



Burros & fries

Burros & Fries Franchise, Inc.
a California corporation
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Burros & Fries Franchise, Inc., operates a restaurant that offers a variety of Mexican plates, burritos, tacos, sodas and other drinks. This is a fast-casual restaurant dedicated to serving people who seek fresh Mexican food made from quality meat and fish at competitive prices available for consumption on the premises or carryout, or drive-through (when available) under the name “Burros & Fries.” The total estimated initial investment required for a Burros & Fries franchise to begin operation ranges from \$319,770 to \$624,550 depending on a number of factors that are more fully discussed in Item 7. This includes the Initial Franchise Fee of \$35,000 (as discussed in Item 5) that must be paid to the Franchisor or the Franchisor’s affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read the 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 the Franchisor or any 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, contact Burros & Fries Franchise, Inc. at 4536 Bonita Rd., Bonita, CA 91902 and (619) 773-6589.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, such as 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, NW, 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.

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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 Exhibit G.
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 I 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 Burros & Fries 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 Burros & Fries franchisee?	Item 20 or Exhibit G and Exhibit H 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 the 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. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

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 mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Operating History.** We were formed on November 18, 2019, and have a brief operating history. You may want to consider this when making a decision to purchase this franchise opportunity.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

Franchise Disclosure Document [FDD]
BURROS & FRIES FRANCHISE, INC.

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor is Burros & Fries Franchise, Inc., a California corporation, doing business as “Burros & Fries.” For ease of reference, Burros & Fries will be referred to as “we,” “us,” “our,” or “Franchisor” in this Disclosure Document. We will refer to the person or entity who buys the franchise as “you,” “your,” and “Franchisee” throughout this Disclosure Document. If you are a corporation or limited liability company, partnership or other entity, certain provisions of the Franchise Agreement also apply to your shareholders, members, partners or owners and will be noted. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.”

We were incorporated on November 18, 2019. Our principal business address is 145 Willow Street, Ste. 210, Bonita, CA 91902. We operate and sell franchises for the operation of a Burros & Fries restaurant by the same name (the “Franchise,” “Business,” “Franchise Business” or “Franchised Business”). We offer a Franchise Agreement for the development and operation of a restaurant at a specific location, which is within a protected territory. This is the first time we have offered franchises of the type described in this Disclosure Document and we have never offered franchises in any other line of business. Our agents for service of process are disclosed in **Exhibit B**.

Our Predecessors and Affiliates:

We have no parents. There are eight restaurants, operated by affiliated entities, that offer similar products and services as the Burros & Fries Franchise being offered. The following is a list of our affiliates including principal addresses and number of locations for each:

Our first affiliate is Burros & Fries, Inc., formed on January 19, 2012, located at 4705 Clairmont Drive, Ste. F, San Diego, CA 92117. This affiliate owns one restaurant.

Our second affiliate is Burros & Fries C.V., Inc., formed on June 3, 2016, located at 1325 East Plaza Blvd., #105, National City, CA 91950. This affiliate owns three restaurants.

Our third affiliate is B&F Taco Shop, Inc., formed on November 15, 2016, located at 6929 Federal Boulevard, Lemon Grove, CA 91945. This affiliate owns two restaurants.

Our fourth affiliate is Burros & Fries El Cajon, Inc., formed on July 15, 2020, located at 1541 North Magnolia Ave., El Cajon, CA 92020. This affiliate owns one restaurant.

Our fifth affiliate is Burros & Fries Glendale, Inc., formed on June 14, 2021, located at 18001 North 79th Ave., Ste. D66, Glendale, AZ 85308. This affiliate owns one restaurant.

All of the restaurants are located in San Diego County, except one in Maricopa County, and are substantially similar to the franchise being offered by us. We and our four affiliates are independent entities, and none of us assume any of the other’s legal or other obligations. None of the affiliates offer franchises.

Our Business and the Franchise Offered:

Burros & Fries franchise is a system developed for the establishment and operation of a fast casual restaurant devoted to the preparation and sale of freshly made Mexican plates and related food and beverages. Our philosophy is centered on preparing high quality food while providing superior customer service for guests who seek affordably priced lunches and dinners. This business operates year-round and is typically located within shopping centers, malls

or free-standing structures. Each restaurant offers a wide variety of food made from fresh meat, fish, and vegetables using fresh ingredients incorporating our proprietary sauces and recipes all of which is complimented by side dishes and beverages. A Burros & Fries Franchise will offer its guests counter service, take-out, drive through (when available) and seating. We may authorize the sale of additional products and services in the future such as clothing with our name imprinted on them.

Competition includes local and national fast food, fast casual and other restaurants. The market for our type of food is developed and highly competitive, as is the market for obtaining locations in qualified shopping centers, malls, free-standing structures, or other similar buildings with drive through structure and a captive market customer base. Generally, there is no seasonality to this business. The restaurant industry in general is highly competitive throughout the United States as the market is continuously changing and evolving.

Burros & Fries businesses are characterized by our distinctive, exterior and interior layout, content, décor, color scheme, display signs and furnishings; menu items prepared fresh using proprietary sauces and recipes, food preparation techniques, procedures and methods; quality and uniformity of all menu items and services offered, food presentation standards, procedures for sanitation, specific operational procedures to handle high volume, procedures for purchasing, relationships with vendors and suppliers, tracking inventory and cost controls; guidelines for hiring, training and retaining employees; management and record keeping procedures; a regional franchise web page housed within our national website, our confidential and proprietary operations manuals (“Operations Manual,” “Manuals” or “Operating Manuals”) which are made available either in hard copy or electronically; all of which may be changed, improved and further developed by us periodically (the “System”).

The System is identified by means of certain trade names, service marks, trademarks, slogans, logos, emblems, and indicia of origin, including the design plus word mark “Burros & Fries” which is federally registered (See Item 13). You will be licensed to use not only this mark, but also all other service marks, trademarks, slogans, logos and emblems as we may designate for use in connection with the System (the “Marks”).

Your own efforts, skills and experience are necessary, but not a guarantee, for you to succeed. There can be no guarantee of your success, as there exist both typical and special business risk factors. These include changing market conditions, competition, cost of food and supplies, equipment, real estate market, capital, labor, your own health, continuity of your management, continuation of sources of supply, availability of financing, recession or depression locally or nationally, wars, strikes, acts of terrorism, emergencies whether natural or manmade, litigation, liability and casualty losses.

Other risks that may affect your Business include but are not limited to industry developments, changes in consumer taste, pricing policies of your competitors, state licensing, supply and demand. Another risk to mention is your dependence on key personnel, the loss of whom could have an adverse effect on your Business. The purchase of a franchise is a speculative, and a significant investment beyond that outlined in this Disclosure Document may be required to succeed. There are no guarantees for success and the most important factors in the success of any franchise, including yours, are your personal business, marketing, management, judgment, other skills and your willingness and commitment to work hard and diligently in your Business and incorporating our System.

Laws and Regulations:

You should be aware that food products may be subject to the Pure Food and Drug Act, as well as Food and Drug Administration (FDA) and Department of Agriculture regulations. The FDA and Department of Agriculture in addition to state and local health departments administer and enforce laws and regulations that govern food preparation, service and sanitary conditions. State and local agencies inspect restaurants and food establishments in general to ensure that they comply with such laws and regulations. Food and Drug laws as well as the FDA and Department of Agriculture regulations concerning the offering, preparation and service of food products may change. Also, the Federal Trade Commission, and the State Attorney Generals prohibit the making of any unfair or deceptive

claims concerning the healthiness of any food item. In addition, there is the federal Clean Air Act and various state laws that impose air quality standards. These standards include limits on emission of ozone, carbon monoxide and

other gases and/or particulate matter including emissions from commercial food preparation. Some state and local governments have adopted or are considering adopting laws that regulate indoor air quality, including laws that ban smoking of tobacco products and electronic cigarettes in public places like food establishments and restaurants. Some state and local authorities have also adopted, or are considering adopting, laws or regulations that would affect the content or make-up of food served in food establishments and restaurants such as the level of trans fats and sodium contained in food items. Additionally, the Menu Labeling Provisions of Patient Protection and Affordable Health Care Act require that certain restaurants and food establishments post calorie information on menus and to provide additional written information to consumers upon request.

In addition to laws and regulations that apply to businesses generally, your Business will be subject to various federal, state and local government regulations, licensing and requirements including those relating to site location, zoning ordinances, and building construction, safety, health and consumer protection laws and regulations. Some states may require that you obtain real estate permits, business, occupational, food product and other miscellaneous licenses. We do not assume any responsibility for advising you on such regulatory matters. You will be subject to the Americans with Disabilities Act, which prohibits practices that discriminate against physically and mentally challenged individuals regarding access to public accommodations and employment opportunities (Schedule 4 of the Franchise Agreement).

There are other laws and codes applicable to your Business, and we urge you to make further inquiries about those laws and codes.

Other than what is stated above, currently we have no knowledge of any regulations specific to the operation of a Burros & Fries Business. In addition, your state, province or county, there may be local codes, ordinances, statutes or laws which license or regulate food establishments as the one being offered in this Disclosure Document and such regulations could affect the operations of your Business. Local county health departments will typically inspect restaurants and food establishments to ensure compliance with safe food handling practices and adequacy of kitchen facilities. You should be prepared for such inspections and assure your compliance. You may also have to obtain health licenses and to comply with health laws and regulations that apply to restaurant and food establishments. These laws vary from place to place and can change over time. You must know such laws and regulations in your locality and must make sure that you and all your employees who work in your Business comply with any such laws and regulations as well as obtain any licenses, certifications or permits required by your locality for performing work in your Business. You should consider both their effect on your Business and the cost of compliance. In addition to complying with all laws, we require that you, all Owners (if you are an Entity), managers and employees have successfully obtained a food handlers certification in your home state and maintain such certification. A food handler's certification is food handling and safety training that is necessary for the operation of your Business.

We recommend that before signing the Franchise Agreement, you engage an attorney or other professional advisor to assist you in both determining what laws, ordinances and regulations may affect your establishment and/or operation of a Business, and in complying with them. You are responsible for obtaining all certifications, licenses, permits and inspections required to operate your Business. It is your sole responsibility to keep in force all necessary licenses and permits, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time. We recommend that you consult with your attorney for an understanding of all the laws applicable to your specific Business.

We have not offered franchises in other lines of business in the past. We do not engage in any business other than the offer of franchises.

ITEM 2
BUSINESS EXPERIENCE

President/CEO, Secretary, Treasurer and Director is Fernando Ruiz: Mr. Ruiz has owned and worked in all aspects of the Burros & Fries restaurant business since 2009 and will continue to do so for the Franchisor.

ITEM 3
LITIGATION

Prior Actions

Jose Chavez, Plaintiff, v. Fernando Ruiz, d.b.a., Burros & Fries Fresh Mexican Grill; Burros & Fries, Inc., and DOES 1-50, inclusive CASE NO. 37-2019-00012696-CLI-0E-CTL (Superior Court of CA, County of San Diego, filed March 8, 2019).

Mr. Chavez, a former employee of the Franchisor, filed suit against the Franchisor for Damages, -Injunctive Relief and Restitution And Penalties Under Labor Code Private Attorneys General Act Of 2004, for (1) Failure To Pay Overtime Wages (Violation Of Labor Code Sections 510, 515(D), 203, 1198); (2) Failure To Provide Adequate Meal Break And Rest Periods (Violations Of Labor Codes 512 And 226.7); (3) Failure To Provide Accurate Itemized Wage Statements (Violation Of Labor Code 226); and (4) Violations Of Unfair Competition Law (Bus. & Prof. Code Sections 17200 Et Seq.).

This case was settled on May 24, 2020 as follows: in order to avoid additional cost and the uncertainty of litigation, the Parties settled the case with full mutual releases. In consideration of the settlement Franchisor agreed to pay Plaintiff \$20,000.00 over a 5-month period.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

The Initial Franchise Fee for a single area Franchise (“Initial Franchise Fee”) is \$35,000 for the Franchised Business in a protected area. The protected area of a Franchise is determined once a specific location is identified and approved by us. The Initial Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting, other professional fees, news bulletins and templates for advertising materials to support your Business, a comprehensive training program at our corporate headquarters or on-site for approximately fourteen (14) days, which includes using the Operations Manual and providing assistance and guidance at your location for either pre-opening or grand opening assistance. You must purchase and maintain an inventory of product, supplies and kitchen equipment from our affiliates or our approved vendors and/or suppliers (as described in Item 8). You will be provided with a list of our approved vendors and/or suppliers during training. You will be provided with a written list of approved products, supplies, kitchen equipment and services you are authorized to use, offer and sell.

The Initial Franchise Fee is paid in a lump sum at the time the Franchise Agreement is signed and is deemed fully earned and nonrefundable upon payment per the terms of the Franchise Agreement as applicable except if an initial franchisee fee deferral is required.

We may decide to offer a program in the future whereby Franchisees can receive a flat referral fee of two thousand five hundred dollars (\$2,500) in cash, services or product credit for referring a third-party franchise prospect to us, who ultimately becomes a franchisee. You are authorized only to present a prospect with our informational brochure and to identify the prospect to our company franchise sales staff. You are not authorized to act as our agent or franchise broker and are not instructed to provide any information to prospects other than our information brochure. If you are entitled to receive a referral fee, notice will be given to the prospective franchisee receiving the Disclosure Document, together with the same type of information reported in Item 2 and Item 3 of this Disclosure Document. We retain the right in our sole discretion to modify or terminate this referral program at any time with or without notice. The factors concerning our decision to start, modify, or terminate the referral program include the number of franchises that we sell, the number of referrals that we receive from current franchisees, and the quality of referrals that we receive from current franchisees.

ITEM 6 OTHER FEES

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	6% of Gross Revenues per month starting immediately once the Business is open for operation.	Due by the 5 th day of each month for the previous month	See Note 1.
System Advertising Fee	1%-3% of Gross Revenues per month starting immediately once the Business is open for operation.	Due by the 5 th day of each month for the previous month	We may increase this fee 1% upon 90 days' written notice to you no more than once a year and not to exceed 3% of Gross Revenue per month. See Note 2 and Item 11.
Local Advertising Fee	A minimum of \$500 per month but \$1,500 is recommended	Spent by you to promote your Business locally	See Item 11
Interest and Late Charges	1.5% per month or maximum rate allowed by law, plus \$25 provided the interest rate cannot exceed the maximum legal rate. The highest rate allowed in California is 10% per annum.	After due date of fees.	See Note 3.

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Additional Training (including Refresher Training and/or Continuing Education)	Will vary under circumstances. Up to \$300 per person per ½ day. You are responsible for all room, board and travel expenses.	At time training is scheduled and/or additional assistance is requested by you.	The Initial Franchise Fee includes the cost of our initial training program it does not cover Additional Training. Additionally, this fee is applicable to the transferee upon an approved transfer of the Franchise for the initial training program and any Additional Training. The location will be at our headquarters although we reserve the right to provide them over the Internet or phone.
Audit Expenses	Cost of Audit Fees plus interest at 18% per annum (1.5% per month) up to the maximum interest rate allowed by law.	Ten days after receipt of audit report.	Payable to us only if you understate Gross Revenues by 2% or more. We expect the cost to be between \$3,500- \$6,500 unless your financial records are not well kept.
Costs and Attorney's Fees	Will vary under circumstances.	As Incurred.	Payable as incurred by us in obtaining injunctive relief or the enforcement of any item of the Franchise Agreement.
Indemnification	Will vary under circumstances.	On Demand.	As Incurred; See Note 4.
POS Support	Currently \$130-\$140 per month for 1 cash register, software and ongoing support.	Monthly.	Payable to our approved vendors. See Note 5
Laundry Service Fees	Currently \$1,000-\$1,500 per month for professional laundry services	Monthly.	Payable to our approved vendors. See Note 6
Inspection Fee	\$1,000 if you fail to pass an inspection for the second time.	On Demand.	Payable to us See Note 7 and Item 8.
Renewal Fee	\$5,000	At the time of every renewal for each franchise.	Payable to us for the same protected area.
Product, Vendor and Equipment Testing Fee	\$300 per product, menu item or vendor. \$300 for equipment testing.	On Demand	See Note 8

<u>Type of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Transfer Fee	A flat fee of \$10,000 when you transfer your franchised business. If transferee came from our lead database, you may be required to pay the then-current fee to us plus any costs associated with applicable broker fees.	At the time the transferee signs the Franchise Agreement in effect	Payable to us when the Franchise Agreement is signed.
Resale Fee	Varies	On Demand	If you ask and we agree to assist you in finding a buyer for your Business, you pay us a fee to cover our costs and expenses, including time committed by our personnel.
Temporary Management	Actual Costs	On Demand	Upon death or disability, a manager who completed our training, must be employed to operate the Business. If not done, we can appoint a manager for up to 90 days, renewable up to one year. All expenses, including manager compensation, travel and living expenses will be charged against operating revenues. We also charge against those revenues, the amount of our expenses.
Conference Fee	There will be a registration fee for conferences not to exceed \$500 per person although we will attempt to keep the cost down so it does not exceed our cost. Conference fee, travel, transportation, lodging, meals and incidental expenses in addition to compensation of the people you send to any conferences. Will vary under circumstances.	As Incurred.	As Incurred and payable to third parties and us.

Except as stated above, you pay all fees to us and they are uniformly imposed. All fees are non-refundable.

Note 1: Gross Revenue is defined in the Franchise Agreement as the gross amount, in money or other forms of consideration, that you earn or receive from any source-related to, or in connection with, the operation of your Franchised Business or with this Franchise, whether on or off your premises. Gross Revenue also includes fair market value for any product or service you receive in barter or exchange for your products or services and all insurance proceeds that you receive for the loss of the Business due to a casualty to or similar event at the Business. We exclude only gratuities paid by guests to employees of the Business, service fees for credit card transactions, sales tax receipts that you must by law collect or pay and any refunds of previous payments you actually make.

The royalty obligation begins immediately after your Business is open for operation then continues for the term of your Franchise. The royalty is due and payable monthly on the 5th day of each month but is to be received how we specify. The royalty rate is 6% of your Gross Revenues per calendar month for the entire term of your Franchise Agreement. If your Franchise Agreement is terminated, you may be required to continue royalty payments for the remaining term of your Franchise Agreement.

Royalty fees shall be payable only to us and collected by us through electronic transfer with direct deposit to us from your account. Under our current automatic debit program, you must make required funds available for withdrawal by electronic transfer before the due date. See the Direct Deposit Agreement attached as Schedule 1 of the Franchise Agreement. We reserve the right to change the time and manner of payment upon written notice to you. All royalty fees are uniformly imposed. All royalty fees are non-refundable.

Note 2: You will pay us a System Advertising Fee contribution equal to 1-3% of your monthly Gross Revenues as defined in the Franchise Agreement. The System Advertising Fee is imposed by us and collected by us and all System Advertising Fees are non-refundable. The System Advertising Fee begins immediately once your Business is open for operation and is due on the 5th day of each month and continues for the term of your Franchise. The Fee will start at 1% of your Gross Revenue and we may raise, discontinue, or reduce the contribution, but your total contribution will not exceed 3% of your Gross Revenues. Gross Revenue is defined in the Franchise Agreement and in Note 1 above. You pay the System Advertising contribution at the same time and under the same terms as the royalty described above. System Advertising Fees are uniformly imposed on all franchisees.

We will place the System Advertising contributions in a separate bank account. We may use this fund for marketing, local, regional, national, or international advertising, public relations, promotions, surveys, test marketing, research and development, administration (including our salaries, accounting, collection, legal, and other costs), related expenses, and any media costs (including any media production costs). We make the expenditures at our discretion. We do not represent that any particular level of expenditure will be made for particular programs or to benefit particular franchisees or franchised locations. We are not required to spend any amount on advertising in the area where you are located. We will not spend advertising funds for activities that are principally a solicitation for the sale of franchises. We have no fiduciary duty to you regarding any System Advertising Fees. All system advertising fees are collected only by us.

Note 3: Interest and late charges begin to accrue from the due date of payment. You must also pay any damages, expenses, collection costs and reasonable attorney fees we incur when you do not make the required payments. The interest rate cannot exceed 10% per year in California. All interest and late charges are payable only to us. Interest and late charges are non-refundable.

Note 4: You must protect, defend, indemnify and hold us harmless against any claims, lawsuits or losses arising out of your operation of the Franchised Business. If you default under the agreement and we engage an attorney for collection or enforcement, you must pay all our damages, legal fees and costs to the extent permitted by law. Indemnification costs are imposed only by us and collected only by us. Indemnification costs may vary based on the claims, lawsuits, and losses that we incur arising out of your operation of the Business (Franchise Agreement Section 18).

Note 5: You are required to use specific point of sale (“POS” or “POS system”) software for the operation of your Business. The POS software is specific to our business and tracks various aspects and provides reporting functionality. The POS support fee is for the usage of such software in addition to ongoing software support which is currently \$130-\$140 per month per cash register. This fee is payable to our approved vendor. It is your responsibility to install and upgrade the POS system, networking and software for your Business. We may change the technology requirements upon ninety (90) days’ written notice to you and you will be required to adhere to our

new technology requirements at your own expense. Technology fees are non-refundable and are uniformly imposed and collected only by us, our affiliates, or our approved vendors (Franchise Agreement Section 10.E).

Note 6: You are required to use a professional laundry service to clean your towels, mats and aprons on a weekly basis. The costs for such services should range from \$1,000-\$1,500 per month and are payable to our approved vendors but may vary. It is your responsibility to manage the laundry services for your Business so that all towels, mats and aprons meet our cleanliness standards, which will be provided. We may change such laundry service requirements upon ninety (90) days' written notice to you and you will be required to adhere to our new laundry service requirements at your own expense. Laundry service fees are non-refundable (Franchise Agreement Sections 10.F and 12.H).

Note 7: You are required to maintain our quality standards, product specifications and cleanliness standards. We reserve the right to charge you a fee of \$1,000 if we inspect your Business and you do not pass the inspection for a second time in any two-year period. This fee is in addition to any product, vendor or equipment testing fee as described below (Franchise Agreement Sections 10.G and 12.Q).

Note 8: You will be required to obtain our written approval for any type of product (including menu or retail item), vendor and/or supplier or piece of kitchen equipment you wish to use in the operation of your Business (as described in Item 8) and you will be responsible for paying us an assessment fee. This fee is \$300 for any single product (including a menu or a retail item), vendor and/or supplier you wish to offer, use and/or substitute in your Business. The fee for kitchen equipment testing is a minimum of \$300 per piece or the actual cost incurred by us, if higher. We may waive these fees if the products (including menu or retail items), vendors and/or suppliers or equipment you select meet our requirements and make it on our approved list of products (including menu or retail items), vendors and/or suppliers and kitchen equipment for all franchise locations. All product, vendor and equipment assessment fees are payable only to us. However, if we need to use the services of a third party to conduct the testing, we reserve the right to impose an additional fee. Product, vendor and equipment assessment fees are non-refundable and are uniformly imposed (Franchise Agreement 10.H).

ITEM 7

ESTIMATED INITIAL INVESTMENT YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount Low/High		Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$35,000	\$35,000	Cash or Acceptable Funds	At signing of the Franchise Agreement.	Franchisor See Item 5
Technology including Computers	\$5,000	\$10,000	Cash or Acceptable Funds (for computers, , modem, routers, sound system, camera surveillance system and telephones.)	Before opening	Payable to our approved vendors See Note 1
Kitchen Equipment, Furniture and Fixtures	\$80,000	\$120,000	Cash or Acceptable Funds. Actual costs will vary based on the size of your facility.	Before opening	Payable to our approved vendors See Note 2

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
	Low	High			
Real Estate (Lease)	\$4,770	\$13,050	As required by Landlord. (Estimated rent for your business location based on leasing 1,350 to 2,800 square foot facility. This estimate includes does not include any advanced rent or security deposit, each of which is likely to be equal to one month rent).	Before Opening.	Landlord See Note 3
Leasehold Improvements	\$100,000	\$250,000	Cash or Acceptable Funds (costs to construct interior alterations, improvements, lighting and decorating the facility will depend on the extent of the renovations needed. These estimated are based on a \$20 per sq. ft allowance from the landlord which will vary.	Before Opening.	Landlord See Note 4
Utilities	\$4,000	\$5,000	Cash or Acceptable Funds (Does not include any deposit).	Monthly.	Payable to local Utility Suppliers
Signage & Menu Board	\$10,000	\$30,000	Lump sum; estimated cost for the delivery and installation of interior and exterior signage. We specify and provide you with signage guidelines in the Operations Manual.	Before Opening	Payable to our approved vendors
Drive-Thru (Optional)	See below Note 1 A.	See below Note 1 A.	Lump Sum, estimated cost for the specialized equipment needed to conduct a drive-thru operation and for the delivery and installation of exterior signage.	Before Opening	Payable to our approved vendors
Start Up Inventory	\$10,000	\$30,000	Cash or Acceptable Funds (estimates for a startup inventory of products and supplies necessary for your first month of operation.)	Before Opening	Payable to our approved vendors See Note 5

Type of Expenditure	Amount Low/High		Method of Payment	When Due	To Whom Payment is to be Made
Grand Opening Marketing	\$1,500	\$5,000	As incurred; marketing will vary depending on several factors including your business plan, growth rate, cost of media in your area and ability to attract guests. This amount must be spent for grand opening expenses during the first month your Business is open for operation.	Over the course of your first month	Payable to local vendors
Staffing	\$20,000	\$45,000	As incurred; you will need to hire part time chefs, servers, cashiers and dishwashers. The high end of this estimate represents hiring a full-time manager. This is an estimate for your first month in operation.	Over the course of your first month.	Salaries and Expenses
Uniforms	\$1,000	\$2,000	Costs will vary depending on the number employees you hire.	Before Opening.	Payable to our approved vendors See Note 6
Insurance	\$5,000	\$10,000	As we require subject to your review by your insurance company. Estimate excludes workers' compensation insurance.	Spent over the course of 12 months.	Payable to third parties; See Note 7
Travel, Lodging and Meals for Initial Training Program	\$1,000	\$2,000	As required by vendors. Training held at corporate headquarters. Estimate provided are costs for one person	Before Opening	See Item 11
Licenses, Permits, Certifications and Other Professional Fees	\$2,500	\$7,500	As incurred; licenses, permits and food handling certifications required to operate your Business and any professional legal and accounting fees incurred.	Before Opening	Payable to appropriate local and/or State licensing authorities and Third Parties.
Additional Funds (3 Months)	\$40,000	\$60,000	As incurred; additional funds necessary for start-up of your Business which includes working capital.	Spent over the course of first three months.	See Note 8

Type of Expenditure	Amount Low/High		Method of Payment	When Due	To Whom Payment is to be Made
	Total				
Total	\$319,770	\$624,550	See additional cost below for a Drive Through facility.		

Except as provided below, other than security deposits and utility deposits, all payments and fees described in this Item 7 are non-refundable.

Note 1 A: The Drive Through facility is an optional addition to the restaurant and we believe most franchisees will not include it in their restaurant. The estimated expenditure is between \$10,000 low and \$20,000 high and is NOT included in the total above. If you think you will or might include a drive through facility you should add these amounts so that it will be a Total low of \$329,770 and a high of \$644,550.

Note 1: You must purchase a computer, modems and routers, and a phone system for the operation of your Business as specified in the Operations Manual. The following items will be leased: POS system, tablets, software, copier, scanner, printer. All such items must be purchased through our vendors or suppliers, approved by us, meet our specifications, which may change from time to time, and may not be refundable depending on the terms of the invoice or purchase agreement (Franchise Agreement Sections 12.H, 12.I and 20.I).

Note 2: This is an estimate for the items you will need for kitchen equipment, furnishing and fixtures. You must purchase various used or new pieces of kitchen equipment for the operation of your Business as specified in the Operations Manual. The kitchen equipment you will need to operate your Business includes, but is not limited to commercial grade refrigerators, commercial grade freezers, microwave, toaster ovens, beverage dispensers, and a three-compartment sink. The furnishings and fixtures necessary to operate your Business include but are not limited to tables, chairs, stools, counters, hostess stand, fabricated stainless steel worktables, filing systems, one beverage display refrigerator, shelving, cabinets, storage racks and one small safe for the operation of your Business. The low end of the estimate given is based on opening a 1,350 sq. foot facility and the high end of the estimate is based on opening a 2,800 sq. foot facility. Actual kitchen equipment, furniture and fixture costs may vary due to the square footage of your facility. Sales tax is charged separately by each state and is not included in these estimates. Sales tax may range from three percent (3%) to ten percent (10%) of the purchase price and are not included in these estimates. You are responsible for paying all applicable sales taxes. You must lease or purchase all kitchen equipment, furnishing and fixtures from us, our affiliates or our approved vendors and suppliers. In addition, you must lease or purchase all kitchen equipment, furnishings and fixtures that meet our specifications, which may change from time to time. The cost of all kitchen equipment, furnishing and fixtures will depend on financing terms available, the condition of the kitchen equipment, furnishing and fixtures and other factors. You may be able to take advantage of tax benefits for the lease or purchase of all your kitchen equipment, furnishing and fixtures as you are encouraged to talk with a tax professional. Expenses for the kitchen equipment, furniture and fixtures do not include shipping or delivery costs and may or may not be refundable depending on the terms of your invoice, lease agreement or purchase agreement.

Note 3: A typical Business is in a shopping center, mall or a free-standing building. Cost per square foot will depend on your geographic area and we estimate such costs to be approximately \$3 per square foot on the low end and approximately \$5 per square foot on the high end. These sums do not include common area maintenance fees, which if applicable, will vary depending on your location or any sums for the purchase of real property, as we do not expect that you will buy real property. Real estate costs depend on location, size, visibility, economic conditions, accessibility and competitive market conditions. You may be able to reduce this expense if you are able to occupy a space in an existing location that compliments another business. The space must be enclosed and separate from

other businesses with its own locking door. In the event you leave your leased premises before the termination of your lease, you may owe the landlord payment for the entire lease term depending on the terms and conditions of your lease.

Note 4: We advise you to find a space needing minimal leasehold improvements or fixtures. In most cases you will need to alter the interior of your Business before you open for operation. The costs will vary widely and may be significantly higher than what is projected in the table above depending on factors such as the condition of the property and the extent of alterations required for the property. The high estimate reflects the potential need to construct a drive through facility. We highly recommend you make use of a drive-thru as part of your facilities, as it is an important aspect of your sales. In addition, we assume that your landlord will provide connections to adequate electrical, gas, water and sewage service and your landlord may provide tenant improvement allowances. We base our estimates on the costs that our affiliates incurred when building out their locations. You should investigate all these costs in the area in which you wish to establish a Burros & Fries Business. We will provide you with standard layouts and design options for your Business; however, it is your responsibility to hire an architect to create a complete set of drawings based on the size of your facility and local permitting requirements. Architect and permitting costs are not included in this estimate. Whether or not any leasehold improvements or build out expenses are refundable depend on the terms and conditions of your contracts you're your contractors, as well as your lease agreement (Franchise Agreement Sections 12.S and 12.T).

