

FRANCHISE DISCLOSURE DOCUMENT



First Watch Franchise Development Co.
a Delaware corporation
8725 Penderly Place, Suite 201
Bradenton, FL 34201
Phone: 941.907.9800
Fax: 941.907.8933
www.firstwatch.com
www.facebook.com/FirstWatch

The franchise is for the right to develop and operate a full-service First Watch®-branded restaurant, featuring breakfast, brunch and lunch items in a casual dining atmosphere, subject to and governed by a franchise agreement.

The total investment necessary to begin operation of a First Watch® Restaurant ranges from \$939,950 to \$1,770,300. This includes \$45,000 to \$80,000 that must be paid to franchisor or its affiliates.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Sarah Krantz at 8725 Penderly Place, Suite 201, Bradenton, Florida 34201 and (941) 907-9800.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Date of Issuance: March 25, 2022

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only First Watch business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a First Watch franchisee?	Item 20 or Exhibits D and E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in the state where our corporate headquarters is located (currently, Florida). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in the state where our corporate headquarters is located than in your own state.

TABLE OF CONTENTS

Item	Page
ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2. BUSINESS EXPERIENCE	3
ITEM 3. LITIGATION.....	3
ITEM 4. BANKRUPTCY	4
ITEM 5. INITIAL FEES	4
ITEM 6. OTHER FEES.....	5
ITEM 7. ESTIMATED INITIAL INVESTMENT	8
ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	11
ITEM 9. FRANCHISEE’S OBLIGATIONS.....	16
ITEM 10. FINANCING	17
ITEM 11. FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	17
ITEM 12. TERRITORY	29
ITEM 13. TRADEMARKS.....	32
ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	34
ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	34
ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL	36
ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	36
ITEM 18. PUBLIC FIGURES.....	40
ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS	40
ITEM 20. OUTLETS AND FRANCHISEE INFORMATION	40
ITEM 21. FINANCIAL STATEMENTS	45
ITEM 22. CONTRACTS.....	46
ITEM 23. RECEIPTS	46
EXHIBITS:	
Exhibit A	Franchise Agreement
Exhibit B	Financial Statements
Exhibit C	Form of Addendum to Lease Agreement
Exhibit D	List of Franchisees
Exhibit E	List of Franchisees Who Have Left the System
Exhibit F	Table of Contents of Operations Manual
Exhibit G	Renewal Addendum
Exhibit H	FWRG’s Guarantee
Exhibit I	Form of Franchise Compliance Certificate
Exhibit J	List of State Agencies/Agents for Service of Process
Exhibit K	State Specific Addenda
Exhibit L	Receipts

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR AS AN ADDENDUM OR RIDER IN EXHIBIT K.

ITEM 1.
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is First Watch Franchise Development Co., (“us”). We also do business under the name “First Watch® Restaurants.” “You” means the person who buys the franchise. If you are a corporation, partnership or other entity, certain provisions of the Franchise Agreement will apply to your owners. This disclosure document will indicate when your owners also are covered by a particular provision.

We are a Delaware corporation, formed on October 3, 2005. Our principal business address is 8725 Pendery Place, Suite 201, Bradenton, Florida 34201. Our agent for service of process is CT Corporation System 1200 South Pine Island Road, Plantation, Florida 33324. We offer and sell franchises (the “Franchised Business”) for full-service restaurants featuring breakfast, brunch and lunch under the service mark First Watch® (the “First Watch® Restaurants” or “Restaurants”).

We do not operate any of the Restaurants, but our parent company, First Watch Restaurants, Inc., owns and operates 341 First Watch® Restaurants in 20 states across the United States as of December 26, 2021 (one restaurant is operated on a college campus in Tennessee under the trademark “Sun & Fork by First Watch”). Our sister company, First Watch, Inc., opened the original First Watch® Restaurant in Pacific Grove, California in 1983. First Watch, Inc. was dissolved on April 18, 2008.

We began to offer franchises as of April 30, 2008. We are not engaged in any other businesses and have never offered franchises in any other lines of business.

Our Parent, Predecessors and Affiliates

We are a wholly-owned subsidiary of First Watch Restaurants, Inc. (our “Parent”), a Delaware corporation formed on October 20, 1994, which shares our principal business address. Our Parent owns the Marks (defined below in Item 1) listed in Item 13 of this disclosure document and licenses them to us under an agreement which grants us the right to use and to sublicense the use of the Marks to third parties, including our franchisees. The parent of our Parent is FWR Holding Corporation (“FWRHC”), a Delaware corporation formed on November 21, 2011, which shares our principal business address. The parent of FWRHC is First Watch Restaurant Group, Inc. (“FWRG”), a Delaware corporation formed on August 10, 2017 (formerly known as AI Fresh Super Holdco, Inc.), which shares our principal business address. FWRG is indirectly controlled by AI Fresh Holdings Limited Partnership (“AI Fresh”) which in turn is owned by certain investment funds managed by Advent International Corporation (“Advent”), a Delaware corporation formed on September 17, 1984, which has a principal business address at 75 State Street, Boston, Massachusetts 02109.

We have no predecessors.

Through common control by Advent, we are affiliated with Culligan International Company (“Culligan”). Culligan and its predecessors have, since at least 1947, offered franchises to supply certain authorized water-related products and services and air filtration equipment using the “Culligan” name. Its principal place of business is 9399 West Higgins Road, Suite 1100, Rosemont, Illinois 60018. As of December 26, 2021, there were 242 franchised dealers operating 511 locations in the United States. Culligan has not offered franchises in any other line of business. Culligan has never operated or offered franchises for First Watch® Restaurants.

We have no other affiliates that offer franchises in any line of business.

First Watch® System

First Watch® Restaurants currently operate as day-time only restaurants which feature both traditional and unique breakfast, brunch and lunch creations that are freshly prepared to order and served in a casual atmosphere. We focus on high quality ingredients and exceptional customer service.

First Watch® Restaurants are identified by the trademark “First Watch® and design” and other associated logos, designs, artwork and trade dress, trademarks, service marks, commercial symbols, and e-names that we designate (collectively, the “Marks”) and use certain designated business formats, including exterior and interior design, décor, color scheme and furnishings; recipes and menu items; standards, specifications and procedures for operations; quality and uniformity of products and services offered; procedures for inventory management and financial control; and advertising and promotional programs, all of which we may improve, further develop or otherwise modify (the “System”). The mandatory and suggested portions of the System are identified in our confidential operations manuals (the “Manuals”) that we loan to you and that may be revised by us to reflect changes to the System.

Each First Watch® Restaurant is subject to a franchise agreement between us and the franchisee. If you acquire the franchise to develop and own a First Watch® Restaurant, you must sign the form of Franchise Agreement attached to this disclosure document as Exhibit A. If you sign the Franchise Agreement in conjunction with the renewal of an existing franchise agreement, you will also sign the Renewal Addendum attached as Exhibit G.

Market and Competition

Your First Watch® Restaurant will serve the general public during the breakfast and lunch dayparts. The market for restaurant services is well-established. The restaurant business is highly competitive, and competition among businesses serving food is rapidly increasing. There are many other single location restaurants and numerous regional and national restaurant systems currently operating and/or offering licenses or franchises for food service establishments which feature menu items ranging from “fast food” and casual dining to more up-scale fare. Additionally, the Restaurants will compete not only with other restaurants in the casual dining market, but with numerous other types of food service operations (including, grocery stores, delicatessens, convenience stores and other food-oriented establishments), many of which may be located in close proximity to your Restaurant. There also exists active competition among restaurants for the employment of management personnel, as well as for the acquisition of attractive commercial real estate sites.

Industry Regulations

In addition to the laws, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupational Safety and Health Act, you should consider that certain aspects of the restaurant business are heavily regulated by federal, state and local laws, rules and ordinances. You will need to understand and comply with both federal and state laws that regulate the compensation of restaurant employees (including minimum wage and overtime requirements). The U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local departments of health and other agencies have laws and regulations concerning the preparation of food, display of nutritional information and sanitary conditions of restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. In addition, the sale of alcoholic beverages is regulated under local law. If your Restaurant offers alcoholic beverages to customers, you must comply with all applicable laws, including licensure, and include the revenue as part of your Gross Sales (see Item 6) for purposes of royalty and other-revenue based fees. Certain provisions of the Clean Air Act and implementing laws and regulations impose caps on emissions resulting from

commercial food preparation. We urge you to investigate and make further inquiries about all laws and regulations that may be applicable to your Restaurant.

ITEM 2.
BUSINESS EXPERIENCE

Christopher A. Tomasso: Chief Executive Officer and President

Mr. Tomasso has been employed by us since August 2006 and has been our Chief Executive Officer since June 2018 and our President since November 2015. He has also served the same roles for our Parent, in each case, based in Bradenton, Florida.

Eric Hartman: Chief Development Officer

Mr. Hartman has been our and our Parent's Chief Development Officer since November 2016, in each case, based in Bradenton, Florida.

Carmen Rundell: Vice President of Franchise Operations

Ms. Rundell has been employed by us since January 2012 and, during that time, has served in various franchise operations roles for us and, concurrently, for Parent. She has been our and our Parent's Vice President of Franchise Operations since July 2018. Ms. Rundell is based in Centennial, Colorado.

Jay Wolszczak: Chief Legal Officer, General Counsel & Secretary

Mr. Wolszczak has been our and our Parent's Chief Legal Officer, General Counsel & Secretary since May 2018, in each case, based in Bradenton, Florida. Prior to joining us and our Parent, Mr. Wolszczak was employed by Hard Rock Café International (USA), Inc. in Orlando, Florida as Senior Vice President of Business Affairs, General Counsel & Secretary from October 1997 to April 2018.

Henry Melville Hope III: Chief Financial Officer

Mr. Hope has been our and our Parent's Chief Financial Officer since August 2018, in each case, based in Bradenton, Florida. Prior to joining us and our Parent, Mr. Hope was employed by Genesis Real Estate Advisers, LLC in Sandy Springs, Georgia from March 2016 to August 2018.

John "Dan" Jones: Chief Operations Officer

Mr. Jones has been our and our Parent's Chief Operations Officer since October 2021, in each case, based in Bradenton, Florida. Prior to joining us and our Parent, Mr. Jones served as Chief Operating Officer of Cava Meze Grill LLC in Washington, D.C. from August 2016 to September 2021.

ITEM 3.
LITIGATION

Litigation Against Franchisees in the Last Fiscal Year

During fiscal year 2021, we initiated one arbitration against a franchisee as follows:

First Watch Franchise Development Co. v. First Watch of Oklahoma, LLC, Ron Hendrix and Eldray Hendrix (American Arbitration Association; No. 01-21-0003-6662).

Other than above, no litigation is required to be disclosed in this Item.

ITEM 4.
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5.
INITIAL FEES

Initial Franchise Fee

On execution of the Franchise Agreement, you will pay us, in a lump sum, a fully earned and non-refundable initial franchise fee of \$40,000. The initial franchise fee is uniform for all franchisees. However, during fiscal year 2021, we charged initial franchise fees as low as \$30,000 due to previously negotiated contractual obligations with existing franchisees.

If you are signing the Renewal Addendum, you will not pay an initial franchise fee, but you will be required to pay any applicable successor franchise fee provided for in your original franchise agreement.

Initial Training Fee

If this is your first or second Restaurant (and if the Franchise Agreement is not signed in connection with a renewal of an existing franchise agreement), we will provide management training for your Operating Principal (if the Operating Principal will manage the day-to-day operations of the Restaurant) and General Manager, or your District Manager (if the District Manager will manage the day-to-day operations of the Restaurant), General Manager, and Operations Manager at no cost to you except the expenses incurred by such persons in attending the initial training program, including transportation, lodging, meals and wages. We may require you to pay a training fee at our then-current rates (currently, \$5,000 per person) if we train any managers for your third or subsequent Restaurants, and you will be responsible for all travel and living expenses associated with such training for such individuals. We also furnish new owner training to you (or up to 2 of your owners if you are a legal entity). One of them must be the Operating Principal. We provide new owner training to you at no charge, but you are responsible for all travel and living expenses incurred in connection with such training. Training fees are fully earned when paid, are non-refundable, and uniformly imposed on franchisees.

Opening Crew

For the opening of the first two Restaurants, we provide you with an opening crew composed of our trained representatives. The opening crew will provide on-site pre-opening and opening training, supervision and assistance to you for a period of time we determine ranging from 5 to 15 days. We may require the opening crew to remain on-site longer than 15 days. We will determine the number of opening crew representatives (which may be only one person) and the time period in which we provide the assistance based on our assessment of your operational requirements. You will pay us the *per diem* fee then being charged to franchisees generally for this opening crew assistance, which will cover any expenses incurred by the opening crew, including (but not limited to) costs of travel, lodging and meals. We assess this requirement uniformly among franchisees, but we may vary it depending on factors like the number of crew members, the distance they must travel and the time period they are at the Restaurant. Payment is due on receipt of invoice and is nonrefundable. We estimate that the expenses of the opening crew will range from \$5,000 to \$25,000.

Should you require additional trained representatives or should we determine that you need additional opening assistance beyond your first two Restaurants, we may require that you pay, in addition to the above costs, the wages for the representatives as well. We estimate these costs may range from \$6,000 to \$20,000.

ITEM 6.
OTHER FEES

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	4% of Gross Sales ⁽²⁾	On the Report Day we designate for Gross Sales during the preceding Accounting Period	We currently use a monthly Accounting Period that runs on a 4-week, 4-week, 5-week per quarter basis.
System Fund Contributions ⁽³⁾	Maximum – 3% of Gross Sales; currently 1.5% of Gross Sales	Same as Royalty Fee	New Restaurants will not be required to pay contributions during the first 6 months of operations. We may increase the contribution by 0.5% increments annually, up to a maximum of 3% of Gross Sales.
Cooperative Advertising ⁽⁴⁾	Maximum – 2% of Gross Sales	As determined by Cooperative	Cooperatives may agree on a higher amount with our approval. The 2% maximum will be reduced to the extent we set the System Fund Contributions at more than 2% of Gross Sales.
Late Payment Charge	No higher than 2% of the amount due, plus a fixed amount (no higher than \$25).	On demand	Due only if you do not pay fees and other amounts owed to us by their due dates.
Interest	Lesser of 18% per annum or the highest contract rate of interest allowed by law	On demand	Payable on all overdue amounts.
Transfer Fee	50% of then-current initial franchise fee for new franchisees	Submitted before transfer approval	
Public or Private Offering	\$10,000 or reimbursement of our expenses, if higher	Prior to our approval	We charge this fee for our review of your offering materials if you propose to make a public or private offering of your securities.
Training Certification Fees	Reasonable fees and expenses, estimated to be from \$1,000 to \$2,500	When billed	You may provide our training programs to your personnel for additional Restaurants you open, as long as your training programs meet our standards and we approve your Restaurant as a Certified Training Restaurant. We reserve the right to charge a fee for such certification.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Ongoing Training	Not currently charged, but estimated to be from \$250 to \$500 per person	When billed	We may charge you a fee for ongoing training that we conduct and for training materials that we provide.
MIS Fees	Not currently charged, but estimated to be from \$500 to \$1,000 per Restaurant per month	As incurred	We may charge a fee for modifications and enhancements made to any proprietary software we license to you or other Computer System maintenance and support services we or our affiliates furnish.
Manuals	\$500	At time of purchase	Cost of replacement Manuals if your hard copy is lost or destroyed.
Site Selection Counseling and Assistance	Varies, but estimated to be from \$500 to \$4,500	As agreed	As part of the initial franchise fee, we provide you with site selection guidelines, counseling and assistance. If you request, and we agree, to provide you with assistance beyond the scope of what we then provide to new franchisees, you and we will agree on the nature and scope of such additional assistance, including fees and costs.
On-Site Evaluation Fees	Varies, but estimated to be from \$500 to \$1,000	As incurred	Payable only if we determine that on-site evaluations are or become excessive. In that case, we may require you to reimburse us for our costs and expenses in relation to each evaluation, including the cost of travel, meals and lodging for our personnel.
Inspection and Testing	Varies, but estimated to be from \$250 to \$500	When billed	We may require you to pay us or an independent laboratory for the cost of inspection or testing if you desire to purchase or lease items to be used in the Restaurant from sources we have not previously approved.
Management Fee	Currently \$2,500 per week (subject to change)	As agreed	Payable during the period that our appointed manager manages the Restaurant upon your death or disability.
Indemnification	Will vary under circumstances	On demand	You must indemnify us when certain of your actions result in loss to us under the Agreements.
Costs and Attorney's Fees	Will vary under circumstances ⁽⁵⁾	On demand	You will reimburse us for all costs in enforcing obligations if we prevail.
Audit Fee	Cost of audit	When billed	Payable only if we find, after an audit, that you have understated any amount owed to us by 2% or more or if the audit is triggered by your failure to provide required reports.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Insurance	Amount of unpaid premiums, plus an administrative fee	As invoiced	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Successor Franchise Fees	50% of then-current initial franchise fee for new single unit franchise, plus expenses	Before renewal	You will not be required to pay an initial franchise fee, but must pay a successor franchise fee. In addition, we have the right to charge you for services we render to you and expenses we incur in connection with the grant of the successor franchise.
Relocation Expenses	Costs and expenses	As incurred	You do not have the right to relocate your Restaurant, but we may allow you to relocate your Restaurant in the event of fire, casualty or condemnation, or if you lose the right to possess the premises not due to your fault. If we do, you must pay our costs and expenses to evaluate and accept the new site. (See Item 12).

Notes:

- (1) All fees and expenses described in this Item 6 are non-refundable. Except as otherwise indicated in the chart above, we impose all of the fees and expenses listed, and they are payable to us. We may require you to pay any or all fees to us by electronic funds transfer. You must maintain a minimum of \$10,000 in your designated bank account at all times.
- (2) “Gross Sales” means the total actual gross charges prior to and excluding any promotional or other discounts from standard charges for all products (food and non-food) and services and all other income of every kind and nature related to the Restaurant (including income related to catering sales, delivery sales and all other sales related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit, and whether the sales are made at or from the Restaurant premises, or any other location. However, any amounts that you collect and transmit to state or local authorities as sales, use or similar taxes are excluded from the definition of Gross Sales. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the electronic cash register system or point-of-sale system and any cash shortage will not be considered in determining Gross Sales. Gross Sales also includes the amount of any insurance proceeds received from an insurer that are intended to replace your Restaurant’s revenue as a result of the interruption of its business caused by a casualty or other insured event.

Although we are not required to do so by the Franchise Agreement, we may periodically permit you to make certain deductions from Gross Sales. We currently allow you to deduct a portion of complimentary sales from Gross Sales. This deduction is not part of the Franchise Agreement, and you have no legal right to this deduction. It is strictly a business practice based on our current policy that we may discontinue at any time for any reason whatsoever, without notice. Currently, this deduction is capped at 2% of Gross Sales of the Restaurant, and this deduction may only be taken for actual complimentary meals provided to customers or employees and for no other reason. This deduction, and any other deduction we authorize, is only available to you as long as you timely and accurately report your Gross Sales, including the percentage taken (and supporting documents)

for authorized discounts and complimentary sales. We may stop permitting you to take this complimentary sales deduction or any other deduction at any time for any reason whatsoever.

If state or local law where your Restaurant is located prohibits or restricts your ability to pay or our ability to collect Royalty Fees or other amounts based on revenue from the sale of alcoholic beverages at your Restaurant, we will reset the amount of the Royalty Fee or other sums payable to us and redefine Gross Sales to exclude the payment of Royalty Fees on revenue derived from the sale of alcoholic beverages to an amount that will have approximately the same basic economic result for both you and us that seeks to not conflict with the law.

- (3) Advertising programs are described in greater detail in Item 11. We have the right to allocate certain of our administrative expenses for marketing activities related to the System Fund.
- (4) If a Cooperative is established, any amounts contributed to the Cooperative will be credited against your local advertising requirement. Cooperatives will be comprised of all franchised and company-owned Restaurants located in designated geographic areas. No Cooperatives have been established as of the date of this disclosure document.
- (5) In the event of a proposed transfer to a corporation or other business entity formed solely for the convenience of ownership, you will reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees. Also, if we are the prevailing party in an action between us and you, you may be required to reimburse our costs and legal and other fees associated with that action.

ITEM 7.
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – NEW RESTAURANT ⁽¹⁾

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ⁽²⁾	\$40,000	Lump Sum	Upon Agreement	Us
Leasehold Improvements ⁽³⁾	\$475,000 to \$850,000	As Arranged	As Arranged	Unaffiliated Contractor
Leasehold Expense (3 months) ⁽⁴⁾	\$30,000	Lump Sum	Monthly	Unaffiliated Landlord
Furniture, Fixtures and Equipment ⁽⁵⁾	\$230,000 to \$345,000	As Arranged	As Arranged	Unaffiliated Suppliers
Initial Inventory (Food, Paper, Beverages) ⁽⁶⁾	\$7,000 to \$12,000	As Arranged	As Arranged	Unaffiliated Suppliers
Small Wares	\$40,000 to \$46,000	As Arranged	As Arranged	Unaffiliated Suppliers
Point of Sale Computer Hardware and Software ⁽⁷⁾	\$30,000 to \$65,000	As Arranged	As Arranged	Unaffiliated Suppliers
Travel and Living Expenses During Training ⁽⁸⁾	\$1,000 to \$20,000	As Incurred	As Arranged	Unaffiliated Third Parties
Initial Training Fee ⁽⁹⁾	\$0 to \$15,000	Lump Sum	Prior to Training	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Opening Crew Costs	\$5,000 to \$25,000	As Arranged	As Arranged	Us
CAFE Training Kit ⁽¹⁰⁾	\$150 to \$300	Lump Sum	As Arranged	Unaffiliated Supplier
Business Permits ⁽¹¹⁾	\$7,000 to \$12,000	Lump Sum	As Arranged	Unaffiliated Licensing Authorities
Insurance deposits and Premiums (for first year) ⁽¹²⁾	\$2,000 to \$10,000	Lump Sum	As Arranged	Unaffiliated Insurers
Architect Fees ⁽¹³⁾	\$20,000 to \$25,000	As Arranged	As Arranged	Unaffiliated Architect
Utility Deposits	\$0 to \$5,000	Lump Sum	Monthly	Unaffiliated Utility Companies
Grand Opening Advertising and Promotion ⁽¹⁴⁾	\$5,000 to \$35,000	As Arranged	As Arranged	Unaffiliated Suppliers
Liquor Licensing ⁽¹⁵⁾	\$2,800 to \$80,000	As Arranged	As Invoiced or On Filing for License	Unaffiliated Suppliers and Government Agency
Signage and Graphics	\$15,000 to \$55,000	As Incurred	As Incurred	Unaffiliated Suppliers
Additional Funds (3 months) ⁽¹⁶⁾	\$30,000 to \$100,000	As Incurred	As Incurred	Unaffiliated Suppliers, Employees
TOTAL⁽¹⁷⁾	\$939,950 to \$1,770,300			

Notes:

- (1) The estimated initial investments shown in this table are based primarily on the costs our affiliates have incurred in constructing and operating similar Restaurants, encompassing approximately 3,500 to 4,500 square feet. Your Restaurant may be larger or smaller, and your actual costs will vary depending upon the size and location of your Restaurant. These costs would not be applicable if you are signing the Franchise Agreement in connection with the renewal of an existing franchise agreement (since your Restaurant has already been developed). We do not offer any direct or indirect financing for your initial investment for a new First Watch® Restaurant. (See Item 10) Unless otherwise stated, the fees, costs and expenses described in the table are not refundable.
- (2) See Item 5 for a description of the initial franchise fee, or if applicable, the successor franchise fee.
- (3) Construction costs vary depending upon numerous factors, including the size and configuration of the premises and the cost of materials and labor for construction. The cost shown does not include the cost to purchase the building or site for the Restaurant. The range shown includes costs for end-cap, free-standing and in-line Restaurants. The cost of leasehold improvements depends on the condition and size of the site, the local cost of contract work, and the location of the Restaurant. The high estimated figures include remodeling walls, ceilings, floors, and other construction including electrical, plumbing, HVAC and carpentry work. The low estimate assumes that the leasehold is in suitable operating condition immediately on your taking possession of the premises or that the landlord will make the leasehold improvements and amortize their cost over the term of

the lease. Some landlords will provide a “build-out” allowance of \$15 to \$40 per square foot. These amounts are not included in the figures above.

- (4) This reflects your estimated rent expense for your Restaurant, as we anticipate that most franchisees will lease the premises. If you purchase the premises, your initial investment will increase dramatically.
- (5) The costs of furniture, fixtures and equipment will vary, depending on the size and seating capacity of the Restaurant, the supplier you use and the shipping distance. We require a standard interior décor style, but may allow the Restaurant to reflect the location, market and your tastes within certain parameters we prescribe and approve.
- (6) Opening inventory of products and supplies will vary based on your expected volume of business, the size of your Restaurant and the size of any storage areas in the Restaurant. The Manuals contain our suggestions for the amount of inventory and supplies.
- (7) You must obtain and install a POS system, computer system, and electronic cash register equipment in accordance with our specifications. (See Items 8 and 11) For larger volume Restaurants, you may need an additional terminal.
- (8) We provide management training for your Operating Principal (if the Operating Principal will manage the day-to-day operations of the Restaurant) and General Manager, or your District Manager (if the District Manager will manage the day-to-day operations of the Restaurant) and General Manager. If this is your first Restaurant, we provide this training at no charge; however, you are responsible for all travel and living expenses incurred by your trainees in attending the initial training program. We also provide an owner orientation program on the material aspects of owning and operating a First Watch® Restaurant to you or up to two of your owners (if you are a legal entity). One of them must be the Operating Principal. We furnish owner training to you at no charge, but you are responsible for all travel and living expenses incurred in connection with owner training. (See Item 11)
- (9) If you are opening your third or subsequent Restaurants, we may require you to pay a training fee if we train your District Manager, General Manager and Operations Manager. (See Item 5).
- (10) You must purchase a CAFE Training Kit containing certain branded products to be used in your management training (see Item 11). Each CAFE Training Kit is \$150 and this estimate provides for one to two managers.
- (11) This estimate is subject to state and local requirements for licenses and permits.
- (12) The estimated cost of annual premiums for the policies required by the Franchise Agreement will vary significantly based on your location, and the claims experience of commercial businesses in the area, as well as your claims experience in other businesses you operate. See Item 8 for a detailed description of the amount and types of coverage we currently require.
- (13) The fees are estimates of your costs to obtain architectural and design services necessary to construct the Restaurant. For your first Restaurant, you must use one of our approved architects and space planners. You must adapt our standard plans and specifications for constructing the Restaurant. You may also hire accounting and legal advisors to assist you in establishing and operating the Restaurant, and also incur expenses of professionals to conduct environmental impact

studies for the Restaurant, if a study is required. We have not included in the estimate any amount for your legal, accounting and other professional consulting costs.

- (14) You must conduct a grand opening program we approve, with a minimum cost of \$5,000. You may choose to spend more than this amount, at your option. The grand opening advertising expenses will depend on factors such as local media costs, the location of your Restaurant, customer demographics in the surrounding area, and the media and advertising materials that you choose (which are subject to our approval). The grand opening program expense typically ranges from \$5,000 to \$35,000. However, you must spend at least the \$5,000 minimum.
- (15) The cost to obtain a liquor license varies greatly depending on the licensing authority involved and the local liquor license resale market, if any. Generally, liquor-licensing systems fall into two categories: (a) quota-based systems, and (b) non-quota-based systems. In quota-based systems, the total number of licenses available in a municipality, county or other defined territory is set according to the number of people within the territory. For example, state law may limit the total number of licenses available to one per every two thousand persons. Once the licensing authority has issued the total number of licensees according to the population, the licensing agency will not issue any additional new licenses until a new census is taken that shows an increase in population or until an existing permit expires or is revoked. Most often in quota-based systems, parties seeking licenses will not wait for the next census or wait for a license to expire. Instead, they will purchase a license from an existing licensee. In such situations, the cost of obtaining a license can be substantially greater than the cost of obtaining a license directly from the licensing authority. The new licensee will not only pay fixed license fees to the state, but it will also pay the purchase price to the transferor plus fees for attorney's services and service providers. The licensing agency may or may not regulate the price. The price may simply be set by the market for licenses in a particular location, and that could inflate the price significantly. You should carefully review the system of liquor licensing in your state and review the expected range of costs, if your Restaurant is located in a quota state. In state systems that are not quota-based, the cost of obtaining a state license is usually limited to the fee prescribed by statute or administrative regulation, plus fees for attorney's services and service providers. However, there may be additional costs imposed by a need to obtain a municipal and/or county liquor license, conditional use permit or other governmental approval. There are also federal tax permits required.
- (16) These amounts are minimum recommended levels to cover operating expenses, including employee salaries, for three months. We cannot guarantee that this amount is sufficient. You may require additional working capital if your sales are low or if your fixed costs are high or if we extend the hours of operation for First Watch® Restaurants.
- (17) In compiling these estimates, we relied on our affiliates' experience in operating First Watch® Restaurants. The amounts shown are estimates only and may vary for many reasons. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise.

ITEM 8.

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchases from Us or Our Affiliates

We have and may continue to develop for use in the System certain products, including proprietary products that are prepared from highly confidential secret recipes and that are our trade secrets. Because

of the importance of quality and uniformity of production and the significance of those proprietary products in the System, we closely control the production and distribution of those proprietary products. If proprietary products become a part of the System, you must use only our secret recipe and other proprietary products, and must purchase solely from us or from a source we designate all of your requirements for those proprietary products. Currently, however, you are not required to buy anything from us or our affiliates.

Approved Suppliers

In order to maintain the superior quality of the goods and services sold by First Watch® Restaurants and the reputation of the First Watch® franchise network, you must comply with all of our standards and specifications (including brand specifications) relating to the purchase of all food and beverage items, alcohol products, ingredients, supplies, materials, fixtures, furnishings, equipment (including Computer Systems) and other products used or offered for sale at the Restaurant. During operations, we assure that our specifications are met by designating or approving suppliers for most of your purchases in operating your Restaurant. Accordingly, you must obtain those items from suppliers (including manufacturers, distributors, and other sources) who demonstrate, to our satisfaction, the ability to meet our then-current standards and specifications for food and beverage items, alcohol products, ingredients, supplies, materials, fixtures, furnishings, equipment, and other items used or offered for sale at First Watch® Restaurants, who possess adequate quality controls and capacity to supply your needs promptly and reliably; who we have approved in writing before you purchase anything from the supplier; and who we have not subsequently disapproved. The cost of equipment, products, and other required purchases from approved suppliers represents approximately 90% to 95% of your total purchases to establish your Restaurant and approximately 90% to 95% of your total purchases to operate your Restaurant.

If we negotiate group or volume purchase arrangements with approved suppliers, you must participate in such arrangements. Neither we nor any of our affiliates are currently approved suppliers, but may become so in the future and, in that event, may derive revenue from your purchases.

None of our officers currently own an interest in any designated or approved supplier.

Rebates and Other Consideration

We and our affiliates may negotiate with suppliers and manufacturers to receive rebates on certain items you must purchase. In 2021, we did not receive any rebates in connection with purchases by franchisees of items from approved suppliers, but our Parent received allowances, rebates and leadership conference sponsorships of \$358,292 from approved suppliers. The rebates are generally \$0.25 to \$2.40 per unit purchased from the applicable vendors by all franchised and affiliate-owned First Watch® Restaurants. Our Parent also currently participates in a rebates aggregation program conducted by a third-party provider that collects, on behalf of all of its clients, general rebates offered by certain designated vendors then, after deducting its costs and fees, pays Parent and its other clients their pro-rata shares (based on purchase volume) of the amounts it collects from those vendors. The third-party provider does not disclose to us or Parent the bases on which the participating vendors determine the amounts they pay to the third-party provider. The rebate programs may also vary depending on the supplier and the nature of the product, and additional suppliers may pay rebates to us or our affiliates in the future. Any rebates, bonuses, promotional benefits, and other such consideration belong to us or our affiliates and may be used, or not used, as we or they deem appropriate.

We do not provide material benefits to franchisees based on their use of designated or approved sources.

Standards and Specifications

You must operate your Restaurant according to our System Standards. System Standards may regulate, among other things, the types, models and brands of required fixtures, furnishings, equipment, signs, software, materials, beverages, alcohol products and food products, and supplies to be used in operating the Restaurant, required or authorized products and product categories and designated or approved suppliers of such items (which may be limited to or include us or our affiliates). We do not make any express or implied warranties with respect to any products or goods we recommend for your use. Our standards and specifications may impose minimum requirements for quality, taste, cost, delivery, performance, design and appearance, delivery capabilities, financing terms, and ability to service our franchise system as a whole. We will notify you in our Manuals or other communications of standards and specifications and/or names of approved suppliers.

Changes of Suppliers

If you desire to purchase, lease or use any products or other items from a supplier we have not approved, you must request, in writing, our approval and submit to us sufficient written information about the proposed new supplier and samples of the proposed products to enable us to determine whether the proposed supplier or products meet our standards and specifications. If we have not responded within 30 days of our receipt of the information, then your request will be deemed rejected by us. We may consider in reviewing whether to grant such approval not just the quality standards of the products or services, but their delivery capabilities, financing terms and ability to service our franchise system as a whole, and their willingness to allow us or our representatives to periodically inspect the supplier's premises and test the products. We may terminate or withhold approval of any product or service, or any supplier that does not meet our standards by giving you written notice. If we do so, you must immediately stop purchasing from such supplier or using such products or services in your Restaurant unless and until we notify you that such supplier or such products or services meet our quality standards. We may charge a fee for evaluating alternative suppliers not to exceed the reasonable cost of the inspection plus the actual cost of laboratory fees, professional fees and travel and living expenses as well as any other fees we pay to third parties in furtherance of the evaluation.

We may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service or if we believe that doing so is in the best interests of the First Watch® Restaurant network.

Computer Hardware and Software

We require you and all other operators of First Watch® Restaurants to use a common type or version of point-of-sale or other computer hardware and software systems for all sales processing, inventory, order tracking, accounting, payroll, operations and other functions as may otherwise be required by us in the Manuals or otherwise periodically prescribed in writing. These requirements are subject to change at any time. Among other functions, the required systems may include the use of remote servers, off-site electronic information storage and internet connections. You will use the computer systems prescribed by us and will sign any necessary licensing agreements with third party developers or manufacturers of those systems. We require you to obtain your point-of-sale and support from our current IT provider.

Alternatively, we may develop or have developed for us a proprietary software package for use in all First Watch® Restaurants. If we do develop that software, then on notice from us, you will enter into a software license agreement with us in the form prescribed by us for the license of our proprietary computer software, which we will provide for the operation of the Restaurant. We may, at our option, upgrade,

modify or replace the requisite software package used in all First Watch® Restaurants. You must, within 30 days of notice of the change in software from us, conform to the software requirements we specify, at your expense, and execute all necessary agreements we prescribe, with us or the appropriate licensor we designate.

We may utilize the computer systems to monitor the daily operations of the Restaurant. Through this monitoring system, we may access and retrieve daily any information concerning the Restaurant stored on your computer systems or the off-site server, including information concerning gross sales, inventory, expenditures, and such other information as may be contained or stored on the computer system or software. This information may be received by using software we specify; by the establishment and maintenance of an Internet access account with us; by a direct Internet connection with us; by telephone line and modem connections to electronic cash register systems (or other computer hardware and software); or by any other means we prescribe.

Insurance

You must procure, on execution of the Franchise Agreement, and maintain in full force and effect at all times during the term of the Franchise Agreement, at your expense, an insurance policy or policies protecting you, us and our affiliates, and their respective affiliates, successors and assigns and each of those entity's respective officers, directors, shareholders, partners, agents, representatives, independent contractors and employees against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Restaurant.

The insurance policy or policies must be written by a responsible carrier or carriers reasonably acceptable to us, with an AM Best's rating of A-VII or better, approved to do business within the state and must include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified by us), in accordance with our written standards and specifications, the following:

1. Comprehensive General Liability Insurance, including broad-form contractual liability, broad-form property damage, personal injury, advertising injury, completed operations, products liability, and fire damage coverage, in the amount of at least \$1,000,000 each occurrence/\$2,000,000 general aggregate and \$2,000,000 products and completed operations aggregate. If your Restaurant offers alcoholic beverages to customers, you must also maintain liquor liability coverage with minimum limits of at least \$1,000,000 per occurrence.
2. "All Risks" property coverage (including earthquake and flood, if the Restaurant is located in a designated earthquake or flood zone) for the full cost of replacement of the Restaurant premises and all other property in which we may have an interest, with no coinsurance clause.
3. Automobile liability coverage, including coverage of owned, non-owned, and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit.
4. Workers' compensation insurance (coverage B) in amounts provided or described by applicable law, and employers' liability insurance with coverage limits of not less than: \$1,000,000 each bodily injury by accident; \$1,000,000 bodily injury by disease; and \$1,000,000 each employee for bodily injury by disease.
5. Cyber liability insurance containing the minimum liability coverage we prescribe from time to time.

6. Any other insurance required by the state or locality in which the Restaurant is located and operated.

7. An “umbrella” policy providing coverage excess to the policies described above (with the exception of the property policy), with limits of not less than \$5,000,000. If your Restaurant offers alcoholic beverages to customers, the “umbrella” policy must include liquor liability coverage for the full limit of the policy, or in any event, no less than \$5,000,000. The required minimum may be satisfied by any combination of primary and excess or umbrella policies.

You may, with our prior written consent, elect to have reasonable deductibles, as determined by us, in connection with the coverage required above. Such policies must also include a waiver of subrogation in favor of us and our directors, officers, shareholders, partners, employees, representatives, independent contractors and agents, and must provide that they are primary and non-contributory to any insurance carried by us or our affiliates.

In connection with any construction, renovation, refurbishment or remodeling of the Restaurant, you will maintain Builder’s Risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to us.

Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance maintained by us, nor will your performance of that obligation relieve you of liability under the indemnity provisions in the Franchise Agreement.

All public liability and property damage policies will contain a provision that we and our directors, officers, shareholders, partners, employees, representatives, independent contractors and agents, although named as additional insureds, will nevertheless be entitled to recover under those policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you, your servants, agents or employees.

You must provide us with current Certificates of Insurance evidencing the existence and continuation of required coverage as described in the Manuals or otherwise in writing. All insurance policies required, with the exception of workers’ compensation, will name us and our affiliates, and their respective directors, officers, shareholders, partners, employees, representatives, independent contractors and agents, as additional insureds, and must expressly provide that any interest of those additional insureds in the policies will not be affected by any breach by you of any policy provisions. All required insurance policies will expressly provide that no less than 30 days’ prior written notice will be given to us in the event of a material alteration to or cancellation of the policies.

If you fail to procure or maintain the insurance that we require, we may (but are not required to) obtain the required insurance and charge the cost of the insurance to you. The costs to us of obtaining the insurance, together with a fee for our expenses in so acting, will be payable by you immediately upon notice. The foregoing remedies will be in addition to any other remedies we may have at law or in equity.

Miscellaneous

Except as described above, neither we nor our affiliates currently derive revenue or other material consideration as a result of required purchases or leases, but we reserve the right to do so. As of the date of this disclosure document, there are no purchasing or distribution cooperatives.

ITEM 9.
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
Site selection and acquisition/lease	Section 3 (and Lease Addendum)	Items 8 and 11
Pre-opening purchases/leases	Sections 3 and 4 (and Lease Addendum)	Items 5, 6,7, 8, and 11
Site development and other pre-opening requirements	Sections 3, 4 and 6	Items 6, 7 and 11
Initial and ongoing training	Section 6	Items 6,7, 8 and 11
Opening	Section 4	Item 11
Fees	Sections 4, 5, 11, 14 and 15	Items 5 and 6
Compliance with standards and policies/Manuals	Sections 2, 3, 4, 6, 7, 8, 10 and 12	Items 11 and 14
Trademarks and proprietary information	Sections 7 and 8	Items 13 and 14
Restrictions on products/services offered	Sections 4 and 10	Items 8 and 16
Warranty and customer service requirements	Not Applicable	Not Applicable
Territorial development and sales quotas	Not Applicable	Item 12
Ongoing product/service purchases	Sections 4 and 10	Items 6 and 8
Maintenance, appearance and remodeling requirements	Sections 4, 10 and 15	Items 8 and 11
Insurance	Sections 4 and 10	Items 7 and 8
Advertising	Sections 4 and 11	Items 6, 8 and 11
Indemnification	Sections 7 and 18	Item 6
Owner's participation/management/staffing	Sections 1, 6, 9 and 10	Items 1, 11 and 15
Records and reports	Sections 10 and 12	Item 6
Inspections and audits	Section 13	Items 6, 8, and 11
Transfer	Section 14	Items 6 and 17
Renewal or Extension of Rights	Section 15	Items 6 and 17
Post-termination obligations	Section 17	Items 6 and 17

Obligation	Section in Franchise Agreement	Disclosure Document Item
Noncompetition covenants	Sections 8, 9, 10, 14 and 17	Item 17
Dispute resolution	Section 20 (and Lease Addendum)	Items 6 and 17

ITEM 10.
FINANCING

We do not offer direct or indirect financing. We do not guarantee your notes, leases or other obligations.

ITEM 11.
FRANCHISOR'S ASSISTANCE, ADVERTISING,
COMPUTER SYSTEMS, AND TRAINING

Except as listed below, we are not required to provide you with any assistance:

Pre-Opening Obligations: Before you open your Restaurant, we will:

1. Provide you with site selection guidelines, and review and accept or reject the proposed site for your Restaurant. Generally, we will not own the location of your Restaurant and lease it to you. The site must meet our criteria for the location of a First Watch® Restaurant, including, but not limited to, visibility, signage, access, demographic characteristics, traffic patterns, parking, character of neighborhood, and competition from and proximity to other businesses. Our criteria, and our evaluation of them, may vary periodically and from location to location. We will accept or disapprove a proposed site within 45 days after we receive all information that we require to assess the proposed site. Within 180 days of signing the Franchise Agreement, you must find an acceptable site and sign a lease for the location on terms acceptable to us, or we may terminate the Franchise Agreement. We will provide site selection counseling and assistance, and on-site evaluations, as we consider necessary and appropriate. We reserve the right to take a more proactive role in the site selection and approval process. (Franchise Agreement § 3.1)

2. Loan to you a set of sample architectural and design plans and mandatory and suggested specifications including requirements for dimensions, design, color scheme, image, interior layout, décor and Operating Assets, which include fixtures, equipment, signs and furnishings, for a First Watch® Restaurant. You must independently, at your expense, have the architectural and design plans and specifications adapted for construction of the Restaurant, subject to our final approval. For your first Restaurant, you must use one of our approved architects and space planners. All architects and space planners, regardless of which Restaurant, must be approved by us. (Franchise Agreement § 4.1)

3. Loan to you one copy of, or provide you with access to, our Manuals (in the medium we decide, which may be written or electronic). (Franchise Agreement § 10.1)

4. Provide the new owner training and management training described below. (Franchise Agreement § 6.1)

5. Assist you in planning the market introduction advertising and promotional program for the Restaurant. (Franchise Agreement § 4.6)

6. Provide an opening crew for the purpose of providing general assistance and guidance in connection with the opening of the Restaurant as described below. (Franchise Agreement § 6.4)

Continuing Obligations: After you open the Restaurant, we will:

1. Provide you with information regarding approved suppliers and evaluate suppliers proposed by you. (Franchise Agreement §§ 4.3 and 4.4)

2. If, during the term of the Franchise Agreement, we develop and license to you any computer software to be used in the operation of the Restaurant, then we will also make available to you, at a reasonable cost, any upgrades, enhancements or replacements to the software that are developed from by or on behalf of us. (Franchise Agreement § 10.7)

3. Make periodic visits to the Restaurant and evaluations of the products sold and services rendered to customers, as more fully described in the Franchise Agreement. (Franchise Agreement § 13.1)

4. Advise you regarding the operation of the Restaurant based on reports you submit or inspections we make. In addition, we will provide guidance to you on standards, specifications and operating procedures and methods utilized by Restaurants; purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies; recipes, food preparation methods, and menu items; use of suppliers, approved products, volume buying; advertising and marketing programs; and administrative, bookkeeping and accounting procedures. This guidance will be furnished in our Manuals, bulletins or other written materials and/or during telephone consultations, e-mails, web-based or other electronic means and/or consultations at our office or the Restaurant. (Franchise Agreement § 6.7)

5. Provide any necessary refresher training courses and require you to attend. We may charge you our then-current fee for such training. (Franchise Agreement § 6.6)

6. Administer the general marketing and development fund (the “System Fund”). You must contribute to the System Fund the amount that we prescribe (Franchise Agreement §§11.1 to 11.3).

Advertising and Promotion

System Fund

We have established a general marketing and development fund to promote First Watch® Restaurants on a system-wide basis. You will contribute the amount that we designate. The rate is currently 1.5% of Gross Sales of the Restaurant. We may increase the amount of the System Fund Contributions by 0.5% each year, up to a maximum of 3% of Gross Sales. We currently do not require new Restaurants to begin paying System Fund Contributions until the 7th month of operations. In all cases, contributions to the System Fund will be paid at the same time and in the same manner as the Royalty Fee. We will give you at least 30 days’ written notice of any change in the contribution amount.

The System Fund is maintained and administered by us or our designee as follows:

(a) The System Fund is intended to maximize general public recognition and acceptance of the Marks and to enhance the collective success of all First Watch® Restaurants. We will direct all advertising programs produced using the System Fund, and we will decide whether to approve or disapprove the creative concepts, materials, and media used in those programs, the placement of the advertisements, and the allocation of the money in the System Fund to production, placement, or other costs. In administering the System Fund, we and our designees undertake no obligation to make expenditures for you which are

equivalent or proportionate to your contribution, or to ensure that you or any particular First Watch® Restaurant benefits directly or pro rata from the placement of advertising.

(b) The System Fund may be used to satisfy any and all costs of maintaining, administering, directing and preparing advertising (including the cost of preparing and conducting television, radio, magazine, and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising/public relations agencies to assist in those activities; and costs of our personnel and other departmental costs for advertising that is internally administered or prepared by us). All sums paid to the System Fund will be accounted for separately and may be used to defray any of our administrative costs and overhead that we incur in activities related to the administration or direction of the System Fund and advertising programs for franchisees and all First Watch® Restaurants. The System Fund and its earnings will not otherwise inure to our benefit. The System Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above. We have no fiduciary duty to you, or any other franchisees, or your or their respective owners with regard to the operation or administration of the System Fund.

(c) It is anticipated that all System Fund Contributions will be expended for programs during the fiscal year in which such contributions are made. If excess amounts remain in the System Fund at the end of the year, all expenditures in the following fiscal year will be made first out of such excess amounts, including any interest or other earnings of the System Fund, and next out of current contributions. We may spend in any fiscal year an amount greater or less than the contributions to the System Fund in that year, and the System Fund may borrow from us or other lenders to cover deficits of the System Fund. If we lend money to the System Fund, we may charge interest at an annual rate 1% greater than the rates we pay our lenders.

(d) We will, with respect to First Watch® Restaurants operated by us or our Parent, contribute to the System Fund on the same basis as you do.

(e) An unaudited statement of the operations of the System Fund will be prepared annually by us and will be made available to you upon request. We may cause the System Fund to be audited, but there is no requirement to do so.

