

Subject: confidential & privileged Re: Franchise agreement ATTACHED

Gents: You have asked me to quickly review the franchise agreement (attached) because you wanted feedback today.

This email contains **privileged and confidential** advice. In the absence of voluntary disclosure by you, the contents of this email will remain confidential. Disclosure thereof cannot be compelled in any legal proceeding. Accordingly, we suggest that copies be distributed on a "need to know" basis only to those authorized representatives of your corp responsible for this matter, and that the contents of this email not be disclosed to any other person without prior consultation with me.

Priority Issues for your review and comment:

I took almost 3 hours today to review the agreement and here are issues for you to consider:

Pages 33 to 35 12.A contains a long list of defaults giving franchisor the right to terminate franchise agreement ; &

You have personal liability to franchisor & its affiliates (See exhibit E starting at page 55.) You are personally guaranteeing payments and performance of obligations. You postpone your claims so that they are subordinate (rank in priority behind franchisor's claims) Your other personal promises are summarized at p 58 s. 9 and include personal noncompetition covenants.

Other highlights in order of appearance in agreement:

P3 1.D.2 they can cherry pick accounts in your territory

P 3 1.D.7 they can take your customers

See also 1.F pages 5 to 7

P 8 1.G. you promise not to conduct or undertake any other business

P 8 1.H you may be required to pay for direct mail or call center campaigns

P 9 2.C. you pay 10% royalty 90 days after invoice even if you have not received payment from customer

P 19 5.C. they own new ideas that you conceive or develop

P 29 9.D. You give them right of first refusal if you decide to sell business

P 33 to 35 12.A long list of defaults giving franchisor the right to terminate franchise

P 41 14.C. you promise to not withhold payments

P 42 15.G. you agree to a short time of 1 year to start court action failing which you lose your right to sue

P 42 & 43 15.H. read these pages – all promises must be in this document. If not in here then you may not enforce your claims

P 45 top of page either of you will be full time in this business or you must hire full time manager.

I cannot further describe this roughly 60 page document under this time constraint. You must read it yourself and I encourage you to do so carefully.

Contact me if you'd like to discuss or if you have questions. Regards, Werner H. Keller

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