Note 5: You must purchase products and supplies for the general operation of your Business as specified in the Operations Manual. You must purchase only approved products and supplies and you must purchase products and supplies that meet our specifications, which may change from time to time. All products and supplies must be purchased through us, our affiliates or approved vendors and/or suppliers, except all advertising and promotional materials and miscellaneous forms must be purchased directly from us. Whether or not any of the purchases for products and supplies are refundable depends on the terms of the invoice or purchase agreement with suppliers (Franchise Agreement Sections 12.I and 20.I).

Note 6: You must purchase and maintain an inventory of approved uniforms for the operation of your Business. All uniforms must meet our specifications, which may change from time to time. The number of uniforms you will need will vary depending upon the number of employees you hire. This estimate does not include any shipping costs which (if applicable) are your responsibility. Whether or not any of the purchases for uniform apparel are refundable depends on the terms of the invoice or purchase agreement with suppliers.

Note 7: This estimated amount represents twelve (12) months of pre-paid insurance premiums that does not take into account workers' compensation insurance which may vary greatly by state, payroll and classification. You must obtain and keep certain types of insurance coverage, described in more detail further in this Disclosure Document.

Whether or not any insurance premiums are refundable depend on the terms and conditions of your insurance policies.

Note 8: These figures are just estimates and we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. The estimate includes minimum working capital for the startup of your Business. This also includes estimates of miscellaneous startup costs such as: rent for an additional two (2) months (first months' rent is already included above), shipping and delivery costs, purchasing additional products and supplies; hiring additional staff, workman's compensation insurance payments (if applicable), additional permits and other miscellaneous costs.

Total Estimated Initial Investment. The total estimated initial investment is an estimate only of the range of startup expenses you may incur. We relied on our principals' combined experience when preparing these figures. The actual amount of funds you will need depends on a variety of factors, including the size of your facility, the location

of your Business, build-out expenses (for example if you choose to install a gas deep fryer and a hood), the time of year when you open your Business, the amount of kitchen equipment, products and supplies you purchase, how many employees you hire, implementation of a marketing plan, your own management skill, economic conditions, competition in your area and other factors. The estimate of initial investment funds is based on an owner-operated business; or incorporating business operations within an existing complimentary business and does not include salaries or benefits for full-time employees.

These figures are just estimates and we cannot guarantee that you will not have higher costs. Competitive conditions described in Item 1 will affect these costs. These costs do not include your Royalties and System Advertising fees which begin immediately once your Business is open for operation. These costs should be included in your projections of overall operations costs beginning with your first month of operation. We acknowledge that you may choose to invest additional funds into your Business during the first three (3) months of operation, and sometimes longer, but we cannot estimate or promise when, or whether, any franchisee will achieve positive cash flow or profits. You should review the figures carefully with a business advisor and identify your individual expenses along with cash flow projections before making any decision to buy a franchise.

We do not offer financing, directly or indirectly, for any part of the initial investment for a Franchise. The availability and terms of third-party financing will depend on factors such as the availability of financing generally, your creditworthiness, collateral you may have, and the lending policies of financial institutions. The estimate does not include any finance charges, interest, or debt service obligation, or your living expenses. You should have sufficient capital or other means to pay for your living expenses for at least six months of operation.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We may offer or designate others to offer certain products, supplies, kitchen equipment or services and we may become approved suppliers or the only approved supplier(s) for these and other products, supplies, kitchen equipment and services. The products, supplies, kitchen equipment and services include: ingredients (for any proprietary product we may have, etc.), fresh produce, dairy products; beverage products (such as: tea, carbonated drinks, juices and specialty beverages), supplies (such as small wares, disposables, packaging materials, disposables and cooking supplies), kitchen equipment (such as: refrigerators, freezers, etc. as described in Item 7), furnishing and fixtures, technology items (such as computers and POS system) software, printed menus, signage, uniforms, professional laundry services, merchant services, printed advertising materials. You cannot purchase unapproved products or supplies and/or lease or purchase unapproved kitchen equipment from any vendor and/or supplier that are not on our pre-approved list without written permission. We will provide you with: a written list of approved products, supplies, kitchen equipment and services you can use and offer in your Business; recommended procedures and strategies when purchasing products and supplies and leasing or purchasing kitchen equipment for your Business; and a written list of approved vendors and/or suppliers to purchase and/or lease kitchen equipment, products, supplies and services from during our initial training program. If we develop proprietary products or if we develop proprietary equipment or software in the future, you must purchase such items from us, our affiliates or approved suppliers. We may become the approved suppliers or the only approved supplier for products, supplies, kitchen equipment and services in the future. There are no supply contracts at this time. None of our officers or directors owns any interest in any vendor or supplier other than us.

You are required to adhere to the standards and specifications established periodically by us with respect to your Burros & Fries Business, all menu and retail items offered, recipes, food preparation, cleanliness standards, operational procedures, advertising, vendors, products and services to be offered through your Franchise and other items for the operation of your Business. You must operate in strict conformity with the methods, standards and specifications that we prescribe in the Operations Manual or otherwise in writing. You must maintain in sufficient supply, sell and use at all times only the products, supplies, kitchen equipment and services that meet our standards

and specifications. We may change our standards and specifications, as a result of experience or changes in the marketplace and we will issue such changes to all franchisees.

We base our approval of vendors and suppliers on our discretionary determination of demand, relevance to the System, price, value, quality, reliability, accuracy of product claims, safety, warranty, prompt attention to complaints, financial stability, litigation against supplier, recall history, reputation, frequency of delivery, appearance and contributions or other benefits to us and/or any marketing fund. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. We have the right to disapprove any product, piece of kitchen equipment and/or supply sources that are not on our approved vendor list. If any product, piece of kitchen equipment, service, vendor or supplier is not authorized by us, you are prohibited from using, offering or selling it. We may require vendors and/or suppliers to provide certain information, sign a nondisclosure agreement, and agree to guarantee our level of quality and produce sufficient samples to allow us to test the sample at your expense. We may require you to submit to us sufficient specifications, photographs, drawings or other information and samples to determine whether the items meet our specifications. There is a product, vendor and equipment assessment fee for supplier approval, and we may require third-party testing, in which case you will pay the actual cost of the tests as described in Item 6. We may issue specifications in manuals or directives, in writing or orally, and we may modify them at any time. Our response to a written request by you to approve a product (including a menu or retail item), piece of equipment or a supplier will be made within thirty (30) days after we receive it. Approval may be revoked in our sole discretion where an approved product (including any menu or retail item), piece of kitchen equipment, vendor or supplier does not adhere to the specifications described above. We will notify you either by email or any other written form of communication of our approval, disapproval or revocation of any prior approval of any product, kitchen equipment, vendor or supplier.

You are not required to maintain a minimum inventory of products in your Business; however, we retain the rights to do so in the future. If we require you to maintain a minimum inventory of products (currently not in effect) we will notify you by email or any other written form of communication and you will be given 90 days to comply with such requirements at your cost. We will provide you with a written list of approved products, menu items and retail items you are authorized to use, offer and/or sell in your Business after signing the Franchise Agreement and during our initial training. We will enforce these requirements by unannounced on-site visits to your business. When we make other visits to businesses, such as to assist you, we may also take that opportunity to visibly inspect your inventory and determine if unauthorized products (including menu or retail items), kitchen equipment or services are being used, sold or offered. In addition, we expect to receive information from our other businesses or from guests of your Business reporting that unauthorized products (including menu or retail items), pieces of kitchen equipment or services are being used, sold or offered in the Business. You must permit us or our agents, at any reasonable time, to remove a reasonable number of products (including food or non-food items) or pieces of equipment from your Business free of charge for testing by us or by an independent laboratory, to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications (see Item 6). In addition, to maintain the highest degree of quality and service, we reserve the right to charge you an additional fee of \$1,000 if we inspect your Business and you do not pass the inspection for a second time in any two (2) year period. We reserve the right to take whatever action we deem necessary in our absolute and sole discretion to prevent you from using, selling or offering unauthorized products (including menu or retail items), supplies, kitchen equipment or services, including seeking injunctive relief or terminating your Franchise Agreement.

We may derive profit through markups of the prices charged to you for products, supplies, or services we supply. We may derive revenue through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved suppliers. We have the right to spend those amounts as we choose. We do not know the precise basis of these payments because we have never previously collected them. If we require you to buy from us, the product's price and quality will be comparable to similar products from other sources.

To maintain uniform quality standards, all products, kitchen equipment, services, printed menus, signage, advertising, trademark usage, trade dress, uniforms and other supplies and services you use to operate the Franchised Business must meet our standards and specifications. In addition, you must participate in and cooperate with promotional programs, rewards and/or loyalty programs, community programs, gift certificate or gift card programs we may establish and follow our and supplier requirements and guidelines. We will require you to use specific software, miscellaneous forms, menus, contracts, checklists, marketing and promotional items; and we may require you to use specific laundry service providers, POS and technology support service providers and merchant service providers.

We maintain specifications for the construction and build out of your Business, leasehold improvements, furnishings and fixtures, kitchen equipment, technology items (such as computers, POS system, etc.), software, printed menus, signage and décor to be used for the interior and exterior of your Business. You may not install or permit to be installed on the Business premises any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items without our written consent or that do not comply with our specifications. Some of these specifications are contained in our Operations Manual and others will be set forth in periodic written notices to our franchisees. In most cases, the specifications involve confidential and proprietary information regarding proprietary and confidential information and the specifications will only be made available to a supplier who agrees to sign a confidentiality agreement with us. We develop these specifications either through our research and development staff or with a particular manufacturer and they may be modified periodically.

Our primary methods of communication with franchisees is through emails, phone, text and if available an intranet system provided to franchisees on our website (all of these “Communications”). You are responsible for knowing all of the information contained in the Communications and complying with any standards and specifications. We may establish and change the standards and specifications for the operation of your Business through our Communications.

All marketing and promotion of your Franchise by you in any medium must be conducted in a professional and dignified manner and must conform to our specified standards and requirements. You must submit samples of all advertising, marketing or promotional plans and materials that you desire to use to us for approval if such has not been prepared or previously approved by us. If you have a web page through our system, you may not use any marketing or promotional materials that we have disapproved. This includes any website promotion over the Internet to promote your Business. You must submit a request to us for any type of web references or promotions you wish to do in addition to any edits, changes or updates to your web page. Internet promotions, edits, changes or updates to your web page must be done by us, our affiliates or approved vendors with our consent and you are responsible for all costs. Our response to your request will be made within thirty (30) days after we receive it. We will notify you by email or any other form of written communication of our approval or disapproval. If we do not respond within such period, your request will automatically be deemed disapproved. You may not use any advertising, marketing or promotional materials that we have disapproved. You must not conduct any advertising without our written permission, in any social media such as Yelp, Twitter, Facebook, LinkedIn and others. You must also supervise your employees to assure they do not post any material on the Social Media sites or any internet sites, regarding us or the System whatsoever.

For a Burros & Fries Business, you are obligated to purchase and/or lease kitchen equipment, furniture and fixtures, technology items (as described above) software, signage, uniforms and an inventory of products and supplies for the operation of your Business. It is estimated that all your initial expenditures from us, our affiliates or the vendors that we specify and/or approve that meet our standards and specifications will represent approximately 45%-55% of your total initial purchases. It is anticipated that during the operation of your Business, required purchases from us, our affiliates or the vendors that we specify or approve (not including your lease, royalties or labor costs) are estimated to be approximately 90%-95% of your total monthly purchases in the continuing operation of your Business (this depends on the size of your Business the amount of inventory you purchase and sales volume).

We do not provide material benefits (for example renewal or additional franchises) to you based solely on your use of designated or approved sources. We do not belong or require you to belong to any purchasing or distribution cooperatives, although we retain the right to establish them and to require your membership therein.

When you open a location for your franchise under a lease, per the Franchise Agreement, you must submit the proposed lease to us for approval before it is signed. We have the option to require that the lease (i) be collaterally assigned to us by a collateral assignment agreement in a form and substance reasonably acceptable to us in order to secure performance of your liabilities and obligations to us or (ii) contain the following terms and conditions:

1. The lessor must agree that without its consent, the lease and your right, title and interest under the lease may be assigned by you to our designee or us (provided such assignment shall not relieve you of your obligations under the lease or cause us or our designee to have any obligations or liability under the lease).
2. The lessor must provide written notice to us (at the same time it gives such notice to you) of any default by you under the lease and we must have, after the expiration of the period during which you may cure such default, an additional 15 days to cure, at our sole option, any such default and, upon the curing of such default, the right to enter upon the leased premises and assume your rights under the lease as if the lease had been assigned by you to us.
3. You are required to furnish copies of all insurance policies required by the Franchise Agreement and by the lease, to us, or such other evidence of insurance coverage and payment of premiums as we request or permit or under the lease.

Before you open your Business for operation, you must obtain the insurance coverage for the Business as specified below. The insurance coverage must be maintained during the term of the Franchise Agreement and provide evidence of insurance to us that insurance has been obtained from a responsible carrier or carriers acceptable to us.

1. General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations and fire damage coverage, in the amount of \$2,000,000 per occurrence and aggregate;
2. "All Risks" or "Special Form" replacement cost coverage for the full cost of replacement of the Business premises and all other property in which we may have an interest with no coinsurance clause;
3. Business and personal property casualty insurance that covers you for damages or losses to the Business with a minimum policy limit of \$1,000,000 per occurrence or an amount that covers the assets of the Business;
4. Product liability insurance that covers you for damages that result in injury from products that you provide with a minimum policy limit of \$2,000,000 per occurrence and \$4,000,000 aggregate or an amount we reasonably specify;
5. Employer liability insurance that covers you and your Business against claims made by employees for work-related bodily injury or disease, other than liability imposed on you and your Business by workers' compensation law;
6. Workers' Compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to

injured workers, subject to the conditions set forth in the Franchise Agreement.

7. Business Interruption insurance in such amount as will reimburse you for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners (including lost royalties, system advertising and other fees due to us and/or our affiliates), or attributable to prevention of access to the Business, with coverage for a period of interruption of one hundred eighty (180) days and such longer period as we may specify periodically. Business interruption insurance is required with liability limits of amounts we may reasonably specify which will relate to the right to be reimbursed for direct or indirect loss of earnings attributed to all perils commonly insured against by prudent business owners.
8. Automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in amounts not less than \$100,000 combined single limit or what is in accordance with your state guidelines;
9. Professional liability insurance (optional) that covers you for damages that you create that do not result in property or bodily injury with a minimum policy limit of \$500,000 or an amount we reasonably specify;
10. Employment practices liability insurance (optional) that covers you and your Business against claims made by employees, former employees or potential employees for discrimination, wrongful termination, sexual harassment and other employment related obligations;
11. Crime insurance (optional) for employee dishonesty in the amount of \$10,000 combined single limit;
12. Tenant's liability insurance if such insurance is required by the terms of your lease (if applicable);
13. Any other Insurance required by the state or locality in which the Business is located and operated in such amounts as required by statute; that we or your landlord may reasonably require.

With regard to any construction, renovation, or remodeling of the Business, you must maintain builder's risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us. All of the policies must name us and our affiliates, as additional insureds and must include a waiver of subrogation in favor of all those parties.

All insurance coverage shall be taken out in your name and shall name us and our affiliates as an additional insured and be placed with insurers designated by us or acceptable by us. You must furnish us with certified copies of each of the insurance policies described above on the earlier of your opening of the Business or one hundred eighty (180) days following the date that the Franchise Agreement is executed. You must purchase "A" rating insurance policies. Each such policy shall provide that it cannot be canceled without thirty (30) days' prior written notice to us and that we shall receive at least thirty (30) days' prior written notice of its expiration. You shall promptly refer all claims or potential claims against you or us to each of us and our insurer.

The cost of insurance purchased in accordance with our specifications will represent less than two percent (2%) of your total purchases in connection with the establishment of your Business and will be approximately one percent (1%) of your total purchases in the operation of your Business. These percentages do not include workers' compensation insurance that will vary with the payroll amount and category of employees.

Franchisor will negotiate with certain vendors to attempt to obtain favorable pricing on certain products, for the benefit of the franchisees, provided the Franchisor may stop this service in the future, no earlier than the end of calendar year 2020.

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.

<u>Obligation</u>	<u>Section In Agreement</u>	<u>Disclosure Document Item</u>
(a) Site selection and acquisition/lease	Sections 12.S and 20.C. of Franchise Agreement	Items 7, 11 and 12
(b) Pre-opening purchases/leases	Section 8 of Franchise Agreement	Items 7 and 8
(c) Site development and other pre-opening requirements	Sections 8, 12.T, 20.C. of Franchise Agreement	Items 6, 7, 11
(d) Initial and ongoing training	Section 20.A. of Franchise Agreement	Item 11
(e) Opening	Sections 9.B and 12.G of Franchise Agreement	Item 11
(f) Fees	Sections 9 and 10 of Franchise Agreement	Items 5, 6 and 7
(g) Compliance with standards and policies (Operations Manual)	Sections 12.A and 12.H. of Franchise Agreement	Items 8, 11 and 16
(h) Trademarks and proprietary information	Sections 15 and 16 of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Section 12.I. of Franchise Agreement	Items 8 and 16
(j) Warranty and customer service requirements	Not Applicable	None
(k) Territory development	Section 6 of Franchise Agreement	Item 12
(l) On-going product/services purchases	Section 12.I. of Franchise Agreement	Item 8
(m) Maintenance, appearance and remodeling requirements	Section 12.E. of Franchise Agreement	Item 11
(n) Insurance	Section 13 of Franchise Agreement	Items 6 and 7

(o) Advertising	Sections 10.B, 12.L and 20.J Items 6, 7 and 11 of Franchise Agreement	Items 6, 7, and 11
(p) Indemnification	Section 18 of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Sections 12.F and 12.K. of Franchise Agreement	Items 11 and 15
(r) Records/reports	Section 14 of Franchise Agreement	Items 6 and 11
(s) Inspections/audits	Sections 12.Q and 14.B. of Franchise Agreement	Items 6 and 11
(t) Transfer	Section 22 of Franchise Agreement	Items 6 and 17
(u) Renewal	Section 7.B. of Franchise Agreement	Items 6 and 17
(v) Post-termination Obligations	Section 24 of Franchise Agreement	Item 17
(w) Non-competition covenants	Section 19 of Franchise Agreement	Item 17
(x) Dispute Resolution	Sections 25.C. and 25.D of Franchise Agreement	Items 17

ITEM 10 **FINANCING**

Neither we, nor our affiliate currently offers, directly or indirectly, any financing arrangements to you. Neither do we guarantee your note, lease, or any other obligation for a single franchise.

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

Except as listed below, we [the Franchisor] need not provide any assistance to you under the Franchise Agreement.

Before you open your Business, we will:

- (1) Provide you with written guidelines for site selection. You must, on your own initiative and at your own expense locate, obtain and occupy the site and negotiate the lease for your Business. You must select the site for your Business within the protected territory provided in the Franchise Agreement. We currently do not own the site and lease it back to you; however, we retain the rights in the future

to do so. You may not sign a lease for the site (or contract to purchase the premises, if applicable) in which you wish to operate your Business until you have obtained our written approval. Additionally, you must not invest any money for the site in which you have not received our written approval. We must accept the site if we feel in our total discretion that it meets or exceeds our standards, but our acceptance does not ensure that your Business will be profitable at the approved location. If we do not approve the site, you will be given a second opportunity to locate a site. If we do not approve the second site, we may terminate the Franchise. The factors that we consider in acceptance of the site include: population density, demographics, traffic patterns, convenience, adequate parking, safety, zoning ordinances, neighborhood and physical characteristics of the premises such as size and layout. We evaluate each proposed site and accept or reject each one on a case-by-case basis and will notify you by email or any other form of written communication of our acceptance or rejection of any proposed site within thirty (30) days after we receive your request (Franchise Agreement, Sections 12.S and 20.C).

Neither we nor any of our employees have special expertise in selecting sites; we make no representations that your Business will be profitable or successful by being located at the approved site. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.

- (2) Insert the accepted site on your Franchise Agreement. However, the acceptance of a location and entering it on your Franchise Agreement by us is conditioned upon our determination, in our reasonable judgment, that:
 - (i) the site which you have submitted is a suitable site based upon criteria we establish periodically; and
 - (ii) you and your Owners are in compliance with the Franchise Agreement.
- (3) Approve the lease for the Business premises. You must submit the lease to us for our approval at least ten days before you sign the agreement. You must send us a signed copy of the lease within five days of both parties signing the lease. We do not offer legal service to you and you should consult your independent legal counsel for a legal review of the lease (Franchise Agreement, Sections 12.S and 20.C).
- (4) Offer you guidance when applying for licenses, permits, certifications, inspections and notifying your state of your proposed Business. It is your responsibility to comply with all laws, ordinances and regulations as you are responsible for obtaining all necessary approvals, certifications, licenses and permits to operate your Business (Franchise Agreement Section 20.C).
- (5) Inform you of any of our mandatory specifications, architectural and design plans, floor plans, interior and exterior signage, décor, designs and layouts for the Business at the accepted location. We will provide you with guidelines for the design and layout of your Business and you may need to hire an architect to create a complete set of drawings based on your building size and local permitting requirements. You will be required to confirm that your Business satisfies all state and local zoning ordinances, regulations, fire, health, and building codes. We may, if needed, review your set of drawings. It is your responsibility to comply with all laws, ordinances, regulations, zoning and building codes for your Business (Franchise Agreement, Section 12.T and 20.D).

- (6) Provide you with specifications for products, supplies, kitchen equipment, furnishings, fixtures, technology items (as described in Item 8), software, signage and uniforms necessary for the operation of your Business. You are obligated to repair and maintain all kitchen equipment, technology items and related software necessary for the operations of your Business. You will be responsible for these expenses as these expenses are necessary for the operation of your Business. We will deliver these written specifications for the above items, and you are responsible for the delivery and installation of these items. You are required to lease and/or purchase the items listed above from us, our affiliates and/or our approved vendors (Franchise Agreement Sections 12.I, 20.A, 20.D and 20.I).
- (7) Provide you with a written list of our approved products, menu items, retail items, supplies, kitchen equipment and services you are authorized to use, offer and sell; and a written list of approved vendors and suppliers to purchase and/or lease products, supplies, kitchen equipment and services from (as defined in Item 8) that you are authorized to use or sell. We will also provide you with a written list of recipes and food preparation and presentation standards. We will train you on strategies when leasing and/or purchasing such items for the operation of your Business. You are responsible for the cost, delivery and installation of these items as they are necessary for the operation of your Business. You are required to purchase the items listed above from us, our affiliates and/or approved vendors or suppliers (Franchise Agreement 12.I, 20.A, 20.H and 20.I).
- (8) Provide you with a written list of cleaning standards and recommended procedures for hiring and training employees in addition to general guidance. Such guidelines are solely structured to protect our marks, goodwill, and proprietary information. You are responsible for all day-to-day activities, including hiring, training, disciplining and/or firing your employees. At no time will you or your employees be deemed an employee of ours. You are responsible for all employees you hire, determining their compensation, determining their benefits, tax withholding and their behavior during the operation of your Business (Franchise Agreement Sections 12.F, 12.H, 20.A and 20.E).
- (9) Offer certain training programs designed to assist you and your management staff in the operation of your Business. We will also provide Additional training to any new manager of your Franchise. (Franchise Agreement, Section 20.A).
- (10) The initial training program is designated for you (or one Owner if you are an Entity), one manager, and one other key personnel or any combination thereof for a total of three people. If more than three people attend the initial training program, we may impose a training fee of \$300 per person for ½ a day of training (Franchise Agreement, Section 20.A).
- (11) Advise you of operating problems of your Business disclosed by reports submitted to us or inspections made by us. We will furnish to you such guidance and assistance in connection with the operation of your Business, as we deem appropriate. Such guidance and advice will include methods and operating procedures utilized by our affiliates. with regards to: ingredients, recipes, menu items (including food preparation), products, services, supplies using and maintaining kitchen equipment; leasing and/or purchasing guidelines, marketing strategies, efficiencies to manage high volume, guest service standards, hiring and training employees, general operating procedures, record keeping, accounting and inventory control methods. You must pay all costs and expenses associated with these items. Additional guidance and assistance may be made available to you at your written request and in our sole discretion at fees and charges established by us (Franchise Agreement, Sections 12.J, 20.A and 20.E).

- (12) Loan to you during the term of the Franchise Agreement one copy of our confidential and proprietary Operations Manual, which may include one or more manuals and other written materials for the operation of your Business containing mandatory and suggested specifications, standards and operating procedures required by us and information relative to your other obligations under the Franchise Agreement. We have the right to add to, and otherwise modify, the Operations Manual to reflect changes in authorized products (including recipes and menu items), supplies, kitchen equipment and services, as well as changes in specifications, standards and operating procedures. You must keep the Operations Manual confidential and current, and may not copy or distribute any part of the Operations Manual. The Operations Manual contains 260 pages and the current table of contents as of our last fiscal year end is included with this Disclosure Document as **Exhibit E** (Franchise Agreement, Section 20.G).
- (13) Deliver to you a web page for your Franchise operations that may include portals online for additional training templates for advertising materials to support your Business and our Communications (Franchise Agreement, Sections 9.A and 20.B).
- (14) Approve or disapprove samples of all local advertising and promotional materials not prepared or previously approved by us which are submitted by you (Franchise Agreement, Sections 12.L, 20.A and 20.J).
- (15) Provide pre-opening or grand opening assistance to you and your staff at your Business. Such assistance will be provided to you as part of our initial franchise training program and at our cost (Franchise Agreement Section 20.A).

During your operation of the Business, we may:

- (1) Provide additional on-site supervision and assistance as we deem necessary and in our discretion. Additional visits are for the purpose of advising you with respect to food preparation, menu items, products, services, kitchen equipment operation, customer service, operational, sales and marketing matters and personnel issues related to your Business. You will be responsible for the transportation, room and board and miscellaneous expenses incurred by our personnel during the visits, which will take place per the terms of the Franchise Agreement, or at your request, and at times and dates selected by us (Franchise Agreement, Section 20.A).
- (2) Monitor the operation of your Business and inspect the inventory of products, supplies and kitchen equipment at your Business then advise you of the results for each inspection, at our cost. If you fail the inspection twice in any two (2) year period, we may charge you a fee of \$1,000 (as described above in Item 8). If we have not inspected your Business in the past twelve (12) months and you would like to have an inspection performed, you will need to notify us in writing and we will perform the inspection within three (3) months of your request. For any inspections that you request, the cost of the inspection will be at your expense (Franchise Agreement Sections 10.F, 12.I, 12.Q and 20.A).
- (3) Provide to you and your manager(s), refresher and/or continuing education meetings at locations designated by us, which we expect to be our headquarters with a fee of \$300 per person per ½ day plus our expenses, which can vary from area to area. We reserve the right to increase the per day

fee a reasonable amount based on reasonable criteria (Franchise Agreement, Section 20.A).

- (4) Conduct quarterly meetings or an annual convention at such place as shall be designated by us, at our current fees which can change based on our cost (Franchise Agreement, Section 20.A).
- (5) Establish a franchise elected peer group whose main purpose is to mentor and support each other.
- (6) Provide an intranet system, free of charge, to answer questions from you or your staff (during regular business hours, Pacific Time Zone). In addition, you will be able to send us questions and suggestions using Internet email (Franchise Agreement, Sections 20.A).

During your operation of the Business we will:

- (1) Continue to consult with you at no additional charge regarding policies, approved products, menu and retail items, supplies, food preparation and presentation, kitchen equipment, vendor and supplier relationships, industry developments, sales, advertising, marketing and promotion strategies as well as provide assistance to you to resolve operational problems that you may encounter outside the scope of the Operations Manual (Franchise Agreement, Section 12.V and 20.A).
- (2) Provide you with updated and written lists of approved products, menu items, retail items, supplies, kitchen equipment, services (as described in Item 8) that you are authorized to use, offer and sell in your Business. We will also continue to add and approve new vendors and supplies and provide you with updated and current lists of such approved vendors and suppliers for all products, supplies, kitchen equipment and services you are allowed to purchase from for the operation of your Business. We will provide you with such updated lists, but not the actual items as you are responsible for purchasing and/or leasing such items. We will continue to approve products, menu items, retail items, supplies, kitchen equipment, vendors and suppliers you are allowed to use, offer and sell in your Business. You may be responsible for paying any costs related to testing any samples as described in Item 8 (Franchise Agreement, Sections 12.H, 12.I, 12.J, 20.H and 20.I).
- (3) Suggested pricing for all menu items, retail items. We may establish minimum and maximum prices you can charge to the extent allowed by law.
- (4) Provide you with updated and approved recipes, food preparation and presentation standards. We will provide you with such updated recipes, standards and specifications and you are responsible for purchasing all ingredients and products that may be necessary for implementation. (Franchise Agreement, Section 12.H and 20.A).
- (5) Provide a telephone hotline, free of charge, to answer questions from you or your staff (during regular business hours Pacific Time Zone). You will be able to contact us for questions, suggestions and guidance (Franchise Agreement, Section 20.A).
- (6) Review and approve advertising and promotional materials in addition to any promotions, edits, changes or updates to your web page that you submit to us (Franchise Agreement, Sections 12.L, 12.H and 20.J).
- (7) Provide training to any new manager of your Business as noted in paragraph 14 (iv) below. We may require that you (or if you are an Entity or an Owner) and any manager(s) to complete Additional

- Training programs during the term of the Franchise Agreement (Franchise Agreement, Section 20.A).
- (8) Offer you guidance in establishing and using administrative, record keeping, and accounting procedures in accordance with our Operations Manual, and various policies communicated by us to you in writing from time to time (Franchise Agreement, Section 20.A).
 - (9) Provide you with all update and upgrade requirements for your technology items (as described in Item 8) and all related software in response to changes in the Operations Manual or changes in our policies that are communicated to you in writing. You are required to purchase such items to operate your Business. The cost of such technology items ranges from \$5,000 - \$10,000 (see Item 7). The cost for hardware and software upgrades for such items is estimated to be approximately \$1,500 to \$1,700 per year but could be higher if we change companies. If we develop proprietary software in the future, we will provide you with update and upgrade requirements, however we are not obligated to perform any maintenance or provide any updates or upgrades to any third party technology items or software programs you use in the operation of your business. We are not obligated to provide hardware repairs to your technology items that you use. We reserve the right to have independent access to all information that you store in any POS system, computer, tablet or software related to the Business (Franchise Agreement Sections 12.I and 20.A).
 - (10) Reserve the right at our discretion to institute, maintain, and administer a System Advertising Fund (referred to as the “Fund”) to support ongoing technology and new product development to be made available to Franchisees, and such national advertising as we, in our sole discretion, may deem appropriate to promote the System to benefit all franchised businesses as described in Item 6. We will direct all such programs and will have sole discretion over the creative concepts, materials and endorsements and media used in such programs, and the placement or allocation of such programs. The source of the advertising will come from our in-office advertising department, or may in the future from a national or local advertising agency. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs (Franchise Agreement, Section 10.B).
 - (i.) You will pay us one to three percent (1%-3%) of Gross Revenues per calendar month for the System Advertising contribution, paid to us, as designated in the Franchise Agreement. We may raise, discontinue or reduce the contribution but the increase will not exceed 1% per year upon 90 days’ written notice to you and shall not exceed 3% of Gross Revenue per month but your total contribution will not exceed three percent (3%) of your Gross Revenue in any calendar year for the term of the Agreement. You will begin at one percent (1%) per year if and when the program is established. Contributions are due by the fifth (5th) day of the month (for the prior month) which will start immediately once your Business is open for operation then continues for the term of your Franchise (as described in Item 6). Refer to Item 6 for definition of Gross Revenue.
 - (ii.) The contributions 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 reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including conducting evaluation of new products, new menu or retail items, kitchen equipment and technologies; product development, market research, preparing advertising, promotion and marketing materials,

and collecting and accounting for contributions to the Fund. Usage of the Fund will include ongoing development of the national website and development of new products to be made available to franchisees. The media in which advertisements may be disseminated include print ads, signs, billboards, and radio and may be conducted on a regional or national basis. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all franchises in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use.