(f) Although the System Fund is intended to be of perpetual duration, we may terminate the System Fund. If the System Fund is terminated, all unspent monies, less any outstanding accounts payable and other obligations, on the date of termination will be distributed to our franchisees in proportion to their respective contributions to the System Fund during the preceding 12-month period.

(g) We determine the use of monies in the System Fund. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Restaurant is located. No funds from the System Fund will be used principally for preparation of franchise sales solicitation materials. However, a brief statement about availability of information regarding the purchase of First Watch® franchises may be included in advertising and other items produced and/or distributed using the System Fund.

During our fiscal year ended December 26, 2021, System Fund expenditures were as follows:

Item	2021 Percentage of Total
Production	69.3%
Media Placement	8.5%
Administrative	12.0%
Other (promotional items)	10.2%
Total	100.0%

Advertising Cooperatives

We may designate any geographic area in which two or more First Watch® Restaurants are located as a region for purposes of establishing an Advertising Cooperative (the “Co-op”). The members of the Co-op for any area will, at a minimum, consist of all First Watch® Restaurants in the designated geographic area, including Restaurants owned by us or our Parent. Each Co-op will be organized and governed in a form and manner, and will commence operation on a date, determined in advance by us. Each Co-op will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in local advertising. If, on the date of the Franchise Agreement, a Co-op has already been established for a geographic area that encompasses the Restaurant, or if any Co-op for that geographic area is established during the term of the Franchise Agreement, you will (immediately upon our request) execute any documents required by us to become a member of the Co-op under the terms of those documents. You will participate in the Co-op as follows:

(a) You will contribute to the Co-op the amounts required by the documents governing the Co-op. You will not be required to contribute more than 2% to the Co-op unless, subject to our approval, the members of the Co-op agree to the payment of a larger fee. This 2% maximum will be reduced to the extent we set System Fund Contributions at more than 2% of Gross Sales.

(b) You will submit to the Co-op and to us any statements and reports as may be required by us or by the Co-op. All contributions to the Co-op will be maintained and administered in accordance with the documents governing the Co-op. The Co-op will be operated solely as a conduit for the collection and expenditure of the Co-op fees for the purposes outlined above.

(c) No advertising or promotional plans or materials may be used by the Co-op or furnished to its members without our prior written approval. All advertising plans and materials will be submitted to us.

Any Restaurants owned by us or our Parent will participate in the Co-op on the same basis as the franchisee-owned Restaurants in the same Co-op. We will not prepare annual or periodic financial statements regarding each Co-op. We have the power to require Co-ops to be changed, dissolved or merged. As of the date of this disclosure document, no Co-ops exist.

Local Advertising Expenditures

During each Accounting Period throughout the term of the Franchise Agreement, you must spend a minimum of at least 1% of the Gross Sales of the Restaurant on approved forms of local advertising. You are allowed to spend more than the minimum amount required. Co-op contributions count as local advertising expenditures. You will submit to us an advertising expenditure report accurately reflecting all local advertising expenditures no later than the report day we designate for each Accounting Period during the term of the Franchise Agreement (or at any other frequency or on any other date directed by us in writing), describing your advertising expenditures for the prior Accounting Period. In addition to the

following restrictions, costs and expenditures incurred by you in connection with any of the following will not be included in your expenditures on local advertising, unless approved in advance by us in writing:

- (a) Incentive programs for your employees or agents, including the cost of honoring any coupons distributed in connection with such programs;
- (b) Research expenditures;
- (c) Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities;
- (d) Charitable, political or other contributions or donations;
- (e) Press parties or other expenses of publicity;
- (f) In-store materials consisting of fixtures or equipment;
- (g) Seminar and educational costs and expenses of your employees; or
- (h) Specialty items such as T-shirts, premiums, pins and awards, unless those items are part of a market-wide advertising program and then only to the extent that the cost of the items is not recovered by the promotion.

Each franchisee must list and advertise its Restaurant on all major search engines and consumer review websites listed in the Manual or as we may specify. You must also list and advertise your Restaurant in the principal online classified telephone directory or in the principal regular (white pages) and principal classified (yellow pages) telephone directories distributed within your Franchise Territory (or such other directories and categories as we may specify), using our standard forms of listing and classified directory advertisement. Classified directory advertisements must list all other Restaurant franchised locations operating within the distribution area of the classified directories. The cost of such advertisements will be reasonably apportioned among all Restaurants listed in the relevant directory. The costs incurred in telephone directory advertising will be applied toward the minimum local advertising expenditures.

Grand Opening Marketing

You must develop and implement a grand opening promotion approved by us for your Restaurant. You must spend at least \$5,000 and as much as \$35,000 for a grand opening program. The actual amount will depend on factors we determine relevant, including, for example, the size and type of your market and location, whether your Restaurant is the first First Watch® Restaurant in the market, the availability and costs of resources in your market, and the types of programs and materials you use. The grand opening program for your Restaurant must be conducted during the period that is 30 days before and 90 days following the opening of your Restaurant and will consist of a variety of public relations, marketing and advertising initiatives intended to publicize the opening of your Restaurant. Amounts that you spend on grand opening advertising do not count towards any other advertising obligations you have under the Franchise Agreement.

Other Advertising Requirements

All advertising and promotion by you in any medium must be conducted in a dignified manner and must conform to our standards and requirements as described in the Manuals or otherwise. You must obtain our approval of all advertising and promotional plans and materials before their use, unless the plans and

materials were prepared or previously approved by us during the 12 months before their proposed use. You will submit all unapproved plans and materials to us. If you do not receive written approval within 15 days of our receipt of such materials, we will be deemed to have disapproved the materials. You will not use any materials that we have not developed or approved, and will promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us. We may review and approve or disapprove all advertising and promotional materials (including Yellow Pages, trademark, and other business listings) that you propose to use.

You must participate in supplemental marketing programs, like limited time offers, gift cards, gift certificates, coupons, loyalty programs, and customer relationship management, as we may periodically require. You may be responsible for certain costs associated with these supplemental marketing programs.

We currently do not have a formal franchisee advisory council or association.

Web Site

We have established and maintain an Internet website at the uniform resource locator www.firstwatch.com that provides information about the System and First Watch® Restaurants (the “Website”). We have enhanced our Website to include a series of interior pages that identify First Watch® Restaurants by address and telephone number. We may (but are not required to) include at the Website an interior page containing additional information about your Restaurant. If we include your information on the Website, we have the right to require you to prepare all or a portion of the page, at your expense, using a template that we provide. All information is subject to our approval before posting.

We will decide and have control over the Website’s design and contents. We will decide whether to approve any linking to, or other use of, the Website. We have no obligation to maintain the Website indefinitely, but may discontinue it at any time without liability to you. Furthermore, as we have no control over the stability or maintenance of the Internet generally, we are not responsible for damage or loss caused by errors of the Internet.

You will not be allowed to establish or operate any other website for your Restaurant or establish or participate in any First Watch® related blog or other discussion forum. We may maintain one or more accounts or profiles at certain social media sites (e.g., Twitter, Facebook or such other social media sites). You may not establish or maintain any accounts or profiles at any social media sites utilizing any user names, or otherwise associating with the Marks or in connection with your Restaurant, without our advance written consent. We may designate regional or territory-specific user names/handles that you must maintain. You must adhere to any social media policies that we establish and must require all of your employees to do so as well.

Intranet

We may, at our option, establish and maintain either a series of “private” pages on the Internet Web site or a so-called Intranet, through either of which we, our franchisees, and their respective employees may communicate with each other and through which we may disseminate updates to the Manuals and other confidential information. We will have no obligation to maintain the Intranet indefinitely, but may discontinue it at any time without liability to you.

We will establish policies and procedures for the Intranet’s use. These policies, procedures and other terms of use will address issues such as (i) restrictions on the use of abusive, slanderous, or otherwise offensive language in electronic communications; (ii) restrictions on communications between or among franchisees that endorse or encourage breach of any franchisee’s franchise agreement with us; (iii)

confidential treatment of materials that we transmit via the Intranet; (iv) password protocols and other security precautions; (v) grounds and procedures for our suspension or revocation of a franchisee’s access to the Intranet; and (vi) a privacy policy governing our access to and use of electronic communications that franchisees post on the Intranet. We expect to adopt and adhere to a reasonable privacy policy; however, we can technically access and view any communication that any person posts on the Intranet. The Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other person may assert.

Upon receipt of notice from us that the Intranet has become functional, you must purchase, or lease, and install all necessary additions to the Restaurant’s computer system and establish and continually maintain electronic connection with the Intranet that allows us to send messages to and receive messages from you. Your obligation to maintain connection with the Intranet will continue until the Franchise Agreement’s expiration or termination (or, if earlier, until we discontinue the Intranet).

Electronic Cash Register and Computer Programs

We have the right, under the Franchise Agreement, to require you and other franchisees of First Watch® Restaurants to use a common type or version of point-of-sale or other computer hardware and software systems for all sales processing, inventory, order tracking, accounting, payroll, operations and other functions as we may otherwise require in the Manuals and as we may otherwise prescribe in writing. Among other functions, the required systems may include the use of remote servers, off-site electronic information storage and Internet connections. You will use the computer systems we prescribe and will sign any necessary licensing agreements with third party developers or manufacturers of those systems.

Presently, we require you to install and maintain a computer at the Restaurant that is capable of running Restaurant Magic Data Central software that we require and that operates on a Microsoft Windows 7 or higher operating system. The computer must have a high-speed modem that permits you to connect to the Internet and to transmit and receive email. You must install and run the Aloha point-of-sale software and Restaurant Magic Data Central polling software. You must also install and maintain between 3 and 4 point-of-sale terminals (depending on the size of your Restaurant) that are capable of running the point-of-sale software. The point-of-sale software is used to compile and manage Restaurant sales information. You must obtain this software and the related point-of-sale hardware from an approved supplier.

Currently, we require you to obtain the following point-of-sale and computer hardware and software systems for your Restaurant:

<u>Quantity</u>	<u>Description</u>
3 to 5 each	POS Hardware
3 to 5 each	POS Software Licenses
3 to 5 each	Printers
1 each	Phone System
1 each	Copier Multi-Function Device
1 each	Back Office PC and file server
1 each	Wi-Fi Access Point
1 each	Firewall
1 each	Secondary Back Office PC or Wyse terminal
	Various IT Hardware/Cabling
	Data Central BOH Software

We require you to obtain the required software and point-of-sale and computer hardware from our current IT provider. Our provider provides installation and training, network management, remote helpdesk support, and on-site support for all First Watch® Restaurants. We estimate that the cost of the computer system, telephone system, point-of-sale system and network architecture will be approximately \$30,000 to \$65,000, depending on the size of your Restaurant. We recommend that you enter into an optional managed technology services agreement with our current IT provider, at a cost of approximately \$400 (for technology maintenance services only) to \$1,800 (includes the lease of the hardware and software, plus technology maintenance services) per month.

Although we do not currently do so, we may charge you a reasonable systems fee (“MIS Fee”) for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we, or our affiliates, furnish to you related to the computer system, including access to and use of any intranet system that we establish. (Franchise Agreement § 10.7)

We may develop or have developed for us a proprietary software package for use in all First Watch® Restaurants. If we develop or improve any such software, we may require you to sign a software license agreement in the form that we prescribe for the license of our proprietary software to you in connection with your operation of the Restaurant. We may, at our option, upgrade, modify or replace the proprietary software for use in all First Watch® Restaurants, and you must incorporate such modifications or additions within 30 days after receiving written notice from us, unless a longer time period is stated in the notice.

We may utilize the computer systems to monitor the daily operations of the Restaurant and the System. Through this monitoring system, we may access and retrieve daily any information concerning the Restaurant stored on your Computer Systems or the off-site server, including information concerning gross sales, inventory, expenditures and such other information as may be contained or stored on the Computer System or software. This information may be received by using software we specify; by the establishment and maintenance of an Internet access account with us; by a direct Internet connection with us; by telephone line and modem connections to electronic cash register systems (or other computer hardware and software); or by any other means we prescribe. There are no contractual limitations on our right to access the information.

You must install and maintain the equipment, make the arrangements, and follow the procedures that we require in the Manuals or otherwise in writing (including the establishment and maintenance of Internet, intranet, or extranet access or other means of electronic communication, as specified by us) to permit us to access, download and retrieve electronically, by telecommunication or other designated method, any information stored in your Computer Systems, including information concerning the gross sales of the Restaurant, and to permit us to upload and for you to receive and download information from us. You must allow us to have access to the information at the times and in the manner that we specify. It will be a material event of default under the Franchise Agreement if you fail to make that information accessible to us at all times throughout the term of the Franchise Agreement. (Franchise Agreement § 10.7)

You may not establish or maintain any Website or any type of presence on the Internet or World Wide Web without our express written consent. (Franchise Agreement § 11.8)

Except as described above, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades, or updates to your computer system, and there are no optional or required maintenance/upgrade contracts for the point-of-sale or computer system.

We require that your Restaurant operations comply with the minimum then current PCI DSS (Payment Card Industry Data Security Standard) compliancy standards for account data protection. You

agree to comply with all applicable legal, regulatory, credit card brand standards and other security requirements (including, but not limited to, the PCI DSS security requirements requires for merchants who accept credit and debit card payments) relating to the use of information technology and data in your Restaurant.

Site Selection

You must select the site for your Restaurant, subject to our acceptance. The proposed site must comply with our site selection criteria. We do not select or endorse your site. However, within 45 days from the date you submit all required information, we will notify you in writing whether or not we accept the proposed site. If we do not accept the proposed site within such 45 day period, the proposed site is deemed rejected. You may not proceed to develop a Restaurant on the proposed site unless we have, in writing, accepted the site. Our identification or acceptance of a site does not constitute a guarantee, recommendation or assurance as to the success of the site or your Restaurant. You currently have the option of participating in our Alternative Site Selection Program where we will take a more proactive role in locating potential sites for your Restaurant.

We will make available to you one copy of our operations manual (in the medium we decide) containing site selection guidelines, which guidelines may require, at your sole expense, an evaluation of the demographics of the market area for the proposed location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, proximity to residential neighborhoods and proximity to shopping centers, entertainment facilities, other businesses that attract consumers and generate traffic, and liquor license availability. We will provide you with such site selection counseling and assistance, and on-site evaluations, as we consider necessary and appropriate. If we determine that on-site evaluations are or become excessive, we may require you to reimburse us for our reasonable costs and expenses. At your request, we may elect to provide you with additional counseling and guidance regarding site selection and/or development, which is beyond the nature and scope of what we are then providing to new First Watch® franchisees as part of the initial franchise fee. If we do so, you and we will agree upon the nature and scope, and terms and conditions (including fees), for any such services.

You have no right to change an accepted site for or to relocate your Restaurant.

Time to Opening

We estimate that the typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your Restaurant is approximately 6 to 12 months. Factors that may affect this period include whether you have selected a site when you sign the Franchise Agreement, your ability to obtain an acceptable site, arrange leasing and financing, make leasehold improvements, install fixtures, equipment and signs, decorate the Restaurant, meet local requirements, obtain inventory, acquire a liquor license, and similar factors. You must sign, and provide us with a signed copy of your lease (including a signed copy of the Lease Addendum) or the purchase agreement for the selected and accepted site within 180 days from the date of execution of the Franchise Agreement. We may terminate the Franchise Agreement if an accepted site is not located within 180 days from the date of execution of the Franchise Agreement.

You must open the Restaurant for business within 12 months from the date that you sign the Franchise Agreement. If you fail to begin operations within the 12-month period, we may terminate the Franchise Agreement (Franchise Agreement, § 4.5).

Manuals

After you sign the Franchise Agreement, we will grant you access to our Manuals. A copy of the table of contents of our operations manual is attached as Exhibit F to this disclosure document. The current operations manual is comprised of 415 pages. We consider the contents of the Manuals to be proprietary, and you must treat them as confidential. You may not make any unauthorized copies of the Manuals.

Training Programs

Your Operating Principal (if the Operating Principal will manage the day-to-day operations of the Restaurant) and General Manager, or your District Manager (if the District Manager will manage the day-to-day operations of the Restaurant) and General Manager must attend, and complete to our satisfaction, our management training program at least four weeks before the scheduled opening date for the Restaurant. Any successor Operating Principal, District Manager (if applicable) and General Manager must also satisfactorily complete the management training program, which is described below.

Currently, our management training program lasts 10 weeks. The subjects covered, approximate hours of classroom and on-the-job training, and other information about our management training program are described below:

TRAINING PROGRAM

Management Training – 50-Day CAFE (Culture and Food Experience)

Subject	Hours of Classroom Training ⁽¹⁾	Hours of On-the-Job Training ⁽¹⁾	Location ⁽²⁾
First Watch® Culture and Philosophies	5	24	Certified Training Restaurant
Staffing and Scheduling	5	30	Certified Training Restaurant
Opening Procedures	5	20	Certified Training Restaurant
Closing Procedures	1	6	Certified Training Restaurant
Inventory Management	1	6	Certified Training Restaurant
Food Preparation & Recipes	3	50	Certified Training Restaurant
QA and Ticket Times	5	50	Certified Training Restaurant
Product Knowledge	5	42	Certified Training Restaurant
Quality Control	5	40	Certified Training Restaurant
Marketing	1	—	Certified Training Restaurant
Food Safety	5	50	Certified Training Restaurant
Kitchen Equipment Safe Cleaning and Reassembly	2	10	Certified Training Restaurant
Worker Injury Procedures	1	6	Certified Training Restaurant
POS Operations	5	30	Certified Training Restaurant
Accounting and Payroll Procedures	5	30	Certified Training Restaurant
Maintenance	2	6	Certified Training Restaurant
TOTALS	56	400	

Notes:

- (1) The time periods allocated to the subjects listed above are approximations, and the time actually spent by you and your personnel may vary based on the experience and performance of those persons being trained.
- (2) All required pre-opening training will be held at a Certified Training Restaurant and must be completed before the Restaurant opens. Certified Training Restaurants are located throughout the U.S., and the location of the Certified Training Restaurant to which you are assigned will vary depending on the region of the U.S. in which your Restaurant is located.

In addition, if you have never owned and operated a First Watch® Restaurant, then, before the Restaurant opens, you must complete new owner training covering the material aspects of owning and operating a First Watch® Restaurant. We provide new owner training to you (or up to 2 of your owners if you are a legal entity) at our corporate headquarters, at an operating First Watch® Restaurant, or virtually, as we determine and specify. You (if you are an individual) or your Operating Principal (if you are a legal entity) must successfully complete new owner training as a condition of opening the Restaurant to the public. We may terminate the Franchise Agreement if you or your Operating Principal, as the case may be, fail to satisfactorily complete the new owner training.

Currently, our new owner training program lasts 2 to 3 days. The subjects covered, approximate hours of classroom and on-the-job training, and other information about our new owner training program are described below:

TRAINING PROGRAM

New Owner Training

Subject	Hours of Classroom Training ⁽¹⁾	Hours of On-the-Job Training ⁽¹⁾	Location ⁽²⁾
Introduction: History of the Company	1	—	Certified Training Restaurant
Introduction: Operating Philosophies	2	—	Certified Training Restaurant
Introduction: First Watch® Franchise Concept	1	—	Certified Training Restaurant
Introduction: Financial Management	2	—	Certified Training Restaurant
Management: Recruitment, Selection and Training	1	—	Certified Training Restaurant
Management: CAFE Training Program Overview	2	—	Certified Training Restaurant
Management: Employee Training	1	—	Certified Training Restaurant
Management: Personnel Management	2	—	Certified Training Restaurant

Subject	Hours of Classroom Training ⁽¹⁾	Hours of On-the-Job Training ⁽¹⁾	Location ⁽²⁾
Industry and Marketing Overview	2	—	Certified Training Restaurant
The Opening Process: Opening Timeline	1	—	Certified Training Restaurant
The Opening Process: Opening Support / Philosophies	1	—	Certified Training Restaurant
The Opening Process: Post Opening Support	1	—	Certified Training Restaurant
Technology Overview: Portal; Forms; POS	2	—	Certified Training Restaurant
TOTALS	19	—	

Notes:

- (1) The time periods allocated to the subjects listed above are approximations, and the time actually spent by you and your personnel may vary based on the experience and performance of those persons being trained.
- (2) All required pre-opening training will be held at a Certified Training Restaurant and must be completed before the Restaurant opens. Certified Training Restaurants are located throughout the U.S., and the location of the Certified Training Restaurant to which you are assigned will vary.

As of the date of this disclosure document, there is no definitive schedule for our initial training program. We conduct manager and new owner training as needed to train new franchisees. All such training will be conducted at a First Watch® Restaurant operated by us, at another location designated by us, or virtually, as we determine and specify. We will provide instructors and training materials at no additional charge to you, except that you are responsible for the travel and living expenses incurred by the trainees in connection with the management and new owner training. If any substitute or additional trainees receive any training, we may charge you our standard training fee.

The instructional materials used in the management and new owner training will consist primarily of our Manuals, marketing and promotional materials, videos and other handouts. Our training is currently supervised by the following individuals:

- Jennifer Swan is our Vice President of Learning. She has been in this role since June 2021 and has more than 31 years of experience in the subjects taught.
- Carmen Rundell is our Vice President – Franchise Operations. She has served in several franchise operations roles with us since January 2012 and has more than 29 years of experience in the subjects taught.

Additional employees who have experience in some facet of the operation of a First Watch® Restaurant (for example, opening, operations or systems management) may also assist in training. Such employees will have at least 2 years' experience with us and 2 years' experience in the field being taught.

If we conduct any training additional to that required above (for instance, if the Restaurant is the second or subsequent First Watch® Restaurant developed by you), then we may charge a fee to conduct

such training and materials, and we may conduct the training program at another First Watch® Restaurant operated by you. Alternatively, if you have one or more First Watch® Restaurants that we have approved as a “Certified Training Restaurant”, then you may, subject to our approval and at your sole expense, conduct the initial training program and all other training programs prescribed by us for the initial and any successor General Manager(s) and other management personnel. We may require you to pay a fee to us in connection with granting such training certifications.

We may require you, your owners, your managers and other employees to attend additional, periodic or refresher training programs and seminars at the times and locations we designate. We may charge you a fee for these additional training programs and seminars. You will be responsible for all expenses incurred by you, your owners and your employees in connection with this additional training, including costs of travel, lodging, meals and wages.

You are solely responsible for hiring and training your employees and you will otherwise be solely responsible for the employees in your Restaurant. Although we may offer or require training for your employees, it is your primary responsibility to ensure that all of your employees are properly trained.

In connection with the opening of the first two Restaurants, we will provide you with an opening crew composed of our trained representatives. The opening crew will provide on-site pre-opening and opening training, supervision, and assistance to you for a period of time ranging from 5 to 15 days, for the purpose of providing general assistance and guidance in connection with the opening of the Restaurant. We may require the opening crew to remain on-site longer than 15 days. We will determine the number of opening crew representatives and the time period over which their assistance will be provided based upon our assessment of your operational requirements. You will pay us the *per diem* fees then being charged to franchisees generally for this opening crew assistance, which will cover any expenses incurred by the opening crew, such as costs of travel, lodging and meals. If you or we determine you require assistance beyond the second Restaurant, in addition to the expenses above, we may also require you to pay the wages of the opening crew.

Upon your reasonable request or as we consider appropriate, we will, during the term of the Franchise Agreement, but subject to the availability of personnel, provide you with additional trained representatives who will provide on-site remedial training at the Restaurant. You will pay the *per diem* fee then being charged to franchisees generally for the services of these trained representatives, which will cover any expenses incurred by these trained representatives such as costs of travel, lodging and meals.

We may require anyone who attends a training program to sign our standard Liability Waiver and Release. We require your owners, managers, and employees who will have access to our Confidential Information to sign our standard form of confidentiality agreement.

ITEM 12. **TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, as long as you are in compliance with the Franchise Agreement, we will not, during the term of your Franchise Agreement, operate or grant others the right to operate any other First Watch® Restaurant within a specified geographic area described in the Franchise Agreement (the “Franchise Territory”). Airports (serviced by one or more public or charter carriers), train stations, bus terminals, port authorities, college or university campuses, hospitals or other institutional health care facilities, stadiums or sports arenas, theme/amusement parks, military bases, toll or travel plazas, casinos, and sovereign nations (each a “Special

Venue”) will be excluded from the Franchise Territory and may be developed by us or a third party without any participation by, or payment to, you.

The Franchise Agreement grants you the right to operate a First Watch® Restaurant at a specific location that you select and that we accept. If you and we have agreed on a location as of the date you sign the Franchise Agreement, the Franchise Agreement will identify the specific street address of the accepted location. Otherwise, it will be designated in an exhibit to the Franchise Agreement upon our acceptance of the proposed location. You must operate the Restaurant only at the accepted location.

You will not be permitted to relocate your Restaurant without our approval. Generally, we do not approve requests to relocate a Restaurant after a site selection has been made and the Restaurant has opened for business, unless it is due to extreme or unusual events beyond your control. If your lease for the premises of your Restaurant terminates without your fault, or if the premises for your Restaurant is damaged, condemned or otherwise unusable, or if in your and our reasonable judgment there is a change in the character of the location of the Restaurant sufficiently detrimental to its business potential to warrant its relocation, we may grant permission to you for relocation of the Restaurant. If we approve your relocation request, we may accept your new site location in the same manner and under the same terms that are applied to your first site selection. In addition, we may charge you for any expenses we incur in connection with the relocation and finding a relocation site. Any costs involved in the relocation of your Restaurant will be your responsibility.

We will determine the Franchise Territory based on various market and economic factors, such as an evaluation of market demographics, the market penetration of similar businesses, the availability of appropriate sites, and the growth trends in the market. Although the size and configuration of each Franchise Territory may vary, a typical Franchise Territory of a Restaurant located in a suburban area consists of the location of the Restaurant and the geographic area within a 2-mile radius around the location, but the factors described above may warrant a smaller Franchise Territory, to be determined by us in our sole and final judgment. If your Restaurant is located in an urban area, your Franchise Territory may have a radius of less than one mile. There is no minimum area that will comprise your Franchise Territory. We will determine the Franchise Territory and insert a description of the Franchise Territory in an exhibit to the Franchise Agreement once the location for the Restaurant has been accepted. In some cases, we may use roads or other geographic boundaries to define the Franchise Territory, as determined by us.

Despite our agreement regarding the Franchise Territory, as described above, you may face competition from alternative channels of distribution or competitive brands that we or our affiliates acquire and control. We and our affiliates may (or may authorize a third party to) conduct any or all of the following activities, without compensation to you:

(a) solicit customers, advertise and promote sales of First Watch® Restaurants, and fill customer orders by providing catering and delivery services anywhere, including within the Franchise Territory;

(b) market and sell, and grant to others the right to market and sell, within and outside of the Franchise Territory, products and services authorized for sale at First Watch® Restaurants, through alternative channels of distribution (like grocery stores, kiosks, mail order, Internet merchandise sales and catalogue sales) using the Marks or other trademarks and commercial symbols;

(c) establish and operate, or license others to establish and operate, restaurants using the Marks and/or System, in any Special Venue, whether located within or outside the boundaries of the Franchise Territory, with no participation by or compensation to you;

(d) anywhere offer and sell (or authorize others to offer and sell) products and services (regardless of similarity to products and services sold in the First Watch[®] Restaurant) under any other names and marks;

(e) establish and operate, and grant to others the right to establish and operate, a First Watch[®] Restaurant anywhere outside of the Franchise Territory, regardless of proximity to the Franchise Territory or to the First Watch[®] Restaurant;

(f) anywhere purchase, merge, acquire (or be acquired by), affiliate with, or engage in any transaction with other businesses (whether competitive or not) having one or more restaurants or locations, wherever located, including, but not limited to, transactions or arrangements involving competing outlets and/or brand conversions (to or from the First Watch[®] brand and system); and

(g) engage in any other activity, action or undertaking that we are not expressly prohibited from taking under the Franchise Agreement.

Other restaurant concepts owned now or in the future by us or our affiliates using other trademarks may be established in close proximity to the Restaurant.

The designation of the Franchise Territory does not grant you the exclusive right to any particular market or customers. You may solicit customers and advertise your Restaurant anywhere and through any channel of distribution that you choose, except that you may not advertise on the Internet or establish or maintain any Website or any presence on the Internet without our prior written consent. In addition, you may not sell products or services outside of your Restaurant (or through approved delivery programs), including through channels of distribution such as catalog sales, telemarketing or other direct marketing, without our consent. Likewise, we and our affiliates, and our and their franchisees, may advertise and solicit customers for First Watch[®] restaurants anywhere (including within your Franchise Territory). No party is obligated to pay compensation to any other party for soliciting customers from the other party's market or territory.

Neither we nor our affiliates have any present plans to establish other related franchises or company-owned businesses selling the same or similar products or services under a different name or trademark, although we and our affiliates each reserve the right to do so.

Maintaining the rights to the Franchise Territory is not dependent on your achievement of a certain sales volume, market penetration, or other such contingency. As long as you are in compliance with the Franchise Agreement, there are no circumstances under which the Franchise Territory granted to you may be altered before the expiration or the termination of the Franchise Agreement without your written consent.

In addition to the Franchise Territory, we may designate a geographic area for providing "other services" like catering and delivery services (the "Delivery Area"). We have no established formulas for determining Delivery Areas and they may not be uniform among franchisees and other Restaurant owners. The Delivery Area in which you will be permitted to provide other services, if any, may be designated on an exhibit to the Franchise Agreement. You are not granted any exclusive rights in or to the Delivery Area unless we notify you of such rights at the time we designate the Delivery Area. If we provide you the option of providing such services, and you decline to do so, we may provide, or we may grant others the right to provide, such services in the Delivery Area and the Franchise Territory. We may suspend or terminate your rights (if any) to provide "other services," or we may reduce any Delivery Area, if you fail to comply with our standards and specifications relating to the provision of such services.

We and our affiliates reserve all rights to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales within your Franchise Territory of products or services under trademarks different than the ones that you will use under the Franchise Agreement. In addition, we or our affiliates may operate or grant franchises for businesses under a different trademark than First Watch® that will sell goods or services similar to those that you will offer. These similar goods or services could be other restaurant and food products and may be owned or operated by franchisees or our affiliates.

You may use the Internet to advertise your Restaurant only in compliance with the Franchise Agreement.

You have no right of first refusal or similar rights to acquire additional franchises or establish additional First Watch® Restaurants.

ITEM 13.
TRADEMARKS

The Franchise Agreement grants you the right to use the Marks designated by us only in the manner we authorize and only for the operation of the Restaurant at the location specified in the Franchise Agreement. You must operate the Restaurant under the trademark “First Watch®” and associated trade names, logos, symbols, designs and trade dress.

The following principal trademarks are registered on the Principal Register of the United States Patent and Trademark Office (“Trademark Office”) and are owned by our Parent. Our Parent intends to renew the registrations and to file all appropriate affidavits for the Marks at the times required by law. As of the issuance date, all appropriate affidavits and renewals for the Marks required by law have been timely filed.

Mark	Registration Number	Registration Date
FIRST WATCH	3467249	July 15, 2008
FIRST WATCH BREAKFAST BRUNCH LUNCH	2935978	March 29, 2005
FIRSTWATCH THE DAYTIME CAFÉ	3220830	March 20, 2007
FIRSTWATCH THE DAYTIME CAFÉ BREAKFAST BRUNCH LUNCH	3220831	March 20, 2007
FIRST WATCH THE DAYTIME CAFÉ and Design	4766029	June 30, 2015

Parent has also filed an application to register the following trademark on the Trademark Office’s Principal Register:

Mark	Serial Number	Filing Date
FIRST WATCH and Design	90/551,386	February 28, 2021

We have the right to use and license the use of the trademarks, along with all aspects of the First Watch® Restaurant system, to franchisees worldwide under a License Agreement with our Parent. The License Agreement provides that our Parent has the right to specify, inspect and oversee the quality standards of our services and products to assure the protection, enhancement and goodwill of the Marks.

The License Agreement is of perpetual duration and will remain in effect unless terminated by us or our Parent. If we breach the License Agreement, or if the License Agreement is otherwise terminated, you may lose your right to use the Marks.

There are no currently effective material determinations of the U.S. Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending infringement, opposition or cancellation proceeding, nor any pending material litigation involving the marks described above which is relevant to their ownership, use or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and (except for the License Agreement with our Parent) we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

Use of the Marks

Your right to use the Marks (including any additional trademarks or service marks we authorize you to use) is derived solely from the Franchise Agreement (and indirectly from the License Agreement) and is limited to the operation of your Restaurant in accordance with the terms of the Franchise Agreement and the Manuals. You may not use any Mark as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized products or services, or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning the transfer, sale or other disposition of your Restaurant or an ownership interest in you.

Infringements

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than your attorneys, us, our Parent and our respective attorneys, in connection with any such infringement, challenge or claim. Our Parent may take such action as it deems appropriate and may control exclusively any litigation, Trademark Office or U.S. Copyright Office proceeding or any other administrative proceeding arising from such infringement, challenge or claim or otherwise relating to any Mark. You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our or our Parent's attorneys, may be necessary or advisable to protect and maintain our Parent's interests in any litigation or Trademark Office, U.S. Copyright Office, or other proceeding or otherwise to protect and maintain its interests in the Marks.

Indemnification

We will indemnify, defend and hold you harmless from and against, and reimburse you for, all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of the Marks, under and in compliance with your Franchise Agreement, resulting from claims by third parties that your use of any of the Marks infringes their trademark rights, in any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of your Franchise Agreement. We will not indemnify you against the consequences of your use of the Marks unless such use is authorized and in accordance with your Franchise Agreement. You must provide written notice to us of any such claim within 10 days of your receipt of such notice and you must tender the defense of the claim to our Parent. Our Parent will have the right to defend any such claim and, if it does so, we will have no obligation to indemnify or reimburse you for any fees or disbursements

of any attorney retained by you. Our Parent will also have the right to manage the defense of the claim, including the right to compromise, settle, or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Changes to the Marks

If we determine that is advisable at any time for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. However, we will not be obligated to reimburse you for any expenses or loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

ITEM 14. **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any patents, pending patent applications, or registered copyrights that are material to the First Watch[®] Restaurant franchise described in this disclosure document. However, we do claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, proprietary software, menus, and other copyrightable materials relating to the operation of First Watch[®] Restaurants and the System.

We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You and your owners must agree not to communicate or use our confidential information, including our Manuals and any other information we create or approve for use in operating the Restaurant, for the benefit of anyone else during or after the term of the Franchise Agreement. You must not copy, record or otherwise reproduce these materials, or make them available to any unauthorized person. You may divulge this confidential information only to your employees who need it to operate your First Watch[®] Restaurant. Certain individuals having access to our confidential information, including your managers and owners, may be required to sign nondisclosure and non-competition agreements in a form we approve.

If you or any of your owners or employees develop any new concept, process, product, recipe or improvement in operating or promoting the Restaurant, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement or otherwise to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

ITEM 15. **OBLIGATION TO PARTICIPATE IN THE** **ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You (if you are a natural person) or your Operating Principal (if you are a legal entity) must maintain direct responsibility over the Restaurant. You may, with our written consent, designate another

individual as your District Manager, who may, but need not, be one of your owners (if you are a legal entity). You and your Operating Principal will remain fully responsible for the District Manager.

Your Operating Principal or District Manager must devote full-time and best efforts to the fulfillment of your obligations under the Franchise Agreement. Neither the Operating Principal nor the District Manager may engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments (except other First Watch® Restaurants operated under Franchise Agreements with us) or otherwise may conflict with your obligations under the Franchise Agreement. The Operating Principal and District Manager must meet our qualifications, as described in the Manuals or otherwise in writing, and, without limitation, must be empowered with full authority to act for and on your behalf.

Your Operating Principal must have and maintain a direct or indirect ownership interest in you of not less than 10% in the franchisee, and must sign the Principal Owner's Guaranty, undertaking individually, jointly and severally, to be bound by all of your obligations under the Franchise Agreement. The District Manager will be required to sign our standard form of Confidentiality and Noncompetition Agreement (the current form of which is attached as an exhibit to the Franchise Agreement).

You may not change the Operating Principal or District Manager without our prior written consent.

You must also designate a General Manager to directly supervise and be responsible for the day-to-day management and proper operation of each Restaurant. The General Manager must satisfy our educational and business experience criteria and satisfactorily complete our initial training program and any other training we may require. He or she may, but need not be, one of your owners.

If the General Manager is not already bound by the Franchise Agreement, we may require him or her to sign our standard Confidentiality and Noncompetition Agreement, which will prohibit your General Manager from directly or indirectly engaging in activities that compete with the operations of your Restaurant or any other First Watch® Restaurant, disclosing our confidential and proprietary information and trade secrets.

In the event that your Operating Principal, District Manager or General Manager ceases active employment or no longer qualifies to serve as such, you must promptly notify us in writing and designate a qualified replacement within 30 days. You are responsible for ensuring proper interim management and continued operations during any such period.

We have the right to require you to obtain covenants against the use and disclosure of any confidential information and covenants not to compete from your owners, managers and any other employees or agents who have received or will have access to our training or Confidential Information. All of the required covenants must be in substantially the form of Confidentiality and Noncompetition Agreement attached as an exhibit to the Franchise Agreement.

You are solely responsible for all decisions related to the employees at your Restaurant and compliance with all applicable labor and employment laws and regulations. Examples of employment-related decisions which are solely your responsibility include decisions related to hiring, firing, scheduling, disciplining, compensating, training, supervising and managing your employees. The people you hire to work in your Restaurant are your employees and we are not a joint employer of your employees.

We may require each of your owners holding at least a 10% equity interest in you to personally guarantee your obligations to us under the Franchise Agreement. These guarantees will be substantially in the form of the Principal Owners' Guaranty attached as an exhibit to the Franchise Agreement.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must comply with all of our standards and specifications (including brand specifications) relating to the purchase of all food, food products and beverage items (including alcohol products), ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software, if applicable), and other products used or sold at the Restaurant (see Item 8). You must comply with all applicable laws and regulations and obtain all appropriate governmental approvals relating to the Restaurant.

To ensure that there is a consistent degree of quality and service maintained, you must operate the Restaurant in strict conformity with the methods, standards and specifications in the Manuals and as we may otherwise require in writing. You must sell all menu items, food products, and other products and services we require, in the manner and style we require, including dining-in, carry-out, catering and delivery, only as we expressly authorize in writing in the Manuals or otherwise. You must sell only the menu items, and other products and services that we have expressly approved in writing. You may not deviate from our standards and specifications without first obtaining our written consent. You must discontinue selling and offering for sale any menu items, products or services that we disapprove in writing at any time. We have the right to change the types of menu items, products and services you offer at the Restaurant at any time, and there are no limits on our rights to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items with our recipes and procedures for preparation contained in the Manuals or other written instructions, including the measurements of ingredients. You may not deviate from our standards and specifications by using or offering nonconforming items or differing amounts of any items, without first obtaining our written consent.

We and our affiliates have and may develop certain products for use in the System that are prepared from confidential recipes and that are trade secrets of ours and certain products that bear our Marks. Because of the importance of quality and uniformity of production and the significance of the secret recipes and trademarked products in the System, it is to our and your benefit that we closely control and monitor the production and distribution of the products. You must use our secret recipe products. You must purchase all of your requirements for these products only from us or from sources we designate.

You are not allowed to install or operate vending machines, newspaper racks, juke boxes, gum or candy machines, pinball machines, video games, rides, or other mechanical or electric devices or games in or on the premises of your Restaurant, other than as may be approved by us, pursuant to the Manuals or otherwise in writing.

ITEM 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

These tables list certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 2.1	Unless sooner terminated, 10 years.
b. Renewal or extension of the term	Section 15	May be renewed at your option for 2 additional consecutive 5 year terms (or, if shorter, until the expiration or termination of your right to possess the Restaurant premises).
c. Requirements for franchisee to renew or extend	Section 15	We grant you the right (subject to certain conditions) to acquire a successor franchise, which requires you to sign our then-current form of Franchise Agreement which may be materially different than the form attached to this disclosure document. You must give at least 180 days' notice, repair and update equipment and Restaurant premises, not be in breach of any Agreement with us or our affiliates, have the right to remain in possession of Restaurant premises, have satisfied all monetary obligations to us and our affiliates, pay renewal fee, sign current Franchise Agreement and general release, and comply with current qualification and training requirements.
d. Termination by franchisee	N/A	
e. Termination by franchisor without cause	N/A	
f. Termination by franchisor with cause	Sections 16.1 and 16.2	Only if you commit one of several violations.
g. "Cause" defined – curable defaults	Section 16.2	Failure to pay any monies owed to us or our affiliates not cured within 10 days after notice; failure to maintain required insurance not cured within 10 days after notice; or failure to cure any of the following within 30 days after notice: failure to have a trained manager present at the Restaurant during all open hours; failure to keep the Restaurant open during required hours; purchasing or leasing products or services from unapproved suppliers; failure to participate in an advertising cooperative; failure to obtain and maintain required permits; failure to maintain active status in your jurisdiction if you are a business entity; failure to promptly pay any amounts due suppliers; failure to timely make required reports; failure to maintain sufficient funds to pay amounts via EFT; violation of any other provision of the Franchise Agreement; failure to comply with standards and specifications; failure to obtain required approvals or consents; or failure to comply with any other provision of the Franchise Agreement other than those listed in Section 16.1 of the Franchise Agreement and your failure to correct such failure within 30 days of our written notice.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Section 16.1	Misrepresentations or omissions by you or your owners; failure to locate a suitable site, sign a lease or open the Restaurant within required time periods; failure to successfully complete initial training; abandonment of the Restaurant or loss of the right to occupy the premises; surrender or transfer of control of the Restaurant without our consent; conviction of a felony or other serious crime by you or your owners that may have an adverse effect on the System or Marks; dishonest or unethical conduct by you or your owners adversely affecting the Marks; understating Gross Sales by 5% or more on any occasion, by 2% or more time during any 18-month period; unauthorized transfers by you or your owners; disclosure of confidential information or breach any of the representations, warranties and covenants contained in the Franchise Agreement; maintaining false books or records; violating health or safety laws without cure within specified time periods; default without timely cure under any other agreement with us or our affiliates; our termination of any other franchise agreement with to you or your affiliates; failure to pay taxes; repeated defaults under the Franchise Agreement; having property or interests blocked under Anti-Terrorism laws; bankruptcy or other actions related to your insolvency.
i. Franchisee’s obligations on termination/non-renewal	Section 17	Cease operating the Restaurant and using the Marks and System; de-identify the business; pay all amounts due to us or our affiliates; return all Manuals and software and other proprietary materials; and comply with confidentiality requirements and post-term restrictive covenants.
j. Assignment of contract by franchisor	Section 14.1	Unfettered right as long as the transferee or assignee assumes our obligations under the Agreement.
k. “Transfer” by franchisee – defined	Section 14.2	Sale, assignment, conveyance, pledge, mortgage or other encumbrance of any direct or indirect interest in the Franchise Agreement, the Restaurant or its assets or you (if you are not a natural person).
l. Franchisor approval of transfer by franchisee	Section 14.2	Obtain our written consent before transferring any direct or indirect interest in the assets of the Restaurant, the Franchise Agreement, or in you (if you are not a natural person).
m. Conditions for franchisor approval of transfer	Section 14.3	Pay all amounts due us or our affiliates, not otherwise be in default, sign a general release and pay a transfer fee. Transferee must meet our criteria, assume all obligations, attend training, renovate or modernize the Restaurant and sign our then-current form of Franchise Agreement.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 14.4	We have the option, within 30 days after receiving notice, to purchase the transferred interest on the same terms and conditions offered by the third party.

Provision	Section in Franchise Agreement	Summary
o. Franchisor's option to purchase franchisee's business	Sections 2.6, 14.7 and 17.5	We may purchase your Restaurants at a defined price upon the occurrence of certain events (i.e., after the 5 th anniversary of us and you signing the Franchise Agreement, a change of control transaction or an initial public offering) as described in the Purchase Option Addendum and Consent to Option (attached as an exhibit to the Franchise Agreement). We also have an option to purchase the business upon (a) the death or disability of the owner of a controlling interest or (b) upon the expiration or termination of the Franchise Agreement.
p. Death or disability of franchisee	Sections 14.5, 14.6 and 14.7	Your (or your owner's) interest must be transferred to someone approved by us within 12 months after death or 6 months after the date of disability. Such transfers are subject to the same terms and conditions as <u>inter vivos</u> transfers and are subject to our right of first refusal to purchase the interest. If the interest is a controlling interest in you, then we may exercise our option to purchase the Restaurant.
q. Non-competition covenants during the term of the franchise	Section 9	(a) No direct or indirect interest as a disclosed or beneficial owner in any Competitive Business; (b) perform services for any Competitive Business; (c) divert, or attempt to divert, any business or customer of the Restaurant to any competitor; (d) do or perform any act injurious or prejudicial to the goodwill associated with the Marks and the System or take any action that constitutes an act of moral turpitude; or (e) make any disparaging remarks or comments about us, our affiliates, our developers, our franchisees, any Restaurant, any business using the Marks, or any other brand or service-marked or trademarked concept of us or our affiliates.
r. Non-competition covenants after the franchise is terminated or expires	Section 17.4	You and your Principal Owners are prohibited, for a period of 2 years following expiration or termination of the Franchise Agreement, from engaging in the conduct described in q. above with respect to a business which is located, or is intended to be located, within the Franchise Territory, within a 5-mile radius of your former Restaurant, or within a 5-mile radius of any First Watch [®] Restaurant in existence on the date of termination or expiration of the Franchise Agreement (or the date on which a person restricted by the covenants first complies with such covenants).
s. Modification of the agreement	Sections 19.1 and 19.12	You must comply with Manuals as amended. Franchise Agreement may not be modified unless mutually agreed to in writing, except we may reduce scope of covenants.
t. Integration/merger clause	Section 19.12	Only the terms of the agreement and other related written agreements are binding (subject to state law). Nothing in the agreement or any related agreement is intended to disclaim our representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	Section 20	Disputes required to be submitted to arbitration under commercial rules of American Arbitration Association will be used to resolve disputes.
v. Choice of forum	Section 19.7	Arbitration held in the office of the American Arbitration Association closest to our then-current headquarters (currently, Bradenton, Florida). Court proceedings related to or arising out of the agreement is the jurisdiction of the State and the Federal District courts with jurisdiction over Manatee County, Florida (subject to state law).

Provision	Section in Franchise Agreement	Summary
w. Choice of law	Section 19.6	Disputes and claims relating to the agreement, and any claims arising out of the relationship created by the agreement, are to be governed and enforced under the laws of the state where our principal business office is located (currently, Florida), subject to state law.

ITEM 18.
PUBLIC FIGURES

We currently do not use any public figures to promote our franchise.

ITEM 19.
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or affiliate-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Christopher A. Tomasso, CEO and President, First Watch Franchise Development Co., 8725 Pendery Place, Suite 201, Bradenton, Florida 34201, (941) 907-9800, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20.
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-Wide Outlet Summary ⁽¹⁾

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	55	69	+14
	2020	69	88	+19
	2021	88	94	+6
Company-Owned ⁽²⁾	2019	240	299	+59
	2020	299	321	+22
	2021	321	341	+20
Total Outlets	2019	295	368	+73
	2020	368	409	+41
	2021	409	435	+26

Notes:

(1) All numbers in this and all other charts in this Item 20 are as of our fiscal year end. Our fiscal year ends on the Sunday closest to December 31.

