation and will only affect fees accruing after the effective date of such changes.

1. **REPRESENTATIONS AND WARRANTIES**
   1. Each Party represents and warrants that:
      1. it has the full legal right, power, and authority to enter into this Agreement;
      2. the execution and delivery of this Agreement have been duly authorized by all necessary corporate actions;
      3. this Agreement constitutes a valid and binding obligation, enforceable in accordance with its terms; and
      4. it has not relied on any representation or warranty not expressly set forth in this Agreement.
2. **INTELLECTUAL PROPERTY RIGHTS**
   1. All Intellectual Property Rights associated with the System are and shall remain the exclusive property of the Franchisor. For the purposes of this Agreement, “**Intellectual Property Rights**” means any and all trade secrets, trademarks, copyrights, patents, industrial designs and any other intangible property in which any person holds proprietary rights, title, interests, or protections, however arising, pursuant to any jurisdiction throughout the world, including all applications, registrations, renewals, issues, reissues, extensions, divisions, and continuations in connection with any of the foregoing and the goodwill connected with the use of and symbolized by any of the foregoing.
   2. Subject to the terms and conditions of this Agreement, the Franchisor grants the Franchisee a limited, non-exclusive, non-transferable, and revocable license to use its applicable Intellectual Property Rights solely for the purpose of operating the franchised business in accordance with the System.
   3. The Franchisee shall not modify, alter, create derivative works of, or attempt to register any of the Franchisor’s Intellectual Property Rights in its own name or the name of any third party. Any unauthorized use is strictly prohibited and may result in immediate termination of the license.
   4. The Franchisee agrees to adhere to the quality control guidelines and brand standards established by the Franchisor, as detailed in Schedule 3. All uses of the Franchisor’s Intellectual Property Rights must be consistent with the approved designs, layouts, and marketing materials provided.
   5. The Franchisor reserves the right to monitor, inspect, and review the Franchisee’s use of the Franchisor’s Intellectual Property Rights to ensure compliance with the established standards. The Franchisee shall provide reasonable access to its facilities, records, and materials upon request.
   6. The Franchisee shall immediately notify the Franchisor of any suspected infringement or unauthorized use of the Franchisor’s Intellectual Property Rights by third parties.
   7. The Franchisee agrees to cooperate with the Franchisor in any legal proceedings or other actions taken to protect or enforce the Franchisor’s Intellectual Property Rights.
   8. The Franchisor retains the sole and exclusive right to enforce its Intellectual Property Rights and to take any action it deems necessary to protect its interests, including initiating legal proceedings.
   9. The Franchisee shall indemnify, defend, and hold harmless the Franchisor, its affiliates, and their respective officers, directors, employees, and agents (collectively, the “**Indemnified Parties**”) from and against any and all claims, demands, losses, liabilities, damages, costs, and expenses (including reasonable attorneys’ fees and court costs) arising out of or relating to: (i) any alleged or actual infringement, misappropriation, or unauthorized use of any third party intellectual property rights by the Franchisee in connection with the operation of the Franchise Business; or (ii) any breach by the Franchisee of its obligations under this Section 8. The indemnification obligations set forth herein shall survive the termination or expiration of this Agreement.
   10. All rights not expressly granted to the Franchisee under this Agreement are reserved by the Franchisor. The Franchisee acknowledges that it has no ownership rights in the Franchisor’s Intellectual Property Rights, and its use is strictly limited to the license provided herein.
   11. Except as expressly granted in this Agreement, no rights or licenses, whether by implication, estoppel, or otherwise, are granted to the Franchisee.
3. **CONFIDENTIALITY**
   1. From time to time during the duration of this Agreement, either Party (as the "Discloser") may disclose or make available to the other Party (as the "**Recipient**"), non-public, proprietary, and confidential information of the Discloser [whether or not marked or labeled as "confidential"/that, if disclosed in writing or other tangible form is clearly labeled as "confidential," or if disclosed orally, is identified as confidential when disclosed and within [NUMBER] days thereafter, is summarized in writing and confirmed as confidential] ("**Confidential Information**"); provided, however, that Confidential Information does not include any information that: (i) is or becomes generally available to the public other than as a result of the Recipient's breach of this Section 9; (ii) is or becomes available to the Recipient on a non-confidential basis from a third party source, provided that such third party is not and was not prohibited from disclosing such Confidential Information after due inquiry; (iii) was in the Recipient's possession prior to the Discloser's disclosure hereunder; or (iv) was or is independently developed by the Recipient without using any Confidential Information.
   2. The Recipient shall: (i) protect and safeguard the confidentiality of the Discloser's Confidential Information with at least the same degree of care as the Recipient would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care; (ii) not use the Discloser's Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Agreement; and (iii) not disclose any such Confidential Information to any person or entity, except to members of the Recipient's Group who need to know the Confidential Information to assist the Recipient, or act on its behalf, to exercise its rights or perform its obligations under this Agreement. For purposes of this Section 9, "**Recipient's Group**" means the Recipient's affiliates and its or their employees, officers, directors, shareholders, partners, members, managers, agents, independent contractors, consultants, sublicensees, subcontractors, attorneys, accountants, and financial advisors.
   3. If the Recipient is required by applicable law or legal process to disclose any Confidential Information, it shall, prior to making such disclosure, use commercially reasonable efforts to notify the Discloser of such requirements to afford the Discloser the opportunity to seek, at the Discloser's sole cost and expense, a protective order or other remedy.
   4. The Recipient shall be responsible for any breach of the foregoing obligations by any member of the Recipient’s Group.
4. **LIMITATION OF LIABILITY**
   1. NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES, INCLUDING LOST PROFITS OR BUSINESS INTERRUPTION, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF THE CAUSE OR THE THEORY OF LIABILITY.
   2. SUBJECT TO SECTION 10.1 AND EXCEPT FOR ANY INDEMNIFICATION OBLIGATIONS, EACH PARTY’S AGGREGATE LIABILITY UNDER THIS AGREEMENT SHALL NOT EXCEED THE TOTAL AMOUNTS PAID BY THE FRANCHISEE TO THE FRANCHISOR IN THE SIX (6) MONTHS PRECEDING THE CLAIM.
5. **TERM**
   1. This Agreement shall commence on the Effective Date and continue for an initial term of [NUMBER] years unless terminated earlier in accordance with Section 12 (the “**Term**”).
   2. Provided that the Franchisee is in compliance with all terms of this Agreement, the Franchisee may have the option to renew for additional periods on terms mutually agreed upon by the Parties in writing. Any renewal periods shall constitute the “**Term**”.
6. **TERMINATION**
   1. Either Party may immediately terminate this Agreement upon written notice if this other Party:
      1. materially breaches this Agreement, and such breach is incapable of cure, or, if the breach is capable of cure, fails to cure such breach within [NUMBER] days after receiving written notice of the breach;
      2. becomes insolvent or is generally unable to pay its debts as they become due;
      3. files, or has filed against it, a petition for voluntary or involuntary bankruptcy, or otherwise becomes subject, voluntarily or involuntarily, to any proceeding under any domestic or foreign bankruptcy or insolvency law;
      4. makes or seeks to make a general assignment for the benefit of its creditors;
      5. applies for, or has appointed, a receiver, trustee, custodian, or similar agent by order of a court of competent jurisdiction to take charge of or sell any material portion of its property or business; or
      6. is dissolved or liquidated.
   2. Either Party may terminate this Agreement for convenience upon [NUMBER] days’ written notice to the other Party.
   3. The expiration or termination of this Agreement shall not affect any rights or obligations that: (i) are intended to survive such expiration or termination; and (ii) were incurred by the Parties prior to such expiration or termination.
   4. Upon the expiration or termination of this Agreement for any reason, each Party shall promptly:
      1. [return to the other Party/destroy] all documents and tangible materials (including any copies) containing, reflecting, incorporating, or based on the other Party’s Confidential Information;
      2. permanently erase all of the other Party’s Confidential Information from its computer systems, [except for copies that are: (i) required to be retained under applicable laws; or (ii) maintained as archive copies on its disaster recovery or information technology backup systems, which shall be destroyed upon the normal expiration of such backup files, or as otherwise required by law]; and
      3. certify in writing to the other Party that it has complied with these requirements.
7. **GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed by and construed in accordance with the internal laws of the State of South Dakota, without regard to any conflict of laws principles. Any legal action, suit, or proceeding arising out of or relating to this Agreement shall be brought exclusively in the state or federal courts located in the State of South Dakota, and each Party irrevocably consents to the exclusive jurisdiction of such courts. The Parties waive any objections related to improper venue or the doctrine of forum non conveniens.