- (iii.) In the future, we may form a franchisee-elected Franchisee Advisory Council or cooperative whose sole purpose is to advise on System Advertising Fund usage and advertising policies. We retain all operational and decision-making authority concerning advertising and the Advisory Council will serve only in an advisory capacity. The membership of any Franchise Advisory Council will be national in scope. The Advisory Council will not be separately incorporated, and therefore, it will not have any written documents. If one is formed, we will have the power to select and approve the members and to form, change, dissolve or merge the Advertising Council as described below.
 - (iv.) Neither we nor any Franchise Advisory Council undertake any obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to contributions to the Fund by franchises operating in such geographic area or that you or your Business will benefit directly or in proportion to your contribution to the Fund. Neither the Fund nor we shall be liable to you with respect to the maintenance, direction, or administration of the Fund, including without limitation, with respect to contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct.
 - (v.) Any sites we own will have the same voting rights as franchisee members. We administer the Fund, which is not audited. All interest earned on monies contributed to the Fund may be used to pay advertising and technology development costs before other assets of the Fund are expended. Fund contributions are not used to sell additional franchises. We will prepare an annual un-audited statement of monies collected and costs incurred by the Fund and furnish it to you upon written request. All financial statements will be available 120 days after the end of our fiscal year. We reserve the right not to spend all of the funds in the System Advertising Fund in any one year and such funds may be accrued into the next year. The System Advertising Fund has not been established before the date of this Disclosure Document.
 - (vi.) We may receive advertising and promotional allowances and fees from third party vendors, suppliers and advertisers who enter into cooperative advertising programs with us (and possibly also franchisees.) For example, vendors and/or suppliers may pay promotional allowances for joint advertising promotional material. We may disclose the identity of vendors or suppliers who pay the promotional allowances to you upon request. Our obligation to provide advertising and marketing will be limited in cost to the amount of contributions actually paid into the System Advertising Fund.
- (11) We do not now, but may in the future, require you to join, participate in and pay into, one or more franchisee marketing councils for your region, determined by the penetration area of local advertising media used (for example, the area of a regional newspaper's circulation). Because, we have not yet formed any franchisee marketing councils, we do not know how the area or the

membership of any franchisee marketing council will be determined. Because we have not formed any franchisee marketing councils, we have not determined whether or not any of our company-owned businesses will be contributing to any advertising spent by any franchisee marketing council. In the event that we choose to establish a franchisee marketing council, we will be responsible for administering it. If we do create any franchisee marketing councils, they must operate in accordance with bylaws (or an operating agreement if it is a limited liability company). If we do create any franchisee marketing councils, the franchisee marketing council will prepare annual financial statements that you can review. We will have the right to form, dissolve, and merge any specific franchisee marketing council. Even though we have not yet formed any franchisee marketing councils, we may require that all franchisees within close proximity to a consumer show, convention or expo where restaurant and/or food-related products and services are being offered or sold to participate in the cost and benefit of the show.

- (12) Require you to spend at least \$500 per calendar month on local advertising and promotion, in addition to the System Advertising Fee contribution you pay to us, but we recommend up to \$1,500 per month. You must report your local advertising expenditures to us by the fifth day after the end of each quarter, or at times, on forms, and in a manner we determine.

You will not use any independent advertising or sales promotion programs in any media (including electronic) without our prior review and written approval. We will approve the materials you submit to us within thirty days, if we do not respond within such period all such materials will be deemed automatically disapproved. You will make reasonable efforts to participate in and cooperate with all advertising programs selected by us or by any approved group of franchisees, except that you may not need to follow or maintain any sales price or suggested pricing. You are responsible for any expenses of this independent advertising.

Unless we approve otherwise in writing, you may not establish a separate Website and will only have one web page, as we designate and approve, within our Website. The term “Website” includes: Internet pages, as well as other electronic sites (such as social networking sites like Yelp, Facebook, Twitter, LinkedIn, Pinterest, blogs and other applications). You must comply with our requirements regarding selling, advertising, discussing or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate Website for you (which we are not obligated to do), we will provide you with guidelines for establishing and maintaining such Websites and each of the following provisions will apply: (i) you may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, you must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require and all such work (except for social networking sites) must be performed by us, our affiliates or approved vendors (as described in Item 8); (iii) you must not use or modify a Website (except for social networking sites) without our prior written approval; (iv) you must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if we require, you must establish hyperlinks to our website and other Websites; (vi) you must not engage in any link building activities unless approved by us; and (v) we may revoke our approval at any time by providing written or email notice to you of such revocation.

- (13) We estimate that there will be an interval of eighteen (18) to twenty-four (24) months between the signing of the Franchise Agreement and the opening of your Business. Factors that may affect this length of time include obtaining a location that is approved by us for your Business, leasehold

improvements and build-out, time of year, completion of your pre-market entry study to determine any customization of menu or retail items and services to be offered through your Business, satisfactory completion of our initial training program by you (or one of your Owners if you are an Entity) and one other manager (you must have a minimum of one manager, of which can be but does not need to be you or one of the Owners of your Franchise) and availability of kitchen equipment, products and supplies. You have six (6) months to acquire a lease, at your expense, for commercial real estate that is properly zoned for the use of your Business under the Franchise Agreement. You must submit to us, in the form we specify, a copy of the location plan and other such information or materials we may require, together with an option contract, letter of intent, or other evidence of satisfactory to us which confirms your affirmative prospects for obtaining the location. We will have thirty (30) days following receipt of this information and materials from you to approve or disapprove the proposed site for your Business and will notify you of the same by email or any other form of written communication. We reserve the right to extend the period for you to acquire a lease as described above based on our reasonable judgment that you will likely find a location. Failure to lease and/or open your Business within the timeframes mentioned above, will constitute a default under the Franchise Agreement, for which we may terminate the Franchise Agreement. Such default notice, under which we may terminate the Franchise Agreement, shall be given to you in writing.

- (14) Before the opening of your Burros & Fries Business you (or an Owner if you are an Entity) and at least one other manager you designate (you must have a minimum of at least one General Manager, of which can be but does not need to be you or one of the Owners of your Business) are required to attend our initial training program at our corporate headquarters unless such headquarters is moved. We provide the training periodically as needed. The training program is included in your Initial Franchise Fee. You are responsible for all costs associated with attending the program such as travel, room and board.
- (i.) It is required that you (or your managing partner, managing member, member, or shareholder), your manager and all your employees have successfully obtained a food handlers certification in your home state. A food handler certification is food handling and safety training that is necessary for the operation of your Business. Such courses can be taken in a classroom setting or in some states can be completed over the Internet.
- (ii.) If any proposed manager does not satisfactorily complete our training program, we will notify you, and you may then select and enroll a substitute manager in our training program. If, during the training program we determine, in our sole discretion, that you (or any Owner if you are an Entity) or any other manager is not qualified to manage, you have the right to appoint someone else to be trained by us at your expense. If that other person does not satisfactorily complete our training, we have the right to terminate the Franchise Agreement. The criteria that we will use to determine whether or not we deem you (or your managing partner, member or shareholders) qualified to manage the Business includes, but is not limited to, your lack of business experience, your personality makes it difficult for you to service guests, or you do not have the appropriate licenses or permits to operate the franchise. We will send you a written termination notice upon our determination of such qualification.
- (iii.) After the completion of the initial training program by you, your Owner and/or your manager, we will provide training to any new manager of your Business at your request for which an

Additional Training Fee of up to \$300 per ½ day per person may be required. The trainee(s) will be responsible for all costs related to attending training such as travel, room and board. In addition, we have the right to require that you (and if you are an Entity, any Owner) and any other manager(s) complete refresher training programs during the term of the Franchise Agreement, to be furnished at our corporate headquarters. There may be an additional cost for refresher training programs. You are responsible for all costs associated with attending such training opportunities we may provide for you such as travel, room and board.

- (iv.) After the opening of your business, we may provide to you and your personnel, access to information and support through franchise portals online. Support may also be available from our corporate headquarters and we may provide refresher training or Additional Training all of which can be done either through phone, web based (“webinars”), video or at locations designated by us (most likely at our headquarters). Such refresher or continuing education (other than by phone, webinars or video) may have a registration charge to you which will not exceed more than \$300 per person per ½ day. You are responsible for costs associated with you attending the programs such as travel, room and board or our expenses if we come to you. The refresher training and/or continuing education will normally not exceed a day and we expect to have at least quarterly programs subject to special need We may conduct an annual convention in which refresher and/or continuing education will be made available at such place as shall be designated by us for all franchisees but will most likely be at our headquarters. A registration fee for each participant may be required which we will work in good faith to maintain at our cost and you will be responsible for costs associated with attending the convention such as travel, room and board. The registration fee for conferences will not exceed \$1,000 per person. The fees charged above may be increased based on the increase of actual costs incurred by us.
 - (v.) Within sixty (60) days before you anticipate opening for operation, we will provide the training for you as noted in the following training schedule. The corporate training team will include members of our management team, staff from our corporate headquarters, and members from our approved suppliers and service providers.
- (15) Require you to sign up with third party’s delivery services such as Uber Eats, DoorDash, GrubHub, and/or Postmates which will be automatically integrated with our POS System.

TRAINING PROGRAM

The Operations Manual will detail all aspects of Franchise operations presented in training and serve as an ongoing reference. Updates to the Operations Manual will be made available to you through various means including online. All of the training sessions will be taught by a combination of Fernando Ruiz who has over ten (10) years of restaurant experience and Alejandra Partida who has over five (5) years of restaurant industry experience. Occasionally, different guest speakers may make an appearance at the training program to provide information. For example, some speakers may be our employees, franchisees, vendors or industry experts. Our training program uses presentations, demonstrations, examples from the Operations Manual, on the job training.

Subject	Hours of Classroom Training	Hours of On the Job Training	Instruction	Regional Locations
Standards and Philosophy	2 Hour		Presentation, Demos and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Menu Overview and Approved Products	2 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Back of House, Approved Kitchen Equipment, Specifications and Operation	4 Hours	7 Hours	Operations Manual, Demos, On The Job Training and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
How to Clean and Cut Meat	4 Hours	18 Hours	Operations Manual, Demos, On The Job Training and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Recipes, Food Preparation	6 Hours	18 Hours	Presentation, Operations Manual, Demos and On The Job Training	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Set Up and Operation		26 Hours	Presentation, Operations Manual, Demos and On The Job Training	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Ordering Inventory and Controlling Food Cost	2 Hours	10 Hours	Presentation, Operations Manual, On The Job Training and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Approved Vendors and Suppliers	2 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Back of House Operations, Service Standards	4 Hours	76 Hours	Presentation, Operations Manual, On The Job Training and Various Speakers	Corporate Headquarters in Chula Vista, CA or as we otherwise specify
Front of House Operations, Service Standards and Retail	4 Hours	86 Hours	Presentation, Operations Manual, On The Job Training and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Safety, Health, Sanitation, Cleanliness and Personal Hygiene Requirements	2 Hours	8 Hours	Presentation, Operations Manual, Demos, and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Pricing Guidelines for all Food and Beverage Products	4 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
POS System and Software Training	4 Hours	12 Hours	Presentation, Operations Manual, On The Job Training and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Advertising, Marketing and Promoting Your Business	2 Hours		Presentation, Various Speakers and Marketing Plan Creation	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Strategies for Interviewing, Hiring, Training and Managing Employee	8 Hours		Presentation, Operations Manual and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Administrative, Payroll and Bookkeeping Responsibilities	4 Hours		Presentation, Operations Manual, On The Job Training and Various Speakers	Corporate headquarters in Chula Vista, CA or as we otherwise specify
Total Hours*	54 Hours	261 Hours		

*The actual time of classroom and on-the-job training may vary. For example, it may take less time to cover a subject in a smaller class than in a larger class or depending on your experience. We reserve the right to extend the training to assure you have an understanding of the entire business.

Ongoing Training:

We will provide you with memos and/or newsletters that will contain ongoing training relating to your Business and access to additional or refresher training programs that may be conducted through the telephone, webinars or video training at no cost to you. In very rare instances, we may periodically require that you or your Owners (if you are an entity) and/or general manager to complete additional or refresher training programs to correct, improve or enhance the operations of your Business. Such additional or refresher training programs may be conducted through the telephone, webinars, video training or at annual conferences. Anyone attending additional or refresher training programs (training other than by telephone, webinars or video training) will be subject to an additional training fee and all costs associated with attending the training program such as travel, room and board (as described in paragraph 14 (iii) above).

ITEM 12 **TERRITORY**

You must operate your Business within the specific location identified in your Franchise Agreement. 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. Subject to the prohibitions set forth in this Item 12, you may face competition from other franchisees and company-owned businesses we operate or from other channels of distribution or competitive brands that we control. You are awarded a protected territory ("Territory") that will include up to three (3) miles driven in any direction from the Franchise Business as defined by MapQuest or a similar mapping program, provided we reserve the right to grant a territory that is larger or smaller than this area described above, in order to account for more densely or sparsely populated areas and other factors. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you). You may not conduct business out of any other location other than the accepted location that has been entered in your Franchise Agreement or made part of by an addendum attached to your Franchise Agreement. You may service guests and sell approved retail items to anyone who comes from anywhere so long as your sales do not result from any Target Marketing (as defined below) activities by you. However, you can perform off-site events (such as community events, consumer shows, festivals, expos, etc.) and catering services within your Territory. You may also be able to perform off-site events and/or catering services in geographic areas outside your Territory under certain circumstances (as described below). You may not relocate your Business without our written consent, which we will not unreasonably withhold or delay.

If you are provided with a Territory, we cannot establish either a company-owned business, franchise or license another to locate a Burros & Fries business within your Territory during the term of your Franchise Agreement.

Your licensed Territory is determined by population, business potential, traffic patterns, proximity to major roads, demographics of the surrounding area, available parking, market penetration or other conditions important to the successful operation of your Business, as we deem appropriate and as identified in your Franchise Agreement. Your licensed Territory is determined by us once a location is chosen, and will not be altered even if there is a population increase or decrease. It will also not be affected by your sales volume. In certain cases, if you are in default we may change your Territory. Certain locations, such as major metropolitan areas may have smaller territories of densely populated areas. We must have consented to the location for your Business within your defined

Territory in writing before you open for operation.

You must submit a separate application for each Franchised Business to be established by you. You must pay the fee for each additional acquisition mentioned in Item 5 and be in compliance with all of the terms and conditions of your existing Franchise Agreement. We must approve the location of any additional Burros & Fries Businesses as mentioned in Items 11 and 12 above.

If you are provided with a Territory, you are encouraged to directly advertise and market for guests to serve approved menu items, sell retail items and offer catering services within your Territory. You may be able to perform catering services in other geographical areas outside your Territory away from your facility under certain circumstances (as further described below). If the other geographical areas are unassigned, we have the right to sell or assign it, or part of it, at any time, without notice to you and you might not have the right of first refusal or option to buy the territory that was formally unassigned. You may serve guests and sell retail items to anyone who comes from anywhere so long as all such items are being sold from your Business. We, other franchisees and company-owned businesses are subject to the same restrictions and reserve the same right to serve guests and sell retail items to anyone who comes from anywhere without compensation to you. You are prohibited from soliciting and marketing in general to sell retail items and/or provide catering services by any means outside of your Territory; and must not specifically engage in target marketing (“Target Marketing”) within the Territory of another Burros & Fries Business (franchise and/or a company/affiliate owned business). Target Marketing means a concerted effort by a franchisee to solicit and obtain business through any type of advertisement or marketing, directed at all or a portion of another franchisee’s territory. We will use commercially reasonable efforts to enforce this requirement regarding Target Marketing if you or any other franchisee violates it.

If you are asked to conduct off-site events (such as: community events, consumer shows, festivals, expos, etc.) to promote your Business or provide catering services in another geographical area in which there is another franchisee or company-owned business you must immediately refer that request to the franchisee in that geographical area or directly to us. If the other franchisee or company-owned business determines it in the best interest for you to conduct such off-site event or perform such catering services, then you can immediately proceed. If there is not a Burros & Fries Business in that geographical area then you can immediately conduct such off-site event or perform catering services, however you must be prepared to refer such off-site event or catering business to another franchisee when that unassigned area is purchased. If during the term of the Franchise Agreement, you are unable to promptly and properly provide services and/or products due to excessive work or other cause then you must refer that person or business to another franchisee in the System or to us. For any default of the Franchise Agreement, as an alternative to terminate, we may modify or completely eliminate any rights that you may have with respect to the protected status of your Territory, effective ten (10) days after delivery of written notice to you. In addition, we may modify or eliminate completely, the Territory (Franchise Agreement Sections 6, 12.H and 23.F).

We encourage the owners of all Franchised Businesses to work out a referral relationship and advertising strategy or arrangement if they are within close proximity of each other (defined as being within a ten-mile radius of each other). We must be notified of all such arrangements.

We reserve the right to issue binding policies to coordinate marketing councils and/or advertising cooperative programs. For example, we may require that all franchisees within close proximity to consumer food shows, conventions or exhibitions where food products are being sold to participate in the cost and benefit of the show. All such programs and policies are our proprietary trade secrets. In such programs, we may require the customer that is acquired through such programs, to be served by the closest or other franchisee and may or may not require franchisees serving the person to do so at a minimum price or pay a reasonable referral fee.

Any rights not expressly granted to you are reserved to us. Such rights reserved to us include, but are not

limited to:

- (1) Advertise, market and sell Burros & Fries branded products other than those sold by our System (including menu and retail items), kitchen equipment (if we choose to develop kitchen equipment in the future);
- (2) Advertise and offer products (including menu and retail items) and services to promote the System through the Internet and/or other similar venues no matter where the person is based to brand the System and/or fulfill demand anywhere;
- (3) Sell, distribute or offer anywhere products (including menu and retail items), kitchen equipment (if we choose to develop kitchen equipment in the future) or services to anyone from anywhere through any alternative or other channel of distribution, other than local Burros & Fries Businesses providing products (including menu and retail items) and services whether or not we are using the Marks or System and on any terms we deem appropriate. We have this right whether or not we are using the Marks or System; or are acting inside or outside your Territory as designated on your Franchise Agreement;
- (4) Develop and distribute any proprietary products and kitchen equipment (if we choose to develop kitchen equipment in the future) that have been branded with our Mark or logo or different branded products through any outlet located anywhere (including, by way of illustration, supermarkets, specialty food stores, discount club chains, retail stores, over the Internet and/or similar venues) and on any terms and conditions we deem appropriate. If we decide to develop and distribute products or kitchen equipment, you will receive no compensation from us for such sales inside your Territory or within your Location, unless agreed otherwise in writing by us;
- (5) Implement advertising cooperative programs which may allow us or others to solicit or sell to persons anywhere. We also reserve the right to issue mandatory policies to coordinate such advertising cooperative programs;
- (6) Own and/or operate ourselves or authorize others to own and/or operate (a) any business located outside the Territory Location as designated on your Franchise Agreement, whether or not using the Marks and/or System, (b) any business anywhere, whether using the Marks and /or System or not, which is not substantially similar to the business franchised to you under the Franchise Agreement and/or (c) any business anywhere which does not use the Marks; and
- (7) Acquire, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not) located anywhere, including arrangements in which we are acquired, and/or company-owned, franchised or other restaurants (including your Business) are converted to another format or we acquire a similar food establishment, restaurant or other food service related business which will be maintained under the System or otherwise. You will fully participate in any conversion subject to any person/entity merging with, or acquiring us or when we acquire, reimbursing you for reasonable costs directly related to the conversion.

We are not responsible for paying any compensation to you concerning the sale of products (including menu and retail items), services or kitchen equipment (if we choose to sell kitchen equipment in the future) by using the Internet or other similar venue, by alternative means of distribution, advertising cooperative programs, outlets,

businesses that are or are not substantially similar to the Franchised Business or any business that does not use the Marks. For clarity, the Franchise Agreement grants you no rights to sell and/or distribute products (including menu and retail items) or kitchen equipment or offer services through any alternative channels of distribution without our permission or share in any of the proceeds from our activities through alternative channels of distribution.

We have not established and do not presently intend to establish other franchises, licenses or company-owned businesses, except as disclosed in Item 1 of this Franchise Disclosure Document that sells or offers similar products or services under a trade name or trademark different from the Marks.

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you the nonexclusive right to use the Marks in connection with the operation of your Franchise. Our principal trademark is “Burros & Fries” and the logos as they appear on the first page of this Disclosure Document. We have the right to use and to license others to use the Marks, including sublicensing it to you, and under any other trade name, trademarks, service marks and logos currently used or that may hereafter be used in the operation of the Business. You must use the Marks only for the operation of your Franchise and in the manner authorized by us.

If our right to use any of our Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses. We make no guarantee that there will be no opposition proceedings to our attempts to register the mark and design.

Our principal trademarks have been filed with the United States Patent and Trademark Office (referred to as “USPTO”), and became effective as follows: “BURROS & FRIES” AND “EST. 2009”, filed on August 29, 2018, and was registered on April 30, 2019 bearing the registration number 5,738,890; “BURROS AND FRIES EST. 1974 FRESH MEXICAN GRILL!”, filed on November 4, 2015, and was registered on July 19, 2016 bearing the registration number 5,002,136; and “BURROS & FRIES” filed on December 8, 2011, and was registered on April 10, 2012 bearing the registration number 4,173,239. We also claim common law rights in our trademarks based on our prior use.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or material litigation involving the Marks.

There are no agreements that limit our right to sublicense you the Marks.

Upon termination of the trademark license agreement for any reason, we and franchisees must discontinue all use of the Marks in any form, remove the Marks from our website, any Website(s) or any of our franchisees’ web pages, modify any and all identification of the Franchised Business with, or reference to, the Marks, and refrain from making any subsequent representation, advertisement or published statement or product sales using or in reference to the Marks, or the business previously conducted using the Marks, and take such action as shall be necessary to change any corporate name, assumed name or equivalent registration which mentions or refers to the Marks, or any mark similar thereto.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of any Marks, or claim by any person of any rights in any Mark or any similar trade name, trademark or service mark of which you become aware. We have the sole discretion to take such action as we deem appropriate and the right to

exclusively control any litigation, USPTO proceeding (if applicable) or other administrative proceeding.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or protect you against claims of infringement or unfair competition with respect to them. The Franchise Agreement does not require that we participate in your defense or indemnify you for expenses or damages if you are a party to a judicial or administrative proceeding involving one of the Marks or if the proceeding gets resolved unfavorably to you. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously (Franchise Agreement Section 15.B).

You may not, without our written consent, in our sole discretion, commence or prosecute, or seek leave to intervene in, any litigation or other proceeding, including any arbitration proceeding, in which you purport to enforce any right or recover any element of damage arising from the use or infringement of any of the Marks or unfair competition.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions with respect to a reasonable time after notice by us. You, in connection with the use of a new or modified Mark, may be required, at your own expense, to remove existing signs from your Business, and to purchase and install new signs. We have no liability to you.

There are no infringing uses actually known to us as of the Issuance Date of this Disclosure Document. You should understand that there could be other businesses using trademarks, trade names or other symbols similar to our Marks with superior rights to our rights. Before starting your business, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your Business name.

All your usage of the Marks granted under the Franchise Agreement is nonexclusive, and we retain the right, among others: (a) to use the Marks in connection with selling of products and services; (b) to grant other licenses for the Marks, in addition to those licenses already granted to existing franchisees; (c) to develop and establish other systems using the same or similar Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you as described in Item 12.

All your usage of the Marks and any goodwill you establish are to our exclusive benefit and you retain no right or rights in the Marks on the termination or expiration of your Franchise Agreement. You may not use the marks as a part of any corporate or trade name, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks, as we may designate periodically. You must prominently display the Marks on such items and in the manner we designate. You must obtain such fictitious or assumed name registrations as we require or under applicable law. You must identify yourself as the owner of your Franchise by placing your name on the Business and on all checks, invoices, receipts, contracts and other documents that bear any of the Marks, and on all printed materials your name must be followed by the phrase “A Franchise of Burros & Fries” or such other phrase as we occasionally direct.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the Franchise; however, we claim common law copyright and trade secret protection for several aspects of our System that include: our methods, techniques and operational procedures; all our products, menu and retail items; product specifications, recipes,

photographs of food, design, décor, graphics, menus, signage, manuals and all related materials including advertisement and promotional materials although such materials may not have been registered with the United States Copyright Office. These materials are considered proprietary and confidential and are considered our property and may be used by you only as provided in your Franchise Agreement. We reserve the right to register any of our copyrighted materials at any time we deem appropriate. We also reserve the right to renew any and all such copyright registrations at our discretion.

There currently are no effective determinations of the United States Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us, which could materially affect your use of the copyrighted materials in any State.

You must notify us immediately in writing of any apparent infringement of or challenge to your use of our copyrighted materials or trade secrets, or claim by any person of any rights in any copyright or trade secret which you become aware. We have the sole discretion to take such action, as we deem appropriate and the right to exclusively control any litigation, United States Copyright Office proceeding or other administrative proceeding. We may require you to discontinue use or modify any materials that may in our opinion infringe on the copyright, trade secret, or patent rights of any other person or business.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any copyrighted materials or trade secrets, and/or use one or more additional or substitute copyrighted materials or trade secrets, you must comply with our directions with respect to a reasonable time after notice by us. We have no liability to you concerning substitution or modification of copyrighted materials or trade secrets.

We possess certain confidential information that includes: strategies for site acquisition, build-out and design specifications, menu items, and food presentation standards, photographs of food, proprietary recipes and sauces, specific food preparation techniques, specifications for all products, supplies and kitchen equipment; purchasing strategies, inventory management systems, vendor and supplier relationships, cost and pricing strategies; retail center setup, merchandising strategies, procedures for cleanliness, safety, sanitation and quality control; guest service standards, employee hiring, training and retention guidelines; operational procedures, our Operations Manual and other written materials, software, forms, menus, contracts, record keeping and reporting procedures; sales, promotional, advertising and marketing materials; systems and knowledge of, and experience in, the operation and franchising of a Burros & Fries Business (the “Confidential Information”). We will disclose Confidential Information to you during our initial franchise training program, seminars, workshops, continuing education sessions (See Item 6 and Item 11, (14) (iv)) and conventions sponsored by us; in the Operations Manual and in guidance furnished to you during the term of your Franchise Agreement.

If you or your partners, members, managers, directors, shareholders, employees, agents or independent contractors develop any new piece of equipment, product, recipe, formula, concept, technique, process, photographs, video presentations, promotions, program or improvement in the operation or promotion of your Business, you are required to promptly notify us with all necessary related information, without compensation. However, as a matter of corporate policy, we may create an incentive program to reward you, your partners, members, managers, directors, shareholders, employees, agents or independent contractors for any new piece of equipment, product, recipe, formula, concept, technique, process, photograph, video presentation, promotion, program or improvement that we implement throughout the System. You and if you are an Entity, then one of your Owners acknowledge that any such equipment, product, recipe, formula, concept, process, program or improvement will become our property and we may use or disclose such information to other franchisees as we deem appropriate.

The Franchise Agreement provides that you will not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of your Business during the term of your Franchise Agreement, and that the use or duplication of the Confidential Information in any other business would constitute unfair competition. You also agree that the Confidential Information is proprietary to us and is disclosed to you solely on the condition that you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or electronic form; and (4) will adopt and implement all reasonable procedures required by us to prevent unauthorized use or disclosure of the Confidential Information, including without limitation, restrictions on disclosures to employees of your Franchise and any other business(es) owned by you and if you are an Entity, any of your Owners, and the use of nondisclosure and non-competition clauses in employment agreements with your employees and Owners, where enforceable under State law.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement provides that a Burros & Fries Business must at all times be under direct, day-to-day, full time supervision. Unless otherwise approved by us in writing, we require that you personally (or if you are an Entity such as a limited liability company, then a managing Owner of such Entity) be involved in the day-to-day operations of your Business for at least the first year your Business opens for operation. After your first year of operation, we do not require that you personally (or if you are an Entity such as a limited liability company, then a managing Owner of such Entity) be involved in the day-to-day operations of your Business, but your Business must at all times be under the operation of a manager (“General Manager”) whose identity must at all times be disclosed to us. This person must have successfully completed our training program and must use his or her best effort.

Your business must stay open seven (7) days a week and at least ten and a half (10.5) hours per day, except for holidays (as specified in the Operations Manual). The only exception to the above is if Franchisee is given written permission by us to operate at a lesser period; or if the hours of operation for the Business are required by the lease of the premises on which the Business is operated.