(2) All referenced in the charts in this Item 20 as “company-owned” are owned and operated by our Parent. We do not own or operate any Restaurants.

Table No. 2
Transfers of Franchised Outlets
from Franchisees to New Owners (Other Than the Franchisor)

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0

Table No. 3
Status of Franchised Outlets

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arkansas	2019	0	2	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Florida	2019	6	2	0	0	5	0	3
	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
Georgia	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
Indiana	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Kentucky	2019	6	2	0	0	0	0	8
	2020	8	1	0	0	0	0	9
	2021	9	1	0	0	0	0	10
Louisiana	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Mississippi	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Missouri	2019	1	2	0	0	0	0	3
	2020	3	3	0	0	0	0	6
	2021	6	1	0	0	0	0	7
Nebraska	2019	5	0	0	0	0	0	5
	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
North Carolina	2019	7	6	0	0	0	0	13
	2020	13	6	0	0	0	0	19
	2021	19	4	0	0	0	0	23
Oklahoma	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	2	1	0	0	0
South Carolina	2019	1	2	0	0	0	0	3
	2020	3	2	0	0	0	0	5
	2021	5	0	0	0	0	0	5
Tennessee	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
Texas	2019	11	2	0	0	2	0	11
	2020	11	4	0	0	0	0	15
	2021	15	1	0	0	0	0	16
Utah	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Virginia	2019	1	1	0	0	0	0	2
	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
West Virginia	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
Wisconsin	2019	2	1	0	0	0	0	3
	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
Totals	2019	55	21	0	0	7	0	69
	2020	69	19	0	0	0	0	88
	2021	88	9	2	1	0	0	94

Table No. 4
Status of Company-Owned Outlets

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Alabama	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2019	24	1	0	1	0	24
	2020	24	0	0	0	0	24
	2021	24	3	0	0	0	27
Colorado	2019	7	10	0	0	0	17
	2020	17	1	0	0	0	18
	2021	18	0	0	0	0	18
Delaware	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
Florida	2019	72	11	5	1	0	87
	2020	87	8	0	0	0	95
	2021	95	8	0	1	0	102
Georgia	2019	10	2	0	0	0	12
	2020	12	2	0	0	0	14
	2021	14	0	0	0	0	14
Illinois	2019	0	1	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	2	0	0	0	3
Indiana	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
Kansas	2019	9	1	0	0	0	10
	2020	10	0	0	0	0	10
	2021	10	1	0	1	0	10
Kentucky	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
Maryland	2019	7	1	0	0	0	8
	2020	8	0	0	0	0	8
	2021	8	0	0	0	0	8
Michigan	2019	1	3	0	0	0	4
	2020	4	3	0	0	0	7
	2021	7	0	0	0	0	7
Missouri	2019	15	1	0	0	0	16
	2020	16	0	0	1	0	15
	2021	15	0	0	0	0	15
New Jersey	2019	0	3	0	0	0	3
	2020	3	1	0	0	0	4
	2021	4	1	0	0	0	5
North Carolina	2019	0	1	0	0	0	1
	2020	1	2	0	0	0	3
	2021	3	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Ohio	2019	33	2	0	0	0	35
	2020	35	0	0	0	0	35
	2021	35	0	0	0	0	35
Pennsylvania	2019	10	5	0	0	0	15
	2020	15	0	0	0	0	15
	2021	15	0	0	0	0	15
Tennessee	2019	10	0	0	0	0	10
	2020	10	0	0	0	0	10
	2021	10	2	0	0	0	12
Texas	2019	24	9	2	0	0	35
	2020	35	3	0	0	0	38
	2021	38	2	0	0	0	40
Virginia	2019	7	3	0	0	0	10
	2020	10	3	0	0	0	13
	2021	13	3	0	0	0	16
TOTALS	2019	240	54	7	2	0	299
	2020	299	23	0	1	0	321
	2021	321	22	0	2	0	341

Notes:

- (1) One of the restaurants is operated on a college campus under the trademark “Sun & Fork by First Watch.”

Table No. 5
Projected New Franchised Outlets
as of December 26, 2021

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year (2022)	Projected New Company-Owned Outlets in the Next Fiscal Year (2022)
Arizona	0	0	2
Delaware	0	0	1
Florida	0	0	11
Georgia	1	1	2
Illinois	0	0	2
Maryland	0	0	2
Michigan	0	0	2
Missouri	0	0	2
North Carolina	3	3	0
Ohio	0	0	2
Oklahoma	1	1	0
Pennsylvania	0	0	2
South Carolina	1	1	0

State	Franchise Agreement Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year (2022)	Projected New Company-Owned Outlets in the Next Fiscal Year (2022)
Texas	1	2	0
Virginia	1	1	2
Wisconsin	1	1	0
TOTALS	9	10	30

Exhibit D to this disclosure document lists the names of all current franchisees and all current area developers, with their addresses and telephone numbers.

The name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of franchisees who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed in Exhibit E of this disclosure document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Our franchise agreement prohibits our current and former franchisees from making non-disparaging comments about us, so the current or former franchisees who have signed provisions during the last three fiscal years may be restricted from speaking openly to you about their experience with the First Watch® franchise system.

There are no franchisee organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this disclosure document.

ITEM 21.
FINANCIAL STATEMENTS

Our fiscal year consists of the 52 or 53-week period ending on the last Sunday nearest to December 31st. Our financial information is consolidated with and into the financial statements of FWRG. We do not prepare stand-alone financial statements. Therefore, attached to this disclosure document as Exhibit B are the audited financial statements of FWRG for the fiscal years ended December 26, 2021, December 27, 2020, and December 29, 2019. FWRG has agreed to absolutely and unconditionally guarantee to assume our duties and obligations under the franchise agreements entered into while this disclosure document, as it may be amended, is in effect. This guarantee does not extend to modifications to or renewals of franchise agreements after we cease to be indirectly owned by FWRG. A copy of FWRG's guarantee is attached as Exhibit H.

ITEM 22.
CONTRACTS

Attached to this disclosure document are the following contracts and their attachments:

- | | |
|--|-----------|
| 1. Franchise Agreement | Exhibit A |
| 2. Form of Addendum to Lease Agreement | Exhibit C |
| 3. Renewal Addendum | Exhibit G |
| 4. FWRG's Guarantee | Exhibit H |
| 5. Franchise Compliance Certificate | Exhibit I |
| 6. State Specific Riders | Exhibit K |

ITEM 23.
RECEIPTS

You will find 2 copies of a detachable Receipt in Exhibit L at the end of this disclosure document. One receipt must be signed, dated and delivered to us. The other receipt should be retained for your records.

EXHIBIT A TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

FIRST WATCH FRANCHISE DEVELOPMENT CO.
FRANCHISE AGREEMENT

AGREEMENT DATE

FRANCHISEE

THIS AGREEMENT REQUIRES CERTAIN DISPUTES TO BE SUBMITTED TO BINDING ARBITRATION

TABLE OF CONTENTS

	<u>Page</u>
1. INTRODUCTION.....	1
1.1. THE FIRST WATCH® SYSTEM.....	1
1.2. REPRESENTATIONS	1
1.3. NO WARRANTIES	1
1.4. BUSINESS ORGANIZATION	2
1.5. OPERATING PRINCIPAL; DISTRICT MANAGER.....	3
2. GRANT AND TERM.....	3
2.1. GRANT OF FRANCHISE	3
2.2. FRANCHISE TERRITORY	3
2.3. OTHER SERVICES	4
2.4. RIGHTS WE RESERVE	4
2.5. RELOCATION.	5
2.6. PURCHASE OPTION.	5
3. SITE SELECTION AND DEVELOPMENT.....	5
3.1. SITE SELECTION.....	5
3.2. LEASE OF SITE	7
3.3. OWNERSHIP AND FINANCING.....	8
4. RESTAURANT DEVELOPMENT, DÉCOR AND OPERATING ASSETS	9
4.1. RESTAURANT DEVELOPMENT	9
4.2. DÉCOR.....	9
4.3. OPERATING ASSETS AND RESTAURANT MATERIALS	10
4.4. CHANGES TO APPROVED SUPPLIERS	10
4.5. RESTAURANT OPENING	10
4.6. MARKET INTRODUCTION PROGRAM	11
5. FEES.....	11
5.1. FRANCHISE FEE	11
5.2. ROYALTY.....	11
5.3. ELECTRONIC FUNDS TRANSFER.....	11
5.4. DEFINITION OF “GROSS SALES”.....	12
5.5. INTEREST ON LATE PAYMENTS.....	12
5.6. LATE PAYMENT PENALTIES	12
5.7. APPLICATION OF PAYMENTS.....	13
5.8. PAYMENT OFFSETS	13
5.9. CHANGE IN LAW.....	13
6. TRAINING AND ASSISTANCE.....	13
6.1. OWNER TRAINING	13
6.2. MANAGER TRAINING	13
6.3. CERTIFIED TRAINING RESTAURANT.....	14
6.4. OPENING CREW TRAINING.....	14
6.5. TRAINING OF EMPLOYEES.....	14
6.6. ADDITIONAL OR PERIODIC TRAINING	14
6.7. GENERAL GUIDANCE	15
6.8. DELEGATION OF PERFORMANCE.....	15
7. MARKS.....	15
7.1. OWNERSHIP AND GOODWILL OF MARKS	15

7.2.	LIMITATIONS ON YOUR USE OF MARKS.....	16
7.3.	NOTIFICATION OF INFRINGEMENTS AND CLAIMS.....	16
7.4.	DISCONTINUANCE OF USE OF MARKS.....	16
7.5.	INDEMNIFICATION	16
8.	CONFIDENTIAL INFORMATION	16
8.1.	TYPES OF CONFIDENTIAL INFORMATION	16
8.2.	DISCLOSURE AND LIMITATIONS ON USE.....	17
8.3.	CONFIDENTIALITY OBLIGATIONS	17
8.4.	EXCEPTIONS TO CONFIDENTIALITY	18
9.	EXCLUSIVE RELATIONSHIP.....	18
9.1.	IN-TERM RESTRICTIVE COVENANTS.....	18
9.2.	HIRING PRACTICES	19
10.	OPERATION AND SYSTEM STANDARDS	19
10.1.	OPERATIONS MANUAL.....	19
10.2.	COMPLIANCE WITH SYSTEM STANDARDS	20
10.3.	MODIFICATION OF CERTAIN SYSTEM STANDARDS	22
10.4.	INTERIOR AND EXTERIOR UPKEEP	22
10.5.	VENDING MACHINES	22
10.6.	HOURS OF OPERATION.....	22
10.7.	ACCOUNTING, COMPUTERS AND RECORDS.....	22
10.8.	TRADE ACCOUNTS AND TAXES.....	23
10.9.	PROPRIETARY MATERIALS	23
10.10.	APPROVED PRODUCTS	23
10.11.	PRICING OF APPROVED PRODUCTS	23
10.12.	MARKET RESEARCH	24
10.13.	MANAGEMENT OF THE RESTAURANT.....	24
10.14.	PERSONNEL	24
10.15.	INFORMATION SECURITY	25
11.	ADVERTISING AND PROMOTION	25
11.1.	ESTABLISHMENT OF SYSTEM FUND	25
11.2.	USE OF THE SYSTEM FUND	26
11.3.	ACCOUNTING FOR THE SYSTEM FUND	26
11.4.	SYSTEM FUND LIMITATIONS.....	26
11.5.	LOCAL ADVERTISING AND PROMOTION.....	27
11.6.	CO-OP PARTICIPATION AND CONTRIBUTIONS	27
11.7.	TELEPHONE/ONLINE DIRECTORY ADVERTISING.....	28
11.8.	WEBSITES	28
11.9.	PROMOTION OF THE FRANCHISE SYSTEM.....	29
12.	RECORDS, REPORTS AND FINANCIAL STATEMENTS	29
12.1.	ACCOUNTING SYSTEM.....	29
12.2.	REPORTS.....	29
12.3.	ACCESS TO INFORMATION	30
13.	INSPECTIONS AND AUDITS.....	30
13.1.	OUR RIGHT TO INSPECT THE RESTAURANT.....	30
13.2.	OUR RIGHT TO AUDIT.....	30
14.	TRANSFER.....	31
14.1.	BY US.....	31
14.2.	BY YOU	31
14.3.	CONDITIONS FOR APPROVAL OF TRANSFER.....	31

14.4.	OUR RIGHT OF FIRST REFUSAL	33
14.5.	TRANSFER UPON DEATH OR DISABILITY	34
14.6.	OPERATION UPON DEATH OR DISABILITY	34
14.7.	OPTION TO PURCHASE UPON DEATH OR DISABILITY	34
14.8.	EFFECT OF CONSENT TO TRANSFER	34
14.9.	SECURITIES OFFERING	35
15.	SUCCESSOR TERMS.....	35
15.1.	GRANT.....	35
16.	TERMINATION OF AGREEMENT.....	36
16.1.	TERMINATION ON NOTICE; NO CURE.....	36
16.2.	TERMINATION ON NOTICE; OPPORTUNITY TO CURE	38
17.	RIGHTS AND OBLIGATIONS UPON TERMINATION.....	38
17.1.	PAYMENT OF AMOUNTS OWED TO US.....	38
17.2.	MARKS	38
17.3.	CONFIDENTIAL INFORMATION	39
17.4.	COMPETITIVE RESTRICTIONS	39
17.5.	OUR RIGHT TO PURCHASE.....	40
17.6.	CONTINUING OBLIGATIONS	41
18.	RELATIONSHIP OF THE PARTIES/INDEMNIFICATION	41
18.1.	INDEPENDENT CONTRACTORS	41
18.2.	NO LIABILITY FOR ACTS OF OTHER PARTY	42
18.3.	TAXES.....	42
18.4.	INDEMNIFICATION	42
19.	ENFORCEMENT	42
19.1.	SEVERABILITY; SUBSTITUTION OF VALID PROVISIONS	42
19.2.	WAIVERS	43
19.3.	APPROVAL AND CONSENTS.....	43
19.4.	WAIVER OF SPECIAL DAMAGES	43
19.5.	LIMITATIONS OF CLAIMS	43
19.6.	GOVERNING LAW	43
19.7.	JURISDICTION	43
19.8.	WAIVER OF JURY TRIAL	44
19.9.	CUMULATIVE REMEDIES.....	44
19.10.	COSTS AND ATTORNEYS' FEES.....	44
19.11.	BINDING EFFECT.....	44
19.12.	ENTIRE AGREEMENT.....	44
19.13.	NO LIABILITY TO OTHERS; NO THIRD PARTY BENEFICIARIES	44
19.14.	CONSTRUCTION	44
19.15.	CERTAIN DEFINITIONS	44
19.16.	TIMING IS OF THE ESSENCE.....	45
20.	DISPUTE RESOLUTION.....	45
20.1.	AGREEMENT TO ARBITRATE	45
20.2.	PLACE AND PROCEDURE	45
20.3.	AWARDS AND DECISIONS	46
20.4.	DISPUTE RESOLUTION PROGRAM	46
20.5.	SPECIFIC PERFORMANCE.....	46
20.6.	THIRD PARTIES	46
20.7.	SURVIVAL.....	46

21.	VARYING STANDARDS	46
22.	NOTICES AND PAYMENTS	47
23.	OUR ACTIONS AND DECISIONS	47
24.	SAFETY OF PERSONNEL	47

EXHIBITS

Exhibit A	Franchisee Information Sheet
Exhibit B	Principal Owners’ Guaranty and Assumption
Exhibit C	Purchase Option Addendum

FIRST WATCH FRANCHISE DEVELOPMENT CO.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is effective as of _____, 20__ (the “**Agreement Date**”). The parties to this Agreement are **FIRST WATCH FRANCHISE DEVELOPMENT CO.**, a Delaware corporation, with its principal business address at 8725 Pendery Place, Suite 201, Bradenton, Florida 34201 (“**us**”), and the individual(s) or entity whose name(s) and principal business address appear on the signature page to this Agreement (“**you**”).

1. INTRODUCTION

1.1. The FIRST WATCH® System. We and our affiliates have invested considerable time and effort in developing, and may continue to develop, a system of full-service restaurants featuring breakfast, brunch and lunch in a casual dining atmosphere (each a “**FIRST WATCH® Restaurant**”). **FIRST WATCH®** Restaurants use and operate under certain trademarks, service marks, logos, commercial symbols, trade dress, and trade names that we specify from time to time, including the mark “**FIRST WATCH® and design**” (collectively, the “**Marks**”), and they operate using certain distinctive business formats, methods, procedures, designs, layouts, signs, equipment, menus, recipes, standards and specifications that we specify from time to time and, all or a portion of which we claim as proprietary (the “**System**”). We grant franchises for the right to own and operate **FIRST WATCH®** Restaurants. You and your owners, if applicable, have applied for a franchise and, in support of your application, have provided us with certain information and documentation. We are willing to grant you a franchise on the terms and conditions contained in this Agreement. We will refer to the **FIRST WATCH®** Restaurant that you develop under this Agreement as your “**Restaurant**.”

1.2. Representations. As an inducement to our entry into this Agreement, you represent and warrant to us that:

(a) all statements you and, if applicable, your owners have made and all materials you have submitted to us in connection with your application for a franchise are accurate and complete, and there are no misrepresentations in or material omissions from that information;

(b) you will at all times faithfully, honestly and diligently perform your obligations, continuously exert your best efforts to promote and enhance your Restaurant and not engage in any other business or activity that conflicts with your obligations to operate your Restaurant in compliance with this Agreement;

(c) you will comply with and/or assist us to the fullest extent possible in our efforts to comply with Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war (the “**Anti-Terrorism Laws**”); and

(d) neither you nor any of your owners, employees, or agents, property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that neither you nor they are otherwise in violation of any of the Anti-Terrorism Laws.

1.3. No Warranties. We expressly disclaim the making of, and you acknowledge that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits

or success of the business venture contemplated by this Agreement or the extent to which we will continue to develop and expand the network of FIRST WATCH® Restaurants. You acknowledge and understand the following:

(a) any statement regarding any services, benefits or commitments we are to make available to you, are made solely in the Franchise Disclosure Document delivered to you prior to signing this Agreement;

(b) any statement regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing FIRST WATCH® Restaurant owned by us or our affiliates is unauthorized, unwarranted and unreliable and should be reported to us immediately; and

(c) you have not received or relied on any representations about us or our franchising program or policies made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement.

If there are any exceptions to any of the foregoing, you must: (i) immediately notify our Chief Executive Officer; and (ii) note such exceptions by attaching a statement of exceptions to this Agreement prior to signing it.

1.4. **Business Organization.** If you are (or at any time become) a business organization (like a corporation, limited liability company or partnership) (each a “**Business Entity**”), you agree, represent and warrant that:

(a) you have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(b) your organizational or governing documents will recite that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

(c) Exhibit “A” to this Agreement completely and accurately describes all of your owners and their interests in you as of the Agreement Date, and any changes to that information are subject to our prior written consent in accordance with Section 14 below;

(d) each of your owners that is active in the franchised business at any time during the Term, and any owner that has beneficial ownership of 10% or more of your ownership interests (stock, etc.) (each a “**Principal Owner**”), must sign and deliver to us our then-standard form of Principal Owners’ Guaranty and Assumption (the “**Guaranty**”), the current form of which is attached as Exhibit “B” to this Agreement;

(e) each of your owners that does not sign the Principal Owners’ Guaranty must execute our then-standard form of Confidentiality and Noncompetition Agreement;

(f) your only business that you operate (although you and your owners may have other, non-competitive business interests) during the Term of this Agreement will be your Restaurant and other FIRST WATCH® Restaurants, if applicable, that you operate pursuant to other franchise agreements with us; and

(g) at our request, you will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of your owners and agents (like articles of incorporation or organization and partnership, operating or shareholder agreements).

1.5. Operating Principal; District Manager. On the execution of this Agreement, you will designate, and will retain at all times during the term of this Agreement, an individual acceptable to us to serve as the “**Operating Principal.**” If you are an individual, you will perform all obligations of the Operating Principal. If you are a Business Entity, the Operating Principal must maintain a direct or indirect ownership interest in you of not less than 10% and must sign and deliver to us the Guaranty.

You may, with our written consent, designate another individual whom we approve and who may, but need not, be one of your owners (if you are a Business Entity), to serve as your “**District Manager;**” provided, that you will remain fully responsible for the District Manager’s performance. If the District Manager is not otherwise bound by this Agreement, he or she must sign our then-current Confidentiality and Noncompetition Agreement.

The Operating Principal and any District Manager must meet our qualifications, as set forth in this Agreement, the Manuals, or otherwise in writing, and, without limitation, must be empowered with full authority to act for and on your behalf. The Operating Principal or the District Manager must devote full time and best efforts to fulfillment of your obligations under this Agreement. Neither the Operating Principal nor the District Manager will engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments (except other FIRST WATCH® Restaurants operated under other franchise agreements with us) or otherwise may conflict with your obligations under this Agreement.

The name of your Operating Principal will be listed in Exhibit “A” to this Agreement and you agree to keep such information current at all times during the term of this Agreement. You may not change the Operating Principal or District Manager without our prior written consent. You must promptly notify us in writing if your Principal Owner or any District Manager cannot continue or no longer qualifies to serve as such, and must take corrective action within 30 days thereafter. During such 30-day period, you must provide for interim management of your operations in accordance with this Agreement.

If this Agreement was signed pursuant to an Area Development Agreement or if you own and operate under other franchise agreements with us, then unless we otherwise approve in writing, the Operating Principal and District Manager shall be the same under all such agreements.

2. **GRANT AND TERM**

2.1. Grant of Franchise. Subject to the terms of and upon the conditions contained in this Agreement, we grant you a franchise (the “**Franchise**”) to develop, own and operate your Restaurant only at a location we accept and designate in (or as to be designated as provided in this Agreement) (the “**Accepted Site**”), and at no other location, and to use the Marks and the System in its development and operation. The term of this Agreement (the “**Term**”) begins on the Agreement Date and, unless sooner terminated in accordance with its terms, will expire on the day preceding the 10th anniversary of the Agreement Date.

2.2. Franchise Territory. We will designate and describe on Exhibit “A” an exclusive area around your Restaurant (the “**Franchise Territory**”). There is no minimum area or configuration that will comprise the Franchise Territory. We reserve the right to determine the size and shape of the Franchise Territory in our sole and final judgment based on the Accepted Site. As long as you are in compliance with this Agreement, we will not operate or grant a franchise to anyone else to operate a FIRST WATCH® Restaurant within your Franchise Territory. Notwithstanding the foregoing or any other language to the

contrary, the Franchise Territory excludes, and we specifically reserve the right to operate or license any other person to operate a restaurant (including a FIRST WATCH® Restaurant) with or without using the Marks and/or System, in any location within an airport (serviced by one or more public or charter carriers), train station, bus terminal, port authority, college or university campus, hospital or other institutional health care facility, stadium or sports arena, theme/amusement park, military base, toll/travel plaza, casino, or sovereign nation (each a “**Special Venue**”), whether located within or outside the boundaries of the Franchise Territory.

2.3. **Other Services.** We may, at our option, permit or require you to offer new or additional products or services through your Restaurant, like catering, delivery service, curbside service and any other products or services we may designate from time to time (collectively, the “**Other Services**”). For example, if we designate a “**Delivery Area**,” we may permit or require you to provide catering, delivery or other similar services from your Restaurant or at locations other than your Restaurant (e.g., fairs, concerts, or other public or private events) (collectively, “**Delivery Service**”) and if so, you must comply with all the terms and conditions of this Agreement and all of our System Standards (defined below) applicable to your provision of the Delivery Service. The Delivery Area in which you will be permitted to provide Delivery Service, if any, may be designated on Exhibit “A” to this Agreement. You are not granted any exclusive rights in or to the Delivery Area unless we notify you of such rights at the time we designate the Delivery Area. We will not be deemed to have granted any Delivery Area to you unless we designate it on Exhibit “A” and both you and we initial such designation. If we provide you the option of providing any Other Services, and you decline to do so within the time period(s) we designate in our notice to you, we may provide, or grant others the right to provide, such services in the Franchise Territory and Delivery Area using the Marks and the System. If you provide any Other Services, you must (1) ensure that your customers receive at all times high quality service, and food and beverage products and alcohol products (if legally allowed) prepared and maintained in accordance with our System Standards and applicable laws; and (2) not provide any Other Services to any locations outside of the areas we designate for your provision of such Other Services; and (3) maintain the condition and appearance of, and perform maintenance with respect to, all vehicles, serve ware and equipment used in connection with your providing Other Services in accordance with our System Standards. Your providing Other Services will be governed by this Agreement, unless otherwise agreed to in writing between us and you, and you must ensure that all Other Services and all off-site, on-site, catering, delivery drivers or any other personnel engaged in any aspect of Other Services strictly adhere to and comply with all applicable laws, rules and regulations (e.g., those relating to providing catering and delivery services). You must maintain adequate motor vehicle liability and other insurance of the types and in the amounts that we may designate from time to time for such Other Services. If you fail to comply with any of your obligations in connection with providing Other Services, then, in addition to any other rights or any remedies that we may have (including the right to terminate this Agreement), we may temporarily suspend or permanently terminate your rights to provide any or all Other Services or restrict the geographic area in which you may provide any or all Other Services.

2.4. **Rights We Reserve.** In addition to the rights we specifically reserve in other parts of this Agreement, we (for ourselves and our affiliates) retain the right in our sole discretion, and without regard to any competitive impact and without any obligation to grant rights or provide compensation or accommodations to you, to do any or all of the following:

(a) solicit customers, advertise and promote sales of FIRST WATCH® Restaurants, and fill customer orders by providing catering and delivery services anywhere, including within the Franchise Territory;

(b) market and sell, and grant to others the right to market and sell, within and outside of the Franchise Territory, products and services authorized for sale at FIRST WATCH® Restaurants through alternative channels of distribution (like grocery stores, kiosks, mail order, Internet

merchandise sales and catalogue sales) using the Marks or other trademarks and commercial symbols;

(c) establish and operate, or license others to establish and operate, restaurants using the Marks and/or System, in any Special Venue, whether located within or outside the boundaries of the Franchise Territory, with no participation by or compensation to you;

(d) anywhere offer and sell (or authorize others to offer and sell) products and services (regardless of similarity to products and services sold in the FIRST WATCH® Restaurant) under any other names and marks;

(e) establish and operate, and grant to others the right to establish and operate, a FIRST WATCH® Restaurant anywhere outside of the Franchise Territory, regardless of proximity to the Franchise Territory or to your Restaurant;

(f) anywhere purchase, merge, acquire (or be acquired by), affiliate with, or engage in any transaction with other businesses (whether competitive or not) having one or more restaurants or locations, wherever located, including, but not limited to, transactions or arrangements involving competing outlets and/or brand conversions (to or from the FIRST WATCH® brand and System); and

(g) engage in any other activity, action or undertaking that we are not expressly prohibited from taking under this Agreement.

2.5. **Relocation.** You may not operate the FIRST WATCH® Restaurant from any location other than the Accepted Site without our express prior written consent. If you are unable to continue the operation of the Restaurant at the Accepted Site for reasons that do not constitute an event of default under this Agreement, or if there is a change in the character of the Accepted Site sufficiently detrimental to its business potential to warrant its relocation, you may request our consent to relocate your Restaurant to another location acceptable to us. If we consent to the Restaurant's relocation, you must comply with our then-current standards for site selection and construction procedures for new FIRST WATCH® Restaurants. If we consent to the relocation, we have the right to charge you for any expenses we incur in connection with the relocation and finding a relocation site. Any relocation of the Restaurant will be at your sole expense.

2.6. **Purchase Option.** In addition to any other rights we have under this Agreement, you grant us the right to purchase your Restaurant upon the occurrence of certain events (the "**Purchase Option**"). If the terms applicable to the Purchase Option have not already been documented in a written agreement between us and you or your affiliate(s), the terms applicable to the Purchase Option are as set forth in Exhibit "C" to this Agreement.

3. **SITE SELECTION AND DEVELOPMENT**

3.1. **Site Selection.** You are solely responsible for locating, selecting and obtaining a suitable site for your Restaurant and for all costs associated with the preparation of the materials required for our review and assessment. If you and we have agreed on a location as of the date you sign this Agreement, it will be designated on Exhibit "A" to this Agreement. If you have not done so prior to signing this Agreement, you (with or without our assistance) must, within 180 days after signing this Agreement, locate and secure our acceptance of an "Accepted Site" (which we may grant or withhold in our sole discretion) and sign a lease or otherwise acquire the right to possess the Accepted Site on terms acceptable to us. The Accepted Site must

meet our internal criteria for FIRST WATCH® Restaurant sites. Our criteria, and our evaluation of them, may vary periodically and from location to location. We may, in our discretion, restrict the area in which you may search for an Accepted Site, and we will not, in any event, accept a site within the exclusive area of any other FIRST WATCH® Restaurant, whether it is franchised or owned by us. If you and we are unable to agree on a location for the Site, or you have not obtained a fully signed lease agreement for the Site, within 180 days of the Agreement Date, we may terminate this Agreement.

We will furnish to you site selection guidelines, site selection counseling and assistance, and such on-site evaluation(s) as we consider necessary and appropriate as part of our evaluation of your request for acceptance of your proposed Site. If we determine that on-site evaluation is necessary (on our own initiative or at your request), we will provide such on-site evaluation at our expense, unless we determine that such on-site evaluations (at the same or any other location) are or become excessive, in which case we may require you to reimburse us for all reasonable costs and expenses incurred by us in relation to each such evaluation, including, without limitation, the cost of travel, lodging and meals for our employees and agents. We will not provide on-site evaluation for any proposed site prior to our receipt of all information and materials required by this Section.

At your reasonable request, we may, in our sole discretion and subject to the availability of our personnel, furnish you with additional site selection and/or development guidance and assistance which is beyond the nature and scope of the services we are then providing to new FIRST WATCH® franchisees as part of the initial franchise fee. If we, in our sole discretion, elect to provide such additional services, you and we will agree upon and document the nature and scope of this additional assistance. We may charge you a reasonable fee for such additional services, including, but not limited to, *per diem* charges for travel and living expenses for our personnel.

We will accept or not accept a Site you propose for your Restaurant within 45 days after we receive from you a written request accompanied by a fully complete package of information that we require from time to time for assessing potential sites and in accordance with our then-current site acceptance process. If you have not heard from us within such 45-day period, the site is deemed not accepted. You acknowledge and agree that:

(a) our recommendation or acceptance of the Accepted Site, and any information regarding the Accepted Site communicated to you, do not constitute a representation or warranty of any kind, express or implied, as to the suitability of the Accepted Site for a FIRST WATCH® Restaurant or for any other purpose;

(b) our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site;

(c) application of criteria that have appeared effective with respect to other sites and premises may not accurately reflect the potential for all sites and premises, and, after our acceptance of a site, demographic and/or other factors included in or excluded from our criteria could change or alter the potential of a site and premises; and

(d) the uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a site and premises we have accepted to meet expectations as to potential revenue or operational criteria.

3.2. Lease of Site.

(a) **Lease of Site:** You must obtain our acceptance of the lease (the “**Lease**”) for your Accepted Site before you sign it, or any renewal of it. You must deliver copies of the executed Lease and related documents to us within 10 days after signing them. Additionally, you and the lessor must sign our then-current form of Addendum to Lease Agreement (the “**Lease Addendum**”) which contains provisions that we determine to be necessary and appropriate to protect the FIRST WATCH brand and to allow for the continued operation of your Restaurant at the Accepted Site following your default of the Lease or the expiration or termination of this Agreement. We will provide you with a copy of our then-current form of Lease Addendum on your request, and you must give the lessor our forms of the Lease Addendum when you begin discussions with the prospective lessor. If you want to lease the premises for your Restaurant from any of your affiliates (or affiliates of your owners), we may also require them to sign such agreements to ensure compliance with the provisions of this Agreement. Our review and acceptance of the Lease is solely to ensure that the Lease contains terms that we accept or require for our benefit and the franchise system; it is not a substitute for careful review and analysis by you and your advisors. Our acceptance of the Lease does not constitute a warranty or assurance that the Lease contains terms and conditions for your benefit. You agree and acknowledge that you are solely responsible for negotiating the Lease and ensuring that its terms and conditions meet your interests and objectives. You must obtain our acceptance of any modifications to the Lease before the modifications are made.

(b) **Security Interest:** You grant us and our affiliates a security interest in and to all of the assets of your Restaurant, including but not limited to furniture, fixtures, inventory, supplies, equipment, accounts, contracts, cash derived from the operation of your Restaurant and sale of other assets, and proceeds and products of all those assets, and all of your rights, title and interest in and to the Lease (and you hereby collaterally assign the Lease to us for that purpose), as collateral for the payment of any obligation, liability or other amount you or your affiliates owe to us or our affiliates from time to time. If you breach or default under the Lease, or if we pay the lessor any money as a result of your breach of the Lease, then you will be in breach of this Agreement. Our security interest will remain in effect until satisfaction in full of all amounts you owe us. You agree to execute such other documents as we may reasonably request in order to further document, perfect and record our security interest. This Agreement shall be deemed to be a security agreement and may be filed for record as such in the records of any county and state that we deem appropriate to protect our interests.

(c) **Exercise of Remedies:** In any case of your default under the terms of the Lease or under this Agreement, you agree that, in addition to any other remedies available to us, we are entitled to exercise any one or more of the following remedies, in our sole discretion:

(i) to take possession of the site, or any part thereof, personally, or by our agents or attorneys;

(ii) to, in our discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the site, together with all of your furniture, fixtures, inventory, books, records, papers and accounts;

(iii) to exclude you, your agents or employees from the site;

(iv) as your agent and attorney-in-fact, or in our own name, and under the powers herein granted, to hold, operate, manage and control your Restaurant and conduct

the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, granting full power and authority to us to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

(v) to cancel or terminate any unauthorized agreements or subleases entered into by you, for any cause or ground which would entitle us to cancel the same;

(vi) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the site or the site that may seem judicious, in our sole judgment;

(vii) to insure and reinsure the same for all risks incidental to our possession, operation and management thereof; and/or

(viii) notwithstanding any provision of this Agreement, to declare all of your rights, but not obligations under the Agreement, to be immediately terminated as of the date of your default under the lease.

(d) **Power of Attorney:** You irrevocably appoint us as your true and lawful attorney-in-fact in your name and stead and hereby authorizes us, upon any default that is not timely cured under the Lease or under this Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions as, in our discretion, we may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as we would have upon taking possession of the site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon us pursuant to this Agreement is a power coupled with an interest and cannot be revoked, modified or altered without our written consent.

(e) **No Warranty:** You acknowledge that our acceptance of the Accepted Site and the Lease does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of your Restaurant operated at the Accepted Site. Such acceptance indicates only that we believe that the Accepted Site and the terms of the Lease fall within the acceptable criteria we have established as of the time of our acceptance. You further acknowledge that we have advised you to have an attorney review and evaluate the Lease.

3.3. Ownership and Financing. Instead of leasing a site, you may propose to purchase and own any or all of a site directly, or through affiliates, subject to your execution with your affiliate (if it is the owner of the site) of a Lease in accordance with Section 3.2(a) above. The insurance required by this Agreement and our System Standards must be in force and effect when you begin construction of your Restaurant. If at any time prior to acquisition, or subsequently, you or your affiliates propose to obtain any financing with respect to the Accepted Site or for your Restaurant or for any Operating Assets in which any of such items are pledged as collateral securing your performance, the form of any purchase contract with the seller of a site and any related documents, and the form of any loan agreement with or mortgage in favor of any lender and any related documents, must be acceptable to us before you sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions that are acceptable to us.

4. **RESTAURANT DEVELOPMENT, DÉCOR AND OPERATING ASSETS**

4.1. **Restaurant Development.** You are solely responsible, at your expense, for developing your Restaurant at the Accepted Site in accordance with our specifications and System Standards and in compliance with the requirements of any applicable federal, state or local law, rule or ordinance. We will furnish you with mandatory and suggested specifications and layouts for a FIRST WATCH® Restaurant, including requirements for dimensions, design, color scheme, image, interior layout, decor, and Operating Assets which include fixtures, equipment, signs, and furnishings. You are obligated, at your expense, to have an architect prepare all required construction plans and specifications to suit the shape and dimensions of the Accepted Site and to ensure that such plans and specifications comply with applicable ordinances, building codes, permit requirements, lease requirements and restrictions, and the mandatory specifications and layout we provide. Additionally, if your Restaurant is the first FIRST WATCH® Restaurant you are developing, you must use one of our approved architects and space planners. You must submit those plans to us for review and acceptance prior to submitting them to any local building authority.

You acknowledge that design quality is important to us and that we have the right to review and accept all plans and specifications and to confirm that construction is completed in conformance with the plans and specifications that we have accepted. If we determine that the adapted plans do not satisfy our architectural or design standards and specifications for a FIRST WATCH® Restaurant or are not consistent with the best interests of the System, then you must not use them. In this event, we will notify you of any objection(s) within 30 days after receiving the plans. If we object to any plans adapted by you, we will provide you with a reasonably detailed list of changes necessary to make the plans acceptable. We will, upon a resubmission of the plans incorporating the necessary changes, notify you within 15 days after receiving the resubmitted plans whether the revised plans are acceptable. You agree to, at our option, assign to us, or require your architect to assign to us, the plans, drawings or designs, used by you in connection with your Restaurant, or at our option, obtain the architect's agreement to license to us such plans, drawings or designs for use in connection with FIRST WATCH® Restaurants. You will not hire, engage or use any construction firm, contractor or architect that we disapprove. Further, we reserve the right to evaluate and approve the general contractor you intend to use to develop your Restaurant. You will notify us immediately of any changes, additions or deletions to the plans and specifications that are requested or required by any local building authority and we reserve the right to not accept such changes even if our objection results in your inability to construct the proposed restaurant.

You must give us notice of commencement of the construction of your Restaurant within 10 days of the date it began, with progress reports including digital photographs of the construction supporting the findings periodically thereafter and of any work or construction stoppage due to governmental authority. We have the right to visit and inspect, at our sole discretion, the site to evaluate the progress of the construction. Such visits will be at our expense, except for visits made upon your request, which will be at your expense. If, during any inspections, we identify instances where your construction or remodeling is inconsistent with, or does not meet, our standards, we will notify you in writing of the deficiencies, and you will correct the deficiencies before opening. You will notify us of the scheduled date for completion of construction or remodeling at least 30 days before that date. Within a reasonable time after the date of completion of construction or remodeling, we may conduct an inspection of the completed Restaurant. You may not open your Restaurant for business without our written authorization, and we may condition that authorization upon your strict compliance with this Agreement.

4.2. **Décor.** You agree that all décor of your Restaurant must be previously approved by us and must comply with our standards as described in the Manuals or other communications, which may be periodically revised.

4.3. Operating Assets and Restaurant Materials. You must acquire all supplies, materials, food and beverage products and alcohol products for use in connection with your Restaurant (collectively, the “**Restaurant Materials**”) and all fixtures, furnishings, equipment, signs and cash registers, telecopiers and computer hardware and software (the “**Operating Assets**”) from us (or our affiliates) or suppliers we have previously approved. We will only approve suppliers whose Restaurant Materials and Operating Assets meet the quality standards that we establish from time to time. You will only place or display at the Restaurant (interior and exterior) such signs, emblems, lettering, logos and display materials that we periodically approve.

4.4. Changes to Approved Suppliers. If you want to propose a new supplier of Restaurant Materials or Operating Assets, you must submit to us sufficient written information about the proposed new supplier to enable us to approve or reject either the supplier or the particular items. Any actions we take in response to your request will be at our sole discretion. We may, at any time, with or without cause, revoke or withhold approval of any Restaurant Materials or Operating Assets, or any supplier of such items, that does not meet our standards by giving you written notice. If we do so, you must immediately stop purchasing from such supplier or using such Restaurant Materials or Operating Assets in your Restaurant unless we notify you that such supplier or such Restaurant Materials or Operating Assets meet our quality standards. At our request, you must submit to us sufficient information about a proposed supplier and samples of the proposed Restaurant Materials or Operating Assets for our examination so that we can determine whether they meet our quality standards. We also must have the right to require our representatives to be permitted to inspect the proposed supplier’s facilities at your expense. We may charge a fee for evaluating alternative suppliers not to exceed the reasonable cost of the inspection plus the actual cost of laboratory fees, professional fees and travel and living expenses as well as any other fees we pay to third parties in furtherance of the evaluation. Notwithstanding the foregoing, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use, and/or refuse any of your requests for any reason, including that we have already designated an exclusive source (which might be us or our affiliate) for a particular item or service or if we believe that doing so is in the best interests of the System.

4.5. Restaurant Opening. You agree not to open the FIRST WATCH® Restaurant for business until:

(a) we determine that the Restaurant has been developed in accordance with our specifications and standards;

(b) pre-opening training has been completed to our satisfaction and you provide us with evidence you and your management personnel have completed training at authorized facilities;

(c) the initial franchise fee and all other amounts then due to us, your landlord, governmental authorities and suppliers have been paid;

(d) you have obtained all required building, utility, sign, health, sanitation, liquor and business permits, certificates and licenses required to operate the Restaurant;

(e) we have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept;

(f) we have received signed counterparts of all required documents pertaining to your acquisition of the Accepted Site (including any required agreements between you and us); and

(g) we have provided you with written authorization to open the Restaurant for business (we will respond within one business day after we receive your request for authorization

accompanied by a certificate of occupancy and conformation you have all required permits and licenses).

You must complete and comply with all pre-opening obligations and open the FIRST WATCH® Restaurant and commence business within 12 months from the Agreement Date, unless you obtain an extension of that deadline from us in writing. You acknowledge that time is of the essence for purposes of opening the Restaurant.

4.6. Market Introduction Program. During the period beginning 30 days before the date that your Restaurant opens for business (the “**Opening Date**”) and ending no more than 90 days after the Opening Date, you must conduct a grand opening program we approve. The opening campaign will be conducted in accordance with our instructions and will consist of a variety of public relations, marketing, and advertising initiatives intended to publicize the opening of your Restaurant. The amounts you spend on the opening campaign will not be credited against any other obligations pursuant to this Agreement. No later than the last day of each calendar month in which part of the opening campaign falls, you will provide us with a written report of all activities undertaken as part of the opening campaign (including an accounting for all expenditures and a description of all public relations and marketing activities). The amount we require you to spend need not be uniform among franchisees and will be determined by us, subject to the foregoing minimum and maximum required expenditures, based on our analysis of the marketing reach we deem necessary for your local market.

5. **FEES**

5.1. Franchise Fee. You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of \$40,000. The initial franchise fee is due, and fully earned by us, when you sign this Agreement. You acknowledge and agree that the initial franchise fee is paid as consideration for us granting you the right to develop, open and operate the Restaurant using the Marks and the System and is also compensation to us for the services we provide you before you open the Restaurant for business.

5.2. Royalty. You agree to pay us a royalty (“**Royalty**”) in the amount of 4% of your Restaurant’s Gross Sales during each Accounting Period. On the day we designate (the “**Report Day**”) of each Accounting Period, you must report the amount of your Gross Sales for the preceding Accounting Period. “**Accounting Period**” is that period we designate in the Manuals (currently a monthly accounting period that runs on a 4-week, 4-week, 5-week per quarter basis) for Royalty and marketing calculations. However, Accounting Periods may be daily, weekly or monthly. You must pay us the Royalty so that we receive it on or before the business day we designate following the end of each Accounting Period (the “**Payment Day**”) for the immediately preceding Accounting Period. We may require you to pay the Royalty and any other fee provided for in this Agreement by electronic funds transfer, but that will not extend the due date for any payment.

5.3. Electronic Funds Transfer. We may require you to pay any amounts due us, including the Royalties, by electronic funds transfer (“**EFT**”) on the due date. You must comply with the procedures we specify in our Manuals and perform such acts and sign and deliver such documents as may be necessary to accomplish payment by this method. On the Report Day, you must report to us by telephone or electronic means or on written form, as we direct, the Restaurant’s true and correct Gross Sales for the immediately preceding Accounting Period. We may require you to give us authorization, in a form that we designate, to initiate debit entries or credit correction entries to the Restaurant’s bank operating account (the “**Account**”) for payments of Royalties and other amounts due under this Agreement, including any applicable interest charges. If so, you must make the funds available in the Account for withdrawal by electronic funds transfer no later than the Payment Day. The amount actually transferred from the Account to pay Royalties will be based on the Restaurant’s Gross Sales reported to us on the Report Day. If you have not reported the Restaurant’s Gross Sales to us for any reporting period, we may transfer from the Account an amount

calculated in accordance with our reasonable estimate of the Restaurant's Gross Sales during any such reporting period. If we determine at any time that you have under-reported Gross Sales or underpaid Royalties or other amounts due to us, we will be authorized to immediately initiate a transfer from the Account in the appropriate amount in accordance with the foregoing procedures, including applicable interest and late charges. Any overpayment will be credited to the Account through a credit, effective as of the first Report Day after you and we determine that such credit is due. For any other monetary obligation not paid when due, we may withdraw the amounts due 5 days after the amount becomes past due, provided that day is a business day (and if not a business day, on the next succeeding business day).

You will, upon execution of this Agreement, execute an Electronic Fund Transfer Authorization form, granting to us the authority to process EFTs from your designated bank account. From time to time, at our request, you will execute any additional documents necessary to confirm or update this authority. You will be responsible for (i) any EFT transfer fee or similar charge imposed by your bank, and (ii) any service charges applied by our and/or your bank should any EFT not be honored by your bank for any reason. Throughout the term of this Agreement, you will maintain a minimum balance of \$10,000 in your bank account against which EFTs are to be drawn under this Agreement. It will be a material event of default if you close the designated bank account without our consent, or upon our approval, fail to establish another account, and execute all documents necessary for us to process all payments by EFT from the new designated account.

All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD), unless we specify otherwise.

5.4. Definition of "Gross Sales". As used in this Agreement, the term "**Gross Sales**" means the total actual gross charges prior to and excluding any promotional or other discounts from standard charges for all products (food and non-food) and services and all other income of every kind and nature related to your Restaurant (including income related to catering sales, delivery sales and all other sales related to the Restaurant), whether for cash or credit and regardless of collection in the case of credit, and whether the sales are made at or from the Restaurant premises, or any other location. However, any amounts that you collect and transmit to state or local authorities as sales, use or similar taxes are excluded from the definition of Gross Sales. If a cash shortage occurs, the amount of Gross Sales will be determined based on the records of the electronic cash register system or point-of-sale system and any cash shortage will not be considered in determining Gross Sales. Gross Sales also includes the amount of any insurance proceeds received from an insurer that are intended to replace your Restaurant's revenue as a result of the interruption of its business caused by a casualty or other insured event.

5.5. Interest on Late Payments. All amounts which you owe us, including but not limited to Royalties, System Fund Contributions and Co-op contributions, will bear interest after their due date at the annual rate of eighteen 18% or the highest contract rate of interest permitted by law, whichever is less. You acknowledge that we do not agree to accept any payments after they are due nor commit to extend credit to, or otherwise finance your operation of, your Restaurant.