1. **AMENDMENTS**

Any modifications or amendments to this Agreement must be in writing and signed by both Parties.

1. **ENTIRE AGREEMENT**

This Agreement constitutes the entire understanding between the Parties regarding the subject matter herein and supersedes all prior agreements, negotiations, and communications, whether written or oral.

1. **SEVERABILITY**

If any provision of this Agreement is deemed invalid, illegal, or unenforceable, such provision shall be modified or severed to the minimum extent necessary, and the remaining provisions shall continue in full force and effect.

1. **ASSIGNMENT**

Neither Party may assign or transfer its rights or obligations under this Agreement without the prior written consent of the other Party, except that either Party may assign this Agreement to an affiliate or in connection with a merger, acquisition, or sale of substantially all its assets.

1. **NO WAIVER**

No waiver of any breach of this Agreement shall be deemed a waiver of any subsequent breach. A waiver must be in writing and signed by the waiving Party.

1. **COUNTERPARTS**

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Signatures delivered electronically or by facsimile shall be deemed valid and binding.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

[FRANCHISOR COMPANY NAME]  
By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[FRANCHISEE COMPANY NAME]  
By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SCHEDULE 1**

**TERRITORY**

Define the geographic area within which the Franchisee is authorized to operate the franchise. (e.g., “The Territory shall consist of the following geographic area: [INSERT DESCRIPTION OR MAP OF TERRITORY].”)

**SCHEDULE 2**

**FRANCHISE FEES AND PAYMENT TERMS**

[DETAIL FEE STRUCTURE AS PER AGREEMENT]

**SCHEDULE 3**

**QUALITY CONTROL AND BRAND STANDARDS**

[INSERT QUALITY CONTROL GUIDELINES AND BRAND STANDARDS]