You are required to retain a General Manager for the operation and management of your Business. The General Manager may, but need not, be you or one of the Owners of the Franchised Business and need not have any set percentage of the equity of the Franchised Business. The General Manager must meet all of our standards and criteria for such positions as set forth in the Operations Manual. Your General Manager is responsible for overseeing the general management of the Business and using his or her best efforts in the operation of the Business. This individual and their replacements must also satisfy the applicable training requirements as outlined in the Franchise Agreement. We have the right to require that the General Manager and any other manager be at the Business for any inspection we conduct (Franchise Agreement Section 12.F).

If we, in our sole discretion, find that your General Manager is not properly performing his or her duties, we will advise you and you must immediately take steps to correct the situation. Upon termination of employment of your General Manager, you must appoint a successor within thirty (30) days. Any replacement General Manager (who we may disapprove in our sole and absolute discretion) must be trained in accordance with our standards. To clarify, any replacement General Manager is to be trained by you at your expense.

Our approval of a General Manager other than you is conditioned upon the person entering into a confidentiality and restriction of like business agreement containing covenants like those contained in the Franchise

Agreement and Schedule 8 of the Franchise Agreement against engaging in competing businesses and use/disclosure of our Confidential Information during the tenure of employment with you and for a period of three (3) years following the termination of such person's employment with you. You will provide us with copies of the same upon request. You may not employ any individual who is at the current time or was at any time during the prior twelve months employed in any back-of-house, front-of-house, managerial or administrative position by us or any of our affiliates or by another franchisee of ours without the prior written consent of us. As a condition to such consent, you may be required to compensate the former employer for the actual costs and expenses incurred by the employer in connection with the training of any replacement employee.

If you are an Entity, each of your Owners that holds more than ten percent (10%) interest in the Franchised Business must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, agree to be bound by the confidentiality provisions and non-competition provisions of the Franchise Agreement and agree to certain restrictions on their ownership interests. The required Guaranty of Obligations is attached as Schedule 5 of the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Due to the differing nature of markets across the United States, and because the size of each individual Business will vary, you will have a wide variety of possible sites to choose from which to conduct your business operations with our approval. You may not use the Franchise premises for any other purpose than the operation of a Burros & Fries Business, unless otherwise approved by us in writing. Alternative operation sites that may be approved can include for example, incorporating your Franchise operations within the premises of an existing complimentary business.

You must comply with all of our standards and specifications relating to the purchase and/or lease, use and sale of all products, menu items, retail items, kitchen equipment, supplies, furnishings and fixtures, technology items, software, menus, signage and décor items, uniforms, printed advertising materials and other items to be used, sold or offered at the Business (See Item 8).

You are required to offer only approved menu items and services and sell approved retail items as specified by us that include but are not limited to: a variety of sandwiches, plates and salads, a variety of side dishes, beverages (such as carbonated drinks, juices, teas and bottled water) and counter service, take-out, limited seating, and the sale of approved merchandise and other food and beverage products or services as expressly authorized by us in writing or in the Operations Manual, or developed by us and any updates to be incorporated in the Operations Manual periodically. You must offer only approved menu items and services and sell only approved retail items from your Business. All food and menu items must be prepared by you in accordance with our recipes, standards, techniques, processes and presentation as designated by us, however you can add any menu or retail item that is specific to your geographic area as long as such menu or retail item complies with our standards which will be provided to you during our training program and as specified in our Operations Manual.

You may also offer additional services that are unique to your area in an effort to blend in with your community; however, you must obtain our written approval before such products, menu items, retail items and services are offered and the time to approve or deny your request is described below. Our response to a written request by you to approve any product, menu item, retail item or service you wish to offer will be made within thirty (30) days after we receive it. Approval may be revoked in our sole discretion where an approved product, menu item, retail item or service does not adhere to our standards as specified in the Operations Manual. We will notify you either by email or any other written form of communication of our approval, disapproval or revocation of any

prior approval of any product, menu item, retail item or service. You can sell menu items, retail items, conduct off-site events and/or provide catering services to anyone located anywhere within your Territory. You acknowledge that we and other franchisees can also sell menu and retail items to anyone who comes from anywhere and also conduct off-site events and/or provide catering services within your Territory if it is determined to be in the best interest of such business or service so long as such sales do not result from any Target Marketing (see Item 12). You can offer menu items, sell retail items and provide services at any prices you establish as we will suggest pricing strategy and we may establish minimum and maximum prices at which you may offer menu items, sell retail items and provide services to the extent allowed by federal and state laws. You must discontinue using, offering and selling any product, menu item, retail item or service that we may disapprove in writing at any time, whether or not a product menu item or retail item being submitted for approval is currently in use. There are no limits on our right to do so. We will inform you by email or by any other form of written communication of such changes and/or modifications. You may not independently act as an exclusive distributor for any third party vendor or secure any exclusive rights for any vendor or proprietary product or equipment without our prior written consent.

In addition, you acknowledge that we may, in our discretion, allow you and other franchisees or company-owned businesses to sell retail items through an alternative channel of distribution (such as on the Internet or Websites) provided you adhere to our standards. You acknowledge that this may create competition and you will not receive any compensation from such sales made by other franchisees or company-owned businesses. If we authorize you to sell through alternative channels of distribution, all such items sold must be from your Business. Unless otherwise approved by us in writing, you are not authorized to sell any type of product or retail item on the Internet or in any other media, whether known or hereinafter invented.

You must participate in any gift certificate or gift card program or rewards program we establish. You may not create or issue your own gift certificates or gift cards without our prior written consent.

You must maintain proper permits and licenses to operate the Business and provide products and services in your area. You must not engage in any trade, practice or other activity that is harmful to our goodwill or reflects unfavorably on our reputation, that constitutes deceptive or unfair competition, or that is in violation of any applicable law.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the exhibits attached to this Disclosure Document. “FA” refers to the Franchise Agreement.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
a. Term of the Franchise Agreement.	FA – Section 7.A	FA – Ten (10) years, subject to agreed upon change to match the length of a premises lease.
b. Renewal or extension of the term.	FA – Section 7.B	FA – Up to two (2) additional terms of ten (10) years each, if you meet certain term requirements.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
c. Requirements to renew	FA – Section 7.B	FA – Written notice for you to renew, full compliance, sign then current form or new franchise agreement, pay a renewal fee, comply with out then current training and qualification requirements, execute a general release; and upgrade the Business to the then current standards. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you.	FA – Section 23.D	FA – If we have materially failed to comply with terms of the FA after thirty (30) days’ notice.
e. Termination by us without cause.	Not Applicable	We cannot terminate your FA without cause.
f. Termination by us with cause.	FA – Sections 23.B and 23.C	FA – We can terminate if you breach a material provision of the FA or fail to open the Business.
g. “Cause” defined; curable defaults.	FA – Section 23.B	FA – Violation of health or safety laws upon seventy-two (72) hours’ notice; five (5) days for failure to pay amounts owed; thirty (30) days for all other defaults.
h. “Cause” defined, non-curable defaults.	FA – Section 23.C	Abandonment of the Business; surrender of control; misrepresentation or omission in application; felony conviction; unauthorized assignment improper assignment upon death or disability; loss of possession of the Business; unauthorized use of Confidential Information; failure to pay taxes or liens; dishonest or unethical conduct; assignment for benefit of creditors; and bankruptcy.
i. Your obligations on termination / non-renewal	FA – Section 24	FA – Cease operating Franchised Business cease use of confidential information and Marks; deliver property containing the Marks; cancel assumed or similar name registrations; pay outstanding amounts and damages; deliver manuals; assign phone numbers; comply with covenants and see “r” below.
j. Assignment of contract by us.	FA – Section 22.C	No restriction on our right to assign.

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
k. "Transfer" by you-definition	FA – Section 22.B	Includes transfer of the FA and Business assets by you.
l. Our approval of transfer by you.	FA – Sections 22.C and 22.E	FA – We have the right to approve all transfers by you.
m. Conditions of our approval of transfer.	FA – Sections 22.C and 22.E	FA – Full compliance; transferee qualifies; all amounts due are paid in full; completion of training by transferee; transfer fee paid; transferee agrees to be bound by all terms of FA; you sign and deliver other required documents including a release.
n. Our right of first refusal to acquire your Business.	FA – Sections 22.C and 22.E	FA – We have the right to match any offers.
o. Our option to purchase your assets upon termination or non-renewal.	FA – Sections 22.F and 24.G	FA – Purchase for fair market value determined by appraisal if parties are unable to agree.
p. Your death or disability.	FA – Section 22.D	FA – Franchise must be assigned to approved buyer within six (6) months.
q. Non-competition covenants during the term of the Franchise.	FA – Section 19.C	FA – No involvement in any competitive business anywhere in the U.S. other than existing business.
r. Non-competition covenants after the franchise is terminated or expires.	FA – Section 19.C	FA – No interest in competing business for two years within ten miles of any company owned outlet or other franchises.
s. Modification of the Agreement.	FA – Section 25.J	FA – No modification except by written agreement, Operations Manuals are subject to change.
t. Integration / merger clause.	FA – Section 25.J	FA – Only terms of the Disclosure Document and Franchise Agreement are binding subject to state law. Notwithstanding the prior sentence nothing in the Franchise Agreement or any related agreement is intended to disclaim any representations Franchisor has made in the entire Franchise Disclosure Document (Subject to State law).
u. Dispute resolution by arbitration.	FA – Section 25.D	FA – Arbitration and mediation in San Diego County, State of California (subject to State law).

<u>Provision</u>	<u>Franchise Agreement</u>	<u>Summary</u>
v. Choice of forum.	FA – Section 25.G	FA – Litigation in San Diego County, State of California (subject to state law).
w. Choice of law.	FA – Section 25.G	FA – State of California laws apply (unless prohibited by laws of state where Franchise is located).
x. Liquidated damages.	FA – Section 24.H	FA – If the Franchise Agreement is terminated prior to its expiration date, you shall be obligated to pay a sum determined by (a) adding together the average monthly Royalty Fee payments and the average System Advertising Fund Fee payments for the prior twelve (12) months paid to us (the “Monthly Damage Payment”) and (b) multiplied by the remaining months of the Term. (“Total Damage Payment”). If the Franchise has not made twelve (12) or more payments, then the number of payments it has made will be used to calculate the average. The Total Damage Payment shall be due and payable to us within thirty (30) days after the effective date of termination or expiration.

ITEM 18

PUBLIC FIGURES

We currently do not use any public figure 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 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: Fernando Ruiz: 4536 Bonita Rd., Bonita, CA 91902, Direct Line: (619) 773-6589 and Email: fer@burrosandfries.com.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1
System-Wide Outlet Summary*
For Fiscal Years ending 2019 through 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2019	0	0	0
	2020	0	2	+2
	2021	2	4	+2
Company- Owned	2019	8	10	+2
	2020	10	8	-2
	2021	8	8	0
Total Outlets	2019	8	10	+2
	2020	10	10	0
	2021	10	8	-2

*The above Company-Owned outlets are owned by our affiliates.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Fiscal Years ending 2019 through 2021

States with one or more Franchises	Year	Number of Transfers
CA	2019	0
	2020	0
	2021	0
Total	2019	0
	2020	0
	2021	0

Table 3
Status of Franchise Outlets
For Fiscal Years ending 2019 through 2021

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
CA	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	2	0	0	0	0	4
Totals	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
	2021	2	2	0	0	0	0	4

Table 4
Status of Company-Owned Outlets*
For Fiscal Years ending 2019 through 2021

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
CA	2019	8	2	0	0	0	10
	2020	10	0	0	0	2	8
	2021	8	2	0	0	2	8
Totals	2019	8	2	0	0	0	10
	2020	10	0	0	0	2	8
	2021	8	2	0	0	2	8

* The above outlets are owned by our affiliates.

As of the date of this Disclosure Document, our five (5) affiliates operated eight (8) non-franchised Burros & Fries businesses at the locations listed below. The entities shown in the first row are the Affiliates with the stores they own in the rows beneath the first row.

BURROS & FRIES, INC. 4705 Clairmont Drive, Ste. F, San Diego, CA 92117 Phone: 858-490-1095	BURROS & FRIES C.V., INC. 1325 East Plaza Blvd., #105, National City, CA 91950 Phone: 619-434-3543	B & F TACO SHOP, INC. 6929 Federal Boulevard, Lemon Grove, CA 91945 Phone: 760-739-9906	BURROS & FRIES EL CAJON, INC. 1541 North Magnolia Ave. El Cajon, CA 92020 Phone: 619-592-4377	BURROS & FRIES GLENDALE, INC. 18001 N. 79th Ave., Ste. D66. Glendale, AZ 85308 Phone: 619-592-4377
Burros & Fries 4705 Clairemont Drive, Ste. F San Diego, CA 92117	Burros & Fries 567 Telegraph Canyon Rd Chula Vista, CA 91910	Burros & Fries 1705 S Escondido Blvd. Escondido, CA 92025	Burros & Fries 1541 North Magnolia Ave. El Cajon, CA 92020	Burros & Fries 18001 N. 79th Ave., Ste. D66. Glendale, AZ 85308
		Burros & Fries 1107 E. Valley Pkwy Escondido, CA 92025		
	Burros & Fries 6929 Federal Blvd. Lemon Grove, CA 91945			
	Burros & Fries 3030 Plaza Bonita Rd., Ste 2440 National City, CA 91950			

Table 5
Projected Openings
For the Period Ending December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Current Fiscal Year	Projected New Company Owned Outlets in the Current Fiscal Year
California	0	4	0
Arizona	0	0	1
Totals	0	4	1

Openings: A list of the names of all Franchisees and the addresses and telephone numbers of their Burros & Fries businesses are listed as **Exhibit G** to this Disclosure Document. A list of the name and last known home address

and telephone number of every franchisee who has had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Fiscal Year 2019 or who has not communicated with us within ten (10) weeks of our application date is attached as **Exhibit H**.

If you buy this Franchise, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

At this time, there are no previously-owned Burros & Fries franchised outlets for sale.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchised system.

At this time there are no trademark specific franchisee organizations representing Burros & Fries Franchisees, and no such trademark specific franchisee organization has asked us to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Our certified, independent, audited financial statements for the period from our date of formation on November 18, 2019 to December 31, 2020, and from January 1, 2021 to December 31, 2021 are attached to this Disclosure Document as **Exhibit I**. Our fiscal year end is December 31. We have not been in business for three complete years or more and therefore cannot include all the financial statements required by the Rule for our last three fiscal years.

ITEM 22

CONTRACTS

Copies of all proposed agreements regarding the franchise offering are included in the Exhibits that follow and include our Franchise Agreement and those other exhibits shown. This list below is only of documents that are considered agreements and a full list can be found at the end of the Table of Contents above:

Exhibit A - Franchise Agreement (which includes all the “Schedules” that are attached)
Exhibit C - Franchise Disclosure Questionnaire
Exhibit D - State Addenda

ITEM 23

RECEIPTS

Included as the last document of this Disclosure Document as a separate executable form, is a Receipt to be signed by you. This Receipt must be signed and dated and delivered to us at least fourteen (14) calendar days before signing of the Franchise Agreement or payment of any fee by you.

EXHIBIT A

FRANCHISE AGREEMENT

Between

BURROS & FRIES FRANCHISE, INC.
and

Franchisee

FRANCHISE AGREEMENT

Between

BURROS & FRIES FRANCHISE, INC.

and

Collectively referred to as “Franchisee”

Burros & Fries Franchise, Inc.
FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

PARTIES

THIS FRANCHISE AGREEMENT (“Agreement”) is made by and between Burros & Fries Franchise, Inc, a California corporation, hereinafter sometimes referred to as “Burros & Fries” or “Franchisor” and that party or parties described as the Franchisee in this Agreement and on the signature line, hereinafter known as “you” or “Franchisee.” If the Franchisee is a corporation or limited liability company, partnership or other entity, certain provisions of this Agreement also apply to your shareholders, members, partners or owners. Any such entity may be referred to as an “Entity” and those who own the Entity may be referred to as “Owners.” For ease of reference, Burros & Fries, Inc., will also be referred to as “we,” “us” or “our” in this Agreement. The persons signing as Franchisee, Owners or Guarantors will also be referenced to herein individually as “you” or “yours” or collectively as “Franchisee.” The parties hereto are entering into this Agreement to evidence the agreement and understanding between the parties as follows:

RECITALS

WHEREAS, We have devised a uniform system for the establishment and operation of a Burros & Fries restaurant that serves a variety of sandwiches, plates and salads and beverages (such as carbonated drinks, juices, teas and bottled water) for lunch and dinner and made fresh daily using proprietary recipes with an operational emphasis on quality and superior service (the “System”) either within a shopping center or free-standing structure. You may sell novelty items and other products approved by us (hereinafter referred to as “Products”), as well as offering catering services (the “Services”) (hereinafter referred to as the “Business,” “Franchise Business,” “Franchised Business,” “Franchise” or “Burros & Fries Restaurant;” and

WHEREAS, We identify our System by means of certain trade names, service marks, trademarks, logos, emblems, trade dress and other indicia of origin, including but not limited to the mark “Burros & Fries” and such other trade names, service marks, trademarks and trade dress as are now designated (or may be designated hereafter by us in writing) for use in connection with our System (referred to as the “Names and Marks,” “Names” or “Marks”); and

WHEREAS, We continue to develop, use, and control the use of such Names and Marks to identify for the public the source of Products and Services marketed thereunder and under our System, and to represent the System’s high standards of consistent quality, appearance, and service; and

WHEREAS, We have established substantial goodwill and business value in our Names and Marks, expertise and System; and

WHEREAS, We have the right to license the System, including our expertise for conducting and operating a business under the mark and design Burros & Fries; and

WHEREAS, Franchisee desires to obtain a franchise from us and we desire to sell a franchise to Franchisee for the right to use the Names and Marks and the expertise for operating a Burros & Fries Franchised Business, and to obtain the benefits and knowledge of our System including, but without limitation: our build out and design specifications, Products, Services, unique menu items, proprietary sauces and recipes, food preparation techniques, procedures and methods; food presentation standards, procedures for sanitation and operations, purchasing strategies, vendor and suppliers, procedures for safety and quality control, inventory management systems, cost and pricing strategies, guidelines for employee hiring, training and retention; small retail area with novelty items offered for sale, promotional programs,

sales, advertising and marketing materials; record keeping, cost controls, accounting methods and reporting procedures; and in general a style, method and procedure of business operation utilizing the Names and Marks and System, all as a Franchisee of ours; and

WHEREAS, Franchisee recognizes the benefits to be derived from being identified with and licensed by us and Franchisee understands and acknowledges the importance of our high standards of quality, appearance and service and the necessity of operating the Business in conformity with our standards and specifications.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. FRANCHISEE'S ACKNOWLEDGMENT OF BUSINESS RISK AND ABSENCE OF GUARANTEE

Franchisee (and each Owner) hereby represents that Franchisee has conducted an independent investigation of our business and System and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will depend upon Franchisee's abilities as an independent businessperson. We expressly disclaim the making of, and Franchisee acknowledges that it has not received any, warranty or guarantee, express or implied, as to the potential volume, revenues, gross income, margins, profits or success of the Business contemplated by this Agreement. Franchisee further acknowledges that none of our employees, or agents has any authority to make any statement, warranty, or guaranty of the potential volume, revenues, gross income, margins, profits or success of the Business contemplated by this Agreement and that we have expressly instructed all of our employees not to make any warranty, guaranty, statement, or representation regarding the potential volume, revenues, gross income, margins, profits or success of the Business contemplated by this Agreement. Franchisee acknowledges that Franchisee has been given the opportunity to clarify any provision of this Agreement that Franchisee may not have initially understood and that we have advised Franchisee to have this Agreement reviewed by an attorney. Franchisee hereby releases us, our employees, shareholders, managers, our affiliated companies and agents from liability based on such representations or agreements, to the extent permitted by law or regulation.

Franchisee acknowledges that we have not made, and do not hereby make, any representation or warranty as to potential revenues, income, profits, volume or success of the Franchise or merchantability, performance, condition, fitness or suitability for the Franchisee's purposes of any component of the System, or make any other representation or warranty with respect to the System. We shall not be liable to the Franchisee for, nor shall the Franchisee's obligations hereunder be affected by, any loss, claim, liability, cost, damage or expense of any kind caused, or alleged to be caused, directly or indirectly, by the System, or any Products or Services, or by an inadequacy of the System for any purpose, or by any defect in, the use or maintenance of, any repairs, servicing or adjustments of, or any interruption or loss of service or use of, the System, or any loss of business, profits, consequential or other damages of any nature.

2. FRANCHISEE'S ACKNOWLEDGMENTS CONCERNING RECEIPT AND THOROUGH EVALUATION OF AGREEMENT

Franchisee acknowledges having received, read, and understood this Agreement, the Franchise Disclosure Document, and attachments thereto. Franchisee further acknowledges that we have accorded Franchisee ample time and opportunity to consult with independent legal counsel and other advisors of its own choosing concerning the potential benefits and risks of entering into this Agreement. Franchisee acknowledges that it has received a completed copy of this Agreement, exhibits, attachments and schedules (collectively, the "Schedules") referred to herein, and agreements relating hereto, as well as the Franchise

Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed and any money paid for the franchise.

Franchisee acknowledges that it has read and understands this Agreement, the Schedules and any agreements relating thereto, and that Franchisee has been advised by a representative of ours to consult with an attorney or advisor of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement prior to its execution.

Franchisee acknowledges that any statements, oral or written, by us or our agents preceding the execution of this Agreement were for informational purposes only and do not constitute any representation or warranty by us. The only representations, warranties and obligations of us are those specifically set forth in the Franchise Disclosure Document and this Agreement. Franchisee must not rely on, and the parties do not intend to be bound by, any statement or representation not contained therein.

Franchisee acknowledges that we will not provide or designate locations for Franchisee, will not provide financial assistance to Franchisee and have made no representation that it will buy back from Franchisee any products, supplies, kitchen equipment, technology items (such as a point of sale ("POS") system, computers, sound system furnishings, fixtures or signage purchased by Franchisee in connection with the Business, except where we are otherwise required by law or regulation to buy back such items upon expiration or termination of this Agreement.

3. NO PROJECTED OR FORECASTED FRANCHISE SALES, PROFITS OR EARNINGS

We do not make Financial Performance Representations and have not included any such representations in the Franchise Disclosure Document.

Franchisee, and each Owner or other person related to Franchisee who executes this Agreement, acknowledges that neither we nor any officer, director, employee or agent of ours have made, and Franchisee has not received or relied upon, any express written or verbal information, representations, assurances, warranties, guarantees, inducements, promises or agreements concerning the actual, average, projected or forecasted franchise sales, revenues, profits, earnings, margins, or likelihood of success that Franchisee might expect to achieve from operating the Business (defined as "Financial Performance Representations"), except as may be in the Franchise Disclosure Document reviewed by Franchisee or its representatives.

4. RELATIONSHIP OF THE PARTIES

A. Franchisee is an Independent Contractor

During the term of this Agreement, and any renewals or extensions hereof, the Franchisee shall hold itself out to the public at all times, as an independent contractor operating its Business pursuant to a franchise from us. This Agreement is not intended to create, and shall not be interpreted as creating, a partnership, joint venture, agency, employment or personal services or similar relationship between us and Franchisee. Franchisee agrees to take such affirmative action as may be necessary, including, without limitation, exhibiting multiple public notices of that fact, the content and display of which we shall have the right to specify. For example, such notices shall be provided on letterhead, business cards, bank account names, bank checks, and signs at the place of business. The Franchisee is responsible for collecting and remitting Social Security, Medicare, unemployment contributions and/or any other mandated county, state or federal obligations and benefits on behalf of its employees. Franchisee acknowledges that we have no responsibility to ensure that Franchisee's Business is developed and operated in compliance with all application of laws, ordinances and regulations and that we shall have no liability in the event the development or operation of the Business violates any law, ordinance or regulation.

B. Franchisor Is Not In a Fiduciary Relationship with Franchisee

It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party as an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of the other for any purpose whatsoever. In addition, we shall not have any fiduciary relationship to the Franchisee by virtue of the facts that we may operate a System Advertising Fund (as defined in Section 10.B of this Agreement).

It is understood and agreed that nothing in this Agreement authorizes the Franchisee, and the Franchisee shall have no authority, to make any contract, agreement, warranty, lease or representation on our behalf, or to incur any debt or other obligation in our name; and that we shall in no event assume liability for, or be deemed liable hereunder or thereunder as a result of any such action; nor shall we be liable by reason of any act or omission of the Franchisee in its conduct of the Business or for any claim, liability or judgment arising therefrom against the Franchisee or us.

The Franchisee represents, warrants and agrees as follows: the Franchisee is duly organized and is in good standing in all jurisdictions where legally required in order to carry on its business, has duly authorized the execution, delivery and performance of this Agreement and all other documents contemplated hereby, which are, or upon signing, will be binding on the Franchisee, such documents do not and will not contravene any other instrument or agreement to which the Franchisee is party and there is no pending litigation, tax claim, proceeding or dispute that may adversely affect the Franchisee's financial condition or impair its ability to perform its obligation under the terms of this Agreement.

It is understood that Franchisee will have sole responsibility for its employees and all acts of its employees, and all employment-related decisions involving wages, benefits, hours of work, scheduling, hiring, firing, discipline, supervision, record keeping, withholding income tax, social security contributions, Medicare contributions, unemployment fund contributions and all other terms and conditions of employment (as described in Section 12.F). The Franchisee must disclose to each of its employees in writing, in a form approved by us in advance, that we are not a "joint employer" of the Franchisee's employees. The Franchisee acknowledges that we do not control the Franchisee's personnel policies, including establishing wage and hour requirements, hiring, firing, setting wages, disciplining, supervising and record keeping of employees.

5. FRANCHISE GRANT

We hereby grants to Franchisee, upon the terms and conditions herein contained and subject to this Agreement, the right, license, and privilege, and Franchisee hereby accepts a franchise under the terms and conditions set forth herein, to operate a Burros & Fries Business that has been assigned a protected territory as set forth in Section VI (referred to as the "Territory"), with the right to use solely in connection therewith our Names and Marks, Products, Services, its advertising and merchandising methods, and our System, as they may be changed, improved and further developed from time to time only at the Accepted Location as set forth in Section VI and provided the Franchisee shall adhere to the terms and conditions hereof.

It is understood and agreed that, except as expressly provided herein or if any other agreement is executed, this franchise includes no right of Franchisee to sub franchise.

Except as provided in this Agreement, Franchisee shall be free to use the materials provided by us in the manner that Franchisee, in Franchisee's sole and absolute discretion, deems most appropriate for the Business, provided that Franchisee shall not violate any applicable law, regulation or provision of this Agreement in exercising such discretion.

6. **TERRITORY**

Franchisee is not granted an exclusive territory. The Franchisee is granted a Territory that is a protected territory as defined in this Agreement. The location of the Franchise Business shall be as the parties agree, usually about a radius of three (3) miles. If the actual Franchise Business address has not yet been chosen by the time the parties sign the Franchise Agreement they shall agree upon a temporary territory. The final Territory will be defined from the actual Business address once chosen.

The exact “Accepted Location” for the Business is:

The protected Territory for a Business that is not in a Non-Traditional Location will be:
_____ miles driven from any direction of the Business.

If the parties do not select a Territory in which to operate the Business prior to the signing of this Franchise Agreement, then they shall agree to it at a later date, under the terms of this Agreement. Failure to secure a lease for the Business within eighteen (18) months from the execution of this Agreement will permit us to terminate this Agreement, as provided in Section 23.C. The Territory, under the terms of this Agreement will normally include up to three (3) miles driven in any direction from the Business as defined by MapQuest or a similar computer mapping program. We reserve the right to grant a Territory that is larger or smaller than the three (3) mile area described above, in order to account for more densely or sparsely populated areas. We will determine population based on the most recently published data from the U.S. Census Bureau (or such other source we may indicate to you). Franchisee may not conduct business out of any other location or locations other than the Accepted Location identified above. Franchisee can service guests and sell Products to anyone who comes from anywhere and can conduct off-site events (such as: community events, consumer shows, festivals, expos, etc.) to promote its Business and perform Services so long as such off-site events and Services performed are within its Territory or the parameters of its Non-Traditional Location. Franchisee may face competition for Services from other franchises, company-owned businesses or from other channels of distribution we control.

The Territory will be determined by population base, demographics of the surrounding area, traffic patterns, proximity to major roads, available parking, competition, business potential, availability of appropriate sites, adequate square footage, reasonable rent or other conditions important to the successful operation of a Franchised Business as we deem appropriate. The Territory is determined once a location is chosen and approved by us, and will not be altered even if there is a population increase or decrease during the term of this Agreement. The Territory is not dependent upon achievement of certain revenues, market penetration or any other contingency. The boundaries of the Territory described above shall be determined by major topographical features which clearly define contiguous areas such as: Streets, highways, freeways or other roadways, rivers, streams, mountains and underdeveloped land. We determine the size and boundaries of the protected Territory.

Franchisee shall not relocate its Business that has been assigned a Territory without our prior written consent (specified in Section 22.A). If Franchisee is provided with a Territory then during the term of this Agreement, we shall not establish, nor license another party or entity to establish, Burros & Fries Business within the Territory outlined above. If Franchisee decides to open additional Businesses and buys the rights to additional Franchises, then those separate franchise agreement(s) will dictate the terms of the applicable territory (a separate Franchise Agreement is required for each additional Business as defined in Section 9.D of this Agreement).

Franchisee must operate its Business within the specific Territory as identified in this Section VI. Franchisee may not open a Business at any other location other than the Accepted Location that has been set forth in this Agreement or made a part hereof by an addendum attached to this Agreement. Franchisee

may accept business, service guests and sell Products to anyone who comes from anywhere so long as the Products are being sold from the Accepted Location within its Territory. However, Franchisee can only provide Services within its Territory. Franchisee may perform Services outside its Territory, away from its facility (as described below). We, company-owned locations, other franchisees reserve the same right to sell Products and serve anyone who comes from anywhere. Franchisee is prohibited from selling Products through any alternative channels of distribution (such as Websites as defined below) without our written approval. If Franchisee is granted permission to sell Products through an alternative channel of distribution, per our written approval, Franchisee may sell Products to anyone from anywhere without compensation to another franchisee or company-owned business. Our response to Franchisee's request will be made by email or any other form of written communication within thirty (30) days after we receive it. Approval may be revoked in our sole discretion.

Franchisee is not restricted as to the geographic area into which Franchisee may attract guests for its Business and Franchisee is encouraged to directly advertise and market within its Territory however, Franchisee cannot perform any target marketing ("Target Marketing") into any other territory of another franchisee or company-owned business. The term "Target Marketing" means a concerted effort by a Franchisee to solicit and obtain business by any type of advertising or marketing directed at all or a portion of another franchisee's territory, company-owned business area or unassigned area. We shall use commercially reasonable efforts to deal with any Franchisee that violates this policy. Failure of Franchisee to refrain from Target Marketing, as described above, may result in termination of this Agreement as specified in Section 23.C.