5.6. Late Payment Penalties. All Royalties, System Fund Contributions, amounts due for purchases by you from us, and any interest accrued thereon, and any other amounts which you owe us, or our affiliates, are subject to a late payment fee of no higher than 2% of the amount due, plus a fixed amount no higher than \$25 for any payment or report received by us after its due date. The late payment fee is due immediately on any delinquent payments or reports and for dishonored checks. The provision in this Agreement concerning late payment fees does not mean that we accept or condone late payments, nor does it indicate that we are willing to extend credit to, or otherwise finance, the operation of your Restaurant. In the event that you are delinquent in providing payment or reports during any 2 or more Accounting Periods in any consecutive 12-month period, we may require you to pay all amounts due us by EFT or cashier's check, and on a weekly

basis. These late charges are intended to reimburse our expenses and to compensate us for our inconvenience, and do not constitute interest.

5.7. **Application of Payments.** Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any of your past due indebtedness to us. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners.

5.8. **Payment Offsets.** We may setoff from any amounts that we may owe you any amount that you owe to us, or our affiliates, for any reason whatsoever, including without limitation, Royalties, System Fund Contributions, late payment penalties and late payment interest, amounts owed to us or our affiliates for purchases or services or for any other reason. Thus, payments that we make to you may be reduced, in our discretion, by amounts that you owe to us or our affiliates from time to time. In particular, we may retain (or direct to our affiliates) any amounts that we have received for your account as a credit and payment against any amounts that you may owe to us, or our affiliates, at any time. We may do so without notice to you at any time. However, you do not have the right to offset payments owed to us for amounts purportedly due to you from us.

5.9. **Change in Law.** If a law is enacted during the Term which prohibits or restricts in any way your ability to pay or our ability to collect Royalty Fees or other amounts based on Gross Sales derived from the sale of alcoholic products, then we reserve the right to modify your payment obligations to us under this Agreement and revise the applicable provisions hereunder in order to provide the same basic economic effect to both us and you as currently provided in this Agreement. In such event, you agree to execute the appropriate document(s) in the form we prescribe to give effect to or take account of such revisions.

6. **TRAINING AND ASSISTANCE**

6.1. **Owner Training.** If this is your (or your Operating Principal's) first or second FIRST WATCH® Restaurant, then before the Restaurant opens, we will furnish owner training on the material aspects of owning and operating a FIRST WATCH® Restaurant to you (or if you are a Business Entity, up to 2 of your owners) ("**Owner Training**"). One of them must be the Operating Principal you designate in the Principal Owners' Statement, and that we have approved. The Owner Training will be furnished at our corporate headquarters, at an operating FIRST WATCH® Restaurant, or virtually, as we determine and specify. We, in our sole judgment, may change, modify, amend or designate the content and process of Owner Training. Successful completion of the Owner Training program by you (or your Operating Principal) is a condition to the opening of the Restaurant to the public. Although we will furnish Owner Training to you (or your owners) at no additional fee or charge, you will be responsible for all travel and living expenses, wages, benefits and other costs of persons who, on your behalf or at your request, attend Owner Training and any other training we require or recommend.

6.2. **Manager Training.** Your Operating Principal (if the Operating Principal will manage the day-to-day operations of the Restaurant) and General Manager or your District Manager (if the District Manager will manage the day-to-day operations of the Restaurant) and General Manager must successfully complete our initial training program before your Restaurant opens for business. The training will be furnished at our designated training facility, at an operating FIRST WATCH® Restaurant, or virtually, as we determine and specify. Initial training must be completed to our satisfaction not less than 4 weeks before the scheduled Opening Date and is a condition to the opening of your Restaurant to the public. If your Restaurant is the first or second FIRST WATCH® Restaurant you have developed, we will furnish initial training to your Operating Principal and General Manager or your District Manager and General Manager at no charge. You will be responsible for all travel and living expenses, wages, benefits and other costs incurred by the trainees in

connection with the initial training. If any substitute or additional trainees attend the initial training, or if your Restaurant is not the first FIRST WATCH® Restaurant you have developed, you agree to pay us the standard training fees we designate from time to time for each person who receives initial training. All persons attending initial training are required to sign our then-current standard confidentiality agreement and Liability Waiver and Release. You must immediately replace any employee who fails to successfully complete any training program or any manager who otherwise is not qualified to manage a FIRST WATCH® Restaurant. Any successor Operating Principal, District Manager, or General Manager, as applicable, must satisfactorily complete our management training program, at your expense and subject to payment of our standard training fees.

6.3. Certified Training Restaurant. If (i) you operate another FIRST WATCH® Restaurant (other than the Restaurant that is the subject of this Agreement); (ii) your General Manager at the other Restaurant has completed the initial training to our satisfaction; and (iii) such other FIRST WATCH® Restaurant has been approved by us as a “Certified Training Restaurant”, then you may, subject to our approval, conduct the initial training for your General Manager and other management personnel at the Certified Training Restaurant. To qualify as a “Certified Training Restaurant,” your training programs must be certified by us as meeting our high standards. You will be required to obtain re-certification of your training programs from time to time, and we may withhold certification if we determine, in our sole discretion, that your training program does not meet our high standards. We reserve the right to charge you a reasonable fee to cover our costs and expenses in providing such certification services.

6.4. Opening Crew Training. If your Restaurant is the first or second FIRST WATCH® Restaurant you have developed, we will provide you with an opening crew composed of our trained representatives. The opening crew will provide general assistance and guidance in connection with the opening of the Restaurant and in training your employees, for a period of time ranging from 5 to 15 days. We may require the opening crew to remain on-site longer than 15 days, in our sole discretion. We will determine the number of opening crew representatives and the time period over which their assistance will be provided, based upon our assessment of your operational requirements. You will pay us the *per diem* fee then being charged to franchisees generally for this opening crew assistance, which will cover any expenses incurred by the opening crew, including (but not limited to) costs of travel, lodging and meals. If your Restaurant is your third (or more) FIRST WATCH® Restaurant you have developed, we may provide a more limited opening crew of our trained representatives. In the event you require additional trained representatives, we may require that you pay, in addition to the costs required by this Section 6.4, the wages for the additional representatives as well.

6.5. Training of Employees. You must implement a training program that we approve for employees of the Restaurant, and you will be responsible for the proper training of your employees. You agree not to employ any person who fails or refuses to complete your training program or is unqualified to perform his or her duties at the Restaurant in accordance with the requirements established for the operation of a FIRST WATCH® Restaurant. You agree to replace an employee if we determine that he or she is not qualified to serve at the FIRST WATCH® Restaurant.

6.6. Additional or Periodic Training. We may require you, your owners, your managers and/or your other employees to attend additional, periodic or refresher training courses at such times and locations that we designate, and all costs (including, without limitation, travel and living expenses for trainees) shall be your responsibility. We reserve the right to charge you a reasonable fee for such additional or periodic training and any training materials that we provide in connection with such training. You agree to give us reasonable assistance in training other FIRST WATCH® Restaurant franchisees. We will reimburse you for your reasonable out-of-pocket expenses in providing such assistance. We may require each person who attends any initial or periodic training to sign our then-current standard Liability Waiver and Release.

6.7. General Guidance. We will advise you from time to time regarding the operation of your Restaurant based on reports you submit to us or inspections we make. In addition, we will furnish guidance to you with respect to:

- (a) standards, specifications and operating procedures and methods utilized by FIRST WATCH® Restaurants;
- (b) purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies;
- (c) recipes, food preparation methods, plate presentations, and menu items;
- (d) use of suppliers, approved products, volume buying;
- (e) advertising and marketing programs;
- (f) employee training;
- (g) administrative, bookkeeping and accounting procedures; and
- (h) payment mechanisms and currencies to accept (e.g., credit and debit cards).

Such guidance will, at our discretion, be furnished in our Manuals, bulletins or other written materials and/or during telephone consultations, e-mails, web-based or other electronic means and/or consultations at our office or at your Restaurant.

Upon your reasonable request or as we consider appropriate, we will, during the term of this Agreement, but subject to the availability of personnel, provide you with additional trained representatives who will provide on-site remedial training to your personnel at your Restaurant. You will pay the *per diem* fee then being charged to franchisees generally for the services of these trained representatives, which will cover any expenses incurred by these trained representatives, such as costs of travel, lodging and meals.

6.8. Delegation of Performance. You agree that we have the right to delegate performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

7. **MARKS**

7.1. Ownership and Goodwill of Marks. You acknowledge that our affiliate, First Watch Restaurants, Inc. (“FWRI”), owns the Marks. Your right to use the Marks is derived solely from this Agreement and limited to your operation of your Restaurant at the Accepted Site pursuant to and in compliance with this Agreement and all System Standards we prescribe from time to time during the Term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of FWRI’s rights in and to the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by such use will be exclusively for the benefit of FWRI and does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Restaurant in compliance with this Agreement).

7.2. **Limitations on Your Use of Marks.** You agree to use the Marks we designate and in the manner we designate as the sole identification of your Restaurant, except that you agree to identify yourself as the independent owner thereof in the manner we prescribe. You may not use modifying words, terms, designs or symbols (other than logos we license to you), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Mark may be used in any advertising concerning any intended or proposed Transfer (as defined in Section 14.2) without our prior written consent. You agree to display the Marks prominently in the manner we prescribe at your Restaurant, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trade and service mark registrations as we specify and to obtain any fictitious or assumed name registrations required under applicable law, and not to use the Marks in your corporate name.

7.3. **Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in or to any Mark, and you agree not to communicate with any person other than your attorneys, us, FWRI and our respective attorneys, in connection with any such infringement, challenge or claim. FWRI will have sole discretion to take such action as it deems appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office or U.S. Copyright Office proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim relating to any Mark. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as may be necessary or advisable in the opinion of our or FWRI's legal counsel to protect and maintain FWRI's interests in any litigation or Patent and Trademark Office, U.S. Copyright Office or other proceeding to protect and maintain its interests in the Marks.

7.4. **Discontinuance of Use of Marks.** If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, including the complete replacement of any Mark and usage of other marks, you agree to comply with our directions within a reasonable time after receiving notice. We will not reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to change Marks or to promote a modified or substitute trademark or service mark.

7.5. **Indemnification.** We will indemnify you against and reimburse you for all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of the Marks pursuant to and in compliance with this Agreement, resulting from claims by third parties that your use of any of the Marks infringes their trademark rights, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the terms of this Agreement. We will not indemnify you against the consequences of your use of the Marks except in accordance with the requirements of this Agreement. You must provide written notice to us of any such claim within 10 days of your receipt of such notice and you must tender the defense of the claim to FWRI. FWRI, at its sole discretion, is entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and, if FWRI undertakes to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

8. **CONFIDENTIAL INFORMATION**

8.1. **Types of Confidential Information.** We possess (and will continue to develop and acquire) certain confidential information (the "**Confidential Information**") relating to the development and operation of FIRST WATCH® Restaurants, which includes (without limitation):

- (a) the System and the know-how related to its use;

(b) plans, specifications, size and physical characteristics of FIRST WATCH® Restaurants;

(c) Site selection criteria and site development methods;

(d) methods in obtaining licensing and meeting regulatory requirements;

(e) sources and design of equipment, furniture, forms, materials and supplies;

(f) marketing, advertising and promotional programs for FIRST WATCH® Restaurants;

(g) staffing and delivery methods and techniques for personal services;

(h) the selection, testing and training of personnel for FIRST WATCH® Restaurants;

(i) the recruitment, qualification and investigation methods to secure employment for employment candidates;

(j) any computer software we make available or recommend for FIRST WATCH® Restaurants;

(k) methods, techniques, formats, specifications, procedures, information, customer data, and systems related to and knowledge of and experience in the development, operation and franchising of FIRST WATCH® Restaurants;

(l) knowledge of specifications for and suppliers of certain products, materials, supplies, furniture, furnishings and equipment;

(m) recipes, formulas, preparation methods, menus, plate presentations, and serving techniques;

(n) knowledge of operating results and financial performance of FIRST WATCH® Restaurants (including your Restaurant);

(o) e-commerce related data (e.g., customer data, click-stream data, cookies, user data, hits and the like); and

(p) patents and copyrights secured by us or our affiliates.

8.2. Disclosure and Limitations on Use. We will disclose much of the Confidential Information to you and personnel of your Restaurant by furnishing the Manuals to you and by providing training, guidance and assistance to you. In addition, in the course of the operation of your Restaurant, you or your owners or your employees may develop ideas, concepts, methods, techniques or improvements (“**Improvements**”) relating to your Restaurant, which you agree to disclose to us. We will be deemed to own the Improvements and may, without compensation to you, use them and authorize you and others to use them in the operation of FIRST WATCH® Restaurants. Improvements will then also constitute Confidential Information.

8.3. Confidentiality Obligations. You agree that your relationship with us does not vest in you any interest in the Confidential Information other than the right to use it in the development and operation of your Restaurant, and that the use or duplication of the Confidential Information in any other business would constitute an unfair method of competition. You acknowledge and agree that the Confidential Information is

proprietary, includes trade secrets belonging to us and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you:

- (a) will not use the Confidential Information in any other business or capacity;
- (b) will maintain the absolute confidentiality of the Confidential Information during and after the Term;
- (c) will not make unauthorized copies of any portion of the Confidential Information disclosed via electronic medium, in written form or in other tangible form, including, for example, the Manuals; and
- (d) will adopt and implement all reasonable procedures we may prescribe from time to time to prevent unauthorized use or disclosure of the Confidential Information, including, restrictions on disclosure to your employees and the use of nondisclosure and noncompetition agreements we may prescribe for employees or others who have access to the Confidential Information.

8.4. **Exceptions to Confidentiality.** The restrictions on your disclosure and use of the Confidential Information will not apply to the following:

- (a) disclosure or use of information, processes, or techniques which are generally known and used in the restaurant industry (as long as the availability is not because of a disclosure by you), provided that you have first given us written notice of your intended disclosure and/or use;
- (b) disclosure of the Confidential Information in judicial or administrative proceedings when and only to the extent you are legally compelled to disclose it, provided that you have first given us the opportunity to obtain an appropriate protective order or other assurance satisfactory to us that the information required to be disclosed will be treated confidentially; and
- (c) disclosure of the operating and financial performance of your Restaurant to your existing and prospective lender or landlord or a prospective purchaser of your Restaurant, provided that each such person prior to your disclosure is bound by a written obligation of confidentiality to which we are a third-party beneficiary.

9. **EXCLUSIVE RELATIONSHIP**

9.1. **In-Term Restrictive Covenants.** You acknowledge and agree that we would be unable to protect Confidential Information against unauthorized use or disclosure or to encourage a free exchange of ideas and information among FIRST WATCH® Restaurants if franchised owners of FIRST WATCH® Restaurants were permitted to hold interests in or perform services for a Competitive Business (defined below). You also acknowledge that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us. You agree that, during the Term, neither you nor any of your Principal Owners will, directly or indirectly (e.g., through a spouse or child):

- (a) have any direct or indirect interest as a disclosed or beneficial owner in or a landlord of a Competitive Business, wherever located;
- (b) perform services, in any capacity, for a Competitive Business, wherever located;

(c) divert, solicit, take away or interfere with any of the business, customers, clients, contractors, trade or patronage of ours, our affiliates, our developers or our franchisees, as such may exist throughout the term of this Agreement;

(d) do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks or the System or take any action that would constitute an act of moral turpitude; or

(e) make any negative remarks or comments, by any means or via any medium, that would have any disparaging or detrimental effect on our business or reputation or that of us or our affiliates, developers or franchisees, any of our or their past or present officers, directors, shareholders, employees or representatives, any FIRST WATCH® Restaurant, any business using the Marks, or any other brand or service-marked or trademarked concept of us or our affiliates.

The term “**Competitive Business**” as used in this Agreement means any business or facility (other than a FIRST WATCH® Restaurant operated under a franchise agreement with us) owning, operating or managing, or granting franchises or licenses to others to do so, any restaurant or food service facility that is the same as, or similar to, a FIRST WATCH® Restaurant (which currently specialize in casual dining of breakfast, brunch and lunch), and/or where 50% or greater of the menu items consist of the same or similar items as those offered by a FIRST WATCH® Restaurant. Notwithstanding the foregoing, any aggregate ownership of less than 5% of the issued and outstanding shares of any class of stock of a publicly traded company is not prohibited by the provisions of this Section.

9.2. **Hiring Practices.** You acknowledge and agree that we and our affiliates expend substantial time, effort and expense in training (i) individuals employed in a managerial or supervisory position at restaurants owned by us or our affiliates (referred to as a “**Restaurant-Level Employee**”); and (ii) individuals employed as a regional or market manager by us or our affiliates (referred to as a “**Regional Employee**”). Accordingly, you agree that if you or any of your owners or affiliates shall, during the term of this Agreement, designate as General Manager or employ in a managerial or supervisory position any individual who is at the time or was within the preceding 90 days employed by us or our affiliate as a Restaurant-Level Employee or a Regional Employee, including, but not limited to, individuals employed to work in FIRST WATCH® Restaurants or other restaurants operated by us or by our affiliates, then you agree to pay us or our affiliate, as applicable, an amount equal to \$30,000 (for a Restaurant-Level Employee) or \$50,000 (for a Regional Employee), to compensate us or our affiliate for the reasonable costs and expenses (of whatever nature or kind) incurred by us or our affiliate in connection with the training of such employee. You and we each agree that such expenditures may be uncertain and difficult to ascertain, and you and we therefore agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. You shall pay such compensation to us or our affiliate, as applicable, prior to such Restaurant-Level Employee or Regional Employee assuming the position of General Manager or other managerial or supervisory position. You acknowledge and agree that our affiliates shall be third party beneficiaries of Section 9 for purposes of bringing an action for any violations under Section 9.1 or to collect any payments due to them under this Section 9.2. Nothing in this Section 9.2 shall be construed as waiving any of our or our affiliates' rights under Section 9.1 above.

10. **OPERATION AND SYSTEM STANDARDS**

10.1. **Operations Manual.** We will loan you, during the Term, one copy of our manuals in the medium we decide (the “**Manuals**”), consisting of such materials (including, as applicable, audiotapes, videotapes, magnetic media, computer software and written materials) that we generally furnish to franchisees from time to time for use in operating a FIRST WATCH® Restaurant. The Manuals contain

mandatory and suggested specifications, standards, operating procedures and rules (“**System Standards**”) that we prescribe from time to time for the operation of a FIRST WATCH® Restaurant and information relating to your other obligations under this Agreement and related agreements. You agree to follow the standards, specifications and operating procedures we establish periodically for the FIRST WATCH® System and that we designate in the Manuals as mandatory. You further agree and understand that the System Standards, the standards described in this Agreement and the other standards described in the Manuals exist to protect our interest in the FIRST WATCH® System and the Marks, and are not for the purpose of establishing control or any duty to take control over any matters that are reserved to you, such as the day-to-day operation of your Restaurant and the management of your employees. We reserve the right to make the Manuals accessible to you online via computer systems or other electronic format (like Internet, Intranet, CD-ROM, websites or e-mail). The Manuals may be modified, updated and revised from time to time to reflect changes in System Standards. You must comply with all updates and amendments to the Manuals or System Standards as described in newsletters or notices we distribute, including via computer systems. You must maintain the Manuals as confidential and maintain the information in the Manuals as secret and confidential. Any form of the Manuals we make accessible to you online will be deemed our Confidential Information. Any passwords or other digital identifications necessary to access the Manuals electronically will also be deemed to be our Confidential Information. You agree to keep your copy of the Manuals current and in a secure location at the Restaurant. In the event of a dispute relating to its contents, the master copy of the Manuals we maintain at our principal office will be controlling. You may not at any time copy, duplicate, record or otherwise reproduce any part of the Manuals without our express written authorization. If your copy of the Manuals is lost, destroyed or significantly damaged, you agree to obtain a replacement copy at our then applicable charge (unless we have made the Manuals electronically accessible to you online, in which case you may utilize the online Manuals instead of purchasing a replacement copy of the printed Manuals).

10.2. **Compliance with System Standards.** You acknowledge and agree that your operation and maintenance of your Restaurant in accordance with System Standards are essential to preserve the goodwill of the Marks and all FIRST WATCH® Restaurants. Therefore, at all times during the Term, you agree to operate and maintain your Restaurant in accordance with each and every System Standard, as we periodically modify and supplement them during the Term. System Standards may regulate any one or more of the following with respect to your Restaurant:

(a) design, layout, décor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling; replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos, and illumination;

(b) types, models and brands of required fixtures, furnishings, equipment, signs, software, materials and supplies;

(c) required or authorized products and product categories including for all food and beverage items and alcohol products and portions devoted to each supplier of products;

(d) designated or approved suppliers (which may include us) of fixtures, furnishings, equipment, signs, software, products, ingredients, materials and supplies including for all food and beverage items and alcohol products;

(e) terms and conditions of the sale and delivery of, and terms and methods of payment for, products, materials, supplies and services, including direct labor, that you obtain from us, unaffiliated suppliers or others;

(f) sales, marketing, advertising and promotional programs and materials and media used in such programs;

(g) menus, including product offerings, appearance, and inclusion of nutrition information;

(h) use and display of the Marks;

(i) staffing levels for the FIRST WATCH® Restaurant and matters relating to managing your Restaurant; communication to us of the identities of the Restaurant's personnel; and qualifications, training, dress and appearance of employees;

(j) days and hours of operation of your Restaurant;

(k) participation in market research and testing and product and service development programs;

(l) acceptance of credit cards, gift certificates, coupons, other payment systems and check verification services;

(m) bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us;

(n) types, amounts, terms and conditions of insurance coverage required to be carried for your Restaurant and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured, using a form of endorsement that we have approved; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for your Restaurant at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

(o) complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or your Restaurant; and

(p) regulation of such other aspects of the operation and maintenance of the Restaurant that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and FIRST WATCH® Restaurants.

Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Restaurant's operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your responsibility to obtain insurance coverage for your Restaurant that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances. Your obligation to maintain insurance coverage will not be limited in any respect by reason of insurance maintained by us or any other party. Additionally, no insurance coverage that you or any other party maintains will be deemed a substitute for your indemnification obligations to us or our affiliates, whether arising under this Agreement or otherwise. If any guidance or recommendation issued by any

federal, state, or local authority directly or indirectly affects the operation of your Restaurant (but does not mandate that you close your Restaurant), you will not close your Restaurant unless you obtain our prior written consent, which we may withhold in our sole discretion; however, we may require that you temporarily close your Restaurant if we believe it to be in the best interests of the Marks and the System in light of such governmental guidance or recommendations. You agree to comply with our requirements in that regard.

10.3. **Modification of Certain System Standards.** We may modify our System Standards in our discretion. However, at the earlier of: (i) 5 years after the Agreement Date or (ii) the time that a majority of the FIRST WATCH® Restaurants then operated by us or our affiliates have made or are in the process of making similar capital improvements or modifications, you will make the capital improvements or modifications (“**Capital Modifications**”) to your Restaurant directed by us in order to bring your Restaurant to our then-current standards and specifications for new FIRST WATCH® Restaurants. The types of capital improvements covered may include (at our discretion) those needed to modernize the premises of your Restaurant, and other changes to the equipment (including Computer Systems), signs, interior and exterior decor items, fixtures, furnishings, supplies, and other products and materials required for new FIRST WATCH® Restaurants. Capital Modifications are in addition to costs you incur to repair, replace or refurbish obsolete or worn-out equipment and fixtures. Capital Modifications do not include any expenditures you must make, or choose to make, in order to comply with applicable laws, governmental rules or orders.

10.4. **Interior and Exterior Upkeep.** You must at all times maintain your Restaurant’s interior and exterior and the surrounding area in the highest degree of cleanliness, orderliness and sanitation and comply with the requirements regarding the upkeep of your Restaurant established in the Manuals and by federal, state and local laws.

10.5. **Vending Machines.** No vending machines, newspaper racks, juke boxes, gum or candy machines, pinball machines, video games, rides, or other mechanical or electric devices or games may be installed or operated in or on the premises of your Restaurant, other than as may be approved by us, in our sole discretion, pursuant to the Manuals or other written policy.

10.6. **Hours of Operation.** You must operate your Restaurant during the hours and on the days prescribed by us in the Manuals or otherwise approved in advance in writing by us. We reserve the right to extend the hours of operation for your Restaurant upon 90 days’ written notice to you, but only if we require a majority of all FIRST WATCH® Restaurants then in operation (including Restaurants operated by us or our affiliates) to similarly extend their hours of operation.

10.7. **Accounting, Computers and Records.** You must obtain computer hardware and software to enable you to develop and maintain accounting records that meet our specifications. You must at all times maintain the records reasonably specified in the Manuals, including, without limitation, sales, inventory and expense information. You must report gross sales and other business information to us using the format, reporting system and accounting system (the “**Accounting System**”) that we require from time to time. The Accounting System resides at a location we designate, and you must establish access to the Accounting System via the Internet at your cost, with your own internet service provider, with access via DSL or such other means or band width we designate. You must use in developing and operating your Restaurant the computer equipment and operating and accounting software (the “**Computer System**”) that we periodically specify. We may require you to obtain specified computer hardware or software and may modify specifications for any components of the Computer System from time to time. Our modifications and specifications for components of the Computer System may require you to incur costs to purchase, lease or license new or modified computer hardware or software to obtain service and support for the Computer

System during the Term. You agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications) as long as the Computer System we specify for use is the same Computer System that we, or our affiliates, then currently use in FIRST WATCH® Restaurants that we, or they, own and operate. Within 30 days after you receive notice from us, you must obtain the components of the Computer System that we designate and require. The Computer System must be capable of connecting with our computer system so that we can obtain and daily review the results of your Restaurant's operations. We also have the right to charge you a reasonable systems fee (the "MIS Fees") for modifications of and enhancements made to any proprietary software that we license to you and other maintenance and support services that we, or our affiliates, furnish to you related to the Computer System, including access to and use of the FIRST WATCH® intranet system. You must: (a) supply us with any and all codes, passwords, and information necessary to have access to your Computer System and not change any of them without first notifying us; and (b) not load or utilize any software on the Computer System that we have not specified or approved for use.

10.8. **Trade Accounts and Taxes.** You must: (a) maintain your trade accounts in a current status and seek to resolve any disputes with trade suppliers promptly; and (b) timely pay all taxes incurred in connection with your Restaurant's operations. If you fail to maintain your trade accounts in a current status, timely pay such taxes or any other amounts owing to any third parties or perform any non-monetary obligations to third parties, we may, but are not required to, pay any and all such amounts and perform such obligations on your behalf. If we elect to do so, then you must reimburse us for such amounts. You agree to repay us immediately upon receipt of our invoice.

10.9. **Proprietary Materials.** You must purchase from us, or approved manufacturers, or suppliers, all articles used in operating your Restaurant and bearing any of the Marks. These items may include employee clothing (such as shirts, hats and aprons) and menus (collectively, the "Proprietary Materials"), at then prevailing prices, plus freight, taxes and delivery costs.

10.10. **Approved Products.** You agree to sell and offer for sale all menu items, products and services that we authorize or prescribe and in the manner and style that we prescribe, including, but not limited to, dining-in, carry-out, catering and delivery services, and to execute any and all documents or instruments that we may deem necessary to facilitate the provision of such services. You must not sell or offer for sale any menu items, products or services at your Restaurant that we have not previously approved for sale, and you must discontinue selling and offering for sale any menu items, products or services, or providing those menu items, products or services in any manner or through any method of distribution, that we have disapproved in writing at any time. You must only use and display menus that have been prescribed or approved in advance by us. You must sell all the food and beverage products and alcohol products that are included on the prescribed or approved menus, and no others. We may negotiate group or volume purchasing arrangements with approved suppliers and you must participate in the arrangements. We will be entitled to all rebates, bonuses and promotional benefits associated with those programs. You must strictly follow all of our designated recipes for all menu items. You must not, without our prior written consent, sell, dispense, give away or otherwise provide food or beverage products or alcohol products or other items except by means of retail sales or authorized complimentary meals to employees or customers at your Restaurant, or an approved program of charitable giving. You must immediately implement changes to the products, food, service or other items requested by us, including menu changes. You must maintain an inventory of food and beverage products and alcohol products sufficient to meet the daily demands of your Restaurant for all items specified in the menus. Any and all recipes or menu changes submitted by you for inclusion on the menus will become our property and you agree to sign all documents necessary to convey all rights and title, including all rights in such recipes to us.

10.11. **Pricing of Approved Products.** Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by your Restaurant.

If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which might prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

10.12. **Market Research.** We may conduct market research and testing to determine consumer trends and the salability of new menu items, food products and services. You agree to participate in such market research programs as may be conducted by us, in our sole discretion, by test marketing new menu items and products and services in your Restaurant. You agree to provide us with timely reports and other relevant information regarding market research. You agree to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell the products and/or services.

10.13. **Management of the Restaurant.** Your Restaurant must at all times be under the direct supervision of a general manager (the “**General Manager**”) that: (i) is designated by you to assume primary responsibility for the day-to-day management and operation of the Restaurant; (ii) will devote full-time and best efforts to the supervision and management of the Restaurant; (iii) satisfies our then-current educational and business experience criteria for general managers of FIRST WATCH® Restaurants; and (iv) has satisfactorily completed our initial training program and any other training programs we may require from time to time. The General Manager may, but need not be, you (if you are an individual) or one of your owners (if you are a Business Entity). You are solely responsible for hiring and training your General Manager (in addition to the initial training and other training programs we provide).

You must inform us in writing as to the identity of the General Manager, including all additions and successors thereto. In the event that a General Manager ceases active employment at the Restaurant or no longer satisfies the qualifications of a General Manager in accordance with this Section, you must promptly notify us and designate a qualified replacement within 30 days of the cessation of such former manager’s employment at the Restaurant. You are responsible for ensuring proper interim management and continued operations of the Restaurant until the replacement General Manager is designated and trained as required by this Agreement.

If a General Manager is not otherwise bound by this Agreement, then he or she must sign our then-current form of Confidentiality and Noncompetition Agreement. You must also require all of your owners who are not required to sign a Principal Owners Guaranty, to execute similar covenants.

You agree to apply for and diligently pursue any government-issued, government-sponsored, or governmental-guaranteed grants, non-recourse loans, and/or bail-outs for which you qualify and that are made available to small businesses as an economic stimulus.

10.14. **Personnel.** Your Restaurant must at all times be under the direct, on-premises supervision of a general or assistant manager who has completed and graduated from a certified training program and must be staffed by a sufficient number of competent and properly trained employees. You shall have the sole authority and control over all day-to-day operations of your Restaurant. Your Operating Principal or District Manager at all times must remain active in overseeing the operations of your Restaurant. Unless we approve otherwise, the Operating Principal must have and retain at least 10% ownership of the Restaurant and control its management decisions. You are solely responsible for hiring all employees of the Restaurant and are responsible exclusively for the terms of their employment, including compensation, compliance with

employment and workplace laws (including, without limitation, wages, taxes, benefits, scheduling, discipline, termination, benefits and safety) and for their proper training in the operation of the Restaurant. You must establish an employee training program in accordance with our specifications. All personnel must meet every requirement imposed by applicable federal, state and local law and those required by us as a condition to their employment. Your employees shall not be deemed to be our employees or agents and we shall have no right, obligation or duty to direct your employees or supervise your employment policies or practices.

Any employees that have access to any of the Confidential Information must sign a confidentiality agreement as a condition of having such access. You are responsible to have the confidentiality agreement signed and sent to us before such persons are granted any access to Confidential Information. You are liable to us for any unauthorized disclosure of such information by any of your owners, directors, employees, representatives or agents.

10.15. **Information Security.** You must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“**Personal Information**”) in accordance with applicable law and industry best practices. It is entirely your responsibility (even if we provide you any assistance or guidance in that regard) to confirm that the safeguards you use to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access use, storage, disposal and disclosure of Personal Information. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately of the breach or unauthorized access, and specify the extent to which Personal Information was compromised or disclosed, and your plans to correct and prevent any further breach or unauthorized access. You will allow us, in our discretion, to participate in any response or corrective action. You agree to comply with any requests to return or delete consumer Personal Information, whether requested by us or directly by the consumer, as required by applicable data sharing and privacy laws. You also agree to follow our instructions regarding curative actions and public statements relating to any data breach.

11. **ADVERTISING AND PROMOTION**

11.1. **Establishment of System Fund.** We have established a System Fund (the “**System Fund**”) for advertising, marketing and public relations programs and materials on a system-wide basis as we deem necessary or appropriate, in our sole discretion. Commencing with your Restaurant’s 7th month of operations, you must pay us a System Fund contribution (the “**System Fund Contributions**”) in the amount that we prescribe from time to time. We may, in our sole discretion, periodically increase the System Fund Contributions by 0.5% increments each year, up to a maximum of 3% of Gross Sales. System Fund Contributions will be paid at the time and in the manner that Royalty payments are made. We reserve the right to defer or reduce System Fund Contributions of a FIRST WATCH® Restaurant franchisee and, upon 30 days’ prior written notice to you, to reduce or suspend System Fund Contributions to, and operations of, the System Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the System Fund. If the System Fund is terminated, all unspent monies, less any outstanding accounts payable and other obligations, on the date of termination will either be spent by us as described in this Article 11 or, at our option, be distributed to our franchisees in proportion to their respective System Fund Contributions to the System Fund during the preceding 12-month period. Our affiliates operating FIRST WATCH® Restaurants will contribute to the System Fund on the same basis as franchise owners for any FIRST WATCH® Restaurants they own and operate. If this Agreement relates to the renewal of a Franchise Agreement that has expired by its terms, the 7-month deferral will not apply. Similarly, if this Agreement relates to the transfer of an existing Franchise Agreement, the 7-month deferral will apply only

to the extent and for the period of time (if any) that such deferral would have continued to apply to the franchise under the original Franchise Agreement.

11.2. **Use of the System Fund.** We will direct all programs funded by the System Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation. You agree that the System Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing/public relations agencies; marketing and advertising training programs and materials; supporting public relations, market research and other advertising, promotion and marketing activities; and administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or “next generations” of any such devices; implementing a loyalty program or other marketing programs designed to encourage the use of FIRST WATCH® Restaurants. The System Fund periodically will furnish you with samples of advertising, marketing and promotional formats and materials at no cost. Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges. A brief statement regarding availability of information about the purchase of FIRST WATCH® franchises may be included in advertising and other items produced and/or distributed using the System Fund.

11.3. **Accounting for the System Fund.** The System Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such salaries, administrative costs, travel expenses and overhead, including rent and utilities, as we may incur in activities related to the administration of the System Fund (portions of which may be allocated to the System Fund based on a measure we determine appropriate) and its programs, including, without limitation, conducting market research; preparing advertising, promotion and marketing materials; employing advertising/public relations agencies; and collecting and accounting for contributions to the System Fund. All interest earned on monies contributed to the System Fund will be used to pay advertising costs before other assets of the System Fund are expended. We may spend, on behalf of the System Fund, in any fiscal year an amount greater or less than the aggregate contribution of all FIRST WATCH® Restaurants to the System Fund in that year. The System Fund may borrow from us or others to cover deficits or invest any surplus for future use. If we lend money to the System Fund, we may charge interest at an annual rate 1% greater than the rates we pay our lenders. We will prepare an annual statement of monies collected and costs incurred by the System Fund and furnish the statement to you upon written request. We have the right to cause the System Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified in this Agreement.

11.4. **System Fund Limitations.** You acknowledge that the System Fund is intended to generally maximize recognition of the Marks and patronage of FIRST WATCH® Restaurants. Although we will endeavor to utilize the System Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all FIRST WATCH® Restaurants, we undertake no obligation to ensure that expenditures by the System Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the System Fund by FIRST WATCH® Restaurants operating in that geographic area or that any FIRST WATCH® Restaurant will benefit directly or in proportion to its contribution to the System Fund from the development of advertising and marketing materials or the placement of advertising. Except as expressly provided in this section, we assume no direct or indirect liability or obligation to you with respect to maintaining, directing, administering or collecting amounts due to the System Fund.

11.5. **Local Advertising and Promotion.** You agree that any advertising, promotion and marketing you conduct will be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved must be submitted to us for approval before you use them. If you do not receive written approval within 15 days after our receipt of such materials, we will be deemed to have disapproved the materials. You may not use any advertising or promotional materials that we have not developed or approved, and you will promptly discontinue the use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us. You must spend at least 1% of your Gross Sales on approved forms of local advertising and promotion, measured over each Accounting Period. You may spend more than the minimum required, at your discretion. Co-op contributions count as local advertising expenditures. You will submit to us an advertising expenditure report accurately reflecting all local advertising expenditures no later than the 10th day of each Accounting Period (or at any other frequency or on any other date directed by us in writing) to report local advertising expenditures for the previous Accounting Period. In addition to the restrictions set forth below, costs and expenditures incurred by you in connection with any of the following will not be included in your expenditures on local advertising, unless approved in advance by us in writing:

- (a) Incentive programs for your employees or agents, including the cost of honoring any coupons distributed in connection with such programs;
- (b) Research expenditures;
- (c) Salaries and expenses of any of your employees, including salaries or expenses for attendance at advertising meetings or activities;
- (d) Charitable, political or other contribution or donation;
- (e) Press parties or other expenses of publicity;
- (f) In-store materials consisting of fixtures or equipment;
- (g) Seminar and educational costs and expenses of your employees; or
- (h) Specialty items such as T-shirts, premiums, pins and awards, unless those items are part of a market-wide advertising program and then only to the extent that the cost of the items is not recovered by the promotion.

11.6. **Co-op Participation and Contributions.** If a group of FIRST WATCH® Restaurant Franchisees is established in a geographic area in which your Restaurant is located to do joint advertising, marketing and promotion (the “Co-op”), you must join and actively participate in it. You also must contribute to the Co-op such amounts as are determined from time to time by us, not to exceed 2% of your Gross Sales unless such higher sum is determined in accordance with the rules, regulations and procedures of the Co-op. We will set the amount of those contributions. Also, this 2% maximum will be reduced if and to the extent we set System Fund Contributions at more than 2% of Gross Sales. The Co-op will adopt its own rules, regulations and procedures, which you must follow. However, the rules, regulations and procedures of the Co-op must be approved by us. All advertising utilized by the Co-op must not be used unless and until we have reviewed and approved it. The Co-op will use our mandated accounting system. We also have the right to participate in any meetings of the Co-op and its members. Your failure to timely contribute the amounts required by the Co-op constitutes a material breach of the provisions of this Agreement and we may offset against any amounts we otherwise owe to you the amount of your Co-op contributions and pay such contributions for you.

11.7. **Telephone/Online Directory Advertising.** You agree to place and pay the cost of a telephone listing (e.g., Yellow Pages), an online directory listing (e.g., Yelp) and other business listings in such directories and categories as may be specified by us from time to time in the Manuals or otherwise in writing (“**Contact Identifiers**”). You acknowledge and agree that, as between us and you, we have the sole rights to, and interest in, all Contact Identifiers. You hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, and all listing agencies to transfer such Contact Identifiers to us or our designee. Any amount paid by you for such Contact Identifiers may be applied toward satisfaction of your local advertising requirement. If other franchise owners operate FIRST WATCH® Restaurants in the distribution area of the directories, then you must participate in and pay your pro rata share (based on number of Restaurants) of the cost of such listings and advertising.

11.8. **Websites.** You agree not to promote, offer or sell any products or services relating to the Restaurant, or to use any of the Marks, through the Internet without our prior written consent. We have the right to control or designate the manner of your use of all URLs, domain names, website addresses, metatags, links, key words, e-mail addresses and any other means of electronic identification or origin (“**e-names**”). We also have the right to designate, approve, control or limit all aspects of your use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, e-mail, home pages, bulletin boards, chat rooms, linking, framing, on-line purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software or hardware (collectively, “**e-commerce**”). You must follow all of our policies and procedures for the use and regulation of e-commerce. We may restrict your use of e-commerce to a centralized website, portal or network or other form of e-commerce that we designate or operate. We may require that you provide information to us via e-commerce. You agree to be bound by any terms of use, privacy policy and copyright notice and takedown policies and the like that we establish from time to time. We may require you to, at your expense, coordinate your e-commerce activities with us, other FIRST WATCH® Restaurants, suppliers and affiliates. We may require you to participate in any internet or intranet networks (the “**MIS System**”) we establish and obtain the services of and pay the then current fees for ISP and ASP services and the like. You recognize and agree that we own all rights, title and interest in and to any and all websites and any e-names we commission or utilize, or require or permit you to utilize, in connection with the System which bear our Marks or any derivative of our Marks. You also recognize and agree that we own all rights, title and interest in and to any and all data or other information collected via e-commerce related to the System or the Marks, including any customer data, click-stream data, cookies, user data, hits and the like. Such data or other information also constitutes our Confidential Information. You hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the registrar and Internet service provider to transfer such websites and e-names to us or our designee.

We may require you to participate in a centralized website operated by us, without any compensation to you. You will not be allowed to establish or operate any website for your Restaurant without our written consent. You may not establish or participate in any FIRST WATCH® related blog or other discussion forum.

We may maintain one or more accounts or profiles on social media sites (e.g., Twitter, Facebook or such other social media sites). You may not establish or maintain any accounts or profiles on any social media sites utilizing any user names, or otherwise associating with the Marks or to be used in connection with the Restaurant, without our advance written consent. We may designate from time to time regional or

territory-specific user names/handles that you must maintain. You will adhere to any social media policies that we establish from time to time and will require all of your employees to do so as well.

11.9. **Promotion of the Franchise System.** We may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of FIRST WATCH® Restaurants generally. You will participate in all of these advertising and sales promotion programs in accordance with the terms and conditions established by us for each program. In all aspects of these programs, including the type, quantity, timing, placement and choice of media, market areas and advertising/public relations agencies, the standards and specifications established by us will be final and binding upon you.

12. **RECORDS, REPORTS AND FINANCIAL STATEMENTS**

12.1. **Accounting System.** You must deliver to us the financial and operating reports in the form, manner, content and time we specify from time to time, including via access to the Accounting System. You will update all information in the Accounting System at least weekly, including but not limited to revenues, expenditures and other pertinent data. We may periodically change the Accounting System and the suppliers of accounting services. You will make available for our review and inspection during normal business hours all original books and records that we want to ascertain and verify financial statements or reports. You will maintain all of your books and records in accordance with generally accepted accounting principles. You will maintain and preserve such records during the entire Term and for 7 years following expiration or termination of this Agreement. Such records include deposit reports and receipts, cash receipts journal, general ledgers, cash disbursement journals, weekly payroll registers, monthly bank statements, supplier invoices (paid and unpaid), accounts payable journals, balance sheets, statements of operations, statements of cash flows, inventory records, records of wholesale accounts and such other records as we may require. We may use the information obtained as we deem appropriate, except that information which is not part of our Confidential Information and that you designate as confidential will not be disclosed to third parties in a manner that identifies you as the subject or source except: (i) with your permission, (ii) as may be required by law, (iii) in connection with audits or collections under this Agreement. We may require you to use approved computer hardware and software in order to maintain the Accounting System and other communication processes.

12.2. **Reports.** You agree to furnish to us on such forms that we prescribe from time to time:

- (a) on the Report Day, a report on your Restaurant's daily and weekly Gross Sales;
- (b) within 21 days after the end of each Accounting Period, statements of operations, statements of cash flows, and inventory records for your Restaurant for the immediately preceding Accounting Period and year-to-date and a balance sheet as of the end of such Accounting Period;
- (c) within 15 days of their filing, copies of all state and city sales tax returns. Each report will be accompanied by a statement signed by an officer attesting that such reports are true, correct and complete;
- (d) within 90 days after the end of your Restaurant's fiscal year, statements of operations, statements of cash flows, statements of stockholders' equity, and source and use of funds statements and a balance sheet for your Restaurant as of the end of such fiscal year;
- (e) by January 15, April 15, July 15 and October 15 of each calendar year, reports on the status (including the outstanding balance, then-current payment amounts, and whether such loan is in good standing) of any loans outstanding as of the previous calendar quarter for which you

Restaurant or any of your Restaurant's equipment is collateral. You must also deliver to us, within five days after your receipt, copies of any default notices you receive from any of such lenders. You agree that we or our affiliates may contact your banks, other lenders, and vendors to obtain information regarding the status of loans of the type described herein and your accounts (including payment histories and any defaults), and you hereby authorize your bank, other lenders, and vendors to provide such information to us and our affiliates; and

(f) on our request, current financial information for each person or Business Entity that has signed a Principal Owner Guaranty sufficient to demonstrate such guarantors' ability to satisfy their financial obligations under their individual guarantees.

12.3. **Access to Information.** We or our designees will have the right at all reasonable times to review, audit, examine, and copy all books and records as we may require. You will make those books and records available us or our designees immediately upon request. If an inspection reveals that any required payment of the Royalty Fee or the marketing fees or advertising contributions to us has been understated in any report, then you will immediately pay to us the amount overdue or understated upon demand, plus interest at the lower of 18% per annum or the maximum rate permitted by applicable law from the date originally due until paid. If an inspection discloses an understatement in any report of 2% or more, you will, in addition, reimburse us for all costs and expenses connected with the inspection (including reasonable accounting and attorneys' fees). These remedies will be in addition to any other remedies we may have at law or in equity, including your liability for late fees if payments are not made at all.

13. **INSPECTIONS AND AUDITS**

13.1. **Our Right to Inspect the Restaurant.** To determine whether you and your Restaurant are complying with this Agreement and all System Standards, we and our designated agents have the right at any time during your regular business hours, and without prior notice to you, to:

- (a) inspect the Restaurant;
- (b) observe, photograph and videotape the operations of the Restaurant for such consecutive or intermittent periods as we deem necessary;
- (c) remove samples of any products, materials or supplies for testing and analysis;
- (d) interview personnel and customers of the Restaurant;
- (e) inspect and copy any books, records, tax returns and documents relating to your operation of the Restaurant; and
- (f) inspect and monitor the computer hardware and software, data security and privacy protocols, configurations, connectivity and data access utilized by the Restaurant.

You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. You agree to present to your customers such evaluation forms that we periodically prescribe and to participate and/or request your customers to participate in any surveys performed by us or on our behalf. You must immediately correct or repair any unsatisfactory conditions we specify.

13.2. **Our Right to Audit.** We have the right at any time during your business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, your and the Restaurant's

business, bookkeeping and accounting records, sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. You must immediately pay us any shortfall in the amounts you owe us (regardless of the degree), including late fees and interest. You agree to reimburse us for the cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees if:

- (a) our inspection or audit is made necessary by your failure to furnish reports, supporting records or other information we require, or to furnish such items on a timely basis; and/or
- (b) our audit or inspection reveals that you understated Gross Sales by 2% or more.

The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

14. **TRANSFER**

14.1. **By Us.** This Agreement is fully transferable and assignable by us, and inures to the benefit of any transferee or other legal successor to our interests, as long as such transferee or successor agrees to be bound by, and assumes all of our continuing obligations under, this Agreement. We may also, at our discretion, designate to a third-party the performance of any of our obligations under this Agreement.

14.2. **By You.** You understand and acknowledge that the rights and duties created by this Agreement are personal to you, and that we have granted such rights in reliance on your business skill, financial capacity and personal character and that of your owners. Accordingly, neither you nor any owner, nor any of your or their permitted successors or assigns, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise dispose of or encumber any direct or indirect interest in this Agreement (including, without limitation, any or all of your rights or obligations under it), your Restaurant or its assets (other than in the ordinary course of business), your right to possession of the premises at the Authorized Location, or any direct or indirect ownership interest in you (regardless of its size) (each, a “**Transfer**”), without our prior written consent.