If Franchisee is asked to conduct business at an off-site event (such as: community events, consumer shows, festivals, expos, etc.) or perform Services outside its Territory in which there is another franchisee or company-owned business, Franchisee must immediately refer that request to the franchisee in that geographical area or directly to us. Franchisee must not conduct business at any off-site event or perform any Services outside its Territory if another franchisee or company-owned business is operating in that area. If we (where there is a company-owned business) or the other franchisee determines it is in the best interest of the person or business for Franchisee to conduct such off-site event or perform Services, then Franchisee can immediately proceed. If there is not a Burros & Fries Business in that other area, then Franchisee can immediately conduct such off-site event and/or perform such Services, however Franchisee must be prepared to refer the off-site event or the person or business receiving Services to another franchisee when the unassigned area is purchased. We and other franchisees and company-owned businesses must refer off-site events, people and businesses that are within Franchisee's Territory to Franchisee and also reserve the same right to conduct off-site events and/or perform Services within Franchisee's Territory if it is determined, to be in the person's or businesses' best interest, by the franchisee of that territory.

If during the term of this Agreement, Franchisee is unable to promptly and properly provide Products or Services to any person or business due to excessive work or other cause; then Franchisee must immediately refer that person or business to another franchisee, company-owned business or to us. Failure of Franchisee to: (i) refrain from Target Marketing and/or (ii) refer off-site events and/or person or businesses seeking Services as described herein, will result in us having the right to terminate this Agreement as specified in Section 23.C. For any default of this Agreement which triggers our ability to terminate, then as an alternative to termination, we will have the right, in our sole discretion, to modify or completely eliminate any rights Franchisee may have with respect to the protected area status of the Territory, effective ten (10) days after delivery of written notice to Franchisee.

We encourage franchisees, when owned by different individuals, to work out a referral and advertising arrangement if they are within close proximity of each other (defined as being within a ten (10) mile radius of each other). We must be notified in writing of all such arrangements.

We may, from time to time, establish certain programs for the benefit of franchisees and the System whereby franchisees will be permitted to provide Products and/or perform Services in accordance with the specifications described in any particular program established by us. Currently in effect, is our National Account program. The National Account program is defined as follows:

- a) The term “National Account” means a special class of persons which may include but are not limited to large businesses, national organizations or non-profit organizations with outlets located in multiple territories and government agencies who on their own behalf or through agents, franchisees or other third parties owns, manages, controls or otherwise has responsibility for buildings or common-services in more than one location whose presence is not confined within any one particular franchisee’s Territory regardless of the aggregate contract amount of the Products and/or Services the Franchisee wishes to provide or perform. Any dispute as to whether a particular person or account is a National Account shall be determined by us in our sole and absolute discretion and our determination shall be final and binding;
- b) We shall have the exclusive right, unless otherwise specifically delegated in writing, on behalf of ourselves, Franchisee and/or any other franchisees utilizing the Marks, to negotiate and enter into agreements or approve forms of agreement to provide Products and perform Services to National Accounts, including any affiliate, company owned or franchised locations within the Territory or Non-Traditional Locations;
- c) Following the execution of a contract with or the acceptance of a bid by a National Account which contemplates the provision of Products or Services to one or more National Account locations within the Territory, we will, if Franchisee is qualified and conditioned upon the terms of this Agreement and any addendum, provide Franchisee the option to provide such Products and perform Services pursuant to the terms and conditions of the National Account contract or on such terms and conditions as we in our sole discretion determine;
- d) If Franchisee elects not to provide Products or perform Services to a National Account in conformity with the terms and conditions of the National Account bid or contract, or fails to make an election within the time specified by us, of being offered the opportunity by us, we shall have the right, exercisable in our sole discretion, to:
 - i. Provide directly or through any other affiliate or franchisee utilizing our Marks, Products and/or Services to a National Account location(s) located anywhere on the terms and conditions contained in the National Account bid or contract; and/or
 - ii. Contract with another party to provide Products and/or perform Services to the National Account location(s) located anywhere on the terms and conditions contained in the National Account bid or contract between us and the National Account, utilizing our Marks or any trademarks, service marks or trade names.
- e) Neither the direct provision by us (or a franchisee, affiliate or agent of ours) of Products or Services to National Accounts as authorized in (i) above, nor if we contract with another party to provide such Products and perform Services as authorized in (ii) above, shall constitute a violation of Section 6 of this Agreement relating to the Franchisee’s Territory, even if such Products and/or Services are offered or performed from a location within the Territory or Non-Traditional Location. Franchisee disclaims any compensation for Products provided or Services performed by others pursuant to this section.

If Franchisee is provided a Territory, Franchisee's rights in the Territory are exactly (and only) as expressly set forth in this Section 6. Except as expressly provided in this Agreement, Franchisee has no right to exclude, control or impose conditions on the location, operation, or otherwise of present or future Burros & Fries (or any other brand) units or distribution channels of any type, franchised or company-owned, regardless of their location or proximity to the Business and whether or not they sell Products or provide Services within that area. Franchisee does not have any rights with respect to other and/or related businesses, products and/or services, in which we or any of affiliates may be involved, now or in the future.

Any rights not expressly granted to the Franchisee are reserved to us. Such rights reserved to us include but are not limited to the following:

- 1) Own and/or operate ourselves, and/or authorize others to own and/or operate:
 - a) Any kind of business in the Territory which is not substantially similar to a Burros & Fries Business, whether or not using the Marks and System and on any terms and conditions we deem appropriate; and
 - b) Any kind of business outside of the Territory, including, without limitation, Burros & Fries Businesses, whether or not using Burros & Fries Marks and System and on any terms and conditions we deem appropriate;
- 2) Develop, distribute and sell Burros & Fries labeled and branded (or any other brand) products and kitchen equipment (if developed) to anyone located anywhere (including within the Territory, if applicable) using any channel of distribution other than the operation of a Burros & Fries Business in the Territory and on any terms and conditions we deem appropriate;
- 3) Develop or become associated with concepts other than the Business franchised hereunder (including dual branding and/or other franchise systems), whether or not using the System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere;
- 4) Acquire, be acquired by, sell our assets, sell our stock, membership units, or partnership units to, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Burros & Fries Marks and System). Franchisee agrees to participate at its expense in any such conversion as instructed by us;
- 5) We may choose in our Business Judgment (as defined in Section 21 of this Agreement) to advertise, offer and sell Products and/or provide Services through the Internet and other similar venues (no matter where the person is located) without paying any compensation to Franchisee. The Internet is a channel of distribution reserved exclusively to us and Franchisee may not independently market on the Internet or conduct e-commerce, without our written consent; and
- 6) Acquire or establish any Websites utilizing a domain name incorporating one or more words that are similar to "Burros & Fries" or any other words that describe the Business as determined by us. The term "Website" includes: Internet home pages, as well as other electronic sites (such as social networking sites like Yelp, Facebook, Twitter, LinkedIn, blogs and other applications). Franchisee shall not

establish a Website on the Internet using any domain name containing the words listed above or any variation thereof. The Franchisee acknowledges that we have all right, title and interest in and to such domain names, as we shall designate in the Operations Manual.

Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information, or otherwise having a presence on a Website, regarding the Business. If we approve a separate Website (which we are not obligated to do), then each of the following provisions will apply: (i) Franchisee may neither establish nor use any Website without our prior written approval; (ii) before establishing any Website, Franchisee must submit to us, for our prior written approval, a sample of the proposed Website, including its domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including meta-tags), in the form and manner we may require; and all such work must be performed by us, our affiliates or approved vendors; (iii) Franchisee must not use or modify a Website without our prior written approval; (iv) Franchisee must comply with the standards and specifications for Websites that we may periodically prescribe in the Operations Manual or otherwise in writing; and (v) if we require, Franchisee must establish hyperlinks to our Website and other Websites; and (vi) Neither Franchisee nor any of its employees shall post any information regarding us, our members, managers, officers, or employees, or the System, on any Website or any internet site, without our prior written approval, nor any disparaging statement either during or after termination or expiration of the Agreement. Further Franchisee shall monitor its employees to prevent them from making any such postings. We retain the right to pre-approve Franchisee's use of linking and framing between the Franchisee's website and all other Websites. The Franchisee shall within five (5) days, dismantle any blogs, frames and links between the Franchisee's web pages and any other Websites and cause any advertisements to be removed, if and as requested by us.

7. TERM AND RENEWAL OF AGREEMENT

A. Term

The Franchise herein granted for a Burros & Fries Business, shall be for a term of ten (10) years from the date of execution and acceptance (the "Effective Date") of this Agreement by us and subject to earlier termination as herein provided. We reserve the right, with your approval, to change the term to match the premise's lease.

B. Renewal

Franchisee shall have the option to renew this Agreement for up to two (2) additional terms of ten (10) years each, provided we are still offering franchises at that time, and further subject to the following conditions, all of which must be met prior to renewal:

1. Franchisee shall give us written notice of its election to renew not more than twelve (12) months and not less than six (6) months prior to the end of the then current term. We will respond to Franchisee's written notice to renew no later than thirty (30) days after receipt of such notice by email or any other form of written communication;
2. Franchisee must not be in default under any provision of the Agreement, any amendment hereof or successor hereto, or any other agreement between us and Franchisee, and

Franchisee shall have complied with all the terms and conditions of all such agreements during the terms thereof;

3. Franchisee's right to renew is contingent on satisfactory performance of and full compliance with this Agreement and any renewal agreement. We may refuse to renew or extend the Franchise if: (a) Franchisee has failed to use its best efforts to operate the Franchised Business to our satisfaction; (b) the Franchise is terminable by law or under this Agreement; (c) Franchisee fails to give timely written notice of its exercise of its renewal option; (d) we are withdrawing from franchising in the geographic market Franchisee serves; (e) Franchisee fails to satisfy our then-current standards for new franchisees; or (f) Franchisee is in default of this Agreement;
4. Franchisee shall have satisfied all monetary obligations owed by Franchisee to us and our affiliates, and shall have timely met these obligations throughout the previous term;
5. Franchisee shall execute, before the renewal term, our then-current form of Agreement, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement. We will charge Franchisee a \$5,000 renewal fee and renewal may be for the same protected area or Non-Traditional Location as outlined in Section 6 (if applicable), above;
6. Franchisee shall comply with our then-current qualification and training requirements;
7. Franchisee must execute a general release, in a form prescribed by us releasing any and all claims against us and our affiliates, and their respective owners, officers, directors, agents and employees, if such release is not in conflict with any local, state or federal laws; and
8. Franchisee shall upgrade, remodel and/or refurbish the Business (both inside and outside) in order to meet our then-current standards. Graphics, signage and all kitchen equipment, furnishing, fixtures, technology items (such as a point of sale ("POS") system, computers, tablets, camera surveillance system, sound system, etc.) located at the Business must be updated to meet our then-current requirements. All remodeling, modernization, redecoration, or replacements will be completed at Franchisee's expense in accordance with our specific standards and specifications.

8. FRANCHISEE'S INITIAL INVESTMENT

The Franchisee's initial investment will vary depending upon the size of the facility's built out expenses, if Franchisee chooses to install certain kitchen equipment and inventory Franchisee purchases, number of employees Franchisee hires, time of year when Franchisee starts business, implementation of a marketing plan, Franchisee's management skills, economic conditions, competition in the surrounding area and other factors.

Franchisee hereby certifies that he or she has reviewed the estimated initial investment and start-up costs as detailed in the Franchise Disclosure Document, and has sufficient cash resources available to meet said expenses. These start-up costs include the Initial Franchise Fee.

9. FRANCHISEE'S INITIAL FRANCHISE FEE

A. Initial Franchise Fee and Payment

By executing this Franchise Agreement, the applicant agrees to become a Franchisee and pay an Initial Franchise Fee in the amount of Thirty-Five Thousand dollars (\$35,000) for a Burros & Fries Business. This Initial Franchise Fee includes a license to operate a single Burros & Fries Business in a Territory that is up to three (3) miles driven in any direction from the Business determined by boundaries as described in Section 6 of this Agreement. The Initial Franchise Fee includes a regional web page housed within our national website, the complete training program at our corporate headquarters and manuals. We choose to allocate some of that time to pre-opening or grand opening assistance.

The Initial Franchise Fee per this Agreement is due upon execution of this Franchise Agreement. The Initial Franchise Fee is uniform as to all persons currently acquiring a franchise as of the effective date of this Agreement, although this may change. The Initial Franchise Fee shall be paid in a lump sum in U.S. funds and shall be deemed fully earned and nonrefundable in consideration of administrative and other expenses incurred by us in granting this Franchise and for our lost or deferred opportunity to franchise others.

B. Time Limit for Opening the Business

The Franchisee shall maintain the Business in accordance with the provisions and requirements of Section 12 hereof, and must secure a lease that has been approved by us (as described in Section 12.S) within eighteen (18) months of the execution of this Franchise Agreement (“Effective Date”) and open the Business for operation (the “Opening”) within twenty-four (24) months from the date of execution of this Franchise Agreement. Upon Franchisee’s failure to meet either of the above requirements; then we may, at our sole discretion, terminate the Franchise and this Agreement and retain all fees paid by Franchisee, without breach of this Agreement by us as specified in Section 23.C. The Opening requires that Franchisee has qualified for and has obtained all necessary licenses and permits needed to sell Products and perform Services. We may, in our discretion, grant Franchisee one sixty (60) day extension past the allotted time within which to secure a lease and/or open the Business.

During the term of this Agreement, the Accepted Location shall be used exclusively for the purpose of operating a Franchised Business and shall be located within the Territory. In the event the Business shall be damaged or destroyed by fire or other casualty, or be required to be repaired, Franchisee shall commence the required repair of the Business within thirty (30) days from the date of such casualty or notice of such governmental requirement (or such lesser period as shall be designated by such governmental requirement), and shall complete all required repairs as soon as possible thereafter, in continuity, but in no event later than ninety (90) days from the date of such casualty or requirement of such governmental notice. The minimum acceptable appearance for the refurbished Business will be that which existed just prior to the casualty; however, every effort should be made to have the refurbished Business include the then-current image, design and specifications of a Burros & Fries Business.

As between us and the Franchisee, the Franchisee shall bear the entire risk of any damage, loss, theft or destruction to the Business from any cause whatsoever or requisition of the Business by any governmental entity or the taking of title to the Business by eminent domain or otherwise (collectively, “Loss”). The Franchisee shall advise us in writing within ten (10) days of any such Loss. No such Loss shall relieve the Franchisee of the obligation to pay Royalty Fees and all other amounts owed hereunder. In the event of any such Loss, we, at our option, may: (a) if the Loss has not materially impaired the Business (in our reasonable Business Judgment), require that the Franchisee, upon our demand, place the Business in good condition and repair reasonably satisfactory to us as mentioned above; or (b) if the Loss has materially impaired the Business and it is substantially destroyed, (in our sole judgment), we may require the Franchisee to repair the existing Business or find an alternative location within the Territory within ninety (90) days or soonest possible timeframe according to Franchisee’s lease. We may extend this period an additional thirty (30) days at our discretion and failure of Franchisee to comply may result in termination of this Agreement. Upon termination, the Franchisee must return to us the System (including

all materials), and we have the first right of refusal to purchase all Assets (as described in Section 24.G), but any such purchase price will be reduced to account for the Loss the Franchisee incurred.

It is understood and agreed that, except as expressly provided herein, this Agreement includes no right of Franchisee to sub franchise, which means for the Franchisee to act as a seller of Burros & Fries franchises.

C. Cooperation Required

Franchisee shall cooperate reasonably with us to ensure that the various actions occur which are necessary to obtain acceptance by us of the Business location. In particular, Franchisee shall furnish any pertinent information as may be reasonably requested by us regarding Franchisee's Business and finances.

10. OTHER FEES

A. Royalty Fees

In addition to the Initial Franchise Fee described in Section 9 above, the following recurring or isolated payments are required to be made by the Franchisee. The Franchisee pays to us a "Royalty Fee" of six percent (6%) of total Gross Revenue for each calendar month and is to be received as we specify in writing. The Royalty Fee is due on the fifth (5th) day of each month (for the prior month) and begins immediately once the Business is open for operation, then continues for the term of this Agreement. The Royalty Fee is uniform as to all persons currently acquiring a franchise, but this may change. The fee is nonrefundable. If the Franchise Agreement is terminated, Franchisee may be required to continue such royalty payments as described in Section 24.H.

As used in this Agreement, "Gross Revenue" shall include all revenue accrued from the performance of services in, at, upon, about, through or from the Business, whether for cash or credit and regardless of collection in the case of credit, and income of every kind and nature related to the Business including but not limited to revenues generated from: the sale, delivery and performance of all Products and Services from the Business premises or off-site, insurance proceeds and/or condemnation awards for loss of sales, profits or business; and fair market value for any product or service Franchise receives in barter or exchange for its Products or Services. Gross Revenue shall not include: (i) revenues from any sales taxes or other add on taxes collected by Franchisee for transmittal to the appropriate taxing authority; (ii) gratuities paid by guests to Franchisee's employees; and (iii) the amount of refunds Franchisee in good faith gives and refunds of previous payments Franchisee made.

Any payment or report not actually received by us on or before the specified date shall be deemed overdue. If any payment is overdue, in addition to the right to exercise all rights and remedies available to us under this Agreement, Franchisee shall pay us a fee of twenty-five dollars (\$25), in addition to the overdue amount, interest on such amount from the date it was due until paid at the rate of 1.5% percent per month or the maximum rate allowed by the laws of the State in which Franchisee's Business is located or any successor or substitute law (referred to as the "Default Rate"), until paid in full.

B. System Advertising Fee

Franchisee will pay a System Advertising Fee equal to one percent (1%) to three percent (3%) of Gross Revenues per calendar month to be paid in the same manner as the royalty obligation that begins immediately once the Business is open for operation and continues for the term of the Agreement (as defined in Section 10.A). The System Advertising Fee will commence at one percent (1%) and can be increased by us annually by no more than 1% upon 90 days' written notice to you and shall not exceed 3% of Gross Revenue per month for the term of the Franchise Agreement.

The System Advertising Fee is to be received by us on or before the fifth (5th) day of each month for the prior month's Gross Revenue (as defined above in Section 10.A). This fee will be deposited into our System Advertising Account (the "Fund") for ongoing technology or new product development (including recipes and menu items) or kitchen equipment development, and such national advertising or public relations programs as we, in our sole discretion, may deem appropriate to promote our mark. The Fund may also be used for local franchisee group advertising or marketing and Franchisee advisory council expenses; local, regional, national or international advertising or marketing; administration of advertising and marketing (including salaries, accounting, collection, legal and other costs), related expenses and any media (including media production costs) or agency costs. We will direct all such programs, and will have sole discretion over the creative concepts, materials, endorsements and media used in such programs, and the placement or allocation of such programs. We reserve the right to determine in our sole discretion the composition of all geographic territories and market areas for the implementation and development of such programs. The Burros & Fries Restaurants owned by our affiliates may will contribute on the same basis to the Fund but are not required.

We may disclose the identity of vendors who pay promotional allowances to us upon request and only after Franchisee's signing an appropriate non-disclosure agreement. We have the right to spend that money as we determine. We are not obliged to spend more on advertising and marketing than the amount of the Fund. Any unspent balance in the Fund at the end of the year may be carried over to later years and used for the purposes described in this Agreement. Neither we nor any of our members has any fiduciary duty to the Franchisee regarding any System Advertising Fund.

Franchisee's failure to pay required System Advertising Fees is a material breach of this Agreement, subjecting Franchisee to all remedies at law and as set forth in this Agreement. We may remove Franchisee from advertising or marketing materials without notice if Franchisee fails to timely remit its System Advertising Fee.

C. Local Advertising

Franchisee will spend a minimum of five hundred dollars (\$500) per month on local advertising and promotion, in addition to payment of the System Advertising Fee required above but we recommend \$1,500 per month. We shall have the right to approve or disapprove any advertising proposed for use by Franchisee. Franchisee may choose to advertise its Business any way it chooses so long as such advertisements and marketing materials are approved by us (as described in Section 12.L) and are in the format as specified in the Operations Manual.

D. Electronic Funds Transfer

We reserve the right to require Franchisee to remit fees and other amounts due to us hereunder via electronic funds transfer or other similar means utilizing our approved computer system or otherwise. If we notify Franchisee to use such payment method, Franchisee agrees to comply with procedures specified by us and/or perform such acts and deliver and execute such documents including authorization, in the form attached to this Agreement as Schedule 1 "Authorization Agreement for Prearranged Payments" for direct debits from Franchisees' business bank operating account, as may be necessary to assist in or accomplish payment by such method. Under this procedure, Franchisee shall authorize us to initiate debit entries and/or credit correction entries to a designated checking or savings account for payments of fees and other amounts payable to us and any interest and related processing fees charged due thereon. Franchisee shall make funds available to us for withdrawal by electronic transfer no later than the due date for these payments. If Franchisee has not timely reported its Gross Revenue to us (as defined in Section 10.A) for any reporting period, then we shall be authorized, at our option, to debit Franchisee's account in an amount equal to (a) the fees transferred from Franchisee's account for the last reporting period for which

a report of the Business's Gross Revenue was provided to us as required hereunder or (b) the amount due based on information retrieved from our approved POS or computer system (whichever is greater).

E. Technology Fee & POS Support.

Franchisee will be required to use specific point of sale "POS" system and software for the operation of the Business and must use our approved vendors for such system and software. The POS software is specific to the food service industry. The overall cost of technology items including computers, POS system, tablets, software, copier, scanner, printer, modem, routers, sound system and surveillance system, and telephones ranges from \$5,000 - \$10,000. The current POS support fee is currently one-hundred and thirty dollars (\$130) to one-hundred and forty dollars (\$140) per month per cash register. This fee is payable to our approved vendors.

The use of the software for the POS system may require Franchisee to sign a license agreement. It is Franchisee's responsibility to install, maintain and upgrade any hardware necessary to operate the POS system including networking and software at its own expense. We may, at our sole discretion, change such software requirements (including approved vendors) at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes. Franchisee acknowledges that Franchisee must comply with such changes in technology requirements at its own expense. If Franchisee fails to comply with our technology requirements within the timeframe stated above, such failure may be deemed a material breach of this Agreement.

F. Laundry Service Fee

Franchisee is required to use a professional laundry service that is scheduled to clean Franchisee's towels, mats and aprons on a weekly basis. It is Franchisee's responsibility to find and hire a professional laundry service that meets our standards. We will provide Franchisee with a written list of cleaning standards and recommended procedures to follow when hiring a laundry service during the initial training program. The cost for such laundry services ranges from one thousand one hundred dollars (\$1,000) to one thousand five hundred dollars (\$1,500) per month and is payable to our approved vendors or third parties. We may, at our sole discretion, change such professional laundry service requirements at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes. Franchisee acknowledges that Franchisee must comply with such changes in laundry service requirements at its own expense. If Franchisee fails to comply with our new laundry service requirements within the timeframe stated above, such failure may be deemed a material breach of this Agreement subjecting Franchisee to all remedies at law and as set forth in this Agreement.

G. Inspection Fee

To maintain the highest degree of quality and service, we reserve the right to charge Franchisee a one-thousand-dollar (\$1,000) inspection fee if we, or our affiliates, inspects the Business and it does not pass the inspection for a second time in any two (2) year period. We may, at our sole discretion, change such inspection fees at any time and will provide Franchisee with ninety (90) days' written notice to implement such changes. Franchisee acknowledges that Franchisee must comply with such changes in inspection fee requirements at its own expense. The foregoing shall be in addition to any other remedies we may have pursuant to this Agreement.

H. Product, Vendor and Equipment Assessment Fee

Franchisee will pay an assessment fee for our approval of any product (including menu item), vendor, supplier or any piece of equipment (to the extent not then on our list of approved products, vendors or kitchen equipment), which may also require third party testing. The assessment fee is three hundred dollars (\$300) for a single product (including any menu or retail item) and/or vendor or supplier that Franchisee wishes to offer, use and/or substitute in its Business. The fee for any type of equipment testing is a minimum of three hundred dollars (\$300) per piece or the actual cost incurred by us. We may waive these fees if the products, vendors, suppliers and/or pieces of equipment that the Franchisee selects meet our requirements and make it on our approved list of products, vendors or suppliers and equipment for all franchise locations.

Franchisee must obtain our written approval for such products, vendors or suppliers and any type of equipment Franchisee wishes to offer or use in its Business (as described in Section 12.I of this Agreement). We will have thirty (30) days following the receipt of Franchisee's written request to approve or disapprove proposed products, vendors, suppliers and equipment. Such approval or disapproval shall be made by email or any other form of written communication. We will provide such approval via email or any other form of written communication. If we do not approve the proposed products, vendors or suppliers and equipment by written communication to Franchisee within this thirty (30) day period, all such items will be deemed disapproved. Franchisee also acknowledges that the cost for third party testing is Franchisee's responsibility.

11. FINANCING ARRANGEMENTS

Franchisee hereby acknowledges that financing is the responsibility of the Franchisee. We do not finance or guarantee the obligations of the Franchisee. The Initial Franchise Fee is due and payable upon execution of this Agreement and as set forth in Section 9.A of this Agreement.

12. GENERAL OBLIGATIONS OF FRANCHISEE

A. Follow Operations Manual and Directives of Franchisor

Franchisee agrees that use of our System and adherence to our Operations Manual (the "Operations Manual" or "Manual") and compliance with our standardized design and specifications for decor and uniformity of the Business are essential to the image and goodwill thereof. The Manual contains mandatory and suggested specifications for the Business, standards and operating procedures and further define Franchisee's obligations under this Agreement. We may change or add to the Manual to reflect changes in its image, specifications and procedures and methods of operation and will lend Franchisee copies of any changes or additions. Franchisee shall cooperate and assist us with any guest or marketing research program, which we may institute from time to time. Franchisee's cooperation and assistance shall include, but not be limited to, the distribution, display and collection of surveys, comment cards, questionnaires, evaluations and similar items.

B. Operate Franchised Business Only

Franchisee shall use the System and the Names and Marks provided to Franchisee by us for the operation of the Business and shall not use them in connection with any other line of business or any other activity. Neither Franchisee, nor any of its employees, may conduct any business at the Business other than that authorized pursuant to this Agreement, without our prior written approval. Neither Franchisee, nor any of its employees, may conduct any activity at the Business or in connection therewith which is illegal or which could result in damage to our Names and/or Marks or our reputation and goodwill. Franchisee will not allow the Franchised Business to be used for any immoral, unethical, unauthorized or illegal purpose.

Franchisee must conduct all business through it unless otherwise approved by us in writing. Franchisee must disclose to us any pre-existing businesses and sign and deliver to us, along with a signed copy of this Agreement, the Schedule 2 “Pre-Existing Businesses” attached to this Agreement.

C. Comply with Laws

Franchisee shall comply with all federal, state and local laws, ordinances, consumer protection laws and regulations, wage and hour laws, labor laws, workers compensation and unemployment laws, zoning laws, fire codes, building construction (including zoning classifications and clearances) and indoor air quality and shall obtain and at all times maintain any and all governmental licenses, permits, industry specific licenses or certificates, laws and regulations relating to occupational hazards and health such as Occupational Safety and Health Administration (“OSHA”), or that may be required for full and proper operation of the Business franchised under this Agreement in Franchisee’s state of operation. Franchisee agrees to keep Franchisee and its employees informed of, and to comply with all laws, regulations and rulings issued by the U.S. Food and Drug Administration (“FDA”) and any other applicable state and local health agency. Franchisee must adhere to food, testing laws and regulations that are in force or as they become applicable. Franchisee acknowledges that federal, state or local authorities may adopt laws and regulations affecting the content or make-up of food served in businesses and requiring that food being served in businesses are tested for gluten and other contents and other testing and also disclosure laws. Franchisee also acknowledges that its state or locality may require a posting in Franchisee’s Business warning that consuming raw or undercooked seafood may increase the risk of food borne illnesses. In addition to complying with all laws, Franchisee is required to ensure that Franchisee, its Owners, managers and employees have successfully obtained a food handlers certification in its home state and must ensure each person maintains such certification, regardless of whether this is required by Franchisee’s state (as further described in Section 12.F of this Agreement). Our standards may exceed any and all of the requirements of said laws and regulations. In addition, Franchisee must maintain an “A” rating or above for all health department inspections and failure to do so may result in termination as described in Section 23.C of this Agreement.

In addition, with respect to all credit card transactions and guest information obtained through credit card usage, Franchisee agrees to diligently comply with all laws and rules regarding such usage and Franchisee will protect the privacy of credit card users. Franchisee must be at all times in compliance with the Payment Card Industry Data Security Standards (“PCI Compliant”). Copies of any and all notices, inspection reports or other communication from any governmental entity with respect to the conduct your Business which indicates the Franchisee’s failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to us within five (5) days of the Franchisee’s receipt thereof. Franchisee agrees to indemnify us under Section 18 of this Agreement which includes any claims arising out of Franchisee’s failure to perform its obligations as described above.

It is Franchisee’s sole responsibility and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of a Burros & Fries Business. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of its Business and must at all times operate it in full compliance with all applicable laws, ordinances and regulations (including without limitation, regulations relating to fictitious name registrations, sales tax permits, fire clearances, safety, truth in advertising, occupational hazards, indoor air quality, health, laws relating to non-discrimination in hiring and accessibility, worker’s compensation and unemployment insurance). In addition, Franchisee must comply with consumer protection laws and regulations concerning food preparation, handling and storage, “Truth in Menu” concerning menu item names, product content, labeling and nutritional claims. We make no representations or assurances as to what inspections, licenses, permits, authorizations or otherwise will be required for Franchisee in the Franchisee’s area in connection with its Business. It is Franchisee’s sole responsibility to identify and obtain all licenses,

permits, certifications and authorizations necessary for operation. Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities.

Franchisee shall agree to comply and/or assist us in our compliance efforts, as applicable, with any and all laws, regulations, Executive Orders or otherwise relating to antiterrorist activities, including without limitation the U.S. Patriot Act, Executive Order 13224 and related U.S. Treasury and/or other regulations. In connection with such compliance efforts, Franchisee agrees not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to the Franchise Business as may be required by law. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that Franchisee's indemnification responsibilities as provided in Section 18 pertain to Franchisee's obligations hereunder. Franchisee agrees to sign and deliver to us, along with a signed copy of this Agreement, the attached Schedule 3 "Executive Order 13224 and Related Certifications."

Your Business is designed, constructed and is to be operated in compliance with all local, state and federal laws, including (without limitation) the American with Disabilities Act ("ADA"). Even though we may have designed the Business space, Franchisee is responsible for compliance with all applicable federal, State and local laws and regulations concerning access by people with disabilities. Any required modifications to the restaurant must first be approved by us and are Franchisee's sole responsibility and expense.

D. Maintain Confidentiality of Proprietary Information

Neither Franchisee nor any of its Owners if you are an Entity, officers, directors, agents, employees or independent contractors, except as required in the performance of the duties contemplated by this Agreement, may disclose or use at any time, whether during the term of this Agreement or thereafter, any confidential and proprietary information disclosed to or known by Franchisee or any such person as a result of this Agreement. Such information, includes, but shall not be limited to our confidential matters and trade secrets such as our: strategies for site acquisition, build-out, design and décor specifications; distinctive Products, Services, proprietary recipes, sauces and home-made ice cream; specific food preparation techniques, methods, procedures including standards; specifications and purchasing strategies for all products, supplies and kitchen equipment; inventory management systems, vendors and supplier relationships, cost and pricing strategies, retail center setup, merchandising strategies, procedures for cleanliness, safety, sanitation and quality control; software, service methods and techniques, operational procedures, service standards, employee hiring, training and retention programs; menus, photographs of food, sales, advertising, marketing and promotional materials; forms, contracts, record keeping, reporting procedures and accounting methods, proprietary information conceived, originated, discovered, or developed by Franchisee or by any employee of Franchisee which is not generally known in the trade or industry about our Products or Services, including information relating to discoveries, ideas, production, purchasing, accounting, engineering, website development and design, marketing, merchandising or selling of Products and Services (collectively referred to as "Confidential Information" and further defined in Section 16.A of this Agreement).

Franchisee further acknowledges that the Confidential Information was unknown to Franchisee prior to negotiation for and execution of this Agreement and that the unique and novel combination of "know how," methods, processes and techniques developed by us and licensed to Franchisee for the operation of a Burros & Fries Business are particular to the food service industry conducted by your Business. Franchisee agrees to take all steps necessary, at Franchisee's expense, to protect the Confidential Information and shall not release it to any person that does not have a need to know, including employees,

agents and independent contractors, either during the term or after the termination or expiration of this Agreement without our prior written consent.

Franchisee further agrees that it will not contest in any litigation, arbitration, mediation, or in any other manner our ownership rights to any or all of the above Confidential Information.

E. Maintain and Renovate the Business

Franchisee shall at all times maintain the Business in a clean, orderly condition and in first class repair in accordance with all maintenance and operating standards set forth in the Manual. Franchisee shall make, at Franchisee's expense, all additions, repairs, replacements improvements and alterations that may be determined by us to be necessary so that the facilities which are viewed by the public will conform to the uniform corporate image, as may be prescribed by us from time to time. Franchisee shall undertake and complete such additions, repairs, replacements, improvements and alterations within the time and under the terms and conditions, which we may reasonably specify.

If at any time, in our sole and absolute discretion, the general state of repair, appearance or cleanliness of the Business or its kitchen equipment, fixtures, furnishings or signage does not meet our standards, Franchisee expressly agrees that we have the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. If Franchisee does not initiate action to correct such deficiencies within ten (10) days after Franchisee receives notice from us, and then does not continue in good faith and with due diligence, a bona fide program to complete any required maintenance and refurbishing, we have the right, in addition to all other remedies, to enter the premises of the Business and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse us on demand for any expenses we incur.

Franchisee shall maintain and renovate the Business at its expense, to conform to our design, trade dress, color schemes, and presentation of trademarks and service marks consistent with our designated image, including, without limitation, remodeling, redecoration and modifications to existing improvements.

F. Maintain Competent Staff

We will create and make available to Franchisee and its Owners (if Franchisee is an Entity), training programs and other selected training materials, as we deem appropriate. Unless otherwise approved in writing by us, Franchisee or one of its Owners must personally manage the day-to-day operation of the Business for at least the first year Franchisee's Business is open for operation. After Franchisee's first year of operation, Franchisee must staff a position to have day-to-day supervision for the operation and management of the Business (referred to as "General Manager") and the identity of the General Manager must at all times be disclosed to us. Franchisee's Business must be personally managed on a full-time basis by a General Manager who has successfully completed our mandatory training and meets our then-current standards. The General Manager may, but need not, be Franchisee or one of the Owners of the Business and must be responsible for overseeing the general management of the Business, however, does not relieve Franchisee of its responsibilities to do so. Franchisee's General Manager must be readily and continuously available to us. Franchisee will keep us advised, in writing, of all management personnel involved in the operation of the Business. Franchisee must train a replacement General Manager (who we may disapprove in our sole and absolute discretion) in accordance with our training program at Franchisee's expense. Franchisee's replacement General Manager may attend our training program for a fee and subject to space availability. Currently the fee is three hundred dollars (\$300) per person per ½ day as described in Section 20.A of this Agreement. Franchisee, its Owners and/or General Manager is responsible for all travel, room and board and food. We have the right to require that Franchisee's General Manager be at the Business for any inspection we, our affiliates or third parties conduct.

Franchisee acknowledges that it is Franchisee's sole and absolute responsibility to hire and train cooks, dishwashers, servers, cashiers and any administrative staff (referred to as "Employees") in an effort to make all Products and effectively execute Services according to our standards as outlined in the Operations Manual and Section 20.E of this Agreement. Franchisee must ensure that Franchisee, all of its Owners, General Manager and all of Franchisee's Employees who prepare, serve or handle food have a valid food handler's certification and that such certifications are renewed as applicable. A food handler's certification is food handling and safety training that is necessary for the operation of your Business. Such courses can be taken in a classroom setting or in some states can be completed over the Internet. Franchisee is solely responsible for Employee's terms of employment, compensation and the proper training. As Franchisee hires a General Manager and Employees, Franchisee can negotiate any rate for such services that is consistent with applicable federal and state laws and regulations. Franchisee is solely responsible for all employment decisions and functions, including hiring (other than the required use of criminal background checks below), firing, establishing wage and hour requirements, training, disciplining, supervising, performance and record keeping. Franchisee acknowledges that at no time will Franchisee or any of its Employees be deemed to be employed by us.

Franchisee must not use unethical or illegal tactics to recruit employees. Franchisee shall properly hire Employees per our guidelines and standards (subject to applicable employee protection laws) which include carefully screening Employees by the use of background checks before employing them, to ascertain fitness for employment. Specifically, Franchisee must use its best efforts, including taking every action required by applicable laws related to criminal background checks of persons working in the Business, to ensure that no person is employed who has a record of theft, child molestation or abuse, immoral conduct, drug, alcohol or substance abuse; criminal behavior or any other pattern of conduct which might jeopardize the welfare of guests or reflect adversely on our reputation or the System. Franchisee will indemnify us (as described in Section 18) for all claims arising out of or relating to Franchisee's Employees and Franchisee's hiring, firing and discipline decisions regarding Employees including payment of wages, overtime and any applicable benefits, as well as failure of Franchisee to utilize background checks on any potential Employee.

Franchisee will require its Employees to wear uniform dress bearing one or more of the Marks while working at the Business, and shall be of such design and color as we may prescribe from time to time, as set forth in the Operations Manual.

Franchisee will keep us advised, in writing, of all management and non-management personnel involved in the operation of the Business.

G. Open Business within Time Limit

Time is of the essence. Franchisee must secure a lease within eighteen (18) months of the execution of this Franchise Agreement and open the Business for operation within twenty-four (24) months of the date of execution of this Franchise Agreement which includes having obtained our approval prior to opening, subject to Section 9.B of this Agreement. Prior to opening, Franchisee shall complete, to our satisfaction, all the build-out and preparations of the Business, in accordance with specifications set forth in the Operations Manual, and as required by local governmental agencies, including installation of all kitchen equipment, furnishings, fixtures and signage; acquire all technology items (such as a POS system, computers, sound system, etc.) and an inventory of products and supplies; complete our initial training program, and provision to us of all required local information, artwork and photos for the completion of the Franchisee's web page.

H. Operate in Strict Conformity to Requirements

Franchisee must adhere to our laundry service standards, sell Products, execute all Services and operate the Business in strict conformity with such standards, techniques, and operational procedures as we may from time to time prescribe in the Operations Manual, or otherwise in writing, and shall not deviate without our prior written consent. Franchisee also agrees to purchase all kitchen equipment (as defined in Section 12.I) and technology items (such as a POS system, computers, and sound systems) and to operate, service, repair, maintain and clean all such items according to our standards as outlined in the Operations Manual. Franchisee must keep all kitchen equipment and technology items in clean and good working order at all times and purchase only approved parts to repair its kitchen equipment and technology items from our approved vendors and suppliers. All maintenance to the kitchen equipment and technology items that cannot be completed by Franchisee must be performed by our approved vendors. Unless otherwise agreed by us in writing, in no event shall Franchisee use any kitchen equipment that is more than ten (10) years old; and technology items that are more than seven (7) years old. Franchisee agrees to replace all kitchen equipment and technology items at Franchisee's expense as such items (i) become obsolete or inoperable; or (ii) if, in our sole discretion, replacement is necessary because of new functionality, change in software, change in methods of service or because of health or safety considerations. Franchisee has ninety (90) days after Franchisee receives written notice from us to either remove or replace such kitchen equipment and technology items. Failure of Franchisee to remove, replace and/or maintain its kitchen equipment and technology items as described above may result in termination as described in Section 23.C of this Agreement.

Franchisee is required to offer only approved Products and Services which we may, from time to time, prescribe, to offer only those Products and Services which meet our standards of quality and which we have approved in writing to be offered in connection with the Business. Products that Franchisee is authorized to use and sell is described in Section 12.I of this Agreement and Franchisee is not permitted to sell Products through any alternative channels of distribution whether known or hereinafter invented. All Services that Franchisee offers must be executed according to our standards as outlined in the Operations Manual and must be provided within the Franchisee's Territory or, if operating out of a Non-Traditional Location, within the parameters of the facility unless otherwise approved by us in writing (as described in Section 6). Franchisee is also required to offer any proprietary rewards programs ("Rewards Programs") we may establish (currently we do not have any rewards programs in place but expect to do so in the future). The Rewards Programs are expected to be a repetitive use programs for guests that provides incentives after so many points are acquired relative to dollars spent and also geared towards building brand awareness. If we implement any type of Rewards Program, we will provide Franchisee with a ninety (90) days' notice to implement such program and Franchisee will be required to implement such program at its own expense. Franchisee agrees to discontinue offering any Products, Services and Rewards Programs which we may, in our sole discretion, disapprove in writing at any time. There are no limits on our right to change, modify or discontinue any Product, Service or Rewards Program Franchisee is authorized to offer in its Business.

We will provide Franchisee with a written list of Products, Services, Rewards Programs and other promotional programs Franchisee is required to offer during the initial training program. Nothing in this Agreement shall be construed to be a promise or guarantee by us as to the continued existence of a particular Product, Service, or Rewards Program; nor shall any provision herein imply or establish an obligation on our part to reinstate any Product, Service or Rewards Programs discontinued by us or for any liability to Franchisee for any loss revenue incurred by Franchisee as a result of our decision to discontinue a particular Product, Service or Rewards Program. We will provide Franchisee with ninety (90) days' notice to implement such Product, Service or Rewards Program changes and Franchisee agrees to immediately comply with such changes at its own expense. We may periodically meet with a representative group of franchisees and solicit their input prior to discontinuing any Product, Service or Rewards Programs.

Franchisee agrees to offer such Products and Services in the manner and style we specify, which may, from time to time, be amended or modified in writing (email or any other form of written communication), designated and approved by us. Franchisee must prepare all food in accordance with our recipes, methods, techniques, processes and presentation standards designated by us which may, in our sole discretion, change from time to time. However, upon our written approval, Franchisee has the flexibility to add a menu item that is specific to its geographic area as long as the menu item complies with our standards as specified in the Operations Manual. We will respond to Franchisee's request to implement a menu item within thirty (30) days from the date the request is received and we will respond by email or any other form of written communication. We have the right to require, as a condition of our approval and review, that Franchisee submit to us all materials and supporting documentation describing such menu item that Franchisee wishes to offer in its Business. The cost of such investigation for approval shall be paid by the Franchisee (if applicable) and we shall not be liable for denying Franchisee's request. Approval may be revoked in our sole discretion where such menu item no longer adheres to our standards as specified in the Operations Manual. Franchisee acknowledges that all food preparation methods, recipes, techniques, processes and presentation are integral to the System and failure to adhere to such food preparation, recipes, techniques and processes are detrimental to the System. Franchisee must also comply with our required procedures for submitting orders for products and supplies, as we may periodically adopt. Franchisee must not deviate from our required procedures for preparing food, recipes, techniques, processes, presentation, ordering procedures and standards or by the use of non-conforming items or differing amounts of any items without first obtaining our written request. Failure of Franchisee to (i) sell, offer, change, modify or discontinue any Product (including menu item), Service or Rewards Program; (ii) adhere to our food preparation methods, recipes, techniques, methods, processes and presentation standards; and/or (iii) execute and provide Services as outlined above will result in termination of this Agreement as specified in Section 23.C.

Franchisee agrees to fully comply with all mandatory specifications, standards, operating procedures and rules in effect which may change from time to time relating to safety, maintenance, cleanliness, sanitation, function and appearance of the Business and its kitchen equipment, décor and signage. Nothing in this Agreement shall be construed to imply or establish an obligation on our part to incur any liability to Franchisee for any loss of revenue incurred by Franchisee as a result of our decision to change, modify or discontinue our cleanliness standards or laundry service requirements. Franchisee agrees that we have the right, in our sole discretion, to change, modify, add or discontinue our cleanliness standards and laundry requirements. We will provide Franchisee with ninety (90) days' notice to implement such cleanliness standards and/or laundry service requirement changes and Franchisee agrees to immediately comply with such changes at its own expense. Failure of Franchisee to adhere to our cleaning standards and/or laundry service requirements may result in termination as described in Section 23.C of this Agreement.

Franchisee must accept credit cards and debit cards and may be required to accept check verification services as specified by us, which may change from time to time. Franchisee shall also offer for sale, and will honor any incentive, coupon or gift cards or Rewards Programs (as described above), which we may institute from time to time, and Franchisee shall do so in compliance with our standards and procedures for such programs to the extent permitted by the laws of the Franchisee's state. These programs may include, without limitation, membership programs, repetitive use for service programs, co-op programs and other local and national activities. Franchisee's full and complete participation in such programs are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense.

Franchisee must respond promptly to all inquiries and complaints in order to achieve guest satisfaction as specified in the Operations Manual. If Franchisee does not provide satisfactory service and/or fails to resolve any type of complaint at the time complaint is registered or if Franchisee violates operating standards or this Agreement, we may, in addition to our other remedies, complete the services and bill the Franchisee for its services. Franchisee shall reimburse us for any expense incurred. In addition,

there may be other System oriented programs designed to promote to the public the quality care and service that we may wish to implement on a system-wide basis and advertise and market. Franchisee shall be required to participate in the then-current specials or promotions as may be developed by us and as may be modified periodically by us, in our sole discretion.

We may institute various programs designed to verify guest satisfaction and/or Franchisee's compliance with all operational and other aspects of the System, including (but not limited to) a toll-free number, online surveys, comment cards, or otherwise. We will share results of such programs as they pertain to Franchisee's Business, with Franchisee and Franchisee will reimburse us for all costs associated with any and all such programs provided that Franchisee is not in compliance with this Agreement and the System.

Franchisee recognizes that one of our primary methods of communication with franchisees is through, emails, phone, fax and an intranet system we may provide to franchisees on our website (currently not in effect). Franchisee is responsible for knowing all of the information contained in the newsletters, memos and the intranet system and complying with any standards and specifications provided within them. We may establish and change the specifications, standards and/or procedures for the operation of the Business through our newsletters, memos and intranet system. If we establish an intranet system, we will have no obligation to maintain the intranet system indefinitely and may dismantle it at any time without notice and without liability to Franchisee and the following will apply:

- (1) We will establish policies and procedures for use of the intranet system, if we establish one. These policies, procedures and other terms of use may 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 agreement with us; (iii) confidentiality of materials that we transmit; (iv) password protocols and other security procedures; (v) grounds for suspending, or revoking Franchisee's access to the intranet system; and (vi) a privacy policy governing our access to and use of electronic communications that franchisees submit on the intranet system. Franchisee acknowledges that as administrator of the intranet system, we can access and view any communication that anyone posts on the intranet system. Franchisee further acknowledges that the intranet system and all communications that are posted to it will become our property, free of any claims of privacy or privilege that Franchisee or any other person may assert.
- (2) Upon receipt of notice from us that the intranet system has become operational, Franchisee agrees to purchase and install all necessary additions to their computers and to establish and continually maintain electronic connection with the intranet system that allows us to send messages to and receive messages from Franchisee. Franchisee's obligation to maintain connectivity with the intranet system will continue until expiration or termination of this Agreement.
- (3) We may use part of the System Advertising Fund that we collect under this Agreement to develop, maintain and further develop the intranet system.

We may require Franchisee to join and participate in various industry specific local or national associations. Such associations may include, but are not limited to Franchisee's local Restaurant Association chapter, the Better Business Bureau Association and Chamber of Commerce. These associations are necessary for the continued growth of the Business. Franchisee's full and complete participation in such programs and associations are required. Except as otherwise provided herein, compliance and participation shall be at Franchisee's expense, including membership fees and related costs.

In the marketing and operation of Franchisee's Business, Franchisee will use each of, and only, the contracts, waivers and/or other forms and/or materials as are designated by us periodically. However, Franchisee may stay subject to the landlord's lease, as long as the lease contains all of the terms and conditions required by this Agreement; the lease is adjusted to accommodate this Agreement (ideally the lease is coterminous with this Agreement but not required); and Franchisee may execute its lender's standard promissory note, personal guaranty and security agreement provided that the terms and conditions of any promissory note, personal guaranty and security agreement do not affect or impair this Agreement, or any of our rights or remedies under this Agreement. If Franchisee has two or more Owners or it is an Entity, then Franchisee must submit a copy of its Operating Agreement, Partnership Agreement, or Shareholders Agreement and bylaws, as applicable for our review prior to execution as specified in Section 12.R of this Agreement.

All advertising, promotions and public relations by Franchisee in any medium shall be conducted in a dignified manner and shall conform to our standards and requirements as set forth in the Operations Manual. Franchisee shall have the right to sell Products and offer Services at any prices Franchisee may determine, except that we reserve the right to establish minimum and maximum prices for any given Product or Service system wide to the extent allowed by federal and state laws. To clarify, Franchisee agrees that we have the right, in our sole discretion, to establish minimum and maximum prices for any Product or Service system wide, temporarily (for a limited period of time), in specific geographic areas or in conjunction with any promotional and/or marketing program so long as such decisions are made with the honest belief that the measure we are adopting will help everyone in the System meet competition and succeed in the marketplace. Franchisee is prohibited from heavily discounting Products and Services offered for sale and must adhere to our minimum and maximum pricing guidelines, except as otherwise provided by applicable federal or state laws. If Franchisee elects to sell or offer any Product or Service at any price recommended by us, Franchisee acknowledges that we have made no guarantee or warranty that offering such Products or Services at the recommended price will enhance Franchisee's revenues, sales or profits. Franchisee shall participate in and comply with all sales, promotional programs, marketing programs and/or product promotions promulgated by us periodically.

I. Use Approved Products, Supplies, Kitchen Equipment, Vendors and Suppliers

Franchisee acknowledges that we have spent considerable time in developing the Products, Services, standards, processes, methods and technology used in the operation of a Burros & Fries Business. Accordingly, Franchisee acknowledges that Franchisee is to use only approved products, supplies, kitchen equipment, vendors, suppliers and services that includes, but is not limited to: ingredients (such as dry goods, our spice packages, sauces, dressings, condiments, etc.), fresh produce, dairy products; beverage products (such as: tea, carbonated drinks, juices and specialty beverages), supplies (such as small wares, disposables, packaging materials, disposables and cooking supplies), any merchandise for sale (such as: shirts, hats, baby bibs, etc.), kitchen equipment (such as: refrigerators, freezers, etc. as described in Item 7), furnishing and fixtures, technology items (such as computers, POS system, sound system, etc.), software, printed menus, signage, uniforms, professional laundry services, merchant services, POS and technology support services and printed advertising materials necessary for the operation of the Business. We may derive income through license fees, promotional fees, advertising allowances, rebates or other monies paid by approved vendors and/or suppliers. We do not know the precise basis of these payments because we have never previously collected them but if we collect such payments we have the discretion to use them as we determine. If we require Franchisee to buy from us, products, supplies or kitchen equipment the price and quality will be comparable to similar products, supplies and kitchen equipment from other sources Franchisee agrees that we may periodically and upon written notice, add to, modify or change such approved products, supplies, kitchen equipment, vendors and suppliers and there is no limit in our right to do so. Franchisee promises to promptly accept and implement, in the operation of its Business, all such additions, modifications and changes at Franchisee's expense. In addition, Franchisee acknowledges that:

1. We have spent considerable time designing the decoration and outfitting of a Burros & Fries Business with specific kitchen equipment, furnishing, fixtures, décor items and signage. This is part of our trade dress. Franchisee must purchase such items from us and/or our affiliates or approved vendors as specified in the Operations Manual and Section 12.T of this Agreement.
2. To insure the consistent high quality and uniformity of Products and Services provided by the Franchised Businesses, Franchisee must lease or purchase all products, supplies, kitchen equipment and services (as described above) for use in the operation of its Business, from us, our affiliates or approved vendors who demonstrate to our continuing satisfaction an ability to meet our standards and specifications. We are not liable to Franchisee for any loss or damage, or deemed to be in breach of this Agreement, if we, our affiliates or approved vendors and/or suppliers cannot deliver, or cause to be delivered, Franchisee's order of products, supplies or kitchen equipment where such items are out-of-stock or discontinued. Franchisee is prohibited from purchasing or leasing products, supplies, kitchen equipment and services from unapproved vendors and/or suppliers who are not on our approved list without our written approval. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by e-mail or any other form of written communication. Failure of Franchisee to purchase such items from us, our affiliates or approved vendors and/or supplies and use such unapproved items in the operation of its Business may result in termination of this Agreement as specified in Section 23.C of this Agreement.
3. In approving any vendor or supplier we may consider factors such as: price, quality, composition, performance, accuracy of product claims, durability, safety, technical specifications, frequency of delivery, design, service maintenance programs, determination of quality control, value, customer service strength, prompt attention to complaints, litigation against the supplier, reputation of supplier, any product recalls instituted by the United States Consumer Product Safety Commission, the supplier's financial strength and capacity to supply franchisee's needs promptly, reliably, and cost effectively. All vendors and suppliers must be approved in writing by us and may be disapproved by us anytime thereafter. If Franchisee desires to lease or purchase unapproved equipment, products, supplies or services from unapproved vendors, Franchisee shall submit to us a written request for such approval. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by email or any other form of written communication. We shall have the right to require, as a condition of its approval and review, that its representatives are permitted to inspect the facilities of the proposed vendor and that the proposed item is delivered to us or our designee for testing. The cost of such inspection and testing shall be paid by Franchisee, vendor or supplier and we shall not be liable for damage to or for the return of any sample and Franchisee may be responsible for the product, vendor and equipment assessment fee as described in Section 10.H of this Agreement. We reserve the right, at any time, to re-inspect the facilities and to retest the product or kitchen equipment of any approved vendor and to revoke any approval if the vendor fails to continue to meet our high standards.
4. Franchisee will not make any claims against us or our affiliates with respect to any vendor and/or related supplier for products, supplies, kitchen equipment (as described above) or any other related products or supplies necessary for the operation of it Business (and/or our designation of, or our relationship with, any vendor/supplier/products). WE MAKE NO WARRANTIES REGARDING ANY VENDOR EQUIPMENT, PRODUCTS OR SUPPLIES, AND HEREBY DISCLAIM THE IMPLIED WARRANTY OF

MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, THE IMPLIED WARRANTY OF QUALITY OF COMPUTER PROGRAMS, THE IMPLIED WARRANTY OF SYSTEM INTEGRATION, AND THE IMPLIED WARRANTY OF INFORMATION CONTENT. WE MAKE NO WARRANTY THAT ANY VENDOR PROVIDED SOFTWARE WILL BE BUG FREE, VIRUS FREE, OR FREE OF TROJAN HORSES OR FREE OF WORMS. FRANCHISEE HEREBY AGREES THAT SUCH DISCLAIMER IS AN ESSENTIAL PART OF THE BARGAIN, AND THAT THE FRANCHISOR WOULD NOT HAVE ENTERED INTO THIS TRANSACTION ABSENT SUCH DISCLAIMER. Any claim with respect to any vendor-related and/or similar matters shall be made only against the vendor in question. Franchisee will provide us with written notice prior to taking any action in connection with such a claim. We will use diligent efforts to assist Franchisee in resolving any disputes with vendors approved and/or designated by us.

5. Franchisee will be required to use and may be required to offer for sale any and all privately labeled and branded merchandise or Proprietary Products developed by us, which will be listed in the Operations Manual. The term "Proprietary Products" is defined as all products, supplies, kitchen equipment, apparel, merchandise for sale and marketing materials all of which may be branded with our Marks and all of which must be purchased by the Franchisee directly from us or our approved vendors, unless the Franchisee has submitted and received written approval from us to use an alternate supplier. Currently our apparel items are the only Proprietary Products Franchisee is required to sell in its retail center. We do not have any other Proprietary Products that Franchisee is required to offer for sale in its Business at this time. Failure of Franchisee to use and/or offer for sale Proprietary Products (including proprietary products we may develop in the future) will result in termination of this agreement as specified in Section 23.C of this Agreement.
6. Franchisee acknowledges that we do not now, but may in the future, require Franchisee to maintain in inventory a minimum representation of kitchen equipment, Products and Proprietary Products in its Business. "Minimum Representation" shall be defined as the continuous maintenance of an amount of kitchen equipment, Products and/or Proprietary Products meeting requirements as defined in the Operations Manual. Franchisee shall at all times comply with our Minimum Representation requirements, if any, and the terms of any auto-ship requirements (currently we do not have any auto-ship requirements, however, we do require that Franchisee purchase updates for all advertising, promotional and marketing materials and miscellaneous forms when designated as mandatory by us and as specified in the Operations Manual). However, if a particular Product (menu or retail item) does not sell well in Franchisee's Business, Franchisee may request that a specific Product (menu or retail item) be removed from the required Minimum Representation list. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. Such approval or disapproval shall be made by email or any other form of written communication.
7. Franchisee shall not make any changes to any product, Proprietary Products or any third-party products or kitchen equipment including modifying kitchen equipment, changing the containers, packaging, labeling, promotional materials, advertising, cartons or the like without our or the manufacturer's prior written approval, which may be withheld in the sole discretion of us or the manufacturer. Failure to adhere to these guidelines will result in termination of this Agreement as specified in Section 23.C of this Agreement.
8. Franchisee may not independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights to distribute products, supplies, kitchen equipment,

and/or Proprietary Products or third-party products inside or outside the structure or adjacent structures where the Accepted Location is located without our written consent. We shall approve or deny Franchisee's request, which approval is in its sole discretion, within thirty (30) days of our receipt of Franchisee's written request. Failure to adhere to these guidelines or will result in termination of this agreement as specified in Section 23.C of this Agreement.

9. Franchisee shall not manufacture or produce any piece of equipment or any product that is similar to, or competes with any of our Products, Proprietary Products or third-party product or kitchen equipment, or in any channel of distribution selling similar products or kitchen equipment without the advanced written consent of us or the manufacturer, which may be granted or denied in our or the manufacturer's sole discretion. Violation of this shall be grounds for immediate termination as specified in Section 23.C of this Agreement.
10. Franchisee must inspect all kitchen equipment and products promptly upon receipt and may reject any kitchen equipment or product that fails in any material respect to conform to manufacturer's description. Rejected kitchen equipment or products must be returned to the manufacturer within three (3) business days of the date on which manufacturer authorizes the return or as manufacturer specifies.
11. Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at our sole option, we may establish strategic alliances or preferred vendor programs with national or regionally known suppliers who are willing to supply all or some businesses with some or all of the products, supplies, kitchen equipment (as defined above) and/or other products or services that we require for use and/or sale in the development and/or operation of the Business. In this event, we may limit the number of approved vendors with whom Franchisee may deal, designate sources that Franchisee must use for some or all of the above items and/or refuse any of Franchisee's requests to approve vendors or suppliers if we believe that this action is in the best interests of the System. We shall have unlimited discretion to approve or disapprove of the vendors who may be permitted to sell such items to franchisees.
12. Franchisee agrees to lease or purchase, use, maintain and update at Franchisee's expense all technology items and software meeting our specifications, as we may modify them. Franchisee will be required to purchase such items from us, our affiliates or approved vendors. We reserve the right to have independent access to all information that Franchisee stores in any computer, tablet, POS system or software related to the Business. Franchisee agrees to comply with our then-current Terms of Use and Privacy Policies and any other upgrade requirements regarding such items and software, including Internet usage. Supplier and/or licensor charges for use, maintenance, support and/or updates of and to the required systems are the Franchisee's responsibility.
13. We cannot estimate the future costs of the technology items (as described above) or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining such items (including any additions and modifications) and required networking and technology support services. We have no obligation to reimburse Franchisee for any technology item, software, networking or technology support costs. Within ninety (90) days after Franchisee receives notice from us, Franchisee agrees to obtain the technology item components and software that we designate and to ensure that Franchisee's technology items and software as modified, is functioning properly.