14.3. **Conditions for Approval of Transfer.** Provided we do not exercise our right of first refusal pursuant to Section 14.4, if you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Section 14, we may approve a Transfer that meets all the applicable requirements of this Section 14.3; provided, however, it will be in our sole and unfettered discretion whether to approve any Transfer. We will give your request reasonable consideration but may condition our consent on compliance with certain requirements, including the following (which you agree are reasonable):

- (a) you and your owners must be in compliance with the terms and conditions of this Agreement and any other franchise agreements you or your owners may have with us;
- (b) the transferee has sufficient business experience, aptitude and financial resources to operate your Restaurant;
- (c) you have paid all Royalties, System Fund Contributions, Co-op contributions, and other amounts owed to us, our affiliates and third-party suppliers, and have submitted all required reports and statements;
- (d) neither the transferee nor its owners (if the transferee is a Business Entity) or affiliates have an ownership interest (direct or indirect) in, or perform services for, a Competitive Business;

(e) the transferee (or its Operating Principal) satisfactorily completes our standard training program;

(f) to the extent required by the terms of any leases or other agreements, the lessor or other parties must have consented to the proposed Transfer;

(g) at our option, the transferee has agreed to be bound by all of the terms and conditions of this Agreement or has entered into our then-current form of Franchise Agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement;

(h) the transferee agrees to upgrade, remodel and refurbish your Restaurant in accordance with our then-current requirements and specifications for a FIRST WATCH® Restaurant;

(i) you or the transferee pay us a Transfer fee equal to 50% of the then-current initial franchise fee. The Transfer fee is the same if the proposed Transfer is among your owners;

(j) you (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees and agents;

(k) we have approved the material terms and conditions of such Transfer and determined that the price and terms of payment will not adversely affect the transferee's operation of the Restaurant;

(l) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your owners have reserved in the Restaurant are subordinate to the transferee's obligation to pay Royalties, System Fund Contributions, Co-op contributions and other amounts due or to become due to us and/or any affiliate of ours and otherwise to comply with this Agreement;

(m) the proposed transferee and its direct and indirect owners must be individuals of good moral character and meet our then applicable standards for FIRST WATCH® Restaurant franchisees;

(n) you and your transferring owners (and your and their immediate family members) have signed a non-competition covenant in favor of us and the transferee agreeing to be bound, commencing on the effective date of the Transfer, by the restrictions contained in this Agreement; and

(o) you and your transferring owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other FIRST WATCH® Restaurants you or they own and operate) identify yourself or themselves or any business as a current or former FIRST WATCH® Restaurant, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of a FIRST WATCH® Restaurant in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us.

You agree that it will not be unreasonable for us to refuse to consent to an assignment or transfer on the basis that one or more of the above conditions have not been met.

14.4. **Our Right of First Refusal.** Your right and your owners' rights to a proposed Transfer, pursuant to any bona fide offer received from a third party to purchase such interest, will be subject to our right of first refusal, which will be exercised in the following manner:

(a) You and/or your owners must provide us with a written notice setting forth (i) all of the terms and conditions of any bona fide offer relating to a proposed Transfer (the purchase price and terms must reflect the bona fide price offered and not a value for any other property or rights); and (ii) all available information concerning the proposed transferee(s) or assignee(s).

(b) Within 30 days of our receipt of such notice and all accompanying information reasonably necessary to evaluate the offer (or if we request additional information, within 30 days after receipt of such additional information), we will notify you and/or your owners of one of the following:

- (i) We will exercise our right of first refusal as provided herein; or
- (ii) We grant our consent to such Transfer to the proposed transferee or assignee as stated in the notice; or
- (iii) We do not exercise our right of first refusal and do not consent to a Transfer to the proposed transferee or assignee.

(c) If we elect to exercise our right of first refusal: (i) we, or our designee, will purchase the interests and/or assets subject to the proposed Transfer on the same terms and conditions as set forth in the bona fide offer; provided, however, that we or our designee may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments) and that we or our designee may deduct from the purchase price any unpaid fees due to us or our affiliates; (ii) our or that of our designee's credit will be deemed equal to the credit of any proposed purchaser, and we or our designee will have not less than 60 days from the date we exercised our right of first refusal to consummate the transaction; and (iii) we or our designee are entitled to receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to ownership and condition of and title to stock or other forms of ownership interests and/or assets; liens and encumbrances relating to the stock or other ownership interests and/or assets; and validity of contracts and the liabilities of the corporation whose stock is being purchased.

(d) If we do not elect to exercise our right of first refusal and consent to the Transfer, you or your owner(s) may complete the Transfer to such proposed transferee(s) or assignee(s) pursuant to and on the exact terms and conditions specified in the notice, subject to the other requirements set forth in Section 14. However, if the Transfer to such proposed transferee(s) or assignee(s) is not completed within 120 days after delivery of such notice to us, or if the terms are materially changed, we will again have the right of first refusal and you and/or your owners will again be required to comply with this Section.

(e) Our right of first refusal will in no way modify or diminish our right to withhold our consent to a Transfer.

Failure to comply with the provisions of this Section prior to the Transfer will constitute a material breach under this Agreement.

If we exercise our right of first refusal, you and your transferring owner(s) agree that, for a period of 2 years commencing on the date of the closing, you and they will be bound by the post-term competitive restrictions contained this Agreement. You and your transferring owner(s) further agree that you and they will, during this same time period, abide by all other restrictions described in this Agreement.

14.5. **Transfer Upon Death or Disability.** You or your representative must promptly notify us in writing of your death or disability or the death or disability of any of your owners. Upon your death or disability (if you are a natural person) or the death or disability of any owner who is a natural person (if you are a legal entity), the executor, administrator or other personal representative of such person must transfer his/her interest in this Agreement, in the Restaurant, or in you to a third party approved by us, within a reasonable period of time, not to exceed 12 months from the date of death or 6 months from the date of disability. Such transfers, including, without limitation, transfers by will or by inheritance, will be subject to the same terms and conditions as inter vivos transfers and will be subject to our right of first refusal under Section 14.4. If an interest is not transferred upon death or disability as required in this Section, then such failure will constitute a material breach of this Agreement. For purposes of this Agreement, the term “**disability**” means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from performing the obligations set forth in this Agreement.

14.6. **Operation Upon Death or Disability.** If, upon the death or disability of any person with an interest in this Agreement, in the Restaurant, or in you, the Restaurant is not being managed by a trained manager, such person’s executor, administrator or other personal representative must, within a reasonable period of time, not to exceed 15 days from the date of death or disability, appoint a qualified manager to operate the Restaurant. Such manager will be required to complete training at your expense. Pending the appointment of a manager as provided herein, or if, in our judgment, the Restaurant is not being managed properly any time after such person’s death or disability, we have the right, but not the obligation, to appoint an interim manager for the Restaurant. All funds from the operation of the Restaurant during the management by our appointed manager will be kept in a separate account, and all expenses of the Restaurant, including compensation, other costs and travel and living expenses of our manager, will be charged to this account. We also have the right to charge a reasonable management fee (in addition to the Royalty, System Fund Contributions and other amounts payable under this Agreement) during the period that our appointed manager manages the Restaurant. Operation of the Restaurant during any such period will be on your behalf, provided that we only have a duty to utilize our best efforts and will not be liable to you or your owners for any debts, losses or obligations incurred by the Restaurant or to any of your creditors for any products, materials, supplies or services the Restaurant purchases during any period it is managed by our appointed manager.

14.7. **Option to Purchase upon Death or Disability.** Anything contained in this Section 14 to the contrary notwithstanding, upon the death or permanent disability of Franchisee (if Franchisee is a natural person) or the owner of a controlling interest (as defined below) in the Restaurant or Franchisee (if Franchisee is a Business Entity), we (or our designee) will have the option, to be exercised within 30 days from the date we receive notice of the death or claim of permanent disability (the “**Option Period**”), to elect to purchase the Restaurant, at the price and upon the terms and conditions set forth in Section 17.5 below. As used herein, a “controlling interest” means the direct or indirect power (including through ownership, by contract, or by law) to direct the management and policies of an entity, including those relating to payment of financial obligations, as reasonably determined by us. If the option provided for in this Section 14.7 is exercised, the closing of the purchase will occur within 90 days after determination of the purchase price, in accordance with Section 17.5. Anything contained herein to the contrary notwithstanding, however, we (or our designee) will have no obligation to close unless and until any and all third party consents deemed necessary by us (or our designee) have been secured.

14.8. **Effect of Consent to Transfer.** Our consent to a Transfer does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of

the prospects of success of the Restaurant or transferee or a waiver of any claims we may have against you (or your owners) or of our right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

14.9. **Securities Offering.** Neither you nor any of your owners may issue or sell, or offer to issue or sell, any of your securities (if you are a Business Entity), regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior written consent. All materials required for the offering by federal or state law will be submitted to us for a limited review as discussed below before being filed with any governmental agency; and any materials to be used in any exempt offering will be submitted to us for similar review before their use. All use of our Marks, in all offering materials, is subject to our approval. No offering will imply (by use of the Marks or otherwise) that we are participating in an underwriting, issuance or offering of your or our securities, and our review of any offering materials will be limited solely to the subject of the relationship between you and us and our affiliates. We may require your offering materials to contain a written statement prescribed by us concerning the limitations described in the preceding sentence. You, your owners and the other participants in the offering must fully indemnify us and our affiliates, and each of our respective officers, directors, shareholders, partners, agents, representatives, independent contractors and employees in connection with the offering. For each proposed offering, you will pay us a non-refundable fee of \$10,000, or any greater amount necessary to reimburse us fully for our expenses associated with reviewing the proposed offering, including legal and accounting fees. You will give us written notice at least 30 days before commencing any offering or other transaction covered by this Section.

15. **SUCCESSOR TERMS**

15.1. **Grant.** You have the option to acquire a successor franchise for two (2) additional consecutive terms of five (5) years each (or, if shorter, until the expiration or termination of your right to possess the premises at the Accepted Site) subject to the following conditions:

(a) You must give us written notice of your election to renew the franchise not less than 180 days nor more than 12 months before the end of the initial term.

(b) You must take all steps identified by us to modernize the Restaurant and otherwise to bring the Restaurant into full compliance with the then-current standards and image for new FIRST WATCH® Restaurants, as contained in the Manuals or otherwise set forth in writing by us. Among other things, this may require you (at your expense) to repair or replace, or to obtain new or additional, signs, interior and exterior decor items, fixtures, furnishings, equipment (including Computer Systems and any software licensed to you pursuant to a Software License Agreement that may be required to be executed), delivery vehicles (if applicable), supplies, and other products and materials. These items may be required for the operation of the Restaurant, required to offer and sell new menu items from the Restaurant, or required to provide the Restaurant's services by alternative means such as through carry-out, catering, or delivery arrangements, or in other manners specified by us.

(c) You must satisfy all monetary obligations owed to us and our affiliates under this Agreement; you and your owners may not be in default of any provision of this Agreement, nor may you or any of your owners be in default of any other agreement with us or any of our affiliates; and you and your owners (as applicable) must have substantially and timely complied with all of the monetary obligations and other terms and conditions of this Agreement and those other agreements during their respective terms.

(d) Upon request by us, you must present satisfactory evidence that you have the right to remain in possession of the Accepted Site for the operation of the Restaurant for the duration of the renewal term.

(e) You must execute our then-current form of franchise agreement, which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including a higher royalty fee, system fee, and advertising contribution or expenditure requirement (you will not, however, be required to pay to us an initial franchise fee, but must pay a successor franchise fee of 50% of our then-current initial franchise fee).

(f) You and your owners must execute and deliver to us a general release (in a form prescribed by us) of all claims against us and our affiliates, and each of our respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, including claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders.

(g) Your Operating Principal, District Manager (if applicable) and General Manager must be in compliance with our then-current qualifications and training requirements, which may include any mandatory new or refresher training programs that we may reasonably require.

(h) You must pay us a successor franchise fee of 50% of our then-current initial franchise fee.

If we determine that you have met all of the conditions described above prior to the expiration of the Term, we will provide you with an execution copy of the form of franchise agreement to be entered into for the successor franchise term. If you do not execute and return the successor franchise agreement to us within 30 days of your receipt, then you will be deemed to have withdrawn your notice of renewal, and this Agreement will terminate at the end of the Term.

16. **TERMINATION OF AGREEMENT**

16.1. **Termination on Notice; No Cure.** We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if:

(a) you (or any of your owners) have made or make any material misrepresentation or omission in connection with your purchase of the Franchise or operation of the Restaurant;

(b) you do not locate, and sign a lease or purchase document for, an acceptable site for the Restaurant within 180 days after the Agreement Date;

(c) you fail to open the Restaurant for business within 12 months from the Agreement Date;

(d) you or the required number of trainees fail to successfully complete initial or any other training to our satisfaction, or you have not fulfilled all of the conditions for management of the Restaurant;

(e) you abandon or fail to actively operate the Restaurant for 1 or more consecutive business days, unless the Restaurant has been closed for a purpose we have approved or because of casualty or government order;

(f) you surrender or transfer control of the operation of the Restaurant without our prior written consent;

(g) you (or any of your owners) are or have been convicted by a trial court of, or plead or have pleaded no contest, or guilty, to, a felony or other serious crime or offense;

(h) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, may adversely affect the reputation of the Restaurant or any other FIRST WATCH® Restaurant or the goodwill associated with the Marks;

(i) you understate Gross Sales by 5% or more, or our audits or investigations show that you understated Gross Sales by 2% or more 2 or more times during any 18-month period;

(j) you (or any of your owners) attempt to initiate or complete a Transfer in violation of the provisions of Section 14;

(k) in the event of your death or disability or the death or disability of one of your owners, such person's interest in this Agreement or in Franchisee is not assigned as required under this Agreement;

(l) you lose the right to possession of the Accepted Site;

(m) you (or any of your owners) make any unauthorized use or disclosure of any part of the Manuals or any other Confidential Information in violation of this Agreement;

(n) you (or any of your owners) fail to comply with any of the restrictive covenants contained in Section 9 of this Agreement;

(o) you knowingly maintain false books or records, or submit any false reports to us;

(p) you violate any health, safety or sanitation law, ordinance or regulation, or operate the Restaurant in an unsafe manner, and do not timely cure the violation to both our satisfaction and that of the governmental authority within the time periods we or any governmental authority specify;

(q) you fail to maintain the insurance we require and do not correct such failure within 10 days after we deliver written notice of such failure to you;

(r) you or any of your affiliates fail, refuse or neglect promptly to pay when due any amounts owed to us or any of our affiliates under this Agreement or any other agreement or to your landlord or any other third-party suppliers, and do not correct such failure within 10 days after written notice of such failure is delivered to you by us, our affiliates or third-party suppliers;

(s) you commit a breach of or default under any franchise agreement or any other agreement between you (or your affiliates) and us or our affiliates and do not cure the breach or default during the applicable cure period (if any) specified in such franchise agreement or other agreement, regardless of whether we in fact terminate such franchise agreement or other agreement;

(t) any other franchise agreement issued to you or your affiliates by us or any subsidiary, related or affiliated company is terminated for any reason;

(u) you fail to pay when due any federal or state income, service, sales or other taxes due on the operations of the Restaurant, unless you are in good faith contesting your liability for such taxes;

(v) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct such failure within 30 days after written notice of such failure to comply is delivered to you;

(w) you (or any of your owners) fail on 3 or more separate occasions within any period of 12 consecutive months or on 5 occasions during the Term to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or our affiliates (including payments to lenders where we guaranteed the underlying indebtedness) or otherwise to comply with this Agreement, whether or not such failures to comply were corrected after written notice of such failure was delivered to you;

(x) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance or regulation; or

(y) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the Restaurant is attached, seized, subjected to a writ or distress warrant or levied upon, unless such attachment, seizure, writ, warrant or levy is vacated within 30 days; or any order appointing a receiver, trustee or liquidator of you or the Restaurant is not vacated within 30 days following the entry of such order.

16.2. **Termination on Notice; Opportunity to Cure.** Except as otherwise provided in Section 16.1, we may terminate this Agreement after we notify you of our intention to do so because of your failure to comply with any other provision of this Agreement and your failure to fully correct such failure within 30 days of our written notice.

17. **RIGHTS AND OBLIGATIONS UPON TERMINATION**

17.1. **Payment of Amounts Owed To Us.** You agree to immediately pay us such Royalties, System Fund Contributions, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

17.2. **Marks.** Upon the termination or expiration of this Agreement:

(a) you may not directly or indirectly at any time or in any manner (except as permitted under other agreements with us) identify yourself or any business as a current or former FIRST WATCH® Restaurant, or as one of our licensees or franchisees, use any Mark, any colorable imitation of a Mark or other indicia of a FIRST WATCH® Restaurant in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that indicates or suggests a connection or association with us;

(b) you will take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(c) at our direction, you will deliver to us within 30 days after the effective date of expiration or termination all signs, sign-faces, sign-cabinets, marketing materials, forms and other materials containing any Mark or otherwise identifying or relating to a FIRST WATCH® Restaurant and allow us, without liability to you or third parties, to remove all such items from the Restaurant;

(d) at our direction, you will promptly and at your own expense make such alterations we specify to distinguish the Restaurant clearly from its former appearance and from other FIRST WATCH® Restaurants so as to prevent confusion by the public;

(e) at our direction, you will immediately notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any Contact Identifiers, authorize the transfer of such Contact Identifiers to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify.

(f) you will furnish us, within 30 days after expiration or termination with evidence satisfactory to us of your compliance with the foregoing obligations.

17.3. **Confidential Information.** You agree that, upon termination or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any manner and for any purpose and will return to us all copies of the Manuals and any other confidential materials that we have loaned to you.

17.4. **Competitive Restrictions.** Upon termination or expiration of this Agreement for any reason whatsoever (provided you have not acquired a Successor Franchise), you and your Principal Owners agree that, for a period of 2 years commencing on the effective date of the termination or expiration, neither you nor any of your Principal Owners will, directly or indirectly (e.g., through a spouse or child):

(a) have any interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in a Competitive Business located or operating:

(i) at the Accepted Site or within the Franchise Territory;

(ii) within a 5-mile radius of the Accepted Site; or

(iii) within a 5-mile radius of any other FIRST WATCH® Restaurant in operation on the later of the effective date of the termination or expiration or the date on which a person restricted by this Section complies with this Section; or

(b) solicit, divert, take away or interfere with any of the business, customers, clients, contractors, referral sources, trade or patronage of ours, our affiliates, our developers or our franchisees, as such may exist throughout the term of this Agreement.

You also agree not to do or perform, directly or indirectly, any act injurious or prejudicial to the goodwill associated with the Marks or the Systems; or make any negative remarks or comments, by any means or via any medium, that would have any disparaging or detrimental effect on our business or reputation or that of us or our affiliates, developers or franchisees, any of our or their past or present officers, directors, shareholders, employees or representatives, any FIRST WATCH® Restaurant, any business using the Marks, or any other brand or service-marked or trademarked concept of us or our affiliates.

If any person restricted by this Section refuses voluntarily to comply with the foregoing obligations, the 2-year period will be extended by the period of noncompliance. You and your Principal Owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive you or your Principal Owners of your or their personal goodwill or ability to earn a living.

17.5. **Our Right to Purchase.**

(a) **Exercise of Option.** Upon the expiration or termination of this Agreement for any reason, we have the option, exercisable by giving written notice to you within 60 days from the date of such termination, to purchase the Restaurant from you, including the leasehold rights to the Accepted Site. The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the “**Notification Date**”. We have the unrestricted right to assign this option to purchase the Restaurant. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets.

(b) **Leasehold Rights.** You agree at our election:

- (i) to assign your leasehold interest in the Accepted Site to us;
- (ii) to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease; or
- (iii) to enter into a lease with us (or our designee), to lease the Accepted Site to us (or our designee) at fair market rental value for the unexpired franchise term remaining under this Agreement, including any renewals, under a form of commercial lease agreement reasonably satisfactory to us, in the event that you or your affiliate owns the Site.

(c) **Purchase Price.** The purchase price for the Restaurant will be its fair market value, determined in a manner consistent with reasonable depreciation of the Restaurant's equipment, signs, inventory, materials and supplies, provided that the Restaurant will be valued as an independent business and its value will not include any value for:

- (i) the Franchise or any rights granted by this Agreement;
- (ii) the Marks; or
- (iii) participation in the network of FIRST WATCH® Restaurants.

The Restaurant's fair market value will include the goodwill (if any) that you developed in the market of the Restaurant that exists independent of the goodwill of the Marks and the System. The length of the remaining term of the lease for the Accepted Site will also be considered in determining the Restaurant's fair market value.

We may exclude from the assets purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Restaurant's operation or that we have not approved as meeting standards for FIRST WATCH® Restaurants, and the purchase price will reflect such exclusions.

(d) **Appraisal.** If we and you are unable to agree on the Restaurant's fair market value, its fair market value will be determined by 3 independent appraisers who collectively will conduct one appraisal. We will appoint one appraiser, you will appoint one appraiser and the two party-appointed appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within 15 days after we notify you that we are exercising our option to purchase the Restaurant, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the date on which the last of the two party-appointed appraisers was appointed. If the 3 appointed appraisers are not able to agree on the Restaurant's fair market value, the purchase price will be the average of the values determined by the 3 appraisers. You and we will bear the cost of our own appraisers and share equally the fees and expenses of the third appraiser chosen by the two party-appointed appraisers. The appraisers are obligated to complete their appraisal within 30 days after the third appraiser's appointment.

The purchase price will be paid at the closing of the purchase, which will take place not later than 90 days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners or affiliates owe to us or any amounts that you owe to the landlord of the Accepted Site or to any suppliers or creditors that we pay on behalf in order to obtain lawful possession of the Accepted Site, any assets, or to cover amounts that you owe to suppliers that we do business with. At the closing, you agree to deliver instruments transferring to us:

- (i) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you; and
- (ii) all licenses and permits of the Restaurant which may be assigned or transferred; and
- (iii) the leasehold interest and improvements in the Accepted Site.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will be accomplished through an escrow. You and your owners further agree to execute general releases, in form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

17.6. **Continuing Obligations.** All of our and your (and your owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. Examples include indemnification, payment, de-identification and dispute resolution proceedings.

18. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

18.1. **Independent Contractors.** You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that we and you are and will be independent contractors and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner or employee of the other for any purpose. You agree to conspicuously identify yourself in all dealings with customers, suppliers, public officials, Restaurant personnel and others as the independent owner of the Restaurant under a franchise we have granted and to place such notices of independent ownership

on such forms, business cards, stationery and advertising and other materials as we may require from time to time.

18.2. **No Liability for Acts of Other Party.** You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Restaurant's operation or the business you conduct pursuant to this Agreement.

18.3. **Taxes.** We will have no liability for any sales, use, alcohol surcharge, service, occupation, excise, gross receipts, income, payroll, property or other taxes, whether levied upon you or the Restaurant, in connection with the business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes are your responsibility.

18.4. **Indemnification.** You agree to indemnify, defend and hold harmless us, our affiliates and our respective shareholders, directors, officers, employees, agents, successors and assignees (the "**Indemnified Parties**") against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Section, arising out of your Lease (including any breach or failure to pay rent or other amounts due), any and all taxes described in this Agreement and any and all claims and liabilities directly or indirectly arising out of the Restaurant's operation (even if our negligence is alleged), your breach of this Agreement, your violation of any applicable laws, rules or regulations (including employment or workplace laws, rules or regulations) or the acts or omissions of you or any of your employees. For purposes of this indemnification, "**claims**" includes all obligations, damages (actual or consequential) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, arbitration and court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. Each Indemnified Party may, in its discretion and at your expense, may defend against any claims against it, control the defense of any claim against it (including choosing and retaining its own legal counsel), agree to settlements of claims against it, and take any other remedial, corrective, or other actions in response to such claims. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

19. **ENFORCEMENT**

19.1. **Severability; Substitution of Valid Provisions.** Except as otherwise stated in this Agreement, each term of this Agreement, and any portion of any term, are severable. The remainder of this Agreement will continue in full force and effect. To the extent that any provision restricting your competitive activities is deemed unenforceable, you and we agree that such provisions will be enforced to the fullest extent permissible under governing law. This Agreement will be deemed automatically modified to comply with such governing law if any applicable law requires: (a) a greater prior notice of the termination of or refusal to renew this Agreement; or (b) the taking of some other action not described in this Agreement; or (c) if any FIRST WATCH® System Standard is invalid or unenforceable. We may modify such invalid or

unenforceable provision to the extent required to be valid and enforceable. In such event, you will be bound by the modified provisions.

19.2. **Waivers.** We will not be deemed to have waived our right to demand exact compliance with any of the terms or conditions of this Agreement, even if at any time: (a) we do not exercise a right or power available to us under this Agreement; or (b) we do not insist on your strict compliance with the terms of this Agreement; or (c) there develops a custom or practice which is at variance with the terms of this Agreement; or (d) we accept payments which are otherwise due to us under this Agreement. Similarly, our waiver of any particular breach or series of breaches under this Agreement or of any similar term in any other agreement between you and us or between us and any other franchise owner, will not affect our rights with respect to any later breach by you or anyone else.

19.3. **Approval and Consents.** Whenever this Agreement requires our advance approval, agreement or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing. Except where expressly stated otherwise in this Agreement, we have the absolute (sole and unfettered) right to refuse any request by you or to withhold our approval of any action or omission by you. If we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, we will not be deemed to have made any warranties or guarantees which you may rely on, and will not assume any liability or obligation to you.

19.4. **Waiver of Special Damages.** Except for your obligations to indemnify us and claims for unauthorized use of the Marks or Confidential Information, you and we each waive to the full extent permitted by law any right to, or claim for, any punitive or exemplary damages against the other. You and we also agree that, in the event of a dispute between you and us, the party making a claim will be limited to equitable relief and recovery of any actual damages it sustains.

19.5. **Limitations of Claims.** Any and all claims arising out of this Agreement or the relationship among you and us must be made by written notice to the other party within 1 year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims. However, this provision does not limit the right to terminate this Agreement in any way.

19.6. **Governing Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 and the sections following it) or other federal law, this Agreement and the Franchise are governed by the law of the State in which our principal business office is located (currently, Florida), excluding any law regulating the offer or sale of franchises or governing the relationship between a franchisor and franchise owner, unless the jurisdictional requirements of such laws are met independently without reference to this section. All matters relating to arbitration are governed by the Federal Arbitration Act. References to any law or regulation also refer to any successor laws or regulations and any implementing regulations for any statute, as in effect at the relevant time. References to a governmental agency also refer to any successor regulatory body that succeeds to the function of such agency.

19.7. **Jurisdiction.** Subject to the parties' agreement to submit to binding arbitration under Article 20 below, disputes arising under this Agreement shall be resolved, and you and we consent and irrevocably submit to the jurisdiction and venue of, any state or federal court of competent jurisdiction located in or nearest to our principal business office (currently Manatee County, Florida). You and we waive any objection to the jurisdiction of and venue in such courts. The exclusive choice of jurisdiction does not preclude the bringing of any action by the parties for the enforcement by the parties of any judgment obtained in any such jurisdiction, in any other appropriate jurisdiction or the right of the parties to confirm or enforce any arbitration award in any appropriate jurisdiction.

19.8. **Waiver of Jury Trial.** You and we each irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either you or us.

19.9. **Cumulative Remedies.** The rights and remedies provided in this Agreement are cumulative and neither you nor we will be prohibited from exercising any other right or remedy provided under this Agreement or permitted by law or equity.

19.10. **Costs and Attorneys' Fees.** If a claim for amounts owed by you to us or any of our affiliates is asserted in any legal or arbitration proceeding or if either you or we are required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable accounting and attorneys' fees. Attorneys' fees will include, without limitation, reasonable legal fees charged by attorneys, paralegal fees, and costs and disbursements, whether incurred prior to, or in preparation for, or contemplation of, the filing of written demand or claim, action, hearing, or proceeding to enforce the obligations of the parties under this Agreement.

19.11. **Binding Effect.** This Agreement is binding on and will inure to the benefit of our successors and assigns. Except as otherwise provided in this Agreement, this Agreement will also be binding on your successors and assigns, and your heirs, executors and administrators.

19.12. **Entire Agreement.** This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements. Notwithstanding the foregoing, nothing in this Agreement shall disclaim, or require you to waive reliance on, any representation that we made in the most recent franchise disclosure document (including its exhibits and amendments) that we delivered to you or your representative, subject to any changes to the contract terms and conditions described in that franchise disclosure document as reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement). Except as expressly provided otherwise in this Agreement, this Agreement may be modified only by written agreement signed by both you and us. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

19.13. **No Liability to Others; No Third Party Beneficiaries.** We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity who is not a party to this Agreement. First Watch Restaurants, Inc., its successors and assigns, will be a third party beneficiary of this Agreement, with the full and independent right, at its option and in its sole discretion, to enforce this Agreement. Except as expressly provided to the contrary herein, no other party has any rights because of this Agreement.

19.14. **Construction.** The headings of the sections are for convenience only. If two or more persons are at any time franchise owners hereunder, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. This Agreement may be signed in multiple copies, each of which will be an original. "A or B" means "A" or "B" or both. The singular use of any pronoun also includes the plural and the masculine and neuter usages include the other and the feminine. Unless otherwise specified, all referenced to number of days means calendar days and not business days.

19.15. **Certain Definitions.** The term "family member" refers to parents, spouses, off-spring and siblings, and the parents and siblings of spouses. The term "affiliate" means any person or entity directly or indirectly owned or controlled by, controlling, or under common control with, a person. The terms "franchisee, franchise owner, you and your" are applicable to one or more persons, or a Business Entity, as the case may be. The term "person" means any natural person, corporation, partnership (general or limited), limited liability company, or other artificial or legal entity. The term "section" refers to a

section or subsection of this Agreement. The word “**control**” or “**controlling interest**” means the power to direct or cause the direction of management and policies. The word “**owner**” means any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in another person (or a transferee of this Agreement or an interest in you), including any person who has a direct or indirect interest in you or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself any legal or equitable interest, in the revenue, profits, rights or assets of the franchised business. The word “**including**” means “including but not limited to.”

19.16. **Timing is of the Essence.** It will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement. In computing time periods from one date to a later date, the words “**from**” and “**commencing on**” (and the like) mean “**from and including**”; and the words “**to**,” “**until**” and “**ending on**” (and the like) mean “**to but excluding**.” Indications of time of day mean Bradenton, Florida time.

20. **DISPUTE RESOLUTION**

20.1. **Agreement to Arbitrate.** Except for Disputes (as defined below) related to or based on the Marks (which at our sole option may be submitted to any court of competent jurisdiction) and except as otherwise expressly provided by Sections 20.5 and 20.6 of this Agreement, any litigation, claim, dispute, suit, action, controversy or proceeding (“**Dispute**”) between or involving you and us (and/or involving you and/or any claim against or involving any of your or our affiliates, shareholders, directors, partners, officers, employees, agents, attorneys, accountants, affiliates or guarantors) and/or between or involving you and any of our area representatives, which are not resolved within 45 days of notice from either you or we to the other, or you to one of our area representatives, will be submitted to arbitration to the office of the American Arbitration Association (“**AAA**”) closest to our then-current principal business office (currently, Bradenton, Florida). The arbitration will be conducted in accordance with the AAA’s then-current Commercial Arbitration Rules. All matters relating to arbitration will be governed by the federal arbitration act (9 U.S.C. §§1 *et seq.*) and not by any state arbitration law. The parties to any arbitration will execute an appropriate confidentiality agreement, excepting only such disclosures and filings as are required by law.

20.2. **Place and Procedure.** The arbitration proceedings will be conducted at our then-current principal business office (currently in Bradenton, Florida). Any dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Any such arbitration proceeding may not be: (i) commenced, conducted or consolidated with any other arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such arbitration; (ii) joined with any separate claim of an unaffiliated third-party; or (iii) brought on your behalf by any association or agent. The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by rule 13 of the federal rules of civil procedure) within the same proceeding as the dispute to which it relates. Any such dispute which is not submitted or filed in such proceeding will be barred. The arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case’s outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain; and shall not include broad phraseology such as “all documents directly or indirectly related to.” You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use. With respect to any discovery of electronically stored information, you and we agree that such requests must balance the need for production of electronically stored information relevant and material to the outcome of a disputed issue against the cost of locating and producing such information.

20.3. **Awards and Decisions.** The proceedings will be heard by a single arbitrator reasonably acceptable to both parties. The arbitrator will have the right to award any relief which he or she deems proper in the circumstances, including, for example, money damages, pre- and post-award interest, interim costs, specific performance, temporary and/or permanent injunctive relief, and attorneys' fees and related costs to the prevailing party. The arbitrator will not have the authority to award exemplary or punitive damages except as otherwise permitted by this Agreement, nor the right to declare any Mark generic or otherwise invalid. You and we agree to be bound by the provisions of any limitations or the time on which claims must be brought under applicable law or under this Agreement, whichever expires earlier. The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction. The parties acknowledge and agree that any arbitration award may be enforced against either or both of them in a court of competent jurisdiction and each waives any right to contest the validity or enforceability of such award. Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

20.4. **Dispute Resolution Program.** Without limiting any of the foregoing, you and your owners acknowledge that we have the right, at any time, to create a Dispute Resolution Program and related specifications, standards, procedures, and rules for the implementation thereof to be administered by us or our designees for the benefit of all franchisees conducting business under the System. The standards, specifications, procedures, and rules for any such dispute resolution program will be made part of the manual, and franchisees and their owners will comply with all of those standards, specifications, procedures, and rules in seeking resolution of any Disputes with or involving us or other franchisees, if applicable under the program. If we make a Dispute Resolution Program mandatory, then we, you and your owners hereby agree to submit any Disputes arising out of or relating to this Agreement (and attachments) or the relationship created by this agreement for resolution in accordance with that Dispute Resolution Program before seeking resolution of Disputes in any other manner. If the Dispute relates to another franchisee, franchisees and their owners agree to participate in the program and submit any Disputes in accordance with the Program's standards, specifications, procedures, and rules, before seeking resolution of the Dispute by any other judicial or legally available means.

20.5. **Specific Performance.** Nothing in this Agreement will prevent either you or us from obtaining temporary restraining orders and temporary or preliminary injunctive relief in a court of competent jurisdiction. However, you and we must contemporaneously submit the dispute for arbitration on the merits.

20.6. **Third Parties.** The arbitration provisions of this Agreement are intended to benefit and bind certain third party non-signatories, and all of your and our owners and affiliates.

20.7. **Survival.** This Article 20 continues in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement for any reason.

21. **VARYING STANDARDS**

Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole and absolute discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards and franchise agreement provisions for any franchisee or prospective franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation of such franchisee's business. You will not have the right to complain about a variation from standard specifications and practices granted previously to you or granted to any other franchisee and will not be entitled to require us to grant you a like or similar variation.

22. **NOTICES AND PAYMENTS**

Any and all notices and reports permitted or required under this Agreement or by the Manuals shall be delivered personally, by facsimile, or sent by a nationally recognized commercial courier service for next business day delivery or certified or registered mail, return receipt requested, first class postage prepaid, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

If to Us: FIRST WATCH FRANCHISE DEVELOPMENT CO.
8725 Pendery Place, Suite 201
Bradenton, Florida 34201
Facsimile: (941) 907-8933
Attention: Jay Wolszczak

If to You: To the address set forth below your signature on the following page.

Notwithstanding the above, we may, at our sole discretion, provide notices required or permitted under this Agreement to you via electronic mail at the designated email address below your signature on the following page. Any and all notices and reports permitted or required under this Agreement or by the Manuals will be deemed to be delivered:

(a) at the time delivered by hand;

(b) 1 business day after transmission by facsimile, telecopy, e-mail, or other electronic system or after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or

(c) 3 business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

Either you or we may change the address for delivery of all notices and reports and any such notice will be effective within 10 business days of any change in address. Any required payment or report not actually received by us during regular business hours on the date due (or postmarked by postal authorities at least 2 days prior to such date, or in which the receipt from the commercial courier service is not dated prior to 2 days prior to such date) will be deemed delinquent. Notwithstanding the foregoing, it will always be deemed acceptable to send notice to you at the address of the Restaurant.

23. **OUR ACTIONS AND DECISIONS**

You agree that whenever this Agreement allows or requires us to take actions or make decisions, we may do so in our sole and unfettered discretion, even if you believe our action or decision is unreasonable, unless the Agreement expressly and specifically requires that we act reasonably or refrain from acting unreasonably in connection with the particular action or decision.

24. **SAFETY OF PERSONNEL**

Notwithstanding any provision in this Agreement to the contrary (including our obligations related to operations support, inspections or training), we will not be required to send any of our personnel and/or representatives to your Restaurant to provide any assistance or services if, in our sole determination, it is unsafe to do so. Such determination by us will not relieve you from your obligations under this Agreement

(including, without limitation, to pay monies owed) and will not serve as a basis for your termination of this Agreement. We may also, at any time, for any reason, elect to conduct any or all support, inspections, training, or other services virtually, and you agree to comply with our instructions for all virtual programs.

[Signature Page Follows]

Intending to be bound, you and we sign and deliver this Agreement effective as of the Agreement Date.

“US”:

“YOU”:

**FIRST WATCH FRANCHISE DEVELOPMENT
CO.**, a Delaware corporation

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Franchisee's Address for Notices (Section 22):

Attn: _____

Facsimile: _____

E-mail: _____

[Signature Page to First Watch Franchise Development Co. Franchise Agreement]

**EXHIBIT A
TO THE FRANCHISE AGREEMENT**

Franchisee Information Sheet

1. **Franchisee.** My official name is _____. I was incorporated or formed on _____, _____, under the laws of the State of _____. The following is a list of all persons who have management rights and powers (e.g., officers, directors, managers, partners, etc.) and their positions, as of the Effective Date shown above:

Name of Person	Position(s) Held
_____	_____
_____	_____
_____	_____

2. **Owners.** The following list includes the full name and mailing address of each of my owners, including all shareholders, partners, members, or other investors owning or holding a direct or indirect interest in me, and fully describes the nature of each person’s interest (attach additional sheets if necessary):

Owner’s Name and Address	Nature of Interest	% of Ownership Interest in Franchisee

3. **Operating Principal.** My Operating Principal is: _____ (must be one of the individuals listed in paragraph 3 above). I understand that I may not change the Operating Principal without Franchisor’s prior written approval.
4. **Accepted Site:** _____
5. **Franchise Territory (if applicable):** _____
6. **Delivery Area (if applicable):** _____
7. **Development Fee Pro Rata Credit (if applicable):** The Restaurant is number ____ of ____ Restaurants to be developed under that certain Area Development Agreement dated _____, 20__ between Franchisee (or its affiliate) and Franchisor. Franchisor will credit \$20,000 (representing a pro rata portion of the development fee) toward the initial franchise fee under Section 5.1 of this Agreement. The balance of the initial franchise fee is \$20,000, which must be paid in full upon execution of this Agreement.

**EXHIBIT B
TO THE FRANCHISE AGREEMENT**

PRINCIPAL OWNERS' GUARANTY AND ASSUMPTION

This Principal Owners' Guaranty and Assumption (the "Guaranty") is given this _____ day of _____, 20__, by the undersigned in connection with the Franchise Agreement dated _____, 20__ (as amended, modified, restated or supplemented from time to time, the "Franchise Agreement") by and between First Watch Franchise Development Co. ("Franchisor") and _____ ("Franchisee").

In consideration of, and as an inducement to, the execution of the Franchise Agreement by Franchisor, each of the undersigned and any other parties who sign counterparts of this Guaranty (individually, a "Guarantor" and collectively, the "Guarantors") hereby personally and unconditionally guarantee to Franchisor and its successors and assigns, that Franchisee will punctually perform its obligations and pay all amounts due under the Franchise Agreement, including, without limitation, amounts due for initial franchise fees, royalties, advertising fund contributions and purchases of equipment, materials, and supplies.

Each Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Principal Owners in the Franchise Agreement are in partial consideration for, and a condition to, the granting of a franchise in the Franchise Agreement, and that Franchisor would not have granted such rights without the execution of this Guaranty and such undertakings by each Guarantor.

Each Guarantor waives:

- (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; and
- (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and
- (iv) all rights to payments and claims for reimbursement or subrogation which he or she may have against Franchisee arising as a result of his or her execution of and performance under this Guaranty (including by way of counterparts); and
- (v) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (i) his or her direct and immediate liability under this Guaranty will be joint and several not only with Franchisee, but also among the Guarantors; and
- (ii) he or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; and
- (iii) such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
- (iv) such liability will not be diminished, relieved or otherwise affected by any subsequent rider or amendment to the Franchise Agreement or by any extension of time, credit or other indulgence that Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable throughout the term of the Franchise Agreement and for so long thereafter as there

are any monies or obligations owing by Franchisee to Franchisor under the Franchise Agreement;
and

- (v) Franchisee's written acknowledgment, accepted in writing by Franchisor, or the judgment of any court or arbitration panel of competent jurisdiction establishing the amount due from Franchisee will be conclusive and binding on the undersigned as Guarantors.

Each Guarantor individually, jointly and severally, also makes all of the covenants, representations, warranties and agreements of your Principal Owners set forth in the Franchise Agreement and is obligated to perform thereunder, including, without limitation, under Sections 1, 2.6, 8, 9, 14, 15, 17, 19 and 20 (which include, among other things, the arbitration of disputes and WAIVERS OF JURY TRIAL RIGHTS AND PUNITIVE DAMAGES, and Franchisor's option to purchase the Restaurant upon the occurrence of certain events.

Additionally, with respect to the individual designated as the Operating Principal, Operating Principal acknowledges that the undertakings by Operating Principal under this Guaranty are made and given in partial consideration of, and as a condition to, Franchisor's grant of franchise rights as described herein; Operating Principal individually, jointly and severally, makes all of the covenants, representations and agreements of Franchisee and Operating Principal set forth in the Franchise Agreement and is obligated to perform hereunder.

If Franchisor is required to enforce this Guaranty in an administrative, judicial or arbitration proceeding, and prevails in such proceeding, Franchisor will be entitled to reimbursement of its costs and expenses, including, but not limited to, legal and accounting fees and costs, administrative, arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of an administrative, judicial or arbitration proceeding and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the Guarantors will reimburse Franchisor for any of the above-listed costs and expenses incurred by it.

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries, for so long as such delinquency exists, subject to applicable law.

IN WITNESS WHEREOF, each Guarantor has hereunto affixed his signature on the same day and year as the Franchise Agreement was executed.

GUARANTORS

*Name: _____

Name: _____

Name: _____

Name: _____

* Denotes individual who is Franchisee's Operating Principal.

**EXHIBIT C
TO THE FRANCHISE AGREEMENT**

PURCHASE OPTION ADDENDUM

THIS PURCHASE OPTION ADDENDUM (“Addendum”) is made by **FIRST WATCH FRANCHISE DEVELOPMENT CO.**, a Delaware corporation (“we” or “us”), and _____, a(n) _____ (“you”), as of the Effective Date (the “**Effective Date**” is the date on which we sign this Addendum). This Addendum shall attach to and apply with respect to: (i) that certain Franchise Agreement between you and us dated _____, 20__ (the “**Franchise Agreement**”); (ii) that certain Area Development Agreement (if any) (if applicable, the “**Development Agreement**”) and/or Franchise Agreements (if any) between us and you or your affiliates, dated prior to the Effective Date; and (iii) each additional franchise agreement between us and you or your affiliates entered into after the Effective Date (collectively, the “**Agreements**”).

1. **Purchase Option.** In addition to any other purchase options we have under the Agreements, pursuant to the terms of this Addendum, we or our designee will have the option to purchase from you and your owners and affiliates (i) all of your and their rights, title and interest in and to all real, personal and mixed assets used in connection with the development and operation of all FIRST WATCH® Restaurants you or they own, operate or are developing pursuant to the Agreements, and (ii) all rights under the Development Agreement to develop additional FIRST WATCH® Restaurants for which franchise agreements have not yet been executed (all of the foregoing collectively referred to herein as the “**Purchase Option Assets**”, without assuming any liabilities or obligations and such purchase and sale option is referred to as the “**Purchase Option**”). For the avoidance of doubt, exercise of the Purchase Option shall obligate us (or our designee) to purchase, and shall obligate you and your affiliates to sell, all of your and your affiliates’ Future Restaurants, Under Development Restaurants, New Restaurants (including Mature Restaurants and non-Mature Restaurants) and Established Restaurants, as each of those terms are defined below. We will have the right, but not the obligation, to offer employment to FIRST WATCH® Restaurant-level employees, including hourly associates, managers and general managers.

2. **Exercise of Purchase Option.** If you or your affiliates have not previously signed a purchase option addendum or agreement with us in connection with the development and/or operation of FIRST WATCH® Restaurants, beginning on the earlier of (a) the fifth (5th) anniversary of the Effective Date, or (b) a Triggering Event (defined below), and continuing throughout the terms of the Agreements (as they may be amended, modified or extended) and any successor franchise granted pursuant to the Agreements (the “**Option Period**”), we or our designee may exercise the Purchase Option, providing you with written notice of our intention to exercise of the Purchase Option as to all of the Agreements (an “**Option Notice**”). If, however, you or your affiliates have previously signed a purchase option addendum or agreement with us, our Option Period shall begin at the earlier of (a) the earliest available opportunity to exercise a previous purchase option based on the passage of time, or (b) a Triggering Event. The date on which we provide you with the Option Notice is the “**Option Notice Date.**” Once we issue an Option Notice, you and we will proceed in accordance with this Addendum.

For purposes of this Addendum, a “**Triggering Event**” is either a Change of Control Transaction or an IPO involving us or any of our direct or indirect parent companies (each a “**Designated Entity**”). A “**Change of Control Transaction**” means: (i) the sale of all or substantially all of our or a Designated Entity’s assets to an unaffiliated third party; (ii) the sale or exchange of more than 50% of our or a Designated Entity’s total issued and outstanding equity securities to an unaffiliated third party; (iii) a merger, consolidation or recapitalization of us or any Designated Entity as a result of which an unaffiliated third party in which neither we nor a Designated Entity obtain or maintain a controlling voting interest; (iv) the sale, conveyance, exchange or assignment by our owners or the owners of a Designated Entity, in one transaction or a series of related transactions, of 50% or more of our or such Designated Entity’s outstanding ownership interests to persons who, prior to such sale, did not own more than 25% of such outstanding ownership interests; or (v) any transaction or a series of related transactions as a result of which an unaffiliated third party has the power, directly or indirectly, to elect or determine the outcome of the election of our or a Designated Entity’s governing board or manager or of a similar governing body. An “**IPO**” means the signing of an underwriting agreement between a managing underwriter or underwriters and us or our affiliate, the receiving of a highly confident or similar letter from an underwriter to us or an affiliate to sell our or a Designated Entity’s shares in a public offering, or the filing of a registration statement filed under the Securities Act of 1933, as amended

(the “**Securities Act**”), in which our or a Designated Entity’s equity interests are directly or indirectly proposed to be sold in a public offering.

3. **Excluded Assets.** Notwithstanding anything in this Addendum to the contrary, in exercising our Purchase Option, we may, at our option, exclude from the Purchase Option Assets cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the operation of the FIRST WATCH[®] Restaurants or that we have not approved as meeting standards for FIRST WATCH[®] Restaurants (the “**Excluded Assets**”). The purchase price for the Purchase Option Assets will reflect such exclusions by reducing the purchase price amount by the lesser of your costs of purchasing the Excluded Assets or their book value. The Option Notice will specify the Excluded Assets, if any, that we are electing not to purchase.