14. Franchisee may be required to use our proprietary software for the operation of the Business (currently not in effect). If we develop proprietary software and require Franchisee to use such software, we will provide Franchisee with a ninety (90) day written notice to purchase (if applicable) and use such software for the operation of its Business. If developed, we will provide all update and upgrade requirements for the proprietary software as necessary. The installation, maintenance, repairs and upgrade costs for the proprietary software will be the responsibility of the Franchisee. Usage of any propriety software (“Software”), if developed, will be subject to the following terms:
- a. Franchisee will use our approved software on a computer/POS that: (i) meets our computer hardware specifications; and (ii) is located at your Business or on a backup system if the original computer is inoperable. Franchisee will be licensed to use the software only for Franchisee’s internal, in-house data processing and data communications purposes and only in connection with the Business and not for re-marketing or redistribution under any circumstances;
 - b. Franchisee acknowledges and agrees that we (or any of our affiliates) will be the sole and exclusive owner of all right, title and interest in and to our Software, including all trade secrets and copyrights related to the Software, subject only to the rights we expressly license to Franchisee in this Agreement. This license will not provide Franchisee with title or ownership of the Software, but only a limited right of use. Franchisee agrees that Franchisee will not contest or otherwise seek to share, diminish or invalidate our ownership rights in our Software;
 - c. Franchisee will not modify the Software in any way without our prior written consent. Franchisee will promptly disclose to us all ideas and suggestions for modifications or enhancements to the Software that Franchisee conceives or develops, and we will have the right to use such ideas and suggestions. We shall own all copyrights and other intellectual property rights to all modifications and suggestions proposed by Franchisee. The term “all copyrights and other intellectual property rights” shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. This Agreement shall be a work for hire. In the event that a court of competent jurisdiction holds that this Agreement is not a work for hire, then the Franchisee agrees to execute all documents that we deem is necessary to assign all copyright and other intellectual property rights to us. All modifications or enhancements made to the Software will be our property and belong exclusively to us, without regard to the source or creator of the modification or enhancement, however we may provide incentive programs for such contributions;
 - d. We will have the right at all times to access Software and to retrieve, analyze and use all the data related to the Business in Franchisee’s files stored on Franchisee’s POS system, computers, tablets or any other computer-related system. Additionally, Franchisee will electronically transfer all files and reports related to the Business to us on our request. All information related to the Business that Franchisee stores in any computer, tablet or POS system shall become our confidential and proprietary information, and subject to all of the terms and conditions of this Agreement regarding our Confidential Information.
 - e. Franchisee and Franchisee’s employees will not make available the Software, or portions thereof, to any person other than Franchisee’s or our employees without our prior written consent. Franchisee agrees that Franchisee will not: (i) copy the

Software except as necessary for use in the Business; (ii) translate, reverse engineer, reverse compile, disassemble, modify, alter, or change, or create derivative works based on the Software; or (iii) sublicense, rent, lease, sell, convey, assign, or otherwise transfer the Software or any portion thereof, or any rights therein, to any person or entity. Failure to adhere to these guidelines or allowing unauthorized usage of the Software may result in termination of this Agreement as specified in Section 23.C of this Agreement;

- f. Franchisee acknowledges and agrees that the Software, if developed, will be our valuable, proprietary product, the design and development of which took the investment of considerable time, money and effort of skilled computer programmers. Franchisee will keep the Software and any data generated by the use of the Software confidential during and after the term of this Agreement and will maintain security precautions to maintain the secrecy of the Software and to prevent unauthorized access or use of the Software. Franchisee agrees that it will treat the Software as confidential and that the Software will contain substantial trade secrets of ours that we have entrusted to Franchisee in confidence to use only as we authorize under this Agreement. We hereby claim and reserve all rights and benefits afforded under copyright law, patent law, trade secret law, intellectual property law and other laws relating to confidential and proprietary material. Franchisee agrees not to improperly use, disseminate, or disclose the Software, and to ensure that Franchisee's employees who gain access to the Software will protect the Software against improper use, dissemination or disclosure;
- g. ANY SOFTWARE SHALL BE PROVIDED ON AN "AS-IS" BASIS WITHOUT WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. ALL WARRANTIES AGAINST INFRINGEMENT ARE HEREBY DISCLAIMED EXCEPT WE REPRESENT THAT WE HAVE SUFFICIENT AUTHORIZATION TO LICENSE THE SOFTWARE TO FRANCHISEE. WE DO NOT WARRANT THAT THE FUNCTIONS CONTAINED IN THE SOFTWARE MEET FRANCHISEE'S REQUIREMENTS OR THAT THE USE OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. WE MAKE NO WARRANTIES THAT THE SOFTWARE IS FREE FROM BUGS, VIRUSES, TROJAN HORSES, OR WORMS. WE MAKE NO WARRANTY REGARDING ANY OPEN SOURCE SOFTWARE CONTAINED IN THE SOFTWARE. In no event will we be liable to you for damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to the use of or inability to use the Software, even if we have been advised of the possibility of such damages, or for any claim by any other party. The foregoing limitations of liability are intended to apply without regard to whether other provisions of this Agreement have been breached or proven ineffective;
- h. Franchisee acknowledges and agrees that Franchisee's license to the Software will terminate immediately and automatically should Franchisee fail to adhere to any of Franchisee's obligations under this license or if this Agreement expires or is terminated for any reason;
- i. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of the Software license would cause us irreparable harm for which we would have no adequate remedy at law; and that, in addition to other remedies

available to us, we will be entitled to seek injunctive relief against any such violation;

- j. In the event Franchisee fails to adhere to any of Franchisee's obligations under this Agreement, or is no longer a franchisee of ours, or this Agreement expires or terminates for any reason, Franchisee will immediately (within five (5) days) terminate the use of the Software and destroy any and all material or information related to the Software or any data generated by use of the Software unless we specifically instruct otherwise; and
 - k. Franchisee must update all computers, tablets and POS systems upon our request to optimize performance of the Software.
15. Franchisee acknowledges that neither we nor our affiliates, will have any liability and/or obligation (and neither Franchisee or any of its managing partners, managing members, members, shareholders or other Owners of Franchisee will make any claims) about any loss of data, loss of information, inability to use, failures, errors or any other occurrences relating to any computer, tablet, POS system, camera surveillance system, computer hardware or software without an express written warranty from us, even if recommended or specified by us. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting themselves from these problems. Franchisee must also take reasonable steps to verify that information about Franchisee's suppliers, lenders, landlords, guests and governmental agencies on which Franchisee rely, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems and use of backup systems.
16. We may set standards or specifications for leases and real estate at our discretion. We have set standards and specifications for the construction and build-out of the Business; equipment, furniture, fixtures, décor items and signage used in the Business, including our subjective determinations relating to quality, value and appearance.

Nothing in this Agreement shall be construed to be a promise or guarantee by us as to the continued existence of any particular product or piece of kitchen equipment, nor shall any provision herein imply or establish an obligation on the part of us and our affiliates to sell kitchen equipment, products or supplies to Franchisee if Franchisee is in arrears on any payment to us, our affiliates, or any other designated vendor or approved supplier, or otherwise is in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of such items (if applicable), we or our affiliates shall not be obligated to sell such items to Franchisee.

J. Use Approved Design and Signage for the Business

In operating your Franchise, you must adhere to our signage standards, and utilize signage designs (including on any vehicle if Franchisee chooses to use a vehicle to advertise the Business) in accordance with our standards and specifications or required by us. Franchisee may use an approved supplier for signage, or submit an alternate supplier to us for approval. Franchisee shall purchase or lease, subject to local building codes and regulations, such signs that provide maximum displays of our Names and Marks. Franchisee shall be totally responsible for obtaining and equipping its Business with the signage that is approved for use by us from time to time. The color, size, design and location of said signs shall be as specified and/or approved by us. Franchisee shall not place additional signs, posters or newspaper racks in addition to unapproved video, vending or gaming machines and/or other similar devices and décor items in the Business without our prior written consent.

K. Participation in the Operation of the Business

Franchisee acknowledges that a Burros & Fries Business involves hard work and long hours. Franchisee acknowledges that we have not represented that this Business is going to be easy for Franchisee (or any of its Owners) and agrees to participate in the day-to-day operation of the Business. Unless otherwise approved in writing by us, Franchisee (or one of its Owners) is required to participate in the day-to-day operation of the Business for at least the first year of operation. After Franchisee's first year of operation, Franchisee (or one of its Owners) is not required to participate in the day-to-day operation, however Franchisee agrees that the Business must be at all times under the operation of a General Manager approved by us (as described in Section 12.F of this Agreement). Franchisee agrees that the General Manager will oversee the operations and supervise all Employees. The General Manager will also be responsible for providing continuing guidance, oversight, day-to-day management, oversee all food preparation, enforce service standards and properly process all paperwork, reports and complaints.

L. Advertising the Business

Franchisee agrees to create a local advertising and marketing plan by which Franchisee shall place local advertising in any media it desires, provided that such advertising materials conform to the standards and requirements of us as set forth in our Operations Manual or otherwise designated by us. Such advertising may include but is not limited to: any telephone, email, Internet, domain name, electronic network, directory and listings of the Business per our written approval. All items mentioned are our property and on termination will revert to us. Franchisee agrees to execute any and all documents needed to perfect such reversions. Franchisee shall not advertise the Franchise Business in connection with any other business, except with our prior written approval. Franchisee shall obtain our prior approval of all unapproved advertising and promotional plans and materials that Franchisee desires to use thirty (30) days before the start of any such plans and/or materials. Franchisee shall submit such unapproved plans and materials to us (by personal delivery, electronically or through the mail). Franchisee shall not use such plans or materials until they have been approved by us and shall promptly discontinue use of any advertising or promotional plans and material upon our request. We shall approve or deny Franchisee's request by email or any other form of written communication, which approval is in our sole discretion within thirty (30) days of receipt of Franchisee's request. Any plans or materials submitted by Franchisee to us, which have not been approved or disapproved in writing, within such thirty (30) days period shall automatically be deemed not approved.

Franchisee will not independently advertise or promote in any media (including on any website as defined in Section 6) without our prior written approval, except when using materials previously approved by us. We, our affiliates and/or approved vendors will perform all web page content revision and Franchisee is responsible for any costs related to such revisions. Any requests for changes, edits or updates to Franchisee's web page or any type of website promotion over the Internet must be approved by us in writing. We shall approve or deny Franchisee's request by e-mail or any other form of written communication, which approval is in its sole discretion, within thirty (30) days of receipt of Franchisee's written request. Franchisee will participate in at its own expense and cooperate with all advertising and promotional programs we or any advertising group of franchisees selects, including any franchise marketing council we may implement. Franchisee may be required to follow or maintain sales pricing for Products and Services. We will set minimum and maximum prices and suggest pricing to the extent allowed by law.

Franchisee, its Owners and General Manager shall at all times use its best efforts to promote and increase recognition of the Products and Services offered by the Business pursuant to the System and Operations Manual, to affect the widest and best possible distribution of Products and Services from the Business and to devote its best efforts to growing the Franchise Business.

M. Maintain Business Hours

We require that Franchisee's Business is open seven (7) days a week and at least 14 hours per day subject to the Landlord's requirement, except for holidays (as specified in the Operations Manual). The only exception to the above is if Franchisee is given written permission by us to operate at a lesser period; or if the hours of operation for the Business are required by the lease of the premises on which the Business is operated. It is required that Franchisee maintains a telephone answering system to take messages in addition to monitoring an email address for the Business and respond to concerns outside of regular business hours.

N. Maintain Uniform Operating Standards

Franchisee understands and acknowledges that every detail in the operation of the Business is important to the Franchisee, us and other franchisees in order to develop and maintain uniform operating standards, to increase the demand for the Products and Services offered by the Business under the System, and to protect our Marks, reputation and goodwill.

Franchisee acknowledges and agrees that the System must continue to evolve in order to reflect changing market conditions and meet new and changing consumer demands. As a consequence, changes, modifications and variations to the System's standards may be required from time to time to preserve and enhance the public image of the System and enhance the operational efficiency of all franchises.

Franchisee therefore agrees that we may periodically and upon written notice, add to, modify or change the System, including without limitation the adoption and use of new or modified trademarks, Products, Services, Rewards Programs, kitchen equipment, signage, décor, operational methods (including food preparation, recipes, techniques, processes and presentation), methodologies, employee hiring and training guidelines, retention programs, advertising, sales and marketing strategies. Franchisee promises to promptly accept, implement, use and display in operations all such additions, modifications and changes at Franchisee's expense.

Franchisee agrees to maintain high standards of honesty, integrity, fair dealing and ethical conduct in all business activities. Franchisee will not engage in any services, trade practices, abusive excessive, or illegal collection techniques or other activity; or sell any product which we determine to be harmful to our goodwill or to reflect unfavorably on the reputation of Franchisee or us, the Franchised Business, or the Products and Services sold thereof; or which constitutes deceptive or unfair competition, results in unfounded litigation against Franchisee's guests or otherwise is in violation of any applicable laws. The above limitations are closely related to the business image, purpose and marketing strategy of the System, and therefore any change therefrom would fundamentally change the nature of the business;

We will not require Franchisee to make any changes, modifications and/or variations to the System that are not required of all franchisees (unless such change, modification or variation relates only to certain franchisees due to one or more unique factors such as geographic location, local laws, regulations or customs); further we may periodically meet with representative groups of franchisees and solicit their input prior to the implementation of any material change or modification. Franchisee's failure to comply with additions, modifications or changes to the System within ninety (90) days of such written notice is an incurable default as described in Section 23.C of this Agreement.

O. Telephone Number of Business, Web Page and Websites

Franchisee understands and agrees that the telephone number(s), the URL address, web page, Websites for the Business (in addition to any mobile phone numbers) constitute a part of the System and are subject to the restrictions of this Agreement. Accordingly, Franchisee shall not change the telephone

number(s), URL address, web page or Websites for the Business without prior notice and written approval by us. Franchisee shall advertise and publicize the telephone number(s) permitted by us, the URL address, web page and Website for the Business in the manner prescribed by us. As stated above, all telephone numbers, URL addresses, web page, Websites, Internet or similar connections, directory and listings used in the Franchised Business are our property and upon termination will revert to us.

P. Disclose Discoveries and Ideas to Franchisor

Franchisee shall promptly disclose to us all products, equipment, discoveries, concepts, methods, techniques, recipes, formulas, processes, photographs, video presentations, promotions, operational procedures, inventions or ideas, whether patentable or not, relating to our business, which are conceived or made by Franchisee or any Owner, agent, employee or independent contractor of Franchisee solely or jointly with others, during the term of this Agreement, whether or not our facilities, materials, or personnel are utilized in the conception or making of such discoveries or ideas. Franchisee hereby acknowledges and agrees that all such products, equipment, discoveries, concepts, methods, techniques, recipes, formulas, processes, photographs, video presentation, promotions, operational procedures, inventions or ideas are the exclusive property of us, and that we shall have no obligation to compensate the Franchisee for any such discovery or idea. However, as a matter of corporate policy, we may, in our sole discretion, create an incentive program to reward Franchisee, its officers, directors, managers, members, partners or shareholders for any such new product, equipment, discovery, concept, method, technique, recipe, formula, process or improvement that we implement throughout the System. Franchisee, its officers, directors, managers, members, partners or shareholders agree to execute all documents deemed reasonably necessary by us to assign all such patent, trade secret, trademark, and copyright rights in any Franchisee discovery or idea to us. The Franchisee, its officers, directors, agents and employees agree to execute any and all documents deemed reasonably necessary by us to carry out such assignment. The term "all copyright and intellectual property rights" shall mean all means, methods, and process, by all media whether now known or hereinafter invested, including complete and entire interactive rights and rights to derivative works. The purpose of this clause is to ensure that ideas for improvements to the System that may be generated by franchisees within the System will be distributed to the other franchisees as a benefit of belonging to the System. The Franchisee agrees to execute all documents that we deem reasonably necessary to carry out such transfer of intellectual property rights to us.

Q. Permit Franchisor to Enter Business

Franchisee shall permit us and our agents or representatives to enter the Business during normal business hours for the purpose of conducting inspections without notice to Franchisee and inspect the operations of the Business, review business operations (which includes photographing and taking video of the operations of the Business for observation purposes) and to remove samples of food and/or non-food products, without payment, for our review to determine if such samples meet our then-current standards and specifications. In addition, we may use secret shoppers to inspect and ensure that unauthorized products, supplies, kitchen equipment and services (as described in Section 12.I) are not being used, offered or sold. Franchisee shall cooperate fully with our representatives in such inspections by rendering such assistance as they may reasonably request, and, upon notice from us or our agents, and without limiting our other rights under this Agreement, shall take such steps as may be deemed necessary to immediately correct any deficiencies detected during such inspections. In the event Franchisee fails or refuses to promptly correct any deficiency detected during such inspection, we shall have the right to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. In addition, to maintain the highest degree of quality, if Franchisee fails an inspection twice in any two (2) year period the Franchisee will also be responsible for a one thousand one hundred dollars (\$1,000) inspection fee (as described in Section 10.G). If Franchisee fails a third (3rd) or additional inspection in the same two (2) year period, we have the option of charging the one thousand one hundred dollars (\$1,000) inspection fee or terminate Franchisee for the third (3rd) failed inspection and any

additional failed inspection. The foregoing shall be in addition to any other remedies we may have pursuant to this Agreement.

R. Additional Requirements for Corporate or other Entity Franchisees

If Franchisee is or becomes a corporation, limited liability company, limited liability partnership, general partnership or other organization or entity, the following requirements shall apply:

1. Franchisee shall confine its activities to the establishment and operation of the Business;
2. Franchisee's Certificate, Articles of Incorporation or Articles of Organization, Certificate of Formation, Shareholders Agreement, Operating Agreement, Partnership Agreement, Business Trust Agreement, and/or Bylaws (or comparable governing documents) shall at all times provide that its activities are confined exclusively to the operation of the Business and that the issuance, redemption, purchase for cancellation and transfer of voting stock, or other ownership interest therein, is restricted by the terms of this Agreement. Franchisee shall furnish us promptly upon request copies of Franchisee's Certificate of Formation, Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, Business Trust Agreement, Shareholders Agreement, and other governing documents, and any other documents we may reasonably request, and any amendments thereto, from time to time;
3. Franchisee shall maintain a current list of all owners of record and beneficial owners of any class of voting stock or other ownership interest in Franchisee and shall furnish such list to us upon request;
4. Franchisee shall maintain stop transfer instructions against the transfer on its record of any equity securities (voting or otherwise) or the certificate of any other entity evidencing ownership except in accordance with the provisions of Section 15 of this Agreement. All securities or other ownership interests issued by Franchisee shall bear the following legend, which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

THE TRANSFER OF THESE SECURITIES IS SUBJECT TO THE TERMS AND CONDITIONS OF THIS FRANCHISE AGREEMENT WITH BURROS & FRIES FRANCHISE, INC., OF THE SIGNING DATE. REFERENCE IS MADE TO SAID AGREEMENT AND TO THE RESTRICTIVE PROVISIONS OF THE ARTICLES AND BYLAWS OF THIS CORPORATION (IF THE FRANCHISEE IS A LIMITED LIABILITY COMPANY, REFERENCE WILL BE MADE TO THE TRANSFER OF OWNERSHIP RESTRICTIONS SET FORTH IN THIS FRANCHISE AGREEMENT, IN THE LIMITED LIABILITY COMPANY'S OPERATING AGREEMENT, IF THE FRANCHISEE IS A PARTNERSHIP, REFERENCE WILL BE MADE TO THE TRANSFER OF OWNERSHIP RESTRICTIONS SET FORTH IN THIS FRANCHISE AGREEMENT, IN THE PARTNERSHIP AGREEMENT. IF THE FRANCHISEE IS A BUSINESS TRUST, REFERENCE WILL BE MADE TO THE TRANSFER OF OWNERSHIP RESTRICTIONS SET FORTH IN THIS FRANCHISE AGREEMENT, IN THE TRUST AGREEMENT);

5. Any individual or Entity, who own ten percent (10%) or more ownership in the Franchise Business, shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement, provided, however, that the requirements of this Section

12.R shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a “Publicly-Held Corporation”);

6. If Franchisee is or becomes a partnership, corporation or limited liability company, Franchisee shall furnish us a copy of its partnership agreement or comparable agreement, and any other documents we may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a limited liability company, Franchisee shall furnish us with a copy of its operating agreement and any other documents we may reasonably request, and any amendments thereto, from time to time. If Franchisee is or becomes a corporation, Franchisee shall furnish us a copy of its shareholder agreement, bylaws, and any other documents we may reasonably request, and any amendments thereto, from time to time; If Franchisee is or becomes a business trust, Franchisee shall furnish us a copy of its trust agreement, and any other documents we may reasonably request, and any amendments thereto, from time to time;
7. Each individual or Entity holding a ten percent (10%) or greater ownership or beneficial ownership interest in the Franchisee’s Business, directly or indirectly, (including each individual holding a fifty percent (50%) or greater interest in any limited liability company, partnership or corporation which has a ten percent (10%) or greater interest in the Franchisee’s Business) shall enter into a continuing guaranty agreement, in the form attached hereto as Schedule 5 as such form may be amended or modified by us, from time to time (if such guaranty agreement is to be executed subsequent to the date hereof in accordance with the terms of this Agreement); and
8. From and after the date of this Agreement, Franchisee and its Owners shall not sell, transfer, assign, pledge, mortgage, hypothecate or encumber all or any direct or indirect ownership interest in Franchisee without first obtaining our written consent which consent shall be given or withheld within thirty (30) days of Franchisee’s request.

S. Site Selection

Franchisee assumes all costs, liability, expense, and responsibility for locating, obtaining and developing a site for the Franchise Business to be established under the Franchise Agreement and for equipping the Business at such premises. A typical Burros & Fries Business has approximately 2,500-3,000 square feet of space. The space must be enclosed and separate from other businesses with its own locking door. Franchisee may buy or lease the required real property and improvements from any source and on terms approved by us in writing. Franchisee may not sign a lease (or a contract to purchase the premises, if applicable) for the Business until Franchisee has obtained our written approval. Franchisee must not invest any monies for a site in which Franchisee wishes to open a Business until Franchisee has obtained our written approval for the site which will be made by email or any other form of written communication. On the execution of any lease for the Franchise Business, Franchisee will deliver to us a copy of the executed lease and an option to assume the lease executed by the lessor in favor of us in a form acceptable to us. All improvements to the Business must be approved by us.

FRANCHISEE ACKNOWLEDGES THAT OUR ACCEPTANCE OF A PROSPECTIVE SITE AND THE RENDERING OF ASSISTANCE IN THE SELECTION OF A SITE DOES NOT CONSTITUTE A REPRESENTATION, PROMISE, WARRANTY, OR GUARANTEE BY US THAT A BURROS & FRIES FRANCHISE OPERATED AT THAT SITE WILL BE PROFITABLE OR OTHERWISE SUCCESSFUL.

Franchisee acknowledges that we have spent considerable amount of time choosing and creating the décor and outfitting Burros & Fries Businesses. It is part of our trade dress. Franchisee acknowledges and agrees that the design, layout and other characteristics of the Business constitute and/or contain

Confidential Information and/or trade secrets of ours. Franchisee agrees that the Business shall be maintained and operated as follows:

1. Franchisee will maintain the Business and every component of the kitchen equipment furnishings, fixtures and technology items in good order and repair at all times as specified in the Operations Manual;
2. Franchisee will keep the Business fully insured as specified in this Agreement and in the Operations Manual;
3. Franchisee will keep the Business at all times in a clean and tidy condition and free of any advertising and promotional material other than that required by law or the Operations Manual, and will exhibit such signage, colors and logos in the Business and upgrade or review the same as specified in the Operations Manual;
4. Franchisee will not alter or in any way amend the appearance of the Business, or any kitchen equipment, furnishings, fixtures, technology items and signage contained within the Business as specified in the Operations Manual;
5. Franchisee will maintain all kitchen equipment, furnishings, fixtures, technology items and signage as specified from time-to-time in the Operations Manual and may be required to upgrade such items as technology advances or in our sole discretion because of new functionality so as to always use our then-current specifications;
6. Franchisee shall meet and maintain the highest level of health standards and ratings applicable to the operation of the Business. Franchisee shall furnish to us, immediately or within three (3) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates and/or ratings resulting from inspections conducted by any federal, state or local governmental authority with jurisdiction over the Business; and
7. Franchisee may be required to use only approved service centers for repairs and maintenance of all kitchen equipment.

Franchisee shall not execute a lease or sublease for the Business, or make any modifications or amendments to the lease or sublease, without our prior written consent, which we may grant, condition or withhold in our Business Judgment. Franchisee will deliver to us a copy of any lease or sublease for our review at least ten (10) days before execution. Franchisee must deliver a copy of the signed lease or sublease to us within five (5) business days after it is signed. We do not offer legal services to Franchisee and Franchisee is encouraged to consult with independent legal counsel for a legal review of the lease. Franchisee shall ensure that the lease or sublease for the Business contains, in an addendum or otherwise, the following provisions which:

- 1) Permit Franchisee to operate a Burros & Fries Business in accordance with this Agreement and the Manuals;
- 2) Provide that the site will be used only for the operation of a Burros & Fries Business, and prohibit Franchisee from assigning or modifying any of Franchisee's lease rights, or extending the term without our prior written consent;
- 3) Require the lessor to concurrently provide us with a copy of any written notices of default to Franchisee under the lease and give us the right to cure any default if we so choose; within fifteen (15) days following the expiration of the Franchisee's cure period under the lease;
- 4) Provide us with a right to take assignment and possession of the Business, without the lessor's consent or any additional consideration. If we exercise this right and

Franchisee is in good standing, we'll sign a sublease with Franchisee for the same rent Franchisee is paying. In any case, we won't have any liability for any obligations incurred prior to our occupancy. Franchisee agrees to take whatever actions are necessary to accomplish such assignment and will, when you sign this Agreement, also sign the Collateral Assignment of Lease attached as Schedule 6. If Franchisee loses lease rights to the site in connection with any bankruptcy, the lessor will, on our request, enter into a new lease with us on essentially the same terms as the terminated lease;

- 5) Provide that the lessor consents to the use of the Marks, trade dress and other aspects of the System, as modified from time-to-time, and give us the right to enter the premises during normal business hours for purposes of inspection, to take steps to protect the Marks and trade dress and/or prevent/cure any default; and
- 6) Not contain any clause providing that if the Franchisee sells the assets of its Business, or the stock/membership units/partnership units of the Business, Franchisee must pay the landlord a certain percentage or a flat amount of the sale. Provided, that nothing in this sentence shall impair the Franchisee from entering into a lease that allows its landlord to impose a reasonable administrative fee for processing the assignment or sublease.

T. Development and Construction of the Business

Franchisee must select and employ licensed contractors reasonably acceptable by us for the complete build out and/or any leasehold improvements. Franchisee is solely responsible for the selection and work of any contractor selected and/or employed by Franchisee, even if referred by us, and for the preparation of site design, architectural and working drawings necessary to complete construction and/or build out at the approved. Franchisee will be provided with mandatory requirements and specifications (interior and exterior) for the build out of the Business which includes specifications for the Business layout, kitchen equipment specifications, storage, furnishings, fixtures, technology items, décor and signage. We may if needed, review Franchisee's final set of drawings and plans prior to implementation. Such drawings, plans and specifications are subject to alteration as may be necessary in our sole discretion and Franchisee must be in full and strict compliance with plans and specifications approved by us. Franchisee is responsible for the cost and installation of all build out specifications. We reserve the right to receive rebates, commissions or other forms of consideration from designated or approved vendors and suppliers involved in the construction of Franchisee's Business or supplying kitchen equipment, furniture, fixtures, technology items, décor and signage for the Business and to use such rebates, commissions or other consideration in any way we deem appropriate in our sole discretion, without obligation to share or remit any portion of such rebates, commissions or other consideration to Franchisee.

We would expect that the Business location would need construction improvements. Costs may vary widely depending on such factors as property location, size of the property, the condition of the property, the extent of alterations required for the property. Franchisee shall be responsible for obtaining all zoning classifications, health, sanitation, clearances, inspections, permits and certifications which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to us, for our approval, final plans for construction based upon the preliminary plans and specifications. Once approved by us, such final plans shall not thereafter be changed or modified without our prior written permission. Any such change made without our prior written permission shall constitute a material default under this Agreement and we may withhold its authorization to open the Business until the unauthorized change is rectified (or reversed) to our reasonable satisfaction.

Franchisee shall comply with all federal, state and local laws, codes and regulations, including without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Business. If Franchisee receives any complaint, claim or other notice alleging a failure to comply with the ADA or other law or regulation related to health or safety, Franchisee agrees that it shall provide us with a copy of such notice immediately or within five (5) days after receipt thereof. Franchisee shall remedy the problem within the required time frame or review with us the matter and comply with our direction regarding the timing and nature of the remedy.

Except as provided in Section 9.B of this Agreement, Franchisee shall construct, furnish and open the Business according to the requirements contained herein, and Franchisee shall open the Business no later than twenty-four (24) months from the Effective Date. Prior to opening for business, Franchisee shall provide us with evidence of lien-free completion of all work (including, without limitation, any and all mechanic liens) and to comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the grand opening advertising program), the Operations Manual, and/or elsewhere in writing by us.

Franchisee shall not open its Business for operation until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including, but not limited, to materials, quality of work, kitchen equipment, furnishings, fixtures, signage, decor, paint and we have given Franchisee written approval to open, which approval shall not be unreasonably withheld. Our approval to open the Business for operation does not constitute a waiver of our right to require Franchisee to conform its Business to our standards.

U. Training

Prior to Franchisee's opening of the Business to the public, Franchisee, its Owners (if it is an Entity) and General Manager shall complete to our satisfaction the entire training program required by this Agreement within sixty (60) days of the date Franchisee anticipates opening the Business. At our option, key personnel subsequently employed by Franchisee can also complete the training program. We may, at our discretion, make available additional training programs, certifications, seminars, as well as refresher courses available to the Franchisee and/or Franchisee's designated individual(s) from time to time. We may, at any time, discontinue management training and decline to certify Franchisee and/or Franchisee's designated individual(s) who fail to demonstrate an understanding of the management training acceptable to us. If Franchisee or Franchisee's designated individual's management training is discontinued by us, Franchisee shall have thirty (30) days to present an alternative acceptable candidate for management training to us. If Franchisee's new candidate does not adequately complete the management training, then we shall have the option of terminating this Agreement. We shall provide instructors and training materials for all required training programs; and Franchisee, its Owners, General Manager and/or any of its Employees who attend the training shall be responsible for all other expenses incurred in connection with any training programs, including, without limitation, the cost of transportation, lodging, meals, and wages.

V. Ongoing Training and Support.

Franchisee will have access to our personnel for questions, ongoing training and support by phone and e-mail during regular business hours (Pacific Standard Time zone). We will continue to consult with and advise Franchisee; provide a telephone help line, free of charge, to answer any questions from Franchisee or its staff (Section 20.A of this Agreement), provide updates to approved Products and Services in addition to Manual specifications, marketing and operational updates as they become available; review advertising, product, supply, kitchen equipment, vendor and/or supplier approval requests; and administer the System Advertising Fund.