4. **Purchase Price Form.** The purchase price for the Purchase Option Assets shall be paid, at our discretion, in cash, equity ownership interests, or in the same form or type of consideration, and upon the same terms and conditions, as we or our shareholders receive in the Triggering Event transaction. If the Triggering Event is an IPO, the purchase price will be paid to you or your owners, at our option, either in cash or stock, or any combination thereof, valued at the price offered to the public in the IPO.

If you and we both agree, then all or a portion of the purchase price may include a class of unregistered securities. You understand that such securities will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or applicable state securities laws, and that you and your owners and affiliates may be required to hold such shares indefinitely without sale, transfer or other disposition unless the shares are, or at any time become, registered or exempt from registration. You further understand that we undertake no obligation, and have no current intention, to register any such shares pursuant to any federal or state securities laws, or to file any reports to make public the information required by Rule 144 under the Securities Act. The issuance of any unregistered shares pursuant to this paragraph will be subject to the availability of exemptions from registration under applicable federal and state securities laws and the completion of any required exemption or notice filings with the appropriate federal and/or state regulators.

If all or any portion of the purchase price is comprised of securities, then both you and we will make reasonable efforts to effect a merger, exchange or reorganization to optimize the after-tax results of both parties. You and your owners and affiliates must comply with any post acquisition restrictions, if any, on the issuance or transfer of any stock to you.

5. **Purchase Price Amount.** The amount of the purchase price paid to you for the Purchase Option Assets (the “**Purchase Price Amount**”) will be determined as follows:

(a) For each Established Restaurant, an amount equal to four (4) times the Trailing 12 Months Restaurant-Level EBITDA, minus the Deferred Maintenance Cost Adjustment.

(b) For each New Restaurant that is a Mature Restaurant, an amount equal to the greater of: (i) four (4) times the Trailing 12 Months Restaurant-Level EBITDA, minus the Deferred Maintenance Cost Adjustment; or (ii) 106% of the reasonable Development Costs up to the Restaurant’s opening date.

(c) For each New Restaurant, an amount equal to the greater of: (i) four (4) times the Annualized Restaurant-Level EBITDA, minus the Deferred Maintenance Cost Adjustment; or (ii) 106% of the reasonable Development Costs up to the Restaurant’s opening date.

(d) For each Under Development Restaurant, an amount equal to 106% of the reasonable Development Costs.

(e) For each Future Restaurant, an amount equal to the portion of the Development Fee allocable to the Future Restaurant as described in the Development Agreement.

6. **Purchase Option Definitions.** For purposes of this Addendum, the following terms will have the following meanings:

(a) **“Annualized Restaurant-Level EBITDA”** means, for the period beginning on the opening date of the Restaurant and ending as of the completion of the most recent calendar month occurring prior to the Option Notice Date, the total (A) cash sales of the FIRST WATCH® Restaurant; (B) less its direct cash operating expenses (including, but not limited to, cost of goods sold, labor expenses, operating expenses, rent and occupancy expenses, royalty and marketing expenses, and other similar cash operating expenses); (C) less the Lease Amount (as defined in Section 12) (collectively, the **“Earnings”**), annualized by (1) dividing the Earnings by the total number of calendar months the Restaurant operated pursuant to the Franchise Agreement, then (2) multiplying that number by twelve (12). The direct cash operating expenses of any FIRST WATCH® Restaurant do not include depreciation or amortization, any other deferred or accrued expenses or prepaid items that are being expensed in accordance with generally accepted accounting principles that are not currently due as a cash expense, debt or interest costs, and/or any allocated corporate or regional operating expenses that are not incurred as related to the day-to-day operations of the restaurant (for greater clarity, the direct cash operating expenses of a restaurant shall include any allocable expenses that may be paid from corporate or regional accounts that are related to its operations, including, but not limited to insurance expenses, utility expenses, employee benefit expenses, inspection expenses, costs of regional managers who work in stores in lieu of permanent store managers, training expenses of new store managers, and other similar expenses).

(b) **“Deferred Maintenance Cost Adjustment”** means the cost of any repairs and maintenance that we deem necessary, in our sole discretion, to bring the FIRST WATCH® Restaurant into compliance with current System Standards as of the Option Notice Date, but only to the extent that such repairs and/or maintenance would otherwise be required under the terms of the applicable franchise agreement and exceed \$5,000 on an aggregate basis.

(c) **“Development Costs”** means the reasonable direct out-of-pocket costs and expenses paid to unrelated third parties in connection with the development of the FIRST WATCH® Restaurant, including, without limitation, the initial franchise fee paid to us under the applicable franchise agreement, leasehold improvements, rent and occupancy expenses, equipment, inventory and smallwares, signage, and other miscellaneous costs, provided that all Development Costs must be documented to our reasonable satisfaction.

(d) **“Established Restaurant”** means a FIRST WATCH® Restaurant that has been open for 18 months or more as of the Option Notice Date.

(e) **“Future Restaurant”** means a FIRST WATCH® Restaurant that is not the subject of an existing franchise agreement as of the Option Notice Date and that does not otherwise qualify as an Under Development Restaurant.

(f) **“Mature Restaurant”** means a New Restaurant that, as of the Option Notice Date, has been open and operating pursuant to a fully executed Franchise Agreement for at least 12 full calendar months.

(g) **“New Restaurant”** means a FIRST WATCH® Restaurant that has been open for less than 18 months as of the Option Notice Date.

(h) **“Trailing 12 Months Restaurant-Level EBITDA”** means (A) the cash sales of the FIRST WATCH® Restaurant; (B) less its direct cash operating expenses (as detailed above) for the most recent 12 calendar months ending as of the completion of the most recent calendar month occurring prior to the Option Notice Date; (C) less the Lease Amount, as calculated on a pro forma basis for the most recent 12 calendar months ending as of the completion of the most recent calendar month occurring prior to the Option Notice Date.

(i) “**Under Development Restaurant**” means a FIRST WATCH[®] Restaurant that is Under Development but has not opened as of the Option Notice Date. “Under Development” means that (A), the location has been accepted and is subject to a fully executed and effective franchise agreement, and the lease agreement for the premises has been executed as of the Option Notice Date; or (B) the proposed location has been identified and submitted to us prior to, or within five (5) days following, the Option Notice Date and is thereafter accepted by us in accordance with the franchise agreement, provided you have signed and delivered to us the applicable franchise agreement and the lease agreement (accepted by us) for the premises not later than 60 days after Option Notice Date.

Except as otherwise described above, the Purchase Price Amount will not include any amount allocable to your development obligations or other rights under the Development Agreement (if any). We (or our designee) have the right to set off against the Purchase Price Amount, and thereby reduce the Purchase Price Amount by, any and all amounts you or your owners or affiliates owe to us or our affiliates or any amounts you or your owners or affiliates owe landlord(s), suppliers or creditors that we pay on your behalf in order to obtain lawful possession of the Restaurant premises or any other Purchase Option Assets, or to cover amounts that you or your owners or affiliates owe to suppliers we do business with.

7. **Right to Assign.** Notwithstanding anything to the contrary contained herein, we may, without consent and in our sole discretion, assign our rights and obligations under the Purchase Option.

8. **Purchase Notice.** You and all of your owners and affiliates must, within 30 days following receipt of the Option Notice, deliver to us audited financial statements (including, statements of operations, statements of cash flows, statements of stockholders’ equity, and source and use of funds statements and balance sheets) for the past two (2) fiscal years, along with all other financial data and supporting information necessary or desirable, in our opinion, to identify any Excluded Assets and to calculate the Purchase Price Amount (the “**Financial Data**”). Within 30 days following our receipt of the Financial Data, we will deliver to you a written notice (the “**Purchase Notice**”) identifying the Excluded Assets and stating the Purchase Price Amount and a detailed explanation of the valuation methodology utilized, including a calculation of: (i) the Trailing 12 Months Restaurant-Level EBITDA for each Established Restaurant and New Restaurant that is a Mature Restaurant; and (ii) the Annualized Restaurant-Level EBITDA for each New Restaurant that is not a Mature Restaurant. You and your owners and your affiliates will have a period of 30 days from receipt of the Purchase Notice in which to agree to the Purchase Price Amount or assert any challenges to the calculation of the Purchase Price Amount. If you and we cannot agree on the Purchase Price Amount calculations within 30 days from receipt of the Purchase Notice, the calculations will be determined in accordance with FIRST WATCH[®] Restaurant Standards (as hereinafter defined), particularly with regard to those items accounted for at the FIRST WATCH[®] Restaurant level, by an independent certified public accounting firm selected by us that is not then currently performing services for the FIRST WATCH[®] Restaurant, you or any of your owners or affiliates or us. The accounting firm will make its determination of the Purchase Price Amount calculations in accordance with the terms of this Addendum and submit a written report to you and us as soon as practicable, but in no event more than 30 days after the appointment. Each party may submit in writing to the accounting firm (with a copy to the other party) its views of the Purchase Price Amount calculation; however, the accounting firm will not be limited to these submissions and may make such independent investigation as it deems reasonably necessary. You and we will each be responsible for and pay ½ of the accounting firm’s fees and expenses. Following the determination of the Purchase Price Amount, if such Purchase Price Amount is acceptable to us, in our sole judgment, we will notify you in writing and the parties will proceed to close the purchase and sale as hereinafter provided. If such Purchase Price Amount is not acceptable to us, in our sole judgment, we will have no obligation to proceed to close the purchase and sale.

“**FIRST WATCH[®] Restaurant Standards**” are the accounting, audit and tax standards, methods, practices and procedures as we, in our sole discretion, may establish from time to time with respect to, among other things, the maintenance of books and records, and the preparation and presentation of financial information and financial statements, but which will not be materially inconsistent with generally accepted accounting principles consistently applied which are utilized by us in connection with our or our affiliates’ FIRST WATCH[®] Restaurants.

9. **Procedural Aspects.** You and your owners and affiliates will have all of your rights and benefits, and all of your obligations, under the Agreements until we (or our designee) have consummated the acquisition pursuant to the exercise of our Purchase Option. The acquisition will be in the form of an assignment and relinquishment of your rights under the Agreements. We will not assume any of your obligations or liabilities whatsoever, and you and your owners and affiliates will remain responsible for the satisfaction of all liabilities; provided, however, that we (or our designee) will assume obligations for the Lease and the lease agreement for the other FIRST WATCH[®] Restaurant premises subject to the Purchase Option (collectively, the “**Premises Leases**”) that accrue after the closing. The Premises Leases must be assigned to us (or our designee) on terms acceptable to us. The Purchase Option Assets must be transferred to us (or our designee) free and clear of all liens, pledges, security interests and encumbrances (other than liens and security interests acceptable to us in our sole discretion), with all sales and other transfer taxes paid by you and your owners and affiliates. We will be entitled to all customary representations, warranties and indemnifications, in such form and content as we reasonably require, to ensure that we (or our designee) get full and complete title to the Purchase Option Assets. You and your owners and affiliates must cooperate with us in preparing for the sale of the Purchase Option Assets, the transition in ownership, and in furnishing the necessary information to accurately calculate the purchase price.

10. **Pre-Closing Conduct.** Following delivery of the Option Notice, you and any of your owners and affiliates will continue to operate the FIRST WATCH[®] Restaurants subject to the Purchase Option in the normal course as they were operated prior to receipt of the Option Notice and in full accordance with the terms of the Agreements; provided, however, that any development activity relating to Future Restaurants (if any), and your corresponding obligations under the Development Agreement, will be suspended pending the closing. If the acquisition does not close or the IPO does not occur, as applicable, then your development obligations will recommence upon receipt of notice from us, and the Development Schedule under the Development Agreement will be adjusted to reflect the suspension of the development activities during any such period. Neither you nor any of your owners or affiliates will directly or indirectly destroy, alter, substitute, remove, encumber, pledge, sell, assign, transfer, or otherwise dispose of, in any manner whatsoever, any of the Purchase Option Assets, other than in the ordinary course of business, nor destroy, alter, substitute, remove, encumber, pledge, sell, assign, transfer, or otherwise dispose of, in any manner whatsoever, any documents, records, books, agreements or electronic records relating to the operation of the FIRST WATCH[®] Restaurants subject to the Purchase Option or the ownership of the Purchase Option Assets. After delivery of the Option Notice, you and your owners and affiliates must take all reasonable steps to ensure that all Restaurant-level employees (hourly associates and managers, including general managers) of the FIRST WATCH[®] Restaurants subject to the Purchase Option remain in place, are made available to us (or our designee) to interview and offer employment to (if we elect to offer such employment), and will do nothing to discourage any of them from accepting employment with us (or our designee) after the closing. Following delivery of the Option Notice from us, you and your owners and affiliates will provide us (or our designee) with full and complete access during normal business hours to all of your books and records relating to the operation of the FIRST WATCH[®] Restaurants subject to the Purchase Option and the ownership of the Purchase Option Assets.

11. **Closing.** Unless the Triggering Event (if the exercise of the Purchase Option is based on a Triggering Event) is not completed or closed, in which case our notice and election to exercise our Purchase Option will not be effective, the closing for such acquisition will occur simultaneously with the completion or closing of the Triggering Event or, at our option, within 180 days thereafter (the “**Closing Date**”). In all other cases, the Closing Date will be 45 days following our written notice to you that the Purchase Price Amount is acceptable to us. However, at our option, we may extend the Closing Date to the extent we need more time to obtain third party consents; government licenses, permits or approvals; or to resolve any liens, claims, or actual or potential liabilities. At the closing, you and your owners and affiliates agree to deliver instruments transferring to us or our designee:

(a) good and merchantable title to the Purchase Option Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you and your owners and affiliates;

(b) all licenses and permits of the FIRST WATCH[®] Restaurants subject to the Purchase Option which may be assigned or transferred; and

- (c) the leasehold interest and improvements under the Premises Leases.

If you cannot deliver clear title to all of the Purchase Option Assets, or if there are other unresolved issues, then we may, at our option, rescind the Option Notice (in which case we may not thereafter exercise our Purchase Option for a period of at least 90 days following such rescission) or reduce the Purchase Price Amount by the amount of any outstanding liabilities of the FIRST WATCH[®] Restaurants subject to the Purchase Option. You and your owners and affiliates further agree to, at the closing, deliver to us: (i) a balance sheet as of the Closing Date; (ii) a detailed fixed asset list used in the operation of each Restaurant; and (iii) fully executed general releases, in form satisfactory to us, of any and all claims against us and our affiliates and our respective shareholders, officers, directors, employees, agents, successors and assigns.

12. **Real Estate.** With respect to any real estate owned by you or your owners or affiliates relating to any FIRST WATCH[®] Restaurant(s) to be acquired by us (or our designee) pursuant to our Purchase Option (the “**Real Estate**”), you (or your owners or affiliates) and we (or our designee) will enter into a long-term lease for the Real Estate, on our then-current standard Lease Agreement, which will contain reasonable market terms involving rental costs and sharing of common area costs (collectively the “**Lease Amount**”), length of the lease term (including extensions), and other similar lease terms, which will not be less favorable than lease terms that are otherwise obtainable in the local market for a lease transaction for similar real estate (the “**Lease**”). If the parties are not able to agree to the terms of the Lease within 30 days after we deliver notice to you that we are willing to negotiate the Lease (the “**Lease Notice**”), then, at our sole option, the Lease Notice may be rescinded, and we (or our designee) will have the right to purchase the Real Estate at its appraised value as of the Option Notice Date. We (or our designee) will be responsible for the costs of any appraisal, and you agree to cooperate with us (or our designee) in obtaining such appraisal.

13. **Remedies.** We will have the right to specific performance of this Purchase Option. You acknowledge and agree that we will not have an adequate remedy at law if you violate this Addendum, and we will be entitled to injunctive and equitable relief to enforce all of our rights under it.

14. **Separate Rights.** The rights granted to us under this Addendum are in addition to (and not in replacement or derogation of) any other rights we have under the Agreements, including any other rights of first refusal you or they have granted us under Agreements. Each such right exists and may be exercised separately from the rights granted under this Addendum.

15. **No Other Modifications.** This Addendum modifies and supersedes any contrary provisions of the Agreements and replaces each Purchase Option Addendum that was previously signed in connection with the execution of the Agreements. All other terms and conditions of the Franchise Agreement remain unaffected by this Addendum and continue in full force and effect.

16. **Counterparts.** This Addendum may be signed in multiple counterparts, each of which will be deemed an original and together will constitute one and the same instrument. Facsimile or electronic (PDF) signatures will have the same force and effect as originals.

[Signature Page Follows]

Intending to be bound, you and we sign and deliver this Addendum effective as of the Agreement Date, regardless of the actual date of signature.

“WE”:

FIRST WATCH FRANCHISE DEVELOPMENT CO.

By: _____

Name: _____

Title: _____

Date: _____

“YOU”:

By: _____

Name: _____

Title: _____

Date: _____

[Signature Page to Purchase Option Addendum to Franchise Agreement]

CONSENT TO OPTION

The undersigned owners (who are not otherwise identified as Principal Owners in the Franchise Agreement) and their respective spouses, and the undersigned spouses of those Principal Owners identified in the Franchise Agreement, hereby consent to the provisions of Sections 2.6, 14.5 and 14.8 of the Franchise Agreement and agree that any interest which he or she owns in the Franchise Agreement, in the Restaurant, or in Franchisee (whether a separate property interest, community property interest, joint ownership interest, or otherwise) will be subject to Franchisor’s option to purchase or right of first refusal, as applicable, described in said Sections.

Name of Owner/Principal Owner

Name of Owner/Principal Owner

Signature of Owner (if applicable)

Signature of Owner (if applicable)

Name of Owner’s/Principal Owner’s Spouse

Name of Owner’s/Principal Owner’s Spouse

Signature of Owner’s/Principal Owner’s Spouse

Signature of Owner’s/Principal Owner’s Spouse

Name of Owner/Principal Owner

Name of Owner/Principal Owner

Signature of Owner (if applicable)

Signature of Owner (if applicable)

Name of Owner’s/Principal Owner’s Spouse

Name of Owner’s/Principal Owner’s Spouse

Signature of Owner’s/Principal Owner’s Spouse

Signature of Owner’s/Principal Owner’s Spouse

EXHIBIT B TO THE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of First Watch Restaurant Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of First Watch Restaurant Group, Inc. and its subsidiaries (the “Company”) as of December 26, 2021 and December 27, 2020, and the related consolidated statements of operations and comprehensive loss, of equity and of cash flows for each of the three years in the period ended December 26, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2021 and December 27, 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2021 in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Tampa, Florida
March 23, 2022

We have served as the Company's auditor since 1999.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 26, 2021	DECEMBER 27, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 51,864	\$ 38,846
Restricted cash	251	251
Accounts receivable	4,450	3,915
Inventory	4,023	2,915
Prepaid expenses	5,677	2,490
Other current assets	1,432	621
Total current assets	67,697	49,038
Goodwill	345,219	345,219
Intangible assets, net	143,000	143,662
Operating lease right-of-use assets	324,995	307,558
Property, fixtures and equipment, net of accumulated depreciation of \$115,582 and \$86,250, respectively	164,695	160,744
Other long-term assets	1,311	1,291
Total assets	\$ 1,046,917	\$ 1,007,512
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 11,060	\$ 4,220
Accrued liabilities	15,889	13,482
Accrued compensation and deferred payroll taxes	21,196	10,856
Deferred revenues	4,654	4,273
Current portion of operating lease liabilities	38,186	40,111
Current portion of long-term debt	3,186	3,590
Note payable	2,352	—
Total current liabilities	96,523	76,532
Operating lease liabilities	330,495	307,802
Long-term debt, net	99,753	286,400
Deferred income taxes	12,489	10,313
Deferred payroll taxes	—	3,333
Other long-term liabilities	3,228	2,266
Total liabilities	542,488	686,646
Commitments and contingencies (Note 17)		
Equity:		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized and none outstanding at December 26, 2021; 266,667 shares authorized, issued and outstanding at December 27, 2020	—	3
Common stock; \$0.01 par value; 300,000,000 shares authorized; 59,048,446 and 45,013,784 shares issued and outstanding at December 26, 2021 and December 27, 2020, respectively	590	450
Additional paid-in capital	608,878	423,345
Accumulated deficit	(105,039)	(102,932)
Total equity	504,429	320,866
Total liabilities and equity	\$ 1,046,917	\$ 1,007,512

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	FISCAL YEAR		
	2021	2020	2019
Revenues			
Restaurant sales	\$ 592,343	\$ 337,433	\$ 429,309
Franchise revenues	8,850	4,955	7,064
Total revenues	<u>601,193</u>	<u>342,388</u>	<u>436,373</u>
Operating costs and expenses			
Restaurant operating expenses (exclusive of depreciation and amortization shown below):			
Food and beverage costs	134,201	76,975	100,689
Labor and other related expenses	189,167	120,380	148,537
Other restaurant operating expenses	94,847	61,821	55,573
Occupancy expenses	55,433	49,450	44,165
Pre-opening expenses	3,310	3,880	5,815
General and administrative expenses	70,388	46,322	55,818
Depreciation and amortization	32,379	30,725	28,027
Impairments and loss on disposal of assets	381	315	33,596
Transaction (income) expenses, net	(1,156)	(258)	1,709
Total operating costs and expenses	<u>578,950</u>	<u>389,610</u>	<u>473,929</u>
Income (Loss) from operations	22,243	(47,222)	(37,556)
Interest expense	(20,099)	(22,815)	(20,080)
Other (expense) income, net	(1,774)	483	(255)
Income (Loss) before income taxes	370	(69,554)	(57,891)
Income tax (expense) benefit	(2,477)	19,873	12,419
Net loss and total comprehensive loss	<u>(2,107)</u>	<u>(49,681)</u>	<u>(45,472)</u>
Less: Net loss attributable to non-controlling interest	—	—	(33)
Net loss and comprehensive loss attributable to First Watch Restaurant Group, Inc.	<u>\$ (2,107)</u>	<u>\$ (49,681)</u>	<u>\$ (45,439)</u>
Net loss per common share attributable to First Watch Restaurant Group, Inc. - basic and diluted	\$ (0.04)	\$ (1.10)	\$ (1.01)
Weighted average number of common shares outstanding - basic and diluted	48,213,995	45,013,784	45,013,784

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Equity Attributable to First Watch Restaurant Group, Inc.	Non- controlling Interest	Total Equity
	Shares	Amount	Shares	Amount					
Balance at December 30, 2018	—	\$ —	45,013,784	\$ 450	\$ 381,665	\$ (7,691)	\$ 374,424	\$ 250	\$ 374,674
Net loss	—	—	—	—	—	(45,439)	(45,439)	(33)	(45,472)
Stock-based compensation	—	—	—	—	1,160	—	1,160	—	1,160
Acquisition of non- controlling interest	—	—	—	—	(227)	—	(227)	(217)	(444)
Adoption of lease standard (ASC 842)	—	—	—	—	—	(121)	(121)	—	(121)
Balance at December 29, 2019	—	\$ —	45,013,784	\$ 450	\$ 382,598	\$ (53,251)	\$ 329,797	\$ —	\$ 329,797
Share issuance	266,667	3	—	—	39,997	—	40,000	—	40,000
Net loss	—	—	—	—	—	(49,681)	(49,681)	—	(49,681)
Stock-based compensation	—	—	—	—	750	—	750	—	750
Balance at December 27, 2020	266,667	\$ 3	45,013,784	\$ 450	\$ 423,345	\$ (102,932)	\$ 320,866	\$ —	\$ 320,866
Common stock issuance	—	—	10,877,850	109	176,965	—	177,074	—	177,074
Conversion of preferred shares	(266,667)	(3)	3,156,812	31	(28)	—	—	—	—
Net loss	—	—	—	—	—	(2,107)	(2,107)	—	(2,107)
Stock-based compensation	—	—	—	—	8,596	—	8,596	—	8,596
Balance at December 26, 2021	—	\$ —	59,048,446	\$ 590	\$ 608,878	\$ (105,039)	\$ 504,429	\$ —	\$ 504,429

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR		
	2021	2020	2019
Cash flows from operating activities:			
Net loss	\$ (2,107)	\$ (49,681)	\$ (45,472)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	32,379	30,725	28,027
Stock-based compensation	8,596	750	1,160
Deferred income taxes	2,176	(19,991)	(12,558)
Non-cash operating lease costs	13,052	11,727	10,772
Non-cash portion of gain on lease modification	(961)	—	—
Amortization of debt discount and deferred issuance costs	1,088	1,282	1,128
Loss on extinguishment of debt	2,403	—	—
Settlement gains from acquisitions	—	—	(160)
Impairments and loss on disposal of assets	381	315	33,596
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(535)	1,826	(3,192)
Inventory	(1,108)	(203)	(439)
Prepaid expenses	(3,187)	619	(439)
Deferred offering costs	—	1,307	—
Other assets, current and long-term	169	(446)	(1,094)
Accounts payable	6,700	(866)	(740)
Accrued liabilities	5,335	(3,670)	5,566
Accrued compensation and deferred payroll taxes, current and long-term	7,007	2,929	643
Deferred revenues, current and long-term	648	(3,060)	2,024
Operating lease liabilities	(9,760)	8,073	3,101
Other liabilities	695	—	(458)
Net cash provided by (used in) operating activities	<u>62,971</u>	<u>(18,364)</u>	<u>21,465</u>
Cash flows from investing activities:			
Capital expenditures	(35,311)	(26,749)	(59,169)
Purchase of intangible assets	(371)	(225)	—
Acquisitions, net of cash acquired	—	—	(22,770)
Acquisition of non-controlling interest	—	—	(450)
Net cash used in investing activities	<u>\$ (35,682)</u>	<u>\$ (26,974)</u>	<u>\$ (82,389)</u>

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - continued
(IN THOUSANDS)

Cash flows from financing activities:

Proceeds from common stock issuance, net of underwriting discounts and commissions	\$ 182,095	\$ —	\$ —
Proceeds from preferred stock issuance	—	40,000	—
Proceeds from issuance of long-term debt	100,000	54,600	50,000
Repayments of long-term debt, including finance lease liabilities	(291,602)	(4,286)	(2,599)
Payment of initial public offering costs	(4,881)	—	—
Proceeds from borrowings on revolving credit facility	—	22,000	42,000
Repayments of borrowings on revolving credit facility	—	(39,000)	(32,500)
Note payable borrowing	2,874	—	—
Repayments of note payable	(522)	—	—
Payment of debt discount and deferred issuance costs	(2,226)	—	(915)
Contingent consideration payment	(9)	—	(225)
Net cash (used in) provided by financing activities	(14,271)	73,314	55,761
Net increase (decrease) in cash and cash equivalents and restricted cash	13,018	27,976	(5,163)
Cash and cash equivalents and restricted cash:			
Beginning of year	39,097	11,121	16,284
End of year	\$ 52,115	\$ 39,097	\$ 11,121

Supplemental cash flow information:

Cash paid for interest	\$ 16,152	\$ 19,821	\$ 18,929
Cash paid for income taxes, net of refunds	\$ 79	\$ 163	\$ 152

Supplemental disclosures of non-cash investing and financing activities:

Interest converted to long-term debt	\$ 3,063	\$ 1,583	\$ —
Leased assets obtained in exchange for new operating lease liabilities	\$ 33,857	\$ 21,333	\$ 70,355
Remeasurements of operating lease assets and lease liabilities	\$ (3,029)	\$ (3,850)	\$ 134
Terminations of operating lease liabilities	\$ (41)	\$ (711)	\$ (3,293)
Leased assets obtained in exchange for new finance lease liabilities	\$ 217	\$ 277	\$ 2,666
Remeasurements of finance leased assets and lease liabilities	\$ 6	\$ 164	\$ —
Change in liabilities from acquisition of property, fixtures and equipment	\$ 144	\$ (860)	\$ 210

The accompanying notes are an integral part of these consolidated financial statements.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Organization

First Watch Restaurant Group, Inc. (collectively with its wholly-owned subsidiaries, “the Company,” or “Management”) is a Delaware holding company. The Company operates and franchises restaurants in 28 states operating under the “First Watch” trade name which are focused on made-to-order breakfast, brunch and lunch. The Company does not operate outside of the United States and all of its assets are located in the United States. The Company’s outstanding stock was purchased by funds affiliated with or managed by Advent International Corporation on August 21, 2017 (the “Advent Acquisition”).

The Company operates restaurants through its wholly owned subsidiary, First Watch Restaurants, Inc., and is a franchisor through its wholly owned subsidiary, First Watch Franchise Development Co. As of December 26, 2021, the Company had 341 company-owned restaurants and 94 franchise-owned restaurants.

Initial Public Offering

On September 20, 2021, the Company’s board of directors and its stockholders approved an amendment to the Company’s Certificate of Incorporation. Such amendment (i) effected a 11.838-for-1 stock split of its issued and outstanding shares of common stock and a proportional adjustment to the existing conversion ratio of the preferred stock and (ii) authorized an increase to the number of shares of common stock of the Company to 300,000,000 and an increase to the number of shares of preferred stock to 10,000,000. The par value of the Company’s common and preferred stock was not adjusted in connection with the stock split. All common share and per share amounts for all periods presented in the accompanying consolidated financial statements and notes thereto have been adjusted retroactively to reflect this stock split.

On September 30, 2021, the Company’s registration statement on Form S-1 related to its initial public offering (“IPO”) was declared effective and the Company’s common stock began trading on the Nasdaq Global Select Market (“Nasdaq”) on October 1, 2021. On October 5, 2021, the Company completed its IPO, in which the Company sold 10,877,850 shares of common stock at the initial public offering price of \$18.00 per share and received aggregate net proceeds of \$182.1 million after deducting underwriting discounts and commissions of \$13.7 million. The shares sold included the underwriters’ full exercise of their option to purchase up to an additional 1,418,850 shares of common stock at the initial public offering price of \$18.00 per share. All of the Company’s outstanding shares of preferred stock were adjusted in connection with the aforementioned stock split and were automatically converted into 3,156,812 shares of common stock immediately prior to and in connection with the consummation of the IPO.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company reports financial information on a 52- or 53-week fiscal year ending on the last Sunday of each calendar year. The fiscal years ended December 26, 2021 (“Fiscal 2021”), December 27, 2020 (“Fiscal 2020”) and December 29, 2019 (“Fiscal 2019”) contained 52 weeks. The accompanying consolidated financial statements of the Company have been prepared in U.S. dollars and in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Comprehensive income (loss) is a measure of net income (loss) and all other changes in equity that result from transactions other than with equity holders, and would normally be recorded in the Consolidated Statements of Equity and the Consolidated Statements of Comprehensive Income (Loss). The Company does not have any components of other comprehensive income (loss) recorded within its consolidated financial statements. Accordingly, there is no difference between net loss and comprehensive loss.

Reclassifications

The Company reclassified certain items in the accompanying consolidated financial statements for the prior periods to be comparable with the classification for the current period. These reclassifications are related to the presentation of Pre-opening expenses on the Consolidated Statements of Operations and Comprehensive Loss for all periods presented, which were previously included in Other restaurant operating expenses and Occupancy expenses. These reclassifications had no effect on previously reported net loss and comprehensive loss.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

COVID-19 Global Pandemic

In March 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Company experienced a significant reduction in guest traffic at its restaurants due to changes in consumer behavior as public health officials encouraged social distancing and state and local governments mandated restrictions including suspension of dine-in operations, reduced restaurant seating capacity, table spacing requirements and additional physical barriers. On April 13, 2020, to help ensure the safety of its employees, Management temporarily suspended all operations at the company-owned restaurants. In June 2020, substantially all of the company-owned restaurants were reopened in compliance with state and local capacity restrictions and by March 2021, nearly all our restaurants had reopened to full dining-room capacity.

The COVID-19 pandemic is not eradicated and the extent to which COVID-19 may continue to impact the Company’s business and its customers is uncertain. The consolidated financial statements include estimates and judgments and there may be changes to those estimates in future periods as a result of the COVID-19 pandemic (see Note 4, *COVID-19 Charges*, for additional information).

Principles of Consolidation

The Company’s consolidated financial statements include the accounts of its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. In Fiscal 2019, the Company’s consolidated financial statements included the accounts of its majority-owned subsidiary, TFW-NC, LLC, (“TFW”), in which the Company owned 75% of the voting shares and had a controlling financial interest. On December 24, 2019, the Company acquired the remaining 25% interest in TFW for \$0.45 million. The acquisition was accounted for as an equity transaction with the difference between the cash paid and the carrying amount of the non-controlling interest recognized as a decrease to equity attributable to First Watch Restaurant Group, Inc.

The Company does not hold ownership interests in any franchisee and does not provide financial support to franchisees. As a result, the Company’s franchise relationships are not variable interest entities and are not consolidated.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material.

Segment Reporting

Management determined the Company’s single operating segment on the basis that the Company’s Chief Operating Decision Maker (the “CODM”), the Chief Executive Officer, assesses performance and allocates resources at the Company’s consolidated level. The Company does not have any customer that represents more than 10% of total revenues for the periods presented.

Business Combinations

The Company’s business combinations are accounted for using the purchase method of accounting. The consideration transferred in a business combination, identifiable assets acquired and liabilities assumed are measured at their estimated fair value as of the date of the acquisition. Goodwill is recognized for the amount by which the purchase consideration exceeds the fair values of the net assets acquired. Costs incurred in connection with business combinations are expensed as incurred.

On December 31, 2018, four restaurants were acquired from a franchisee for approximately \$7.0 million in cash and the acquisition was accounted for as a business combination. On January 28, 2019, five operating restaurants and rights for two additional restaurant sites were acquired from a franchisee for approximately \$9.9 million in cash and the acquisition was accounted for as a business combination. During the months June 2019 through December 2019, a series of acquisitions of nine individual restaurants from unrelated franchisees were completed for total cash consideration of approximately \$6.2 million. The acquisitions were individually accounted for as business combinations. The Company incurred transaction costs totaling \$0.9 million during Fiscal 2019 for all acquisitions, which were expensed as incurred.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value of Financial Instruments

Certain assets and liabilities are carried at fair value. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable inputs and the last is considered unobservable. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Observable inputs available other than quoted prices included in Level 1
Level 3	Unobservable inputs based on assumptions that cannot be determined by observable market data

The carrying amounts of the Company's financial instruments, including cash equivalents, accounts receivable, accounts payable, accrued expenses, note payable and other current liabilities, approximate their fair values due to their short-term maturities.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. Amounts receivable from credit card processors are considered cash equivalents because they are highly liquid and are typically converted to cash within three business days.

Amounts included in restricted cash represent those required to be set aside by a contractual agreement for the settlement of insurance claims.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of market and credit risk, are cash and cash equivalents and restricted cash. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company has not experienced any losses to date as a result of these risks. Management periodically assesses the quality of the financial institutions and believes that the risk related to these deposits is minimal.

Accounts Receivable

Accounts receivable consist primarily of receivables from franchisees, receivables from third-party delivery providers, receivables from gift card sales and vendor rebates. The Company believes all amounts to be collectible based on a variety of factors it evaluates, including historical experience, current economic conditions, and other factors. Accordingly, no allowance for credit losses or doubtful accounts has been recorded as of December 26, 2021 and December 27, 2020.

Inventory

Inventory consists primarily of food and beverage costs and is stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Adjustments are not deemed necessary to reduce inventory to net realizable value due to the rapid turnover and utilization of inventory.

Deferred Offering Costs

Certain legal, professional accounting, and other third-party fees that are directly associated with in-process equity financings are capitalized as deferred offering costs until such financings are consummated. After consummation of the equity financing, these costs are recorded in equity as a reduction of additional paid-in capital generated as a result of the offering. The Company incurred \$5.0 million of costs in connection with the IPO in Fiscal 2021, which were recorded in equity as a reduction of additional paid in capital. The Company incurred \$2.0 million in deferred offering costs in Fiscal 2020, which were expensed in General and administrative expenses as a result of halting the Company's public registration of equity in Fiscal 2020.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Leases

The Company's restaurant facilities, corporate offices and certain restaurant equipment are leased under various agreements having initial terms expiring between 2022 and 2036. Restaurant facility leases generally have renewal periods of five to 20 years, exercisable at the option of the Company. At the commencement of each lease, an evaluation is performed to determine whether (i) the contract involves the use of property or equipment, (ii) the Company controls the use of the asset and (iii) the Company has the right to direct the use of the asset. Management determines the classification of lease contracts as operating or finance leases. The majority of the Company's real estate leases are classified as operating leases and the majority of the Company's equipment leases are classified as finance leases.

For operating leases with lease terms greater than twelve months, a lease liability is recognized for future fixed lease payments and a corresponding right-of-use asset is recognized representing the Company's right to use the underlying asset during the lease term. The lease liability is initially measured as the present value of the future fixed lease payments that will be made over the lease term using the Company's incremental borrowing rate as there are no implicit rates provided in the lease contracts. The Company's incremental borrowing rate is based on a market yield implied by the Company's outstanding secured term loans interpolated for various maturities using the Company's synthetic credit rating, which was determined using a regression analysis of rated publicly-traded comparable companies and their financial data. Lease expense, which includes the effects of free rent periods and rent escalation clauses within certain of the Company's leases, is recognized on a straight-line basis over the lease term. Tenant improvement allowances are amortized on a straight-line basis over the term of the lease as a reduction of lease expense. The lease term, which commences on the date the Company has the right to control the use of the property, includes the Company's options to extend the lease to the extent it is reasonably certain that the extension options will be exercised.

Leases with indexed rent escalation clauses are recorded using the index that existed at lease commencement or upon the latest modification requiring remeasurement. Subsequent changes in the index are recorded as variable lease expense. Contingent rent payments, which are based on a percentage of sales for certain restaurant facilities, are recorded as variable lease expense when the Company determines that such sales levels will be achieved. In addition to fixed lease payments, certain of the Company's real estate leases also require payment of a proportionate share of property taxes, insurance and maintenance costs, which are expensed as incurred in the Consolidated Statements of Operations and Comprehensive Loss and future variable rent obligations are not included within the lease liabilities on the Consolidated Balance Sheets.

The operating lease right-of-use asset is measured at the amount of the lease liability with adjustments for (i) rent prepayments made prior to or at lease commencement, (ii) landlord incentives and (iii) favorable and unfavorable leasehold positions. The depreciable life of an operating lease right-of-use asset is limited by the expected lease term. The Company's leases do not contain any material residual value guarantees or material restrictive covenants.

Fixed lease and non-lease components of the Company's restaurant facility leases are accounted for as a single lease component. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets, however, they are recognized on a straight-line basis over the lease term in the Consolidated Statements of Operations and Comprehensive Loss.

In Fiscal 2020, Management renegotiated numerous lease agreements that primarily resulted in rent abatements or rent deferrals during the period of the closures of the company-owned restaurants as a result of the COVID-19 pandemic. Management elected the practical expedient for COVID-19 related rent concessions pursuant to the question and answer document issued by the Financial Accounting Standards Board (the "FASB") in April 2020 and remeasured the lease liabilities using the original discount rate with a corresponding adjustment to the right-of-use assets. Rent deferrals increased the lease liabilities and right-of use assets until amounts are paid with no impact to lease expense. Rent abatements were recognized on a straight-line basis over the respective remaining lease term.

Finance lease liabilities and corresponding finance lease assets are recognized at an amount equal to the present value of the minimum lease payments over the expected lease term. The amortization of finance lease assets is recognized over the shorter of the lease term or useful life of the underlying asset within Depreciation and amortization. The interest expense related to finance leases, including any variable lease payments, is recognized in Interest expense. Finance lease assets are classified in Property, fixtures and equipment, net and current maturities and long-term portions of finance lease liabilities are classified within Current portion of long-term debt and Long-term debt, net, respectively, on the Consolidated Balance Sheets.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Property, Fixtures and Equipment

Property, fixtures and equipment, including capitalized software, are stated at cost less accumulated depreciation. Refurbishments and improvements that increase the productive capacity or extend the useful life of assets are capitalized and depreciated over their estimated useful lives. Repair and maintenance costs are expensed as incurred. Leasehold improvements are depreciated over the shorter of their useful life or the expected lease term. The carrying amount of assets sold, replaced or retired and the related accumulated depreciation are eliminated at the time of disposal and any resulting gains and losses on disposal are recognized in the Consolidated Statements of Operations and Comprehensive Loss.

Direct internal costs associated with the acquisition, development, design and construction of company-owned restaurants are capitalized as these costs have a future benefit to the Company. Once a restaurant opens, these costs are depreciated and recorded in Depreciation and amortization. Direct internal costs of \$0.5 million and \$0.4 million were capitalized in Fiscal 2021 and Fiscal 2020, respectively.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Building and land improvements	30 to 40 years
Leasehold improvements	3 to 20 years
Furniture and fixtures	2 to 10 years
Equipment (including capitalized software)	2 to 15 years
Vehicles	3 to 10 years

Goodwill and Indefinite-lived Intangible Assets

Goodwill and indefinite-lived intangible assets are evaluated for impairment annually on the first day of the fourth quarter of the fiscal year, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company has one reporting unit for goodwill impairment testing purposes.

Management may elect to perform a qualitative assessment to determine whether it is more likely than not that the reporting unit and/or asset group is impaired. If the qualitative assessment is not performed, or if it is not more likely than not that the estimated fair value of the reporting unit and indefinite-lived intangible assets exceeds the respective carrying value, a quantitative analysis is required.

Prior to the IPO, Management's quantitative assessment for determining the fair value of the reporting unit used a blend of the market capitalization approach and the income approach. The market capitalization approach used Management's selection of peer companies to estimate fair value. The income approach used the discounted cash flow method estimating future cash flow, sales and traffic growth rates, operating margins, and new restaurant openings, each of which are inputs that fall within Level 3 of the fair value hierarchy.

The fair value of the indefinite-lived intangibles is determined through a relief from royalty method using certain unobservable inputs that fall within Level 3 of the fair value hierarchy. The respective carrying values are compared to the related estimated fair values and an impairment loss is recognized in an amount equal to the excess of the carrying value over estimated fair values.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Definite-lived Intangible Assets

Intangible assets with definite lives consist of franchise rights which arose from the purchase price allocation in connection with the Advent Acquisition and also include reacquired rights from the Company's acquisitions of franchised restaurants. Definite-lived intangible assets are amortized over their estimated useful lives and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When evaluating the carrying amount for recoverability, the total future undiscounted net cash flows expected to be generated by the asset are compared to the carrying amount. If the total future undiscounted net cash flows are less than the carrying amount, this may be an indicator of impairment. An impairment loss is recognized when the asset's carrying value exceeds its estimated fair value. Fair value is generally estimated using a discounted cash flow model using unobservable inputs that fall within Level 3 of the fair value hierarchy.

Impairment Assessment of Long-lived Assets

Long-lived assets deployed at company-owned restaurants include (i) property, fixtures and equipment, (ii) operating lease right-of-use asset, net of the related operating lease liability and (iii) reacquired rights to the extent the restaurant had been previously acquired by the Company.

When circumstances indicate that the carrying value may not be recoverable, an evaluation for impairment is performed at the lowest level of identifiable cash flows, which is at the individual restaurant level. If the total future undiscounted net cash flows are less than the carrying value of the long-lived assets at the individual restaurant level, the fair value is determined based on discounted future net cash flows expected to result from the use and eventual disposition of the assets, which are unobservable inputs that fall within Level 3 of the fair value hierarchy. An impairment loss is recognized in an amount equal to the excess of the carrying value over the estimated fair value.

Self-Insurance Reserves

The Company is self-insured primarily for employee group health claims and for workers' compensation in Ohio. The Company holds stop-loss insurance which funds individual health claims in excess of \$125,000 per occurrence and workers' compensation claims in Ohio in excess of \$500,000 per occurrence annually. The Consolidated Statements of Operations and Comprehensive Loss include expenses related to the costs of claims reported and an estimate of claims incurred but not reported. A liability of \$1.4 million and \$1.3 million for estimated unpaid claims and other insurance liabilities is recorded within Accrued liabilities as of December 26, 2021 and December 27, 2020, respectively.

Revenue Recognition

Revenues from food and beverage sales are reported, net of discounts and taxes. For in-restaurant dining and take-out sales, revenues are recognized when payment is tendered. For delivery sales made through the Company's mobile application and website, the Company controls the delivery services and recognizes revenue, including delivery fees, when the delivery partner transfers the food and beverage to the customer. With respect to sales made through the delivery partner's mobile application or website, the Company recognizes revenue, excluding delivery fees collected by the delivery partner, when control of the food and beverage is transferred to the delivery partner. Payment is received from the delivery partner subsequent to the transfer of food and beverage and the payment terms are short-term.

Franchise revenues include initial franchise fees and ongoing sales-based royalty and system fund contributions, which are used for advertising, marketing and public relations programs and materials. The license granted to develop and operate a restaurant is the distinct performance obligation that is transferred to the franchisee. Ancillary promised services, such as training, which are not considered distinct within the context of the franchise agreement, are combined with the franchise license and are considered one distinct performance obligation. Payments for initial franchise fees are received either upon execution of the franchise agreement and/or upon opening of the restaurant. These payments are deferred and recognized as revenue throughout the contractual term of the related franchise agreement. Unamortized deferred franchise fees are recognized as revenue upon the termination of franchise agreements with franchisees. The short-term and long-term unamortized portion of these liabilities are included in Deferred revenues and in Other long-term liabilities, respectively.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Royalty and system fund contributions from franchisees are based on a percentage of sales and are recognized as revenue in the period the sales occurred.

Gift cards are sold at restaurants and certain retail venues. Deferred revenues include liabilities established for the value of the gift cards when sold. Revenue is recognized from gift card sales upon redemption by the customer. Management estimates the amount of gift cards for which the likelihood of redemption is remote, referred to as the “breakage factor,” using historical gift card redemption patterns. The estimated breakage, less an administrative fee, is recognized over the expected period of redemption as the remaining gift card values are redeemed, which is generally over a period of two years. Utilizing this method, Management estimates both the breakage and the time period of redemption. If actual redemption patterns vary from these estimates, actual gift card breakage income may differ from the amounts recorded. Estimates of the redemption period and breakage rate applied are updated periodically. Gift card liabilities are included in Deferred revenues.

Food and Beverage Costs

The components of food and beverage costs at company-owned restaurants fluctuate directly with sales volumes and are impacted by changes in commodity prices or promotional activities.

Pre-opening Expenses

Pre-opening expenses are costs incurred to open new company-owned restaurants. Pre-opening expenses include pre-opening rent expense, which is recognized during the period between the date of possession of the restaurant facility and the restaurant opening date. In addition, pre-opening expenses include manager salaries, recruiting expenses, employee payroll and training costs, which are recognized in the period in which the expense was incurred. Pre-opening expenses can fluctuate from period to period, based on the number and timing of new company-owned restaurant openings.

Consideration Received from Vendors

The Company receives consideration from certain vendors for volume rebates and advertising allowances. The Company accounts for consideration from a vendor as a reduction of the purchase price of the goods or services acquired from the vendor.

Advertising Costs

Advertising costs are recognized as incurred or, in the case of advertisements, when the advertisement occurs. Advertising costs were \$4.8 million, \$3.3 million and \$4.4 million during Fiscal 2021, Fiscal 2020, and Fiscal 2019, respectively, and are included in General and administrative expenses and in Other restaurant operating expenses.

Debt Discount and Deferred Issuance Costs

Debt discount and deferred issuance costs incurred in connection with the issuance of long-term debt are recorded as reductions of long-term debt and are amortized over the term of the related debt. Amortization expense of debt discount and deferred issuance costs is included in Interest expense.

Income Taxes

Income taxes are accounted for under the asset and liability method of accounting. Under this method, deferred tax assets or liabilities are recognized for the estimated future tax effects attributable to temporary differences between the carrying value and the tax basis of assets and liabilities as well as tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applicable in the years in which the differences are expected to be recovered or settled. Changes in deferred tax assets or liabilities are recognized in Income tax (expense) benefit.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Realization of deferred tax assets is dependent upon the availability of taxable income and a valuation allowance for deferred tax assets is provided when it is more likely than not that a portion of the deferred tax assets will not be realized. In the assessment for realization of deferred tax assets, Management considers all sources of taxable income including (i) taxable income in any available carry back period, (ii) scheduling of anticipated reversal of taxable temporary differences, (iii) tax-planning strategies and (iv) taxable income expected to be generated in the future other than from reversing temporary differences and

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

carryforwards. Management continues to evaluate the rationale for recording a valuation allowance on its deferred tax assets and as the Company increases earnings and utilizes deferred tax assets, it is possible the valuation allowance could be reduced or eliminated.

The Company has no uncertain tax positions requiring recognition or disclosure in the consolidated financial statements in Fiscal 2021, Fiscal 2020 and Fiscal 2019.

Interest and penalties, when incurred, are recognized in Other (expense) income, net.

Stock-Based Compensation

Stock-based compensation expense is recognized for stock option awards granted and is based on the fair value of the options on the date of grant. The fair value of stock option awards is determined using the Black-Scholes option pricing model.

In Fiscal 2021, prior to the IPO, the Company's equity value was determined using the probability weighted expected return method ("PWERM"), or the hybrid method. Under the hybrid method, multiple valuation approaches are used and then combined into a single probability weighted valuation using a PWERM, which considers the probability of an initial public offering and sale scenarios. The results of the valuation approaches were weighted based on a variety of factors, including the current macroeconomic environment, current industry conditions and length of time since arms-length market transaction events. Additionally, a discount for lack of marketability was applied to account for the lack of access to an active public market. The resulting value was then allocated to outstanding equity using an option-pricing model. This process involved the use of estimates, judgments, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses and future cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of possible future events. The assumptions underlying these valuations represented Management's best estimate, which involved inherent uncertainties and the application of Management's judgment. As a result, if Management had used significantly different assumptions or estimates, the fair value of our common stock and our stock-based compensation expense could have been materially different.

Stock-based compensation expense related to time-based stock option awards is recognized on an accelerated recognition method over the requisite service period. The fair value of performance-based stock option awards is recognized as expense when the performance condition is probable of being achieved. Forfeitures of stock option awards are recognized as they occur. Determining the fair value of stock option awards at the grant date requires judgment, including estimating the expected term that the stock options will be outstanding prior to exercise, volatility, dividend yield and risk-free interest rate. Stock-based compensation expense is included in General and administrative expenses. Stock option exercises are settled with authorized but unissued shares of the Company's common stock.

Recently Adopted Financial Accounting Standards

On December 28, 2020, we adopted ASU 2019-12, "*Simplifying the Accounting for Income Taxes (Topic 740)*," which simplified and clarifying certain technical guidelines for accounting for income taxes. The adoption of ASU 2019-12 did not result in a material change to our consolidated financial statements.

On December 31, 2018, the Company adopted ASC 842 using the modified retrospective transition method included in ASU 2018-11, "*Leases (Topic 842), Targeted Improvements*," ("ASU 2018-11"). Management elected the package of practical expedients permitted under the transition guidance and also elected the accounting policy election to combine lease and non-lease components for restaurant facility leases. In addition, the Company adopted the short-term lease recognition exemption and did not recognize operating lease right-of-use assets and operating lease liabilities for leases with terms of twelve months or less. Management used the Company's incremental borrowing rate to discount the future fixed lease payments for all leases. The Company's incremental borrowing rate was determined based on a market yield implied by the outstanding secured term loans (see Note 10, *Debt*, for additional information), which was interpolated for various maturities based on the shape of the corresponding market yield curve. The corresponding market yield curve was selected based on the Company's synthetic credit rating, which was determined using a regression analysis of rated publicly-traded comparable companies and their financial data.

On December 31, 2018, operating lease right-of-use assets of \$246.0 million, operating lease liabilities of \$252.8 million and a debit to the beginning balance of accumulated deficit for \$0.1 million were recorded in conjunction with the adoption

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

of ASU 2018-11. In addition, the land lease asset and related financing obligation of \$1.5 million which related to one restaurant facility that was sold and leased back from a third party in 2014 and which did not previously qualify for sale accounting was derecognized. The lease related to this transaction is accounted for as an operating lease. Financing obligations are classified within Long-term debt, net. The adoption of ASC 842 did not have a material impact on the Consolidated Statements of Operations and Comprehensive Loss and the Consolidated Statement of Cash Flows in Fiscal 2019.

Summary of Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*,” (“ASU 2020-04”). The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 was effective beginning March 12, 2020 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. Management is currently evaluating its contracts and the optional expedients provided by the new standard.

3. Revenues

The following tables include a detail of liabilities from contracts with customers:

<i>(in thousands)</i>	<u>DECEMBER 26, 2021</u>	<u>DECEMBER 27, 2020</u>
Deferred revenues:		
Deferred gift card revenue	\$ 4,410	\$ 4,024
Deferred franchise fee revenue - current	244	249
Total current deferred revenues	<u>\$ 4,654</u>	<u>\$ 4,273</u>
Other long-term liabilities:		
Deferred franchise fee revenue - non-current	<u>\$ 2,292</u>	<u>\$ 2,025</u>

Changes in deferred gift card liabilities were as follows:

<i>(in thousands)</i>	<u>FISCAL YEAR</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred gift card revenue:			
Balance, beginning of period	\$ 4,024	\$ 6,902	\$ 4,982
Gift card sales	8,286	5,197	15,898
Gift card redemptions	(7,152)	(6,924)	(12,689)
Gift card breakage	(748)	(1,151)	(1,435)
Gift card liabilities assumed through acquisitions	—	—	146
Balance, end of period	<u>\$ 4,410</u>	<u>\$ 4,024</u>	<u>\$ 6,902</u>

Gift cards are combined in one homogeneous pool and are not separately identifiable. As such, the revenue recognized consists of gift cards that were part of the deferred revenue balance at the beginning of the period as well as gift cards that were issued during the period.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Changes in deferred franchise fee liabilities were as follows:

<i>(in thousands)</i>	FISCAL YEAR		
	2021	2020	2019
Deferred franchise fee revenue:			
Balance, beginning of period	\$ 2,274	\$ 2,456	\$ 2,331
Cash received	537	158	687
Franchise revenues recognized	(275)	(340)	(436)
Business combinations	—	—	\$ (126)
Balance, end of period	<u>\$ 2,536</u>	<u>\$ 2,274</u>	<u>\$ 2,456</u>

Revenues recognized disaggregated by type were as follows:

<i>(in thousands)</i>	FISCAL YEAR		
	2021	2020	2019
Restaurant sales:			
In-restaurant dining sales	\$ 452,989	\$ 257,029	\$ 400,345
Third-party delivery sales	70,486	38,524	2,648
Take-out sales	68,868	41,880	26,316
Total restaurant sales	<u>\$ 592,343</u>	<u>\$ 337,433</u>	<u>\$ 429,309</u>
Franchise revenues:			
Royalty and system fund contributions	8,575	4,615	6,628
Initial fees	275	340	436
Total franchise revenues	<u>\$ 8,850</u>	<u>\$ 4,955</u>	<u>\$ 7,064</u>
Total revenues	<u>\$ 601,193</u>	<u>\$ 342,388</u>	<u>\$ 436,373</u>

Deferred revenues as of December 26, 2021 are expected to be recognized as follows:

Fiscal year	<i>(in thousands)</i>
2022	\$ 4,654
2023	\$ 318
2024	\$ 305
2025	\$ 308
2026	\$ 299
Thereafter	\$ 1,062

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. COVID-19 Charges

Charges recorded in connection with the COVID-19 pandemic were as follows for Fiscal 2021 and Fiscal 2020:

<i>(in thousands)</i>	Consolidated Statements of Operations and Comprehensive Loss	FISCAL YEAR	
		2021	2020
Inventory obsolescence and spoilage	Food and beverage costs	\$ —	\$ 562
Compensation for employees upon furlough and return from furlough	Labor and other related expenses	3	1,065
Health insurance costs paid for furloughed employees, net of employee retention credit of zero and \$0.9 million, respectively	Labor and other related expenses	—	746
Other expenses	Other restaurant operating expenses	16	936
Compensation for employees upon furlough and return from furlough	General and administrative expenses	128	360
Other expenses	General and administrative expenses	64	1,080
Total COVID-19 charges		\$ 211	\$ 4,749

5. Accounts Receivable

Accounts receivable consists of the following:

<i>(in thousands)</i>	DECEMBER 26, 2021	DECEMBER 27, 2020
Receivables related to gift card sales	\$ 1,453	\$ 1,028
Receivables from third-party delivery providers	1,021	1,742
Receivables from franchisees	927	591
Rebate receivables	428	514
Other receivables	621	40
Total accounts receivable	\$ 4,450	\$ 3,915

6. Goodwill

As of December 26, 2021 and December 27, 2020, the Company had goodwill of \$345.2 million.

Management performed a qualitative annual impairment assessment for goodwill as of the first day of the fourth quarter of Fiscal 2021 and concluded that impairment of goodwill was not more likely than not. As a result, a quantitative assessment was not required.

Management performed a quantitative impairment assessment of goodwill in April 2020 as the effect of the COVID-19 pandemic was considered a triggering event indicating that the carrying value of goodwill may not be recoverable. Management determined there was no impairment loss to be recognized. Management also performed the annual impairment test of goodwill as of the first day of the fourth quarter of Fiscal 2020 and determined there was no impairment loss to be recognized.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Intangible Assets, Net

Intangible assets, net consists of the following:

<i>(in thousands)</i>	Weighted Average Useful Lives	DECEMBER 26, 2021		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Registered trademarks, trade names, domains, liquor licenses	Indefinite	\$ 138,143	\$ (316)	\$ 137,827
Franchise rights	9 years	9,404	(4,231)	5,173
		\$ 147,547	\$ (4,547)	\$ 143,000

<i>(in thousands)</i>	Weighted Average Useful Lives	DECEMBER 27, 2020		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Registered trademarks, trade names, domains, liquor licenses	Indefinite	\$ 137,776	\$ (316)	\$ 137,460
Franchise rights	9 years	9,404	(3,202)	6,202
		\$ 147,180	\$ (3,518)	\$ 143,662

Management performed a qualitative annual impairment assessment of substantially all of the indefinite-lived intangible assets on the first day of the fourth quarter of Fiscal 2021 and concluded that impairment of the indefinite-lived intangible assets was not more likely than not. As a result, a quantitative assessment was not required. The indefinite-lived liquor licenses and definite-lived reacquired rights from the Company's acquisitions were tested at the individual restaurant level in the asset group which includes long-lived assets of the individual restaurants (see Note 8, *Property, Fixtures and Equipment, Net*, for additional information).

Management performed a quantitative impairment assessment of the indefinite-lived intangible assets in April 2020 as the effect of the COVID-19 pandemic was considered a triggering event indicating that the carrying value of the intangible assets may not be recoverable. Management determined there was no impairment loss to be recognized. Management also performed an annual impairment test for the intangible assets on the first day of the fourth quarter of Fiscal 2020 and determined there was no impairment loss to be recognized.

In Fiscal 2019, a total non-cash impairment charge of \$32.2 million was recognized related to The Egg & I trade name and franchise rights following Management's identification of a triggering event resulting from a strategic review of its operations. All restaurants that operated under The Egg & I trade name had either closed, disenfranchised or were strategically acquired by the Company and converted to restaurants operating under the First Watch trade name as of December 29, 2019.

Total amortization expense related to definite-lived intangible assets was \$1.0 million, \$1.1 million, and \$2.1 million in Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively.

Estimated future amortization of definite-lived intangible assets as of December 26, 2021 is as follows:

Fiscal year	<i>(in thousands)</i>	
2022	\$	960
2023	\$	809
2024	\$	809
2025	\$	809
2026	\$	635
Thereafter	\$	1,151

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Property, Fixtures and Equipment, Net

Property, fixtures and equipment, net consists of the following:

<i>(in thousands)</i>	DECEMBER 26, 2021	DECEMBER 27, 2020
Building and land improvements	\$ 1,354	\$ 1,354
Leased land asset	1,190	1,190
Leasehold improvements	146,583	128,252
Furniture, fixtures and equipment (including capitalized software)	118,734	105,520
Financing lease assets	3,320	3,137
Vehicles	455	455
Total property, fixtures and equipment	271,636	239,908
Accumulated depreciation	(115,582)	(86,250)
Construction-in-progress	8,641	7,086
Total property, fixtures and equipment, net	<u>\$ 164,695</u>	<u>\$ 160,744</u>

Depreciation expense was \$31.3 million, \$29.6 million and \$25.9 million during Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively.

The Company did not recognize an impairment loss in Fiscal 2021. The Company's long-lived assets at company-owned restaurants were evaluated for impairment in April 2020 as a result of the effects of the COVID-19 pandemic using future undiscounted net cash flows over the respective lease terms. As the estimated future undiscounted net cash flows were greater than the net book value of the respective asset groups, no impairment loss was recognized in Fiscal 2020. In Fiscal 2019, a non-cash impairment charge of \$0.3 million was recognized primarily related to one under-performing restaurant, which was recorded in Impairments and loss on disposal of assets. The impairment was determined as the amount by which the carrying value of the restaurant's asset group exceeded its fair value. Fair value was determined based on estimates of discounted future cash flows.

Loss on disposals of assets recognized of \$0.4 million and \$0.3 million during Fiscal 2021 and Fiscal 2020, respectively related to retirements, replacements and disposals of fixed assets in the ordinary course of business. In Fiscal 2019, a loss on disposal of assets of \$1.1 million was recognized associated with restaurants that were remodeled, relocated or closed.

As of December 26, 2021 and December 27, 2020, Property, fixtures and equipment, net included \$1.2 million in land related to sale and leaseback transactions accounted for as financing obligations.

9. Accrued Liabilities

Accrued liabilities consists of the following:

<i>(in thousands)</i>	DECEMBER 26, 2021	DECEMBER 27, 2020
Construction liabilities	\$ 4,445	\$ 4,301
Sales tax	3,337	2,159
Self-insurance and general liability reserves	1,353	1,297
Utilities	1,306	1,016
Credit card fees	940	520
Property tax	638	424
Contingent rent	628	234
Common area maintenance	482	700
Other	2,760	2,831
Total accrued liabilities	<u>\$ 15,889</u>	<u>\$ 13,482</u>

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Debt

Long-term debt, net consists of the following:

<i>(in thousands)</i>	DECEMBER 26, 2021		DECEMBER 27, 2020	
	Balance	Interest Rate	Balance	Interest Rate
New Facilities:				
New Term Facility	\$ 100,000	2.71%	\$ —	—
Senior Credit Facilities ⁽¹⁾:				
Initial Term Loan	—	—	150,214	8.00%
Initial Delayed Draw Term Loan	—	—	48,992	8.00%
First Amendment Delayed Draw Term Facility	—	—	49,458	8.00%
Second Amendment Delayed Draw Term Facility	—	—	39,369	8.00%
Finance lease liabilities	2,017		2,300	
Financing obligation	3,050		3,050	
Less: Unamortized debt discount and deferred issuance costs	(2,128)		(3,393)	
Total Debt, net	102,939		289,990	
Less: Current portion of long-term debt	(3,186)		(3,590)	
Long-term debt, net	\$ 99,753		\$ 286,400	

(1) Borrowings under the Senior Credit Facilities bore interest, at the Company's option, at a rate per annum equal to either (a) (i) the greater of an adjusted London Interbank Offered Rate (the "Adjusted Eurocurrency Rate") and 1.00%, plus (ii) the applicable Adjusted Eurocurrency Rate spread, or (b) (i) the alternate base rate ("ABR") plus (ii) the applicable ABR spread. ABR is a floating rate per annum equal to the highest of (i) the federal funds effective rate plus 0.50%, (ii) to the extent ascertainable, the London interbank offered rate for a one-month interest period on such day plus 1.00%, (iii) the rate of interest last quoted by The Wall Street Journal as the "prime rate" in the U.S. and (iv) 1.00%. Borrowings under the Senior Credit Facilities also bore an additional interest pursuant to the Fourth Amendment that is paid in kind. The applicable rate for the additional interest ranged from 0.25% to 1.50% of the outstanding balances, depending on the leverage ratio.

New Facilities

FWR Holding Corporation, ("FWR"), an indirect subsidiary of the Company, is the borrower under a new credit agreement, dated as of October 6, 2021, (the "New Credit Agreement"), which provides for (i) a \$100.0 million term loan A facility (the "New Term Facility") and (ii) a \$75.0 million revolving credit facility (the "New Revolving Credit Facility" and, together with the New Term Facility, collectively, the "New Facilities"). The New Facilities mature on October 6, 2026. The New Revolving Credit Facility was undrawn at December 26, 2021.

The New Term Facility is subject to amortization of principal, payable in quarterly installments on the last business day of each fiscal quarter, commencing on March 27, 2022, equal to (i) 2.50% of the original principal amount of the term loans in fiscal year ended December 25, 2022, (ii) 5.00% of the original principal amount of the term loans in fiscal year ended December 31, 2023, (iii) 5.00% of the original principal amount of the term loans in fiscal year ended December 29, 2024, (iv) 7.50% of the original principal amount of the term loans in fiscal year ended December 28, 2025 and (v) 10.00% of the original principal amount of the term loans in fiscal year ended December 27, 2026. The remaining aggregate principal amount outstanding (together with accrued and unpaid interest on the principal amount) under the New Term Facility is payable at the maturity of the New Term Facility.

Borrowings under the New Facilities bear interest, at the option of FWR at either (i) the base rate plus a margin of between 125 and 200 basis points depending on the total rent adjusted net leverage ratio of FWR and its restricted subsidiaries on a consolidated basis (the "Total Rent Adjusted Net Leverage Ratio") or (ii) the London interbank offer rate ("LIBOR") plus a margin of between 225 and 300 basis points depending on the Total Rent Adjusted Net Leverage Ratio. In addition, an unused commitment fee of between 25 and 50 basis points will be paid on the undrawn commitments under the New Revolving Credit Facility, also depending on the Total Rent Adjusted Net Leverage Ratio. The New Credit Agreement has LIBOR fallback language and may be amended to replace the LIBOR with a secured overnight financing rate or another alternate benchmark rate upon reference rate reform and the occurrence of certain LIBOR cessation events.

Senior Credit Facilities

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Through October 6, 2021, FWR was the borrower under a credit agreement, dated as of August 21, 2017 (as amended by the First Amendment to Credit Agreement dated as of February 28, 2019 (the “First Amendment”), the Second Amendment to Credit Agreement dated as of December 20, 2019 (the “Second Amendment”), the Third Amendment and Waiver to Credit Agreement dated as of April 27, 2020 (the “Third Amendment”) and the Fourth Amendment to Credit Agreement dated as of August 14, 2020 (the “Fourth Amendment”), the “Credit Agreement”), which consisted of an initial term loan facility (\$155.0 million), an initial delayed draw term facility (\$50.0 million) and a revolving credit facility (available commitment of \$20.0 million, including a \$5.0 million sub-limit for letters of credit) for an initial total available borrowing commitment of \$225.0 million. Pursuant to the First Amendment, an aggregate principal amount of \$50.0 million was made available (the “first amendment delayed draw term facility”) and had been drawn in Fiscal 2019. Pursuant to the Second Amendment, an aggregate principal amount of \$40.0 million was made available (the “second amendment delayed draw term facility”) and a total of \$39.6 million had been drawn in Fiscal 2020. The Credit Agreement was set to mature on August 21, 2023.

The Senior Credit Facilities were subject to amortization of principal, payable in quarterly installments on the last business day of each fiscal quarter, equal to 0.25% of the original principal amounts borrowed. The remaining aggregate principal amounts outstanding (together with accrued and unpaid interest on the principal amount) under the Senior Credit Facilities were payable upon maturity.

The First Amendment and Second Amendment were accounted for as debt modifications and a total of \$1.5 million in costs was incurred, of which \$0.9 million was recognized and amortized as debt discount and deferred issuance costs and \$0.6 million was recognized in Other (expense) income, net during Fiscal 2019.

The Third Amendment, which was a condition to borrowing under each delayed draw term facility and the revolving credit facility, (i) required that the aggregate cash balance of FWR and its subsidiaries would not exceed \$15.0 million at the time of and immediately after giving effect to any such borrowing, (ii) modified certain affirmative and negative covenants under the Credit Agreement, (iii) added new affirmative covenants that required monthly financial and cash flow reporting through December 31, 2020 and (iv) waived a specific event of default relating to an over-borrowing. The Third Amendment was accounted for as a debt modification and all costs incurred were third-party costs that were recognized in Other (expense) income, net in Fiscal 2020.

Prior to the execution of the Fourth Amendment in August 2020, the Company received proceeds from an offering of preferred shares totaling \$40.0 million (see Note 14, *Stockholders' Equity*, for additional information). A portion of these proceeds were subsequently used to repay the outstanding balance of \$10.5 million on the revolving credit facility.

Pursuant to the Fourth Amendment, which superseded the Third Amendment, additional interest was charged on outstanding amounts drawn that were to be paid in kind by being added to the outstanding principal amounts. The Fourth Amendment also provided for: (i) the suspension of debt covenant compliance from April 1, 2020 through March 28, 2021, (ii) additional reporting requirements, (iii) restrictions on payments, additional indebtedness and capital expenditures and (iv) additional financial and liquidity covenants. The Fourth Amendment was accounted for as a debt modification and all costs incurred were third-party costs that were recognized in Other (expense) income, net in Fiscal 2020.

The proceeds from the IPO, the proceeds from the New Term Facility and cash on hand were used to repay in full the outstanding indebtedness of the Senior Credit Facilities in October 2021. This repayment was accounted for as a debt extinguishment for accounting purposes and a loss on debt extinguishment of \$2.4 million was recorded in the fourth fiscal quarter of 2021 in Other (expense) income, net.

Fair Value of Debt

The estimated fair value of the outstanding debt, excluding finance lease obligations and financing obligations, is classified as Level 3 in the fair value hierarchy and was estimated using discounted cash flow models using market yield and yield volatility. At December 26, 2021, the estimated fair value of the outstanding debt under the New Facilities was \$100.0 million.

Principal payments due on the outstanding debt, excluding finance lease liabilities and financing obligations, as of December 26, 2021 are as follows:

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fiscal Year	<i>(in thousands)</i>
2022	\$ 2,500
2023	5,000
2024	5,000
2025	7,500
2026	80,000
	\$ 100,000

Letter of Credit

The Company utilizes a standby letter of credit to satisfy workers' compensation requirements, as discussed in Note 2, *Summary of Significant Accounting Policies*. The contract amount of the letter of credit approximates its fair value. As of December 26, 2021 and December 27, 2020, the open letter of credit was approximately \$0.4 million and there were no draws against the letter of credit. The Company pays participation fees for the letter of credit based on a varying percentage of the amount not drawn.

Debt Covenants

The New Facilities are guaranteed by all of FWR's wholly-owned domestic restricted subsidiaries, subject to customary exceptions, and by AI Fresh Parent, Inc., a Delaware corporation and the direct parent company of FWR, ("Holdings"), and are secured by associated collateral agreements that pledge a lien on substantially all of FWR's and each guarantor's assets, including fixed assets and intangibles, in each case, subject to customary exceptions.

Under the New Credit Agreement, FWR (and in certain circumstances, Holdings) and its restricted subsidiaries are subject to customary affirmative, negative and financial covenants, maintenance of certain ratios, restrictions on additional indebtedness and events of default for facilities of this type (with customary grace periods, as applicable, and lender remedies). FWR was in compliance with covenants under the New Credit Agreement as of December 26, 2021. FWR was in compliance with the covenants under the Credit Agreement as of December 27, 2020.

Note Payable

In October 2021, the Company entered into a financing agreement for the financing of insurance premiums in a total amount of approximately \$3.0 million that bears interest of 2.41% and is payable in monthly installments of \$0.3 million through August 30, 2022. As of December 26, 2021, the balance on the note payable was approximately \$2.4 million.

11. Leases

The following table includes a detail of lease assets and liabilities:

<i>(in thousands)</i>	<u>Consolidated Balance Sheets Classification</u>	<u>DECEMBER 26, 2021</u>	<u>DECEMBER 27, 2020</u>
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 324,995	\$ 307,558
Finance lease assets	Property, fixtures and equipment, net	1,892	2,212
Total lease assets		\$ 326,887	\$ 309,770
Operating lease liabilities ⁽¹⁾ - current	Current portion of operating lease liabilities	\$ 38,186	\$ 40,111
Operating lease liabilities - non-current	Operating lease liabilities	330,495	307,802
Finance lease liabilities - current	Current portion of long-term debt	686	645
Finance lease liabilities - non-current	Long-term debt, net	1,331	1,655
Total lease liabilities		\$ 370,698	\$ 350,213

(1) Excludes all variable lease expense

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The components of lease expense are as follows:

<i>(in thousands)</i>	Consolidated Statements of Operations and Comprehensive Loss Classification	FISCAL YEAR		
		2021	2020	2019
Operating lease expense	Other restaurant operating expenses Occupancy expenses Pre-opening expenses General and administrative expenses	\$ 44,906	\$ 41,813	\$ 37,075
Variable lease expense	Food and beverage costs Occupancy expenses General and administrative expenses	12,811	9,692	9,788
Finance lease expense:				
Amortization of leased assets	Depreciation and amortization	543	501	425
Interest on lease liabilities	Interest expense	174	184	163
Total lease expense ⁽¹⁾		\$ 58,434	\$ 52,190	\$ 47,451

(1) Includes contingent rent of \$1.1 million, \$0.1 million and \$0.7 million during Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively

Supplemental cash flow information related to leases is as follows:

<i>(in thousands)</i>	FISCAL YEAR		
	2021	2020	2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows - operating leases	\$ 40,601	\$ 22,011	\$ 23,195
Operating cash flows - finance leases	\$ 174	\$ 184	\$ 163
Financing cash flows - finance leases	\$ 507	\$ 339	\$ 500

Supplemental information related to leases was as follows:

	FISCAL YEAR	
	2021	2020
Weighted-average remaining lease term (in years)		
Operating leases	15.4	16.3
Finance leases	3.5	4.4
Weighted-average discount rate ⁽¹⁾		
Operating leases	9.0 %	9.1 %
Finance leases	7.9 %	8.0 %

(1) Based on the Company's incremental borrowing rate

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Future minimum lease payments on lease liabilities as of December 26, 2021 are as follows:

<i>(in thousands)</i>	<u>Operating Leases</u>	<u>Finance Leases</u>
Fiscal year		
2022	\$ 39,751	\$ 709
2023	44,663	674
2024	45,086	674
2025	45,116	215
2026	45,015	24
Thereafter	492,004	13
Total future minimum lease payments ⁽¹⁾	<u>711,635</u>	<u>2,309</u>
Less: imputed interest	<u>(342,954)</u>	<u>(292)</u>
Total present value of lease liabilities	<u>\$ 368,681</u>	<u>\$ 2,017</u>

(1) Excludes approximately \$30.2 million of executed operating leases that have not commenced as of December 26, 2021

Sale-Leaseback Transactions

In 2015, Management entered into an agreement relating to the sale and leaseback of the land for use in restaurant operations and received cash proceeds of \$3.1 million. As the Company had continuing involvement with the property, the sale of the land did not qualify for sale accounting. As a result, the cash proceeds were recorded as a financing obligation. The balance of the financing obligation was \$3.1 million as of December 26, 2021 and December 27, 2020.

12. Transaction (Income) Expenses, Net

Transaction (income) expenses, net consists of the following:

<i>(in thousands)</i>	<u>FISCAL YEAR</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Gain on lease modification	\$ (1,961)	\$ —	\$ —
Contingent consideration liability revaluation	801	(293)	(362)
Conversion costs	2	71	1,596
Loss (Gain) on restaurant closures/relocations	2	(36)	488
Gain on lease termination, net	—	—	(885)
Acquisition - related costs	—	—	872
Total transaction (income) expenses, net	<u>\$ (1,156)</u>	<u>\$ (258)</u>	<u>\$ 1,709</u>

On September 27, 2021, an agreement was executed to terminate the lease for one company-owned restaurant. Pursuant to the agreement, the Company received \$1.0 million in December 2021 and an additional \$1.0 million will be paid to the Company upon vacating the leased restaurant facility by December 31, 2022, which is recorded within Other current assets. A gain on lease modification of \$2.0 million was recognized in Fiscal 2021 as a result of this agreement.

The Company revalued the contingent consideration liability initially recognized in connection with the Advent Acquisition (see Note 13, *Income Taxes*, for additional information) and recorded a loss of \$0.8 million in Fiscal 2021, a gain of \$0.3 million in Fiscal 2020 and a gain of \$0.4 million in Fiscal 2019.

In Fiscal 2019, a gain on lease termination of \$0.9 million, net of closure costs, was recognized pursuant to an executed agreement to terminate the lease for one restaurant facility. In addition, a total of \$1.6 million of costs were incurred in Fiscal 2019 in connection with the conversion of certain restaurants to company-owned restaurants operating under the First Watch trade name and a total of \$0.9 million of costs were incurred in connection with the acquisitions of certain restaurants from franchisees.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Income Taxes

Income tax (expense) benefit consists of the following:

<i>(in thousands)</i>	FISCAL YEAR		
	2021	2020	2019
Current provision:			
Federal	\$ —	\$ —	\$ —
State	(301)	(118)	(139)
Total current provision	(301)	(118)	(139)
Deferred (provision) benefit:			
Federal	(1,825)	18,458	10,438
State	(351)	1,533	2,120
Total deferred (provision) benefit	(2,176)	19,991	12,558
Income tax (expense) benefit	\$ (2,477)	\$ 19,873	\$ 12,419

A reconciliation of the federal statutory income tax rate to the Company's effective income tax rate is as follows:

	FISCAL YEAR		
	2021	2020	2019
Income taxes at federal statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal tax effect	2.4	4.1	2.9
FICA tip credit	(1,200.2)	4.7	6.9
Valuation allowance for federal and state	1,528.2	(1.8)	(10.2)
Stock-based compensation	275.9	—	—
Other permanent items	57.6	—	—
Rate change	(17.3)	0.1	0.9
Other	1.9	0.5	—
Total	669.5 %	28.6 %	21.5 %

The Company has a blended federal and state statutory rate of approximately 25.0%. The effective income tax rate for Fiscal 2021, Fiscal 2020 and Fiscal 2019 was different than the blended federal and state statutory rate mainly due to (i) the change in the valuation allowance and (ii) the benefit of the tax credits for FICA taxes on certain employee tips. The effective income tax rate for Fiscal 2021 was also different than the blended federal and state statutory rate as a result of the pre-vesting forfeiture of performance-based stock option awards for which the market condition was not satisfied upon the Company's IPO (see Note 16, *Stock Based Compensation*, for additional information).

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The components of deferred tax assets and liabilities are as follows:

<i>(in thousands)</i>	DECEMBER 26, 2021	DECEMBER 27, 2020
Deferred income tax assets		
FICA tip credit	\$ 34,266	\$ 28,324
Net operating loss	34,619	37,365
Operating lease liabilities	91,768	86,615
Organizational costs	673	914
Interest limitation	596	1,500
Accrued compensation	2,903	2,032
Deferred revenues	618	561
Stock-based compensation	1,843	918
Other	919	1,094
Valuation allowance	(35,863)	(30,214)
Total deferred income tax assets	132,342	129,109
Deferred income tax liabilities		
Operating lease right-of-use assets	(80,401)	(76,190)
Depreciation	(28,479)	(27,873)
Intangible assets	(35,951)	(35,359)
Total deferred income tax liabilities	(144,831)	(139,422)
Net deferred income tax liabilities	\$ (12,489)	\$ (10,313)

Based upon an evaluation of the Company's deferred tax assets, Management has recognized a valuation allowance of \$35.9 million and \$30.2 million as of December 26, 2021 and December 27, 2020, respectively. The valuation allowance primarily relates to the Company's federal tax credit carryforwards that are not expected to be realized prior to the statutory expiration of the carryforward. The valuation allowance will be maintained until sufficient positive evidence exists to support its reversal, including but not limited to, the magnitude and duration of the Company's historical losses as compared to potential future profits within taxing jurisdictions to overcome such negative evidence.

Tax Carryforwards

The amount and expiration dates of federal tax loss carryforwards as of December 26, 2021 are as follows:

<i>(in thousands)</i>	Expiration Date	Amount
Federal net operating loss carryforwards	Indefinite	\$ 119,348
Federal net operating loss carryforwards	2033 - 2037	\$ 29,976

The Company also has state net operating loss carryforwards of \$65.7 million at December 26, 2021. In addition, the Company has general business tax credits of \$34.4 million at December 26, 2021, which can be carried forward twenty years and will expire between 2027 and 2041.

As of December 26, 2021, approximately \$28.9 million, \$19.0 million and \$14.7 million of the federal loss carryforwards, state loss carryforwards and general business credits, respectively, were accumulated from operations prior to the Advent Acquisition in August 2017. To the extent these federal and state loss carryforwards and general business credits are utilized to reduce taxes payable, the Company is required to pay the previous stockholders an amount equal to tax savings. This requirement lapses with respect to any tax year, or portion thereof, beginning after December 31, 2024, or if a change in control event occurs. In connection with the accounting for the Advent Acquisition, a contingent consideration liability of \$1.2 million was initially recognized, of which approximately \$0.2 million was paid in Fiscal 2019. As a result of revaluing the contingent consideration liability using actual results, expected projections and state tax law changes in Fiscal 2021, the contingent consideration liability for expected payments to be made to the previous stockholders was \$1.1 million as of December 26, 2021, of which \$0.2 million was recorded within Accrued liabilities and \$0.9 million was

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

recorded within Other long-term liabilities. As of December 27, 2020, the contingent consideration liability was \$0.3 million, of which \$0.1 million was recorded within Accrued liabilities and \$0.2 million within Other long-term liabilities.

Changes in the deferred tax asset valuation allowance are as follows:

(in thousands)

Balance as of December 30, 2018	\$ (24,654)
Increase	(4,321)
Balance as of December 29, 2019	<u>(28,975)</u>
Increase	(1,239)
Balance as of December 27, 2020	<u>(30,214)</u>
Increase	(5,649)
Balance as of December 26, 2021	<u><u>\$ (35,863)</u></u>

The Company is subject to examination by federal, state and local jurisdictions, where applicable. As of December 26, 2021, the tax years that remain subject to examination by major tax jurisdictions under the statute of limitations are from the year 2013 and forward.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) to provide certain relief as a result of COVID-19. The CARES Act provides tax relief, along with other stimulus measures, including a retroactive technical correction of prior tax legislation for tax depreciation of certain qualified improvement property, among other changes. A total of \$59.3 million of accelerated tax depreciation deductions was recognized related to qualified assets placed in service in Fiscal 2020, Fiscal 2019 and Fiscal 2018. Furthermore, the CARES Act made favorable changes to the Section 163(j) interest limitation and as a result, the Company was able to deduct additional interest totaling \$18.9 million and \$8.6 million for Fiscal 2020 and Fiscal 2019, respectively. In addition, Management began deferring the employer-paid portion of social security taxes as permitted by the CARES Act in the second quarter of Fiscal 2020. A total of \$6.7 million was deferred, of which \$3.3 million was paid in Fiscal 2021. The remaining balance is recorded within Accrued compensation and deferred payroll taxes at December 26, 2021. Furthermore, the CARES Act provided for refundable employee retention tax credits, which can be used to offset payroll tax liabilities. As a result, a credit of \$0.9 million was recorded as an offset to payroll tax expense in Fiscal 2020.

14. Stockholders' Equity

In Fiscal 2020, the Company had issued 266,667 preferred stock shares having a par value of \$0.01 per share to existing stockholders, including Advent International Corporation, directors and executive officers. The proceeds from the issuance of the preferred shares were used to repay the outstanding balance of \$10.5 million on the revolving credit facility and for working capital and general corporate purposes in Fiscal 2020.

The preferred stock was automatically converted into 3,156,812 shares of common stock immediately prior to and in connection with the consummation of the Company's IPO in October 2021.

Pursuant to the amendment to the Company's Amended and Restated Certificate of Incorporation, the Company is authorized to issue 300,000,000 common stock shares with a par value of \$0.01 per share and 10,000,000 preferred shares with a par value of \$0.01 per share.

Each share of common stock entitles the holder to one vote for each share of common stock held and common stockholders will not have cumulative voting rights. Common stockholders are entitled to receive dividends, as and if declared by the board of directors. In addition, all common stockholders are entitled to share equally on a share-for-share basis in any assets available for distribution to common stockholders upon liquidation, dissolution, or winding up of the Company after payment is made to the preferred stockholders.

No cash dividends were declared or paid in Fiscal 2021, Fiscal 2020 and Fiscal 2019.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Defined Contribution Plan

The Company sponsors a defined contribution 401(k) savings plan (“401(k) Plan”) which requires the Company to match contributions for participants with at least one year of service 25% of the first 6% of the employees’ wages deferred into the 401(k) Plan. The 401(k) Plan also allows for additional profit-sharing contributions by the Company at the sole discretion of Management. All Company contributions vest over a five-year period. Total expense for the Company’s contributions to the 401(k) Plan was \$0.5 million, \$0.3 million and \$0.5 million in Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively.

16. Stock Based Compensation

Stock-based awards are granted to employees and non-employee directors. The Company has two compensation plans that provide for the granting of stock options and other share-based awards to key employees and non-employee members of the board of directors. The 2017 Omnibus Equity Incentive Plan (the “2017 Equity Plan”) and the 2021 Equity Incentive Plan (the “2021 Equity Plan”) provide for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units, stock appreciation rights and stock-based awards.

2017 Equity Plan

The 2017 Equity Plan authorizes stock-based awards to be granted for up to 6,138,240 shares of common stock. The awards granted under the 2017 Equity Plan consist of non-qualified stock options that generally vest based over a five-year requisite service period from the date of grant (the “time-based option awards”), as well as upon the occurrence of certain events and if certain market conditions were achieved, the (“performance-based option awards”). Stock options have an exercisable life of no more than ten years from the date of grant. The exercise price for any stock option award must be at least equal to the fair value of the common stock on the grant date. A total of 4,409,331 shares of common stock are subject to outstanding option awards under the 2017 Equity Plan as of December 26, 2021. The Company does not intend to grant any further awards under the 2017 Equity Plan.

Modification of Performance-Based Option Awards- 2017 Equity Plan

On August 31, 2021, the Company’s board of directors amended the 2017 Equity Plan such that the performance-based option awards that convert into time-based option awards upon an initial public offering no longer vest over a period of three years, but instead vest one-third (1/3rd) on each of the first two anniversaries of an initial public offering and one-third (1/3rd) on the 273rd day following the second anniversary of an initial public offering. This was accounted for as a modification for accounting purposes, resulting in a new fair value for all the performance-based option awards using an option-pricing model as of the modification date. As of the modification date, the unrecognized compensation expense of all outstanding performance-based option awards was \$15.6 million.

On September 19, 2021, the Company’s board of directors modified performance-based option awards that contained a market condition granted under the 2017 Equity Plan, such that the vesting terms for one such tranche were amended to waive the market condition. Accordingly, upon the Company’s IPO, such tranche converted into time-based option awards and vest one-third (1/3rd) on each of the first two anniversaries of the Company’s IPO and one-third (1/3rd) on the 273rd day following the second anniversary of the Company’s IPO. This was accounted for as a modification for accounting purposes resulting in a new fair value using the option-pricing model for such performance-based option awards as of the modification date. As of the modification date, the unrecognized compensation expense of this outstanding tranche was approximately \$10.4 million.

On September 19, 2021, the Company’s board of directors modified the terms of performance-based option awards granted under the 2017 Equity Plan to the Company’s Chairman Emeritus. The modification accelerated the vesting period of the performance-based option awards that convert into time-based option awards upon an initial public offering such that they no longer vest one-third (1/3rd) on each of the first two anniversaries of an initial public offering and one-third (1/3rd) on the 273rd day following the second anniversary of an initial public offering, but instead will vest on August 1, 2022. Additionally, the exercise period of these time-based and performance-based vested option awards was modified such that any vested option may be exercised at any time prior to the 10th anniversary of the original grant date. These actions were accounted for as modifications for accounting purposes and resulted in an increase of \$0.3 million to the fair value of these awards.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Performance-Based Option Awards - 2017 Equity Plan

Upon the consummation of the Company's IPO in October 2021, certain performance-based option awards converted into time-based option awards and stock compensation expense of \$2.4 million was recognized in the fourth quarter of Fiscal 2021. The remaining expense will be recognized on an accelerated recognition method over the remaining service period. An immediate one-time charge of \$5.6 million was recognized upon closing of the IPO, which included (i) the expense from the date of the modifications through the IPO date and (ii) the expense related to performance-based option awards for which the market condition was not satisfied upon the Company's IPO.

A summary of stock option activity under the 2017 Equity Plan for Fiscal 2021 is as follows:

	<u>Number of Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, December 27, 2020	5,143,229	\$ 10.08	\$ —
Granted	147,961	\$ 12.68	
Forfeited	(881,859)	\$ 9.48	
Outstanding, December 26, 2021	<u>4,409,331</u>	\$ 9.48	\$ 28,598
Exercisable, December 26, 2021	1,775,940	\$ 8.96	\$ 12,455

A summary of the non-vested stock options under the 2017 Equity Plan is as follows:

	<u>Number of Options</u>	<u>Weighted-Average Grant Date Fair Value</u>
Nonvested, December 30, 2018	3,984,303	\$ 1.84
Granted	829,807	\$ 1.33
Vested	(429,979)	\$ 1.86
Forfeited	(53,271)	\$ 1.68
Nonvested, December 29, 2019	<u>4,330,860</u>	\$ 1.74
Granted	272,410	\$ 1.02
Vested	(487,086)	\$ 1.80
Forfeited	(234,569)	\$ 1.72
Nonvested, December 27, 2020	<u>3,881,615</u>	\$ 1.68
Granted ⁽¹⁾	147,961	\$ 6.35
Vested ⁽¹⁾	(514,326)	\$ 1.76
Forfeited ⁽¹⁾	(881,859)	\$ 4.26
Nonvested, December 26, 2021 ⁽¹⁾	<u>2,633,391</u>	\$ 7.03

(1) Weighted-average grant date fair value includes the fair value of the performance-based option awards as of the modification dates, as described above

The aggregate intrinsic value is based on the difference between the exercise price of the stock option and the estimated fair value of the Company's common stock, or after the IPO, based on the closing price of the Company's common stock on the Nasdaq.

The fair value of vested stock options was \$0.9 million, \$0.9 million and \$0.8 million during Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively.

Stock-based compensation expense was \$8.6 million, \$0.8 million and \$1.2 million in Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively.

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

As of December 26, 2021, the amount of stock-based compensation expense not yet recognized on non-vested stock option awards was approximately \$13.4 million and will be recognized over a weighted-average period of approximately 1.4 years. The remaining contractual life for stock option awards granted was approximately 6.2 years at December 26, 2021.

Fair value of Stock Options

The assumptions utilized to determine the fair value of the stock option awards were as follows for the following periods:

	FISCAL YEAR		
	2021	2020	2019
Weighted average risk-free interest rate	1.0 %	0.6 %	2.0 %
Weighted average expected volatility	50.3 %	41.2 %	34.1 %
Expected term (years)	4.6	4.5	4.5
Expected dividend yield	—	—	—

The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the expected term of the stock option award. The expected term of stock option awards has been determined based on data from publicly traded companies as the Company lacks company-specific historical or implied volatility information. Therefore, Management also estimated its expected volatility based on historical volatilities of a publicly traded set of peer companies in the restaurant industry. The expected dividend yield is based on the fact that the Company has never paid cash dividends and does not have intentions of paying dividends in the foreseeable future.

2021 Equity Plan

On September 19, 2021, the Company's board of directors adopted, and on September 19, 2021 its stockholders approved, the 2021 Equity Plan, which became effective immediately prior to the effectiveness of the registration statement for the Company's initial public offering on September 30, 2021. The number of shares of common stock to be reserved for issuance under the 2021 Equity Plan is 4,034,072 common shares ("Share Reserve"). The number of shares of common stock that may be issued under the 2021 Equity Plan will automatically increase on the first day of each fiscal year, commencing on January 1, 2023 and continuing for each fiscal year until, and including, the fiscal year ending on (and including) January 1, 2032, equal to the least of (i) 2% of the total number of shares of common stock actually issued and outstanding on the last day of the preceding fiscal year, (ii) a number of shares of common stock determined by the board of directors; and (iii) the number of shares of common stock equal to the Share Reserve. If any award granted under the 2021 Equity Plan is cancelled, expired, forfeited, or surrendered without consideration or otherwise terminated without delivery of the shares to the participant, then such unissued shares will be returned to the 2021 Equity Plan and be available for future awards under the 2021 Equity Plan. Shares that are withheld from any award in payment of the exercise, base or purchase price or taxes related to such an award, not issued or delivered as a result of the net settlement of any award, or repurchased by the Company on the open market with the proceeds of a stock option will be deemed to have been delivered under the 2021 Equity Plan and will not be returned to the 2021 Equity Plan nor be available for future awards under the 2021 Equity Plan. There were no issuances under the 2021 Equity Plan as of December 26, 2021.

17. Commitments and Contingencies

Purchase Commitments

Purchase obligations include agreements related to the construction or remodeling of restaurant facilities, the purchase of food, beverages, paper goods and other supplies, equipment purchases, marketing-related contracts and software license commitments and service contracts in the normal course of business. These obligations are generally pursuant to short-term purchase orders at prevailing market prices and are recorded as liabilities when the related goods are received or services

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

rendered. These commitments are cancellable and there are no material financial penalties associated with these commitments in the event of early termination.

Legal Proceedings

The Company is subject to legal proceedings, claims and liabilities that arise in the ordinary course of business. The amount of the ultimate liability with respect to these matters was not material as of December 26, 2021. In the event any litigation losses become probable and estimable, the Company will recognize any anticipated losses.

18. Net Loss Per Common Share

The following table sets forth the computations of basic and diluted net loss per common share attributable to First Watch Restaurant Group, Inc.:

	FISCAL YEAR		
<i>(in thousands, except share and per share data)</i>	2021	2020	2019
Numerator:			
Net loss attributable to First Watch Restaurant Group, Inc.	\$ (2,107)	\$ (49,681)	\$ (45,439)
Denominator:			
Weighted average common shares outstanding - basic and diluted	48,213,995	45,013,784	45,013,784
Net loss per common share attributable to First Watch Restaurant Group, Inc. - basic and diluted	\$ (0.04)	\$ (1.10)	\$ (1.01)

Diluted net loss per common share is calculated by adjusting the weighted average shares outstanding for the theoretical effect of potential common shares that would be issued for preferred stock and stock option awards outstanding and unvested at the end of the reporting period using the two-class method and treasury method, respectively. All stock option awards outstanding were excluded from the calculation of diluted net loss per common share because of their anti-dilutive impact for Fiscal 2021, Fiscal 2020 and Fiscal 2019. All preferred stock shares were excluded from the calculation of diluted net loss per common share because of their anti-dilutive impact for Fiscal 2021 and Fiscal 2020. As a result, there was no difference between basic and diluted net loss per common share attributable to First Watch Restaurant Group, Inc. during Fiscal 2021, Fiscal 2020 and Fiscal 2019.

19. Condensed Financial Information of Registrant (Parent Company Only)

FIRST WATCH RESTAURANT GROUP, INC.
(PARENT COMPANY ONLY)
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	DECEMBER 26, 2021	DECEMBER 27, 2020
Assets		
Investment in subsidiaries	\$ 504,429	\$ 320,866
Equity		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized and none outstanding at December 26, 2021; 266,667 shares authorized, issued and outstanding at December 27, 2020	\$ —	\$ 3
Common stock; \$0.01 par value; 300,000,000 shares authorized; 59,048,446 and 45,013,784 shares issued and outstanding at December 26, 2021 and December 27, 2020, respectively	590	450
Additional paid-in capital	608,878	423,345
Accumulated deficit	(105,039)	(102,932)
Total equity attributable to First Watch Restaurant Group, Inc.	\$ 504,429	\$ 320,866

FIRST WATCH RESTAURANT GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

FIRST WATCH RESTAURANT GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	FISCAL YEAR		
	2021	2020	2019
Equity in net loss of subsidiaries			
Net loss and comprehensive loss	\$ (2,107)	\$ (49,681)	\$ (45,472)
Net loss per common share attributable to First Watch Restaurant Group, Inc. - basic and diluted	\$ (0.04)	\$ (1.10)	\$ (1.01)
Weighted average number of common shares outstanding - basic and diluted	48,213,995	45,013,784	45,013,784

Statements of cash flows have not been presented as First Watch Restaurant Group, Inc. did not have any cash as of, or for Fiscal 2021, Fiscal 2020 and Fiscal 2019.

Basis of Presentation

The Company is a holding company without any operations of its own (the “Parent Company”). Pursuant to the terms of the New Credit Agreement discussed in Note 10, *Debt*, the Company and certain subsidiaries of the Company have restrictions on their ability to, among other things, (i) incur additional indebtedness, pay dividends or make certain intercompany loans and advances, and (ii) exceed a maximum total rent adjusted net leverage ratio or fall below a minimum fixed charge coverage ratio. As a result of these restrictions, these parent company financial statements have been prepared in accordance with Rule 12-04 of Regulation S-X, as restricted net assets of the Company’s subsidiaries (as defined in Rule 4-08(e)(3) of Regulation S-X) exceed 25% of the Company’s consolidated net assets as of December 26, 2021 and December 27, 2020.

These condensed financial statements have been prepared on a “parent-only” basis. These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the Company’s consolidated financial statements, with the only exception being that the parent company accounts for its subsidiaries using the equity method. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The accompanying financial information should be read in conjunction with the accompanying Company’s consolidated financial statements and related notes thereto.

EXHIBIT C TO THE DISCLOSURE DOCUMENT

ADDENDUM TO LEASE AGREEMENT

ADDENDUM TO LEASE AGREEMENT

THIS ADDENDUM TO LEASE AGREEMENT (this “**Addendum**”) is effective as of _____, 20__ (the “**Effective Date**”), and is being signed simultaneously with the Lease (the “**Lease**”) dated _____, 20__ between _____ (the “**Franchisee**” or “**Tenant**”) and _____ (the “**Landlord**”) for the real property commonly known as _____ (the “**Premises**”).

1. **Incorporation and Precedence.** This Addendum is incorporated into the Lease and supersedes any conflicting provisions in it. Capitalized terms not otherwise defined in this Addendum have the meanings as defined in the Lease.

2. **Background.** The Tenant will operate a First Watch® Restaurant at the Premises under a Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”) with First Watch Franchise Development Co. (the “**Franchisor**”). By entering into a franchise relationship with the Franchisor, the Tenant has agreed to grant the Franchisor a security interest in the Lease and all of the furniture, fixtures, inventory and supplies located in the Premises as collateral for the payment of any obligation, liability or other amount owed by the Tenant or its affiliates to the Franchisor under the Franchise Agreement. Under the Franchise Agreement, Tenant is required to secure Franchisor’s consent to Lease prior to executing the Lease. As a condition to the grant of its consent, Franchisor requires that the Lease contain certain provisions that the Tenant is requesting the Landlord to include.

3. **Collateral Assignment.** Tenant hereby collaterally assigns the Lease to Franchisor, and Landlord consents to the collateral assignment of the Lease by Tenant to Franchisor, as security for Tenant’s obligations under the Franchise Agreement. Landlord agrees that, pursuant to the collateral assignment or as a result of Franchisor’s exercise of its rights and remedies under the Franchise Agreement, Franchisor or its affiliate may, upon a default by Tenant under the Lease or the Franchise Agreement and/or a termination of the Franchise Agreement, (a) succeed to Tenant’s interest in the Lease, or (b) assign its rights to succeed to its affiliate or another First Watch franchisee and have the affiliate or First Watch franchisee succeed to Tenant’s interest in the Lease. If Tenant’s interest in the Lease is assigned to Franchisor or Franchisor’s affiliate, Landlord’s consent to the assignment will not be required, but Franchisor will provide Landlord with prior written notice of the assignment and assumption. If, however, Tenant’s interest in the Lease is proposed to be assigned to another First Watch franchisee, Landlord’s prior written consent to the assignment will be required but will not be unreasonably withheld, conditioned or delayed, and Landlord agrees that it will not withhold its consent to the proposed assignment if all of the following criteria are met: (a) Franchisor has an established franchising program for First Watch restaurants; (b) the proposed franchisee has met all of Franchisor’s applicable program criteria and requirements and has executed Franchisor’s standard franchise agreement; (c) such assignee assumes all of the terms and conditions of the Lease; (d) such franchisee has submitted to Landlord its financial statements and has an equal or greater net worth than Tenant and its guarantors; and (e) franchisee has restaurant experience that is at least comparable to the experience of the Tenant at the time of the execution of the Lease. Unless otherwise agreed by Landlord, Tenant shall remain liable and shall not be afforded any release in the event the Lease is assigned to Franchisor, its affiliate or another First Watch® franchisee pursuant to the collateral assignment.

4. **Signage.** Subject to applicable zoning laws, Landlord consents to Tenant’s installation and use of such trademarks, service marks, signs, decor items, color schemes and related components which from time to time comprise the First Watch® system. The Landlord grants to the Tenant during the term of the Lease a non-exclusive right and easement over that portion of the property as may be required by the Tenant to improve, renovate, repair, replace and maintain the Premises or to install, replace, or remove its signage or its panel on the pylon and/or monument sign for the property. The Tenant has the right to change

or alter the signage at any time during the term of the Lease provided the signage is in compliance with all applicable governmental codes and regulations. The signage may include: (a) signage on the exterior front wall of the Premises; (b) signage on another exterior portion of the Premises; (c) a separate pylon or monument sign on the property; (d) separate signage on the property, (e) a panel on the pylon or monument sign for the property; and (f) other signage that may be required by the Franchisor and agreed upon by the Landlord and the Tenant.

5. **Access to Premises.** During the term of the Lease, the Landlord and Tenant acknowledge and agree that the Franchisor will have unrestricted access to the Premises to inspect the Premises and Tenant's business operations in accordance with the Franchise Agreement.

6. **Copies of Reports.** The Landlord agrees to provide copies of all revenue and other information and data in Landlord's possession related to the operation of the Tenant's First Watch[®] Restaurant on a timely basis as the Franchisor may request, during the term of the Lease.

7. **Notice of Default.** The Landlord will give written notice to the Franchisor (concurrently with the giving of such notice to the Tenant) of any defaults (a "**Default**") by the Tenant under the Lease by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

First Watch Franchise Development Co.
8725 Pendery Place, Suite 201
Bradenton, FL 34201
Attention: President

Such notice will grant the Franchisor the right, but not the obligation, to cure any Default, if the Tenant fails to do so, within 15 days (or such longer period as may be reasonably required to cure such Default provided the Franchisor commences such cure within such fifteen (15) day period and diligently pursues such cure to completion) after the expiration of the period in which the Tenant may cure the Default under the Lease.

8. **Assignment and Assumption of Lease.** The Tenant shall have the right, at any time during the term of the Lease and any extensions or renewals thereof, to assign all of its right, title and interest in the Lease to the Franchisor, to an affiliate of Franchisor, or to another First Watch franchisee, subject to the terms and condition described in paragraph 3 above regarding Landlord's notice or consent. The assignment will be effective upon the assignee's providing Landlord written notice of its acceptance of the assignment (the "**Assignment Notice**"). The Landlord will recognize the assignee as the lessee of the Premises effective as of the date of the Assignment Notice. No assignment shall be, and nothing contained herein or in any other document shall make the Franchisor a party to the Lease, or a guarantor thereof, and shall not create any liability or obligation of the Franchisor unless and until the Lease is assigned to, and accepted in writing by, the Franchisor. Upon any assignment to Franchisor, the term "assignment" under the Lease shall specifically exclude any change of control, sale of substantially all assets or equity, or merger of any Franchisor. Furthermore, any Franchisor who takes assignment of the Lease shall be entitled to retain any excess rent.

9. **Amendment.** The Landlord and the Tenant will not cancel, terminate (including Tenant's voluntary surrender), modify or amend the Lease including, without limitation, the Franchisor's rights under this Addendum, without the Franchisor's prior written consent, which will not be unreasonably withheld, and any attempted cancellation, termination, modification, acceptance of surrender or amendment without the Franchisor's consent shall be null and void and have no effect as to the Franchisor's interest thereunder. The Franchisor will have fifteen (15) days from receipt to respond to such requests.

10. **Removal of Fixtures.** The Landlord agrees that, upon the earlier of the expiration or termination of the Franchise Agreement or the Lease or upon any Default under the Lease or any default under the Franchise Agreement, the Franchisor will have the right, but not the obligation, at the Franchisor's sole cost, to enter upon the Premises and to remove any or all furniture, fixtures, equipment and all trade names, trade dress and other trade indicia associated with the Franchisor, including, without limitation, Tenant's property, external and internal signage and all trade dress and architectural characteristics identifying the Premises as a First Watch® franchise, provided that the Franchisor shall promptly repair any damage to the Premises caused by such removal or modifications. The Franchisor will have fifteen (15) days from receipt of such notice of expiration or termination to remove such items.

11. **Relationship of Tenant and Franchisor.** The Landlord acknowledges that the Tenant is not an agent or employee of the Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind the Franchisor or any affiliate of the Franchisor, and that the Landlord has entered into this Addendum with the full understanding that it creates no duties, obligations or liabilities of or against the Franchisor or any Franchisor Party.

12. **Estoppel Certificate.** The Landlord shall from time to time, within twenty (20) days after written request by the Franchisor, execute, acknowledge and deliver to the Franchisor a written certification, in a form reasonably satisfactory to the Franchisor: (i) that the Lease is unmodified and in full force and effect (or, if there has been any modification, stating the nature of such modification); (ii) as to the dates to which the rent and other charges arising under the Lease have been paid; (iii) as to the amount of any prepaid rent or any credit due to the Tenant under the Lease, (iv) the date on which the term of the Lease commenced; (v) as to whether, to the best of its knowledge, information and belief of the Landlord, the Landlord or the Tenant is then in default in performing any of its obligations under the Lease (and, if so, specifying the nature of each such default); and (vi) as to any other fact or condition reasonably requested by the Franchisor.

13. **Benefits and Successors.** The benefits of this Addendum inure to the Franchisor and to its successor and assigns.

14. **Remaining Provisions Unaffected.** Those parts of the Lease that are not expressly modified by this Addendum remain in full force and effect.

(Signatures begin on following page)

Intending to be bound, the Landlord and the Tenant sign and deliver this Addendum effective on the Effective Date, regardless of the actual date of signature.

The “Landlord”:

Address: _____

Phone: _____

By: _____

Name: _____

Title: _____

The “Tenant”:

Address: _____

Phone: _____

By: _____

Name: _____

Title: _____

EXHIBIT D TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

FIRST WATCH® FRANCHISEES
As of December 26, 2021

ARKANSAS	
Bentonville FW, LLC 500 SE Walton Blvd, Ste 24 Bentonville, AR 72712 (479) 551-5454 Franchisees: James Tillman & Joseph Hulston*	North Fayetteville FW, LLC 3251 College Ave N. Fayetteville, AR 72703 (479) 668-0683 Franchisees: James Tillman & Joseph Hulston*
Rogers FW, LLC 5206 Village Parkway, Ste 1 Rogers, AR 72756 (479) 657-6630 Franchisees: James Tillman & Joseph Hulston*	
FLORIDA	
Ramsey 02, LLC 4427 Commons Drive East Destin, FL 32541 (850) 460-9800 Franchisee: Brad & Keith Dermond*	Ramsey 01, LLC 11160 Panama City Beach Parkway Panama City Beach, FL 32407 (850) 234-5700 Franchisees: Brad & Keith Dermond*
Ramsey 03, LLC 1670 East Nine Mile Road, Ste A Pensacola, FL 32514 (850) 299-8040 Franchisees: Brad & Keith Dermond*	Ramsey 04, LLC 227 Dune Lakes Blvd. Santa Rosa Beach, FL 32459 (850) 220-7586 Franchisees: Brad & Keith Dermond*
GEORGIA	
RAS Concepts IV, LLC 630 Crane Creek Drive, Suite 405 Augusta, GA 30907 (762) 224-0022 Franchisees: Stephen Hendrix & Ryan Hendrix*	RAS Concepts V, LLC 400 Pooler Parkway Pooler, GA 31322 Franchisees: Stephen Hendrix & Ryan Hendrix* <i>Restaurant not open as of 12/26/21</i>
INDIANA	
Clarksville FW, LLC 1205 Veterans Parkway Clarksville, IN 47129 (812) 809-4905 Franchisees: Gary Holland & Ron Rosen*	
KENTUCKY	
One Holland FW-Georgetown, LLC 100 Tiger Way Georgetown, KY 40324 (502) 370-4004 Franchisees: Gary Holland & Ron Rosen*	Lex-FW Broadway, LLC 1080 South Broadway Lexington, KY 40504 (859) 252-2226 Franchisees: Gary Holland & Ron Rosen*
Lex FW III, LLC 2251 War Admiral Way Lexington, KY 40509 (859) 263-4737 Franchisees: Gary Holland & Ron Rosen*	Nicholasville Road FW, LLC 119 W. Reynolds Road Lexington, KY 40503 (589) 785-4689 Franchisees: Gary Holland & Ron Rosen*
One Holland FW – Richmond Road, LLC 2894 Richmond Road Lexington, KY 40509 (859) 899-3447 Franchisees: Gary Holland & Ron Rosen*	Taylorsville Road FW, LLC 2225 Taylorsville Road Louisville, KY 40205 (502) 444-7744 Franchisees: Gary Holland & Ron Rosen*

Louisville FW #1, LLC 201 South Hurstbourne Parkway Louisville, KY 40222 (502) 384-6075 Franchisees: Gary Holland & Ron Rosen*	One Holland FW - Middletown, LLC 12913 Shelbyville Road Louisville, KY 40243 (502) 233-0770 Franchisees: Gary Holland & Ron Rosen*
Louisville FW #2, LLC 960 Breckenridge Lane Louisville, KY 40207 (502) 618-1955 Franchisees: Gary Holland & Ron Rosen*	One Holland FW-Richmond Centre, LLC 2222 Lantern Ridge Drive Richmond, KY 40475 (859) 568-8280 Franchisees: Gary Holland & Ron Rosen*
LOUISIANA	
Quail Ridge Enterprises, Inc. 1370 E 70th Street Shreveport, LA 71105 (318) 216-5881 Franchisee: J. Spencer Mooney & Jane B. Mooney*	
MISSISSIPPI	
Quail Ridge Enterprises, Inc.* 104 South Lamar Court Oxford, MS 38655 (662) 701-3061 Brookhaven, MS 39601 Franchisee: J. Spencer Mooney & Jane B. Mooney*	
MISSOURI	
MEE South Columbia, LLC 1201 Grindstone Parkway, Unit 14 Columbia, MO 65201 (573) 258-4972 Franchisees: Danny Hill and Eric Bowman	MEE West Columbia, LLC 421 N. Stadium Blvd., Unit 21 Columbia, MO 65203 (573) 615-5100 Franchisees: Danny Hill and Eric Bowman
National Ave FW, LLC * 3231 South Rangeline Joplin, MO 64804 (417) 622-0738 Franchisees: James Tillman & Joseph Hulston	MEE HWY 291 LS, LLC 920 NW Pryor Rd, Unit A Lee's Summit, MO 64081 (816)209-1440 Franchisees: Danny Hill and Eric Bowman
Lake of the Ozarks FW, LLC 4325 Osage Beach Pkwy. N. Osage Beach, MO 65065 (573) 258-4971 Franchisees: James Tillman & Joseph Hulston	National Ave FW, LLC* 3103 E. Sunshine Springfield, MO 65804 (417) 633-7094 Franchisees: James Tillman & Joseph Hulston
National Ave FW, LLC * 2946 National Ave Springfield, MO 65804 (417) 889-0601 Franchisees: James Tillman & Joseph Hulston	
NEBRASKA	
Cutch, Inc. 2015 Pratt Ave. Bellevue, NE 68123 (402) 991-3448 Franchisee: Greg Cutchall	Cutch, Inc. 18101 Chicago Street, Ste 103 Omaha, NE 68118 (402) 916-4109 Franchisee: Greg Cutchall
Cutch Inc. 1222 South 71 st Street Omaha, NE 68106 (402) 932-5691 Franchisee: Greg Cutchall	Cutch, Inc. 2855 S 168th St Omaha, NE 65804 (402) 330-3444 Franchisee: Greg Cutchall

Cutch, Inc. 3605 N 147th St, Ste 108 Omaha, NE 68116 (402) 965-3444 Franchisee: Greg Cutchall	Cutch, Inc. 304 Olson Drive, Ste 117 Papillion, NE 68046 (402) 932-3441 Franchisee: Greg Cutchall
NORTH CAROLINA	
VIM Holdings, Inc. 11088 US 15-501 Hwy., Ste 800 Aberdeen, NC 28315 (910) 460-9458 Franchisee: Bob Frame*	VIM Holdings, Inc. 1280 W. Williams Street Apex, NC 27502 Franchisee: Bob Frame*
FW of Knoxville 1, LLC Biltmore Station Shopping Center 2 Hendersonville Road, Suite A1 Asheville, NC 28803 Franchisee: <u>Raja Juban</u> <i>Restaurant not open as of 12/26/21</i>	VIM Holdings Bradford, Inc. 1104 Ledsome Lane, Ste 101 Cary, NC 27511 (919) 322-4344 Franchisee: Bob Frame*
VIM Holdings Bradford Inc. 1325 Bradford View Drive, Suite 110 Cary, NC 27513 919-655-8005 Franchisee: Bob Frame*	VIM Holdings, Inc. 1101 Environ Way Chapel Hill, NC 27571 (919) 537-8488 Franchisee: Bob Frame*
Good Morning Carolinas, LLC 5821 Fairview Road, Unit 103 Charlotte, NC 28209 (704) 859-5124 Franchisee: Keith Sullins*	Good Morning Carolinas, LLC 6311 Providence Farm Lane, Ste.100 Charlotte, NC 28226 (704) 612-9120 Franchisee: Keith Sullins*
Good Morning Carolinas, LLC* 8825 Christenbury Pkwy, Ste 20 Concord, NC 28207 (980) 206-8920 Franchisee: Keith Sullins	VIM Holdings, Inc. 5421 Page Road Durham, NC 27703 Franchisee: Bob Frame* <i>Restaurant not open as of 12/26/21</i>
VIM Holdings Fayetteville FTC, Inc. 2711 Freedom Parkway Drive, Suite 300 Fayetteville, NC 28314 (910) 325-4054 Franchisee: Bob Frame*	VIM Holdings, Inc. 610 Greenville SE Blvd, Ste 100 Greenville, NC 27858 (252) 582-5677 Franchisee: Bob Frame*
VIM Holdings, Inc. 304 Grand Hill Place Holly Springs, NC 27540 (919) 808-4603 Franchisee: Bob Frame*	Good Morning Carolinas, LLC 16641 Birkdale Commons Pkwy, Ste B250 Huntersville, NC 27078 (704) 727-4108 Franchisee: Keith Sullins*
VIM Holdings, Inc. 1631 Western Blvd, Ste 200 Jacksonville, NC 28546 (910) 239-2086 Franchisee: Bob Frame*	Good Morning Carolinas, LLC 1643 Matthews Township Pkwy Matthews, NC 28105 (704) 745-4016 Franchisee: Keith Sullins*
VIM Holdings Glenwood Inc. 6109 Glenwood Avenue Raleigh, NC 27612 (919) 789-3347 Franchisee: Bob Frame*	VIM Holdings Brier Creek, Inc. 4233 Corners Pkwy, Ste 230 Raleigh, NC 27617 919-399-9040 Franchisee: Bob Frame*
VIM Holdings Durham 15/501, Inc. 5307 New Hope Commons Blvd Ext Raleigh, NC 27707 (919) 822-8977 Franchisee: Bob Frame*	VIM Holdings TTC, Inc. 6320 Capital Blvd Raleigh, NC 27616 (919) 900-8355 Franchisee: Bob Frame*

VIM Holdings, Inc. 4035 Lake Boone Trail, Ste 103 Raleigh, NC 27607 (919) 925-6900 Franchisee: Bob Frame*	VIM Holdings Heritage Junction, Inc. 2808 Rogers Rd, Suite 105 Wake Forest, NC 27587 (919) 569-5763 Franchisee: Bob Frame*
VIM Holdings 631 E. Six Forks Road, Suite 100 Raleigh, NC 27609 (919) 704-3984 Franchisee: Bob Frame*	VIM Holdings, Inc. Southpoint Raleigh, NC 27609 Franchisee: Bob Frame* <i>Restaurant not open as of 12/26/21</i>
VIM Holdings, Inc. 3534 Oleander Drive Wilmington, NC 28403 (910) 363-0639 Franchisee: Bob Frame*	VIM Holdings, Inc. 1035 International Drive Wilmington, NC 28405 (910) 548-7760 Franchisee: Bob Frame*
OKLAHOMA	
Good Morning Oklahoma, LLC 600 E. Kenosha Street Broken Arrow, OK 74012 Franchisee: Keith Sullins* <i>Restaurant not open as of 12/26/21</i>	
SOUTH CAROLINA	
RAS Concepts, LLC 1121 Fording Island Rd Bluffton, SC 29910 (843) 836-3333 Franchisees: Stephen Hendrix & Ryan Hendrix*	Good Morning Carolinas, LLC* 2373 Len Patterson Rd Ste 100 Fort Mill, SC 29708 (803) 594-8178 Franchisee: Keith Sullins
RAS Concepts III, LLC 1236 Belk Drive, Ste T-2 Mt. Pleasant, SC 29464 (843) 428-8061 Franchisees: Stephen Hendrix & Ryan Hendrix*	RAS Concepts VII, LLC Cedar Grove Commons Shopping Center North Charleston, SC 29420 Franchisees: Stephen Hendrix & Ryan Hendrix* <i>Restaurant not open as of 12/26/21</i>
Good Morning Carolinas, LLC* 375 Harrison Bridge Rd., Ste C Simpsonville, SC 29680 (864) 383-2300 Franchisee: Keith Sullins	RAS Concepts II, LLC 1097 North Main St, Suite 202 Summerville, SC 29483 (843) 790-0880 Franchisees: Stephen Hendrix & Ryan Hendrix*
TENNESSEE	
FW of Knoxville 1, LLC 300 Cherokee Blvd. Ste. 130 Chattanooga, TN 37405 (423) 763-1800 Franchisee: Raja Jubran*	FW of Knoxville 1, LLC 5207 Hwy 153. Suite 101 Chattanooga, TN 37343 (423) 498-9955 Franchisee: Raja Jubran*
FW of Knoxville 1, LLC 1825 Gunbarrel Rd. Chattanooga, TN 37421 (423) 362-5951 Franchisee: Raja Jubran*	FW of Knoxville 1, LLC 111 Lovell Rd Farragut, TN 37934 (865) 337-7115 Franchisee: Raja Jubran*
FW of Knoxville 1, LLC 1150 W State of Franklin Rd, Ste 20 Johnson City, TN 37604 (423) 900-1103 Franchisee: Raja Jubran*	FW of Knoxville 1, LLC 6474 Kingston Pike Knoxville, TN 37919 (865) 249-8795 Franchisee: Raja Jubran*

FW of Knoxville 1, LLC 11682 Parkside Drive Knoxville, TN 37934 (865) 675-3447 Franchisee: Raja Jubran*	FW of Knoxville 1, LLC 5144 N. Broadway St. Knoxville, TN 37918 (865) 282-3208 Franchisee: Raja Jubran*
TEXAS	
FW North Hills LLC 10710 Research Blvd, Ste 1110 Austin, TX 78759 (512) 877-1800 Franchisee: Mac Haik*	FW Garth LLC 6320 Garth Rd, Ste 105 Baytown, TX 77521 (281) 407-7577 Franchisee: Mac Haik*
FW Garth LLC 1320 E. Whitestone Blvd, Ste 600 Cedar Park, TX 78613 (512) 359-7905 Franchisee: Mac Haik*	FW CS Bryan LLC 4501 S. Texas Ave. College Station, TX 77802 (979) 704-6652 Franchisee: Mac Haik*
FW Fairfield LLC 28902 Hwy 290, Suite J10 Cypress, TX 77433 (281) 742-8002 Franchisee: Mac Haik*	MH FW Boardwalk LLC 9915 Barker Cypress Rd, Suite 170 Cypress, TX 77433 (346) 396-4402 Franchisee: Mac Haik*
FW GT LLC 1225 S IH 35 Frontage Rd., Ste 135 Georgetown, TX 78626 (512) 641-3331 Franchisee: Mac Haik*	FW Champions Forest LLC 5503 FM 1960, Suite 112 Houston, TX 77064 (281) 978-6002 Franchisee: Mac Haik*
FW FRY 110 LLC 20220 Katy Fwy, Ste. C5 Houston, TX 77449 (281) 616-8893 Franchisee: Mac Haik*	FW EW EDR LLC 13325 Westheimer Road, Suite A Houston, TX 77077 (346) 998-1990 Franchisee: Mac Haik*
FW River Oaks LLC River Oaks Shopping Center Houston, TX 77098 Franchisee: Mac Haik* <i>Restaurant not open as of 12/26/21</i>	FW Katy 99 LLC 23659 Katy Freeway Katy, TX 77494 (346) 998-6330 Franchisee: Mac Haik*
FW Lea City LLC 1720 W FM 646, Suite A League City, TX 77539 (832) 648-1289 Franchisee: Mac Haik*	FW Pearland Parkway LLC 2560 Pearland Parkway, Ste 100 Pearland, TX 77581 (281) 716-3014 Franchisee: Mac Haik*
FW Garth LLC 11625 W. Broadway Blvd, Suite 105 Pearland, TX 77584 (281) 716-3014 Franchisee: Mac Haik*	FW Aliana LLC 10501 West Grand Parkway, Suite 100 Richmond, TX 77407 (346) 467-9019 Franchisee: Mac Haik*
FW Riverside LLC 17412 West Grand Parkway Sugar Land, TX 77479 (346) 396-4401 Franchisee: Mac Haik*	

UTAH	
Briita Holdings, LLC 1091 N Bluff St, Ste 313 St. George, UT 84770 (435) 628-0368 Franchisee: Randall and Traci Anderson	
VIRGINIA	
TFW-VA, LLC 1114B Emmet St. N. Charlottesville, VA 22903 (434) 202-5383 Franchisee: John Tobe*	TFW-VA, LLC 2730 Market Street, NE Christianburg, VA 24073 (540) 299-0880 Franchisee: John Tobe*
TFW-VA, LLC 8000 Timberlake Road Lynchburg, VA 24502 Franchisee: John Tobe* <i>Restaurant not open as of 12/26/21</i>	TFW-VA, LLC 2243 Franklin Road SW, Ste. B Roanoke, VA 24014 (540) 656-3474 Franchisee: John Tobe*
WEST VIRGINIA	
Chelken Inc. 164 Summers Street Charleston, WV 25301 (304) 343-3447 Franchisee: John Carson	
WISCONSIN	
VMB Sunrise Hospitality Inc. 17550 West Bluemound Road Brookfield, WI 53045 (262) 754-5900 Franchisee: Mike & Vincent Busalacchi	VMB Sunrise Hospitality Inc. 5320 South 76 th Street Greendale, WI 53129 Franchisee: Mike & Vincent Busalacchi <i>Restaurant not open as of 12/26/21</i>
VMB Sunrise Hospitality Inc. 11032 N. Port Washington Road Mequon, WI 53092 (262) 518-0028 Franchisee: Mike & Vincent Busalacchi	VMB Sunrise Hospitality Inc. 120 W Town Sq Way, Suite 200 Oak Creek, WI 53154 (414) 409-1414 Franchisee: Mike & Vincent Busalacchi

* These franchisees have signed area development agreements committing to open multiple restaurants over a period of time.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT E TO THE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

The following is a list containing the name, city and state and current business telephone numbers, or if unknown, the last known home telephone number of list of each franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the FDD issuance date:

Dabbour Enterprises, Inc.
2328 W. Memorial Road
Oklahoma City, OK 73134
(405) 748-3447
Franchisee: Ghassan Dabbour

First Watch of Oklahoma, LLC
8178 S. Lewis Avenue, #A
Tulsa, OK 74137
(918) 296-9960
Franchisee: Ron Hendrix

First Watch of Oklahoma, LLC
8104 East 68th Street (at Memorial Drive)
Tulsa, OK 74133
(918) 610-3447
Franchisee: Ron Hendrix

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT F TO THE DISCLOSURE DOCUMENT

**OPERATIONS MANUAL
TABLE OF CONTENTS**

**OPERATIONS MANUAL
TABLE OF CONTENTS**

TOPIC	BEGINNING PAGE	TOTAL PAGES
Introduction	1	12
Site Selection and Construction	13	85
Management Recruiting and Hiring	98	22
CAFE Management Training Handbook	120	111
Sanitation and Safety	231	20
Financial Procedures and Accounting	251	11
Daily Operations Forms and Guidelines Indexes	262	4
Marketing	266	8
Management Guide to Pre-Opening and Opening Day	274	30
Employee Recruiting and Hiring	304	15
New Restaurant Opening Timeline	319	97
Total Pages		415

EXHIBIT G TO THE DISCLOSURE DOCUMENT

FORM OF

RENEWAL ADDENDUM TO FRANCHISE AGREEMENT

**RENEWAL ADDENDUM TO THE FIRST WATCH®
FRANCHISE AGREEMENT**

THIS RENEWAL ADDENDUM (the “**Addendum**”) is made as of the Effective Date by and between **FIRST WATCH FRANCHISE DEVELOPMENT CO.** (“**us**”), and [_____] (“**you**”), and [_____] (“**Guarantor**”). The “**Effective Date**” is the date on which we sign this Addendum as shown beneath our signature on the signature page of this Addendum.

RECITALS

A. You previously entered into a Franchise Agreement dated [_____] (the “**Original Franchise Agreement**”), which governs the ownership and operation of the FIRST WATCH® restaurant located at [_____] (the “**Restaurant**”).

B. The Original Franchise Agreement is set to expire on [_____] , and, pursuant to Section 15 of the Original Franchise Agreement, you wish to acquire a successor franchise for the right to continue to operate the Restaurant.

C. As required under the Original Franchise Agreement, you and we have entered into that certain franchise agreement, dated as of the Effective Date (the “**Franchise Agreement**”), which will govern your ownership and operation of the Restaurant from and after the Effective Date.

D. We and you desire to amend certain provisions of the Franchise Agreement, as described herein, in recognition of the fact that the Franchise Agreement is a successor franchise agreement and governs the operation of an operating Restaurant.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals, the covenants set forth herein and other valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Expiration of Original Franchise Agreement.** The parties acknowledge and agree that, notwithstanding any provision in the Original Franchise Agreement to the contrary, the Original Franchise Agreement is deemed to have expired as of the Effective Date and that the ownership and operation of the Restaurant from and after the Effective Date will be governed by and subject to the Franchise Agreement.

2. **Development of the Restaurant.** Because you have been operating the Restaurant under the Original Franchise Agreement, you agree that our obligations under Sections 3 and 4 of the Franchise Agreement pertaining to your development and initial opening of the Restaurant are deemed to have been fully satisfied. You will comply with all of your obligations under those Sections as they apply to the continuation of the operation of the Restaurant under the Franchise Agreement. Further, you agree:

(a) To provide us with a copy of a renewal or extension of the term of the Lease demonstrating that (i) you have the right to continue to occupy the Accepted Site through the term of the Franchise Agreement, and (ii) the required Lease Addendum applies to any such renewal or continuation of the Lease. If you intend, during the Term of the Franchise Agreement, to occupy the Accepted Site under a new Lease or Lease Addendum or if any of the terms of the Lease or Lease Addendum applicable to the Term of the Franchise Agreement change from the terms of the Lease or Lease Addendum that applied prior to the expiration of the Original Franchise Agreement, you must secure our prior written approval of all such agreements or terms; and

(b) As a condition of renewal, you are required to ensure that the Restaurant complies with all System Standards, including each of our current specifications and standards applicable to First Watch® Restaurants generally. You agree to remodel and refurbish the Restaurant and its premises as necessary to comply with all such requirements, including (without limitation) those items reflected on Exhibit A hereto. All such required remodel and refurbishment must be completed by not later than [____] days following the Effective Date and must be demonstrated and verified to us by digital photographs and/or video by not later than that date;

(c) you have obtained and currently maintain, in your name, all required building, utility, sign, health, sanitation, business permits, certificates and licenses required to operate the Restaurant; and

(d) you have furnished us with copies of all insurance policies required by the Franchise Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept.

3. **Market Introduction Program**. Section 4.6 of the Franchise Agreement (Market Introduction Program) is deleted.

4. **No Initial Fee**. Section 5.1 of the Franchise Agreement (Franchise Fee) is deleted, and in lieu of an initial franchise fee, you must pay us, on your execution of the Franchise Agreement, a non-refundable renewal fee in the amount of \$[____], as provided under the Original Franchise Agreement.

5. **Initial Training**. You agree that we have fulfilled our obligation to provide all initial training contemplated in Article 6 of the Franchise Agreement. Therefore:

(a) Section 6.1 of the Franchise Agreement (Owner Training) is deleted in its entirety;

(b) Section 6.2 of the Franchise Agreement (Manager Training) is deleted and replaced, in its entirety, with the following:

Your Operating Principal (if the Operating Principal will manage the day-to-day operations of the Restaurant) and General Manager or your District Manager (if the

District Manager will manage the day-to-day operations of the Restaurant) and General Manager must have, as of the effective date of the Franchise Agreement, successfully completed our initial training program. If any substitute or additional trainees attend the initial training, or if your Restaurant is not the first First Watch® Restaurant you have developed, you agree to pay us the standard training fees we designate from time to time for each person who receives initial training. All persons attending initial training are required to sign our then-current standard Liability Waiver and Release. You must immediately replace any employee who fails to successfully complete any training program or any manager who otherwise is not qualified to manage a First Watch® Restaurant. Any successor Operating Principal, District Manager, or General Manager, as applicable, must satisfactorily complete our management training program, at your expense and subject to payment of our standard training fees.

(c) Section 6.4 of the Franchise Agreement (Opening Crew Training) is deleted in its entirety.

6. **Renewal Term.** Section 15.1 of the Franchise Agreement is hereby supplemented and amended by adding the following to the end of the Section:

[Adjust as necessary to comply with the renewal rights granted under the expiring Original Franchise Agreement]

7. **Franchise Fee Exhibit.** Exhibit A to the Franchise Agreement (Initial Franchise Fee) is deleted in its entirety.

8. **Release of Franchisor and Related Parties.** You and Guarantor, on behalf of yourself and Guarantor, and your and Guarantor's respective current and former parents, affiliates, and subsidiaries, and each such foregoing person's or entity's respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, employees, representatives, predecessors, successors, and assigns (collectively, the "**Releasing Parties**"), do hereby absolutely and irrevocably release and discharge us and our current and former parents, subsidiaries, and affiliates, and each such foregoing entity's respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the "**Released Parties**"), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, "**Claims**"), whether known or unknown, suspected or unsuspected, at law or in equity, which any of the Releasing Parties had, has, or may have had, from the beginning of time to the Effective Date, including, without limitation, any and all Claims in any way arising out of or relating to the Original Franchise Agreement or the Franchise Agreement, the relationship created by the Original Franchise Agreement or the Franchise Agreement, or the development, ownership, or operation of any and all of the Restaurant. You and Guarantor, on behalf of yourself and Guarantor and the other Releasing Parties, further covenant not to sue any of the Released Parties on any of the Claims released by this paragraph, and warrant and represent that you and they have not assigned or otherwise transferred any Claims released by this paragraph.

9. **Miscellaneous.** The Franchise Agreement shall be amended only in the particulars set forth above. All other provisions of the Franchise Agreement shall continue in full force and effect as set forth therein. The terms of this Addendum form an integral part, and hereby are incorporated into and made a part, of the Franchise Agreement. In the event of a conflict between the terms contained in the Franchise Agreement and this Addendum, the terms and conditions of this Addendum shall govern, control, and supersede any inconsistent or conflicting terms of the Franchise Agreement. This Addendum may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. Signature by facsimile or scanned-and-e-mailed is hereby authorized and shall have the same force and effect as an original. All capitalized terms used but not defined in this Addendum shall have the meanings ascribed to them in the Franchise Agreement.

IN WITNESS WHEREOF, you and we have signed this Addendum on the dates shown below and made effective as of the Effective Date.

First Watch Franchise Development Co.

[Name of Franchisee]

By: _____
Print Name: _____
Title: _____
Date*: _____

By: _____
Print Name: _____
Title: _____
Date: _____

(*This is the Effective Date.)

GUARANTOR:

Signature: _____
Print Name: _____
Date: _____

EXHIBIT A TO RENEWAL ADDENDUM
(Minimum Remodel and Refurbishment Items)

[Attach List of Required Items]

EXHIBIT H TO THE DISCLOSURE DOCUMENT

GUARANTEE OF PERFORMANCE

GUARANTEE OF PERFORMANCE

For value received, **FIRST WATCH RESTAURANT GROUP, INC.**, a Delaware corporation located at **8725 PENDERY PLACE, SUITE 201, BRADENTON, FLORIDA 342001** (the "Guarantor"), absolutely and unconditionally guarantees the performance by **FIRST WATCH FRANCHISE DEVELOPMENT CO.**, located at **8725 PENDERY PLACE, SUITE 201, BRADENTON, FLORIDA 342001** (the "Franchisor"), of all of the obligations of Franchisor in accordance with the terms and conditions of the franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2022 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees as amended, modified or extended from time to time. This guarantee continues in full force and effect until all obligations of the Franchisor under its franchise registrations, and Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive notice of Franchisor's default. This guarantee is binding on the Guarantor and its successors and assignees.

The Guarantor signs this guarantee at Bradenton, Florida on the 25th day of March, 2022.

GUARANTOR:

FIRST WATCH RESTAURANT GROUP, INC.

By: _____

Name: Jay Wolszczak

Title: General Counsel and Secretary

EXHIBIT I TO THE DISCLOSURE DOCUMENT

FORM OF

FRANCHISE COMPLIANCE CERTIFICATE

FORM OF FRANCHISE COMPLIANCE CERTIFICATION

The purpose of this Certification is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. **Do not sign or date this Certification the same day as the Receipt for the Franchise Disclosure Document; you should sign and date this Certification the same day you sign the Franchise Agreement.** Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Have you received and personally reviewed our Franchise Agreement and each Addendum (if any) and related agreement (i.e., personal guaranty) attached to them?

Yes _____ No _____

2. Did you receive the Franchise Agreement and each related agreement, containing all material terms, at least 7 days before signing any binding agreement (other than any deposit agreement) with us or an affiliate?*

Yes _____ No _____

*This does not include changes to any agreement mutually agreed upon.

3. Do you understand all of the information contained in the Franchise Agreement and each Addendum (if any) and related agreement provided to you?

Yes _____ No _____

If No, what parts of the Franchise Agreement, Addendum (if any) and/or related agreements do you not understand? (Attach additional pages, if necessary.)

4. Have you received and personally reviewed our Franchise Disclosure Document ("**FDD**") that was provided to you?

Yes _____ No _____

5. Did you receive the FDD at least 14 days before signing the Franchise Agreement, this document or any related agreement, or before paying any funds to us or an affiliate?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

8. Do you acknowledge and understand that no parent or affiliate of ours promises to back us financially or otherwise guarantees our performance or commits to perform post-sale obligations for us?

Yes _____ No _____

9. Have you discussed the benefits and risks of purchasing a FIRST WATCH® Restaurant franchise with an attorney, accountant or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

10. Do you understand that the success or failure of your FIRST WATCH® Restaurant franchise will depend in large part upon your skills and abilities, competition from other businesses, and other economic and business factors?

Yes _____ No _____

11. Has any employee or other person speaking on our behalf made any statement or promise concerning the actual or possible revenues or profits of a FIRST WATCH® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

12. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn in operating a FIRST WATCH® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

13. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a FIRST WATCH® Restaurant franchise that is not contained in the FDD or that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

14. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

15. If you have answered "Yes" to any one of questions 11-14, please provide a full explanation of each "Yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

16. Do you understand that the Franchise Agreement, Addendum (if any) and related agreements contain the entire agreement between you and us concerning the FIRST WATCH® Restaurant franchise, meaning that any prior oral or written statements not set out in the Franchise Agreement, Addendum (if any) or related agreements will not be binding?*

Yes _____ No _____

Nothing in this document or any related agreement is intended to disclaim the representations we made in the FDD that we furnished to you.

17. Do you understand that, except as provided in the FDD, nothing stated or promised by us that is not specifically set forth in the Franchise Agreement, Addendum (if any) and related agreements can be relied upon?

Yes _____ No _____

18. You signed the Franchise Agreement, and Addendum (if any) and related agreements on _____, 20__, and acknowledge that no agreement or addendum is effective until signed and dated by us.

YOU UNDERSTAND THAT YOUR RESPONSES TO THESE QUESTIONS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS COMPLIANCE CERTIFICATION, YOU

ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

The individuals signing below for the "**Franchisee Applicant**" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Franchisee Applicant, or constitute the duly authorized representatives or agents of the foregoing.

FRANCHISEE APPLICANT:

Signature

Printed Name

_____, 20__
Date

Signature

Printed Name

_____, 20__
Date

Signature

Printed Name

_____, 20__
Date

Signature

Printed Name

_____, 20__
Date

[Signature Page to First Watch® Restaurant Franchise Compliance Certification]

EXHIBIT J TO THE DISCLOSURE DOCUMENT

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process. There also may be additional agents appointed in some of the states listed.

Our registered agent in the State of Florida is:

CT Corporation System
 1200 South Pine Island Road
 Plantation, Florida 33324

STATE	STATE REGULATORY AGENCY	AGENT TO RECEIVE PROCESS IN STATE, IF DIFFERENT THAN THE STATE REGULATORY AGENCY
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
Wisconsin	Securities and Franchise Registration Wisconsin Department of Financial Institutions 4022 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-1064	Office of the Secretary Wisconsin Department of Financial Institutions P.O. Box 8861 Madison, Wisconsin 53708-8861 (608) 261-9555

EXHIBIT K TO THE DISCLOSURE DOCUMENT

**STATE SPECIFIC
ADDENDA**

**ADDENDUM TO THE
FIRST WATCH FRANCHISE DEVELOPMENT CO.
VIRGINIA DISCLOSURE DOCUMENT**

1. The following language is added to the end of the “Summary” section of Item 17(e), entitled **Termination by Franchisor Without Cause**:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Virginia	_____, 2022
Wisconsin	March 25, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L TO THE DISCLOSURE DOCUMENT

RECEIPTS

One receipt must be signed, dated and delivered to us. Retain the other receipt for your records.

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If First Watch Franchise Development Co. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If First Watch Franchise Development Co. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit "J" to this disclosure document).

The franchisor is First Watch Franchise Development Co., located at 8725 Pendery Place, Suite 201, Bradenton, Florida 34201. Its telephone number is (941) 907-9800.

Issuance Date: March 25, 2022

The name, principal business address, and telephone number of the franchise seller(s) offering the franchise is/are:

Name	Principal Business Address	Telephone Number
<input type="checkbox"/> Chris Tomasso	8725 Pendery Place, Suite 201 Bradenton, Florida 34201	(941) 907-9800
<input type="checkbox"/> Sarah Krantz	8725 Pendery Place, Suite 201 Bradenton, Florida 34201	(941) 907-9800
<input type="checkbox"/> _____	_____	_____

I received a disclosure document dated March 25, 2022. The disclosure document included the following Exhibits:

- | | | | |
|-----------|--|-----------|--|
| Exhibit A | Franchise Agreement | Exhibit G | Renewal Addendum |
| Exhibit B | Financial Statements | Exhibit H | Guarantee of Performance |
| Exhibit C | Form of Addendum to Lease Agreement | Exhibit I | Form of Franchise Compliance Certificate |
| Exhibit D | List of Franchisees | Exhibit J | List of State Agencies/Agents for Service of Process |
| Exhibit E | List of Franchisees Who Have Left the System | Exhibit K | State Specific Addenda |
| Exhibit F | Table of Contents of Operations Manual | Exhibit L | Receipts |

Dated: _____

Individually or as an Officer

Printed Name

KEEP THIS COPY FOR YOUR RECORDS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If First Watch Franchise Development Co. offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If First Watch Franchise Development Co. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit "J" to this disclosure document).

The franchisor is First Watch Franchise Development Co., located at 8725 Pendery Place, Suite 201, Bradenton, Florida 34201. Its telephone number is (941) 907-9800.

Issuance Date: March 25, 2022

The name, principal business address, and telephone number of the franchise seller(s) offering the franchise is/are:

Name	Principal Business Address	Telephone Number
<input type="checkbox"/> Chris Tomasso	8725 Pendery Place, Suite 201 Bradenton, Florida 34201	(941) 907-9800
<input type="checkbox"/> Sarah Krantz	8725 Pendery Place, Suite 201 Bradenton, Florida 34201	(941) 907-9800
<input type="checkbox"/> _____	_____	_____

I received a disclosure document dated March 25, 2022. The disclosure document included the following Exhibits:

- | | |
|--|--|
| Exhibit A Franchise Agreement | Exhibit G Renewal Addendum |
| Exhibit B Financial Statements | Exhibit H Guarantee of Performance |
| Exhibit C Form of Addendum to Lease Agreement | Exhibit I Form of Franchise Compliance Certificate |
| Exhibit D List of Franchisees | Exhibit J List of State Agencies/Agents for Service of Process |
| Exhibit E List of Franchisees Who Have Left the System | Exhibit K State Specific Addenda |
| Exhibit F Table of Contents of Operations Manual | Exhibit L Receipts |

Dated: _____

Individually or as an Officer

Printed Name

OUR COPY – SIGN AND RETURN THIS COPY:

First Watch Franchise Development Co.
8725 Pendery Place, Suite 201, Bradenton, Florida 34201
Tel: (941) 907-9800
Attn: Sarah Krantz