13. OBLIGATIONS OF FRANCHISEE RELATING TO INSURANCE

A. Overall Coverage Required

Before Franchisee opens a Burros & Fries Franchised Business, Franchisee must purchase insurance coverage from a responsible carrier with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports (or comparable criteria as we may specify) and Franchisee must maintain such insurance throughout the duration of the initial term of the Franchise Agreement and any renewal terms. Franchisee shall list us as additional insured on all its insurance policies. Franchisee will procure and maintain general liability insurance with a minimum policy limit of \$2,000,000 per occurrence and \$4,000,000 aggregate (this policy should include general tort, premises damage, personal advertising injury and product liability insurance which covers Franchisee for damages that result in injury from products Franchisee distributes). Plus, property and casualty insurance with a minimum policy limit of \$2,000,000 or an amount specified by the us.

Franchisee must also procure and maintain “All Risks” or “Special Form” insurance (coverage for the full cost of replacement of the premises and all other property); employer liability insurance, automobile liability insurance with coverage of owned and hired vehicles with minimum coverage in amounts not less than \$100,000 combined single limit for bodily and property damage (or what is in accordance with Franchisee’s state guidelines); business interruption insurance to fully insure loss of earnings for a period of one-hundred and eighty (180) days or longer as may specify; and statutory workers’ compensation insurance with limits of greater than \$100,000 or the minimum limits required by law.

For any construction, renovation, refurbishment or remodeling of the site, Franchisee must require that the general contractor maintain, with an approved insurer, commercial general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builders risk, product liability and independent contractor’s coverage) with limits of no less than \$1,000,000 per claim, naming Franchisee and us as additional insureds, as their interests may appear, together with workers’ compensation and employer’s liability insurance as required by law and as required by the lease. It is Franchisee’s responsibility to obtain certificates of insurance from the contractor prior to the initiation of any construction.

To the extent available, we may require Franchisee to obtain: professional liability insurance (covers Franchisee for damages that do not result in property damage or bodily injury), employment practices liability insurance, employee dishonesty insurance and crime insurance as well as other disability benefits type insurance as may be required by the statute or rule of each State, with policy limits of \$1,000,000 or in the amount we specify.

All insurance policies will name Franchisee as certificate holder and us and our affiliates as an additional named insured with waiver of subrogation by Franchisee for the benefit of us. We may establish minimum standards for coverage to be met by underwriters for insurance. Before beginning operations, Franchisee will obtain any other liability insurance required by law, provide us with certificates of insurance and a complete copy of all insurance policies within ten (10) days of issuance, and maintain all required insurance during the term of this Agreement. Franchisee shall also furnish us with certificates and endorsements evidencing insurance coverage within ten (10) days after each of the following events (i) at all policy renewal periods, no less often than annually and (ii) at all instances of any change to, addition to or replacement of any insurance. Lapses, alterations, or cancellations require immediate notice to us and shall, in our sole discretion, be deemed an immediate material breach of this Agreement as set forth in Section 23.C. If Franchisee fails to obtain the required insurance and to keep the same in full force and effect, we may, but shall not be obligated to, pay the premiums or acquire insurance, and bill Franchisee. Franchisee shall reimburse us for the full cost of such insurance, along with a reasonable service charge to compensate us for the time and effort expended to secure such insurance. We may change these insurance requirements on reasonable notice to Franchisee.

Franchisee's insurance will cover all claims for injury, damage and death or otherwise, arising directly or indirectly out of the Franchised Business.

Franchisee shall notify us immediately in writing of the occurrence of any material event that does or could give rise to an insurable claim by Franchisee.

We reserve the right to change or modify (including increasing) the required minimum coverage limits. We make no representation or warranty to Franchisee that the amount of insurance to be carried by Franchisee under the terms of this Agreement is adequate to fully protect Franchisee's interest. If Franchisee believes that the amount of any such insurance is insufficient, Franchisee is encouraged to obtain, at its sole cost and expense, such additional insurance as it may deem desirable or adequate. Franchisee agrees to seek the advice of its insurance advisor regarding the appropriate types of coverage and coverage limits Franchisee may need to sufficiently protect its Business. Franchisee acknowledges that we shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Franchisee hereby expressly assumes full responsibility therefore and all liability, if any, with respect thereto. Franchisee agrees to seek the advice of its insurance advisor regarding the appropriate types of coverage and coverage limits Franchisee may need to sufficiently protect its Franchise Business.

Franchisee's compliance with insurance requirements shall not relieve Franchisee of its liability under the indemnity provisions of this agreement, Section 18. Obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve Franchisee of any obligations under this Agreement.

Franchisee shall also acquire tenant's liability insurance (if applicable); any other insurance required by the state or locality in which the Business is located and operated, in such amounts as required by statute; and other insurance coverage, as we or the landlord may reasonably require.

Franchisee shall furnish us with certified copies of each of the insurance policies described above on either the earlier of the earlier or opening of the Business for operation or one hundred eighty (180) following the date this Agreement is executed.

14. OBLIGATIONS OF FRANCHISEE RELATING TO ACCOUNTING AND RECORDS

A. Bookkeeping, Accounting and Records

Franchisee acknowledges that the maintenance of accurate financial records and the preparation of financial statements on a timely basis are essential to the efficient operation of the Business. If Franchisee is not qualified to maintain accurate financial records, in our reasonable determination, the Franchisee agrees to hire a qualified bookkeeper who will maintain the financial records of the Franchisee and who will attend to the Business not less than once a week for that purpose.

Franchisee shall maintain during the term of this Agreement, and shall preserve for a minimum of five (5) years, full, complete accurate records of sales, payroll, accounts payable and accounts receivable in accordance with the standard accounting system described by us in the Operations Manual or otherwise specified in writing. Franchisee will keep its books and records related to this business separate from any other business owned by Franchisee or its principals. Any such separate business will be conducted by a separate entity.

Franchisee will provide us with all hard copy and electronic reports we prescribe on or before the fifth (5th) day of each month or daily if we require. Franchisee will also deliver or provide electronic access to business records (we will have independent access to all information that Franchisee stores in any computer, tablets, POS system and software related to the Franchised Business), including an itemized report of Franchisee's Gross Revenue for the prior period on a form we prescribe, which will include payment for that periods' or months' fees due, and may include, to the extent that we require:

1. Franchisee's profit and loss statement, payroll records, certification or records of Gross Revenue, vendor summary reports and report of account receivables for the week, day, month or period reported; and/or
2. Copies of any and all receipts and contracts with updated location information in any format we specify;
3. Copies of all invoices for purchases of all products, supplies and kitchen equipment;
4. Copies of Franchisee's most recent sales tax return;
5. Copies of all inspections for the Business from governmental agencies;
6. Copies of all merchant account printouts received from the Franchisee's merchant account banking provider (i.e. records of credit and debit card transactions);
7. Copies of all bank deposits, and bank deposit records made by the Franchisee; and
8. A complete list of all guests and contact information (including but not limited to all: email addresses, physical addresses and telephone numbers) who have filed a complaint (internally, with governmental agencies or with third parties such as the Better Business Bureau) or sought any type of refund during the preceding month, by the fifth (5th) day of each month.

Franchisee acknowledges and agrees that we, at all times during the term of this Agreement and after termination, expiration or cancellation of this Agreement, have the right to access (electronically or otherwise) all Business Records of the Franchise Business. We may use, transfer, copy or analyze such Business Records as we determine in our sole discretion to be in the best interest of the System. For purposes of this Agreement, "Business Records" means all records, documents, insurance policies, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, email addresses, contracts, financing arrangements, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the operation of the Business, including but not limited to records of employees, guests, vendors and other professionals related to the Business.

Franchisee will be required by us to obtain specific technology items and use specific software, including, without limitation, a license to use our Software (if developed by us), or any of our vendors in accordance with Section 12.I of this Agreement and the Operations Manual. Franchisee agrees to pay all costs in connection with obtaining the technology items and software and Franchisee agrees to pay any software license or maintenance fee (if required). Franchisee agrees to maintain, upgrade, update, etc. all technology items and any additional licenses for any software as necessary (upgrades, maintenance and support for our proprietary software (if developed) will be provided by us as described in Section 20.I). We have the right to charge a reasonable fee for any additional licenses, modification, maintenance and/or support of proprietary software that we may license to Franchisee and other products and services that we may furnish to Franchisee related to such technology items.

Franchisee will adopt a fiscal year as approved by us and prepare all financial reports in accordance with U.S. generally accepted accounting principles, consistently applied. Franchisee must periodically deliver to us accounting, tax and other information or copies of documents, as we request.

B. Franchisor's Right to Audit

We or our agents may enter the Franchisee's location to examine or audit Franchisee's business at any reasonable time without notice. We may examine, inspect or audit Franchisee's database and Business Records, which records will include, but will not be limited to: payroll records, ledgers, purchase agreements, sales reports, timecards, check stubs, bank deposits, bank statements, merchant account printouts, receipts, sales tax records and returns, insurance policies and other documents. We will bear the cost of the audit, provided however, if Franchisee fails to report as required or understates Gross Revenue by 2% or more for any reported time period, in which case Franchisee will pay the audit costs plus interest at 18% per annum (1.5% per month) for all understated Gross Revenues or the maximum rate allowed by the laws of the State in which Franchisee's business is located as specified in the Operations Manual. Franchisee will immediately pay us all sums owed. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

In addition to the cost of the audit described above, Franchisee shall reimburse us for any and all costs and expenses relating to the inspection (including, without limitation, travel, lodging and wage expenses and reasonable accounting and legal costs), and, at our discretion, submit audited financial statements prepared, at Franchisee's expense, by an independent certified public accountant satisfactory to us. If an inspection discloses an understatement in any payment to us of two percent (2%) or more, twice within any two (2) year period, such act or omission shall constitute grounds for immediate termination of this Agreement, as set forth in Section 23.C. The foregoing remedies shall be in addition to any other remedies we may have pursuant to this Agreement and as provided at law and in equity.

C. Method of Payment

All payments Franchisee makes to us will be by any method we specify, including cash, check, certified check, money order, credit card, automatic pre-authorized payment plan, Internet, or electronic funds transfer (as described in Section 10.D of this Agreement). All payments to us and dollar amounts stated in this Agreement are in United States dollars unless otherwise expressed. Notwithstanding any other provision in this Agreement to the contrary, in the event the United States currency is redeemed, re-nominated or another currency is issued in its place the new currency will be required. If a conversion of royalties or other payments from another currency is made, the conversion shall be made as of the date the payment is due, or the date the payment is actually made, whichever is more beneficial to us. Franchisee is responsible for any fees associated with payment methods other than cash, check or electronic transfer.

D. Submission of Financial Statements

Franchisee will provide us with a copy of Franchisee's year-end annual financial statements including a profit and loss statement and a balance sheet and containing complete notes and disclosures. Such statements will be prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP"), by an independent accountant, and will be delivered to us within ninety (90) days after Franchisee's fiscal year end.

E. Disclosure of Financial Statements

Franchisee hereby grants us permission to release to Franchisee's lenders or prospective lenders, our purchasers or prospective resell purchasers, any financial and operational information relating to Franchisee and/or the Business; however, we have no obligation to do so. Should we have acquired

Franchisee's Business and intend to sell it to a prospective franchisee, we may show such buyer Franchisee's financial statements and related information.

Franchisee also authorizes us to make reasonable inquiries of Franchisee's bank, suppliers and creditors concerning the Business and hereby directs such persons and companies to provide to us such information and copies of documents pertaining to the Business as we may request.

15. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO USES OF NAMES AND MARKS

A. Names and Marks are Owned by Franchisor

We warrant with respect to the proprietary Names and Marks that:

1. We will take such steps as we deem reasonably necessary to preserve and protect the ownership and validity of such Names and Marks; and
2. Franchisee acknowledges that there may be third party pre-existing users or applicants/registrants of trademarks, trade names, or business names similar to the Names and Marks. We and Franchisee shall investigate such use, applications, or registrations, if any, and we shall in our sole discretion decide on the appropriate action to be taken. Any unsuccessful challenge made by us shall not constitute a ground for the termination of this Agreement. In the event we determine in our sole judgment that challenging any such third party's use of the Marks will not likely be successful, or would not be economically feasible to achieve, or if Franchisee shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such trademark claim by a prior registrant or any pre-existing user, or any other such trademark claim, or if we shall deem it necessary or appropriate to change the name of the Franchise in order to mitigate any potential exposure or damages arising under any trademark claim, Franchisee shall promptly change the name of its Franchise, and thereafter utilize an alternative name established by us. We shall not otherwise be liable for any losses or any consequential damages, incidental damage, exemplary damages, special damages, including lost future profits, resulting from or arising out of any trademark service mark, and/or unfair competition claim(s). We shall have no obligation to reimburse the Franchisee for any costs, causes of action, damages, demands, expenses, fines, liabilities, or penalties, arising out of such a trademark, service mark, logo or trade name change.
3. We will use and permit Franchisee and other franchisees to use the Marks in compliance with the System and standards attendant thereto and contained in the Operating Manual as well as our policy statements, which underlie the goodwill associated with and symbolized by the Names and Marks.

B. Franchisee is Licensed to Use Names and Marks

With respect to Franchisee's franchised use of Burros & Fries Franchise, Inc.'s Names and Marks pursuant to this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Names and Marks as are approved in writing by us for Franchisee's use, and shall use them only in the manner authorized and permitted by us and that in any use whatsoever of the Names and Marks of ours that the Names and Marks are identified as being registered to or owned by Burros & Fries Franchise, Inc., with exclusive rights give to us;

2. Franchisee shall use the Names and Marks only in connection with the operation of the Business and in advertising for the Business conducted at or from the Franchisee's web page and Accepted Location;
3. Franchisee shall use and display, as we may require in the operation of the Business, a notice in the form approved by us indicating that Franchisee is a "Franchise of Burros & Fries" and that the Names and Marks are used by Franchisee under such Franchise. Franchisee must indicate to third parties that it is "independently owned and operated" and that we own the Marks and Franchisee uses them under a license;
4. Unless otherwise authorized or required by us, Franchisee shall operate and advertise the Business under the Name and Mark "Burros & Fries";
5. Franchisee's right to use the Names and Marks is limited to such usages as are authorized under this Agreement, and any unauthorized use shall constitute an infringement of our rights and a material breach of this Agreement;
6. Franchisee must obtain our approval for any use of any item of printed material of any kind bearing any of the Names or Marks, unless we supplied the item. We shall approve or deny Franchisee's request, which approval is in our sole discretion, within thirty (30) days of receipt of Franchisee's written request. If we fail to respond to Franchisee's request within said thirty (30) day period, Franchisee's request shall be deemed denied. Franchisee shall use such notices of Trademark registrations and copyrights as we specify.
7. Franchisee shall not use the Names and Marks to incur any obligations or indebtedness on our behalf;
8. Franchisee shall not use the Names and Marks or any part thereof as part of its corporate or other legal name;
9. Except as otherwise permitted in this Agreement, Franchisee shall not use the Names and Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URL's, Websites, links, metatags, locators and search techniques;
10. Franchisee shall comply with our instructions in filing and maintaining the requisite trade name or fictitious name registration, and shall execute any documents deemed necessary by us or our counsel to obtain protection for the Names and Marks or to maintain their continued validity and enforceability;
11. In the event any litigation involving the Names and Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify us and shall cooperate fully with us in defending such litigation. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the sole opinion of us, reasonably be necessary or advisable to protect and maintain the interests of us or any other interested party in the Names or Marks. Other than what is stated in this Agreement, we are not obligated to protect Franchisee's right to use the Marks or protect Franchisee against claims of infringement or unfair competition with respect to them and may direct Franchisee not to use the Marks or to change the Marks at Franchisee's expense. We will control all such litigation, arbitration, and mediation involving the

Marks. The Franchisee has no authority to institute any litigation, file any arbitration, or institute any request for mediation regarding the Marks, nor does the Franchisee have any authority to enter into any settlement negotiations. Although we are not contractually obligated to protect the Marks or Franchise's right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

12. During the term of this Agreement and any renewal, Franchisee shall identify itself as the owner of the Business in conjunction with any use of the Names and Marks, including, but not limited to, on invoices, order forms, receipts, and contracts, as well as at such conspicuous locations on the premises as we may designate in writing. The form and content of such identification shall comply with standards set forth in the Operations Manual; and
13. Franchisee further agrees to follow all of our quality standards that are inherent in the Names and Marks. Such quality standards are contained in the Operations Manual, as well as various memos or policy statements issued by us, and may be changed from time to time at our sole discretion.

C. Franchisee Will Not Challenge Franchisor's Rights in Its Use of Names and Marks

Franchisee agrees and acknowledges that:

1. As between the parties Franchisor has the right and interest in and to the Names and Marks and the goodwill associated with and symbolized by them;
2. The Names and Marks are valid and serve to identify the System and those who are franchised under the System;
3. Franchisee shall not directly or indirectly contest the validity or the ownership of the Names and Marks;
4. Franchisee's use of the Names and Marks pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Names and Marks, except the non-exclusive Franchise granted herein;
5. Any goodwill arising from Franchisee's use of the Names and Marks in its Business under the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Names and Marks;
6. We reserve the right to substitute different Names and Marks for use in identifying the System, the Business and other Franchised Businesses operating there under;
7. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add Names and Marks. We cannot and do not make any guaranty that a modification, discontinuance or otherwise will not be required for any reason. In such event, we have no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding the Names and Marks. There is always a possibility that there might be one or more businesses using a name and/or marks similar to us with superior rights;

8. Franchisee hereby agrees not to register or attempt to register Names and Marks in Franchisee's name or that of any other firm, person or corporation;
9. The right and license of the Names and Marks granted to Franchisee is nonexclusive, and thus we have and retain the rights, among others:
 - a. To use the Names and Marks and itself in connection with offering and selling Products, Services and kitchen equipment (if we choose to sell kitchen equipment in the future);
 - b. To use the Names and Marks to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements. Franchisee may not establish a presence on the Internet except as we may specify and only with our prior written consent. We retain the right to approve any linking to or other use of our website or any other website specific to our Products and Services;
 - c. To grant other franchises or licenses for the Names and Marks, in addition to those already granted to existing franchisees; and
 - d. To develop and establish other systems using similar Names and Marks, or any other proprietary marks and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.
10. Franchisee understands and acknowledges that we have the unrestricted right to engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of Products, kitchen equipment and/or Software (if developed) bearing the Names and Marks licensed or other names or marks. Franchisee shall not under any circumstances engage in any wholesale trade or sale of System products, kitchen equipment and/or Software for resale and/or independently act as an exclusive distributor for any third-party vendor or secure any exclusive rights for any System product, kitchen equipment and/or Software or any of these items that are not part of our System.

D. Ownership of Intellectual Property

Franchisee acknowledges that we are the exclusive licensor of the Names and Marks all Confidential Information, all intellectual property associated with the Names and Marks and the System, all vendor and supplier relationships, all Employees and guest lists and all guest phone listings/addresses/URLs held by Franchisee. Franchisee agrees that Franchisee will not use these lists for any purpose other than in relation to the Business. Franchisee will, on demand, promptly deliver to us a complete list of Franchisee's employees and guests including information we may request related to such employees and guests. The use of any or all such intellectual property shall not create in Franchisee, or its Owners, if it is an Entity, title or interest in or to any of it except as expressly provided in this Agreement. Neither Franchisee, nor any of its Owners shall directly or indirectly assert any right, title or interest in or to any of the Marks or any other part of the intellectual property other than as provided for in this Agreement. Franchisee acknowledges that we shall own all intellectual property rights to any materials provided to the Franchisee by us, or developed by the Franchisee pursuant to this Agreement. Such ownership rights shall be in all media, whether now known or hereinafter invented, by all means, methods, and processes, including complete and entire interactive rights, and rights to derivative works.

16. SPECIFIC OBLIGATIONS OF THE FRANCHISEE RELATING TO CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. Franchisee Shall Learn Proprietary Matters

Franchisee acknowledges that it will obtain knowledge of proprietary matters, methods, techniques and business procedures of ours that are necessary and essential to the operation of the Franchise, without which Franchisee could not effectively and efficiently operate such business, including, without limitation, knowledge regarding: the System, build-out specifications, décor and signage; distinctive Products, proprietary recipes, sauces; specifications for all products, kitchen equipment, supplies and service used; vendors and suppliers, software, menus, advertising, marketing and promotional materials (including photographs of food), service standards and business strategies necessary for the operation of the Business and the Operations Manual. Franchisee further acknowledges that all Confidential Information was not known to Franchisee prior to execution of this Agreement and that our methods are unique and novel to the System. Franchisee acknowledges that Confidential Information shall also include:

1. Any person or entity, which has been or become franchisees of the System and any investors therein;
2. Any person or entity which has, have been or becomes patrons of the Business;
3. The terms of and negotiations relating to past or current Franchise Agreements with respect to the System;
4. The operating procedures of the System, including without limitation: specific food preparation methods and techniques; product knowledge, ingredients and specifications, food presentation standards, kitchen equipment operation, safety procedures, usage of POS system and related software, cost and pricing strategies; use of contracts, forms and waivers; record keeping, accounting systems and procedures; effective advertising, promotional and marketing methods, recommendations for hiring and training staff and strategies when purchasing from vendors and suppliers;
5. The economic and financial characteristics of the System and franchisees, including without limitation: pricing policies, training, profitability, earnings and losses and capital and debt structures;
6. The Products and Services of a Burros & Fries Business, including, without limitation, the scope of services performed and services refused; and
7. All documentation of the information listed in Section 16.A including, without limitation, our training program and Operations Manual. During the term of this Agreement and for a period of five (5) years following the expiration or termination of this Agreement, Franchisee agrees not to use, divulge, directly or indirectly, any Confidential Information, without our prior written consent. Nothing contained herein shall be construed so as to require Franchisee to divulge any secret processes, techniques, formulas, or the like.

B. Franchisee's Employees Will Not Disclose Confidential Information

Franchisee must keep the methods of operations (confidential information found in our materials and other documents) and Operations Manuals confidential and not disclose them except to Franchisee's employees, agents and representatives, as they must have access to it in order to operate the Business. Franchisee must follow all our security procedures, which include the execution and delivery to us of

approved nondisclosure or non-competition agreements from each General Manager within one week after they are hired. These agreements state that such person shall not during the course of his/her employment, representation, or agency with Franchisee, or for a period of three (3) years thereafter, use, divulge, disclose or communicate, directly or indirectly, in any form or manner, to any person, firm or corporation or other Entity, any of our Confidential Information.

The Operations Manual (and all other manuals) are, and remain, our exclusive property. We will loan Franchisee one copy (hard or electronic) of the Operations Manual for the term of this Agreement. Franchisee must return the Operations Manual (and/or destroy any electronic versions of the Operations Manual) to us at the termination or expiration of this Agreement for any reason, or at any other time at our request. The Operations Manual contains mandatory and suggested specifications for the Business, service standards and operating procedures and further defines Franchisee's other obligations under this Agreement. We may change or add to the Operations Manual to reflect changes in our image, specifications, and procedures and methods of operation, and will lend Franchisee copies of any changes or additions. However, we will not make any change that will change Franchisee's fundamental status and rights under this Agreement. Franchisee shall not copy any part of the Operations Manual (except for designated training sections), either physically or electronically. If Franchisee's copy of the Operations Manual is lost, destroyed or significantly damaged, Franchisee must replace the Operations Manual at its own expense as set forth in Section 20.G.

C. Relationship with Former Franchisees

Franchisee acknowledges that former franchisees (those whose franchise agreements have expired or have been terminated) may have the ability to compete unfairly with Franchisee and/or other members of the System and to cause great injury to the reputation of the System and the Names and Marks. Franchisee therefore agrees as follows:

1. Franchisee will not sell, loan, give or otherwise transfer or deliver to any former franchisee or allow any former franchisee to copy or otherwise obtain, any Confidential Information; any advertising or promotional materials produced by us or which bear any of our Names and Marks; any other materials or publications of ours, including, without limitation, the Operations Manual; any directory or roster of franchisees or approved vendors and suppliers, any other guest lists or mailing lists pertaining in any way to the System; or any other information about the System, Business or Confidential Information which is not available to the public.
2. Franchisee will not refer prospective patrons to any former franchisee.
3. Franchisee will not notify or advise any former franchisee of, or in any other way assist any former franchisee in learning about, the date, time and place of any meetings of franchisees.
4. If Franchisee observes any former franchisee using any of the Names and Marks in any way, or utilizing a business facility (including any vehicles) for which the Names and Marks and/or distinctive color scheme have not been completely obliterated, Franchisee shall immediately report such observations to us along with all details available to Franchisee.
5. Franchisee shall in general have no dealings with former franchisees which Franchisee, under this Agreement, could not have with a person who has never been a franchisee.

6. The provisions of this Section 16.C shall apply to Franchisee as soon as Franchisee is on notice of the expiration or termination of another franchise agreement. Franchisee shall be deemed to be on such notice when:
 - i. Franchisee receives a new franchisee directory in which such franchise does not appear; or
 - ii. Franchise receives written notice from us that one or more particular franchise agreements have expired or a franchisee has been terminated.

D. Injunctive Relief is Available to Franchisor

Franchisee acknowledges that any failure to comply with the requirements of this Section 16 will cause us irreparable harm, and we shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements; Franchisee waives any requirements for the posting of any bond(s) relating thereto. Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by us in obtaining specific performance of, or an injunction against, violation of requirements of this Section 16. The foregoing remedies shall be in addition to any other legal or equitable remedies, which we may have.

E. Franchisor's Patent Rights and Copyrights

We do not own rights in or to any patents that are material to the Franchise at this time. However, we claim copyright protection for several aspects of the System such as the Operations Manual, Software (if developed), Products and specifications for such Products, recipes, signage, website and all promotions, marketing materials (including photographs of food), promotion, marketing and operations literature. Such copyright ownership shall extend to all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including rights to interactive works, and derivative works. Furthermore, we claim rights to certain trade secrets and Confidential Information as discussed above.

F. Franchisee Shall Not Contest the Franchisor's Ownership Right To Any Confidential Information, Trade Secrets, Patents or Copyrights

Franchisee expressly understands and acknowledges that:

1. We are the owner of our Confidential Information, trade secrets, copyrights, and patent rights;
2. Franchisee shall not directly or indirectly contest the validity or the ownership of our Confidential Information, trade secrets, copyrights, and patents;
3. Franchisee's use of our Confidential Information, trade secrets, copyrights, and patents does not give Franchisee any ownership interest or other interest in or to the Confidential Information, trade secrets, copyrights, and patents, except the non-exclusive Franchise granted herein;
4. Any goodwill arising from Franchisee's use of the Confidential Information, trade secrets, copyrights, and patents in its Business under the System shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any licensed Confidential Information, trade secrets, copyrights, and patents;

5. We reserve the right to substitute different Confidential Information, trade secrets, copyrights, and patents for use in operating and maintaining the System;
6. Franchisee hereby agrees to comply, at Franchisee's expense, with any directions from us to discontinue, modify, substitute or add any new Confidential Information, trade secrets, copyrights and patents. We cannot and do not make any guaranty that any modification or discontinuation of any aspect of the System or any other System related change will not be required. In any such event, we have no liability to Franchisee. Franchisee agrees to make no claim in connection with any modification, discontinuance or other action, and/or with any dispute regarding any licensed Confidential Information, trade secrets, copyrights, and patents;
7. Franchisee hereby agrees not to register or attempt to register or license any Confidential Information, trade secrets, copyrights or patents in Franchisee's name or that of any other firm, person or corporation; and
8. The right and license of the Confidential Information, trade secrets, copyrights, and patents granted to Franchisee is nonexclusive, and we thus have and retain the rights, among others:
 - a. To use the trade secrets, Confidential Information, patents, and copyrights and itself in connection with offering Products and Services;
 - b. To use the trade secrets, Confidential Information, copyrights, and patents to market on the Internet, including all use of Websites, domain names, URL's, linking, advertising and co-branding arrangements;
 - c. To grant other licenses for the trade secrets, Confidential Information, copyrights, and patents, in addition to those licenses already granted to existing franchisees; and
 - d. To develop and establish other systems using similar trade secrets, Confidential Information, patents, and copyrights, and to grant licenses or franchises thereto at any location(s) whatsoever without providing any rights therein to Franchisee.
8. Franchisee understands and acknowledges that we have the unrestricted right to engage, directly or indirectly, through its or their employees, representatives, licensees, assigns, agents and others, at wholesale, retail and otherwise, in the production, distribution and sale of products and/or kitchen equipment (if we develop kitchen equipment in the future) bearing the trade secrets, Confidential Information, patents, and copyrights licensed, including without limitation, products and kitchen equipment included as part of the System.

17. SPECIFIC OBLIGATIONS OF FRANCHISEE RELATING TO TAXES, PERMITS AND LAWSUITS

A. Franchisee Must Notify Franchisor of Lawsuits

Franchisee shall notify us in writing within five (5) days of notice of the commencement of any action, suit, or proceeding against Franchisee, and of the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which arises out of, concerns, or may affect the operation or financial condition of the Business, including, without limitation, any criminal action or other proceedings brought by Franchisee against its Employees, guests

or other persons. The Franchisee shall give advance written notice of Franchisee's intent to institute legal action against us, specifying the basis for such proposed action, and shall grant us thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based.

B. Franchisee Must Pay Taxes Promptly

Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of any kind incurred by Franchisee in the conduct of the Business. Franchisee shall pay us an amount equal to any sales tax, gross receipts tax or similar tax imposed on us with respect to any payments to us required under this Agreement, unless tax is credited against income tax otherwise payable by us.

C. Franchisee May Contest Tax Assessments

In the event of any bona fide dispute as to any liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Business, or any improvements thereon.

18. SPECIFIC OBLIGATION OF FRANCHISEE RELATING TO INDEMNIFICATION

Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name or the name of any of our officers, owners, members, agents, directors, shareholders or employees. Franchisee further understands and agrees that we, and our officers, owners, members, agents, directors, shareholders and employees, shall in no event have or assume liability for, or be deemed liable as a result of, any such action, or by reason of any act or omission of Franchisee in its conduct of the Business or any claim or judgment arising there from against Franchisee.

For the purposes of this indemnification, the terms "claim, loss or obligation" will include compensatory, exemplary or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts, judgments, compensation for damages to our reputation and goodwill; and all other costs associated with any of the foregoing claims, losses or obligations.

Franchisee shall defend, indemnify and hold us and our officers, owners, agents, directors, shareholders and employees harmless from all fines, suits, proceedings, claims (including but not limited to, any safety and security claims, claims of injury, claims of theft, claims of neglect, abuse, death, vicarious or other liability), demands, actions, losses, damages, costs, expenses, fees (including legal fees, disbursements and related expenses), penalties and/or any other liability of any kind or nature, however arising out of or otherwise connected with and/or related to any act, error and/or omission of Franchisee (including Franchisee's ownership, operation, training of Employees and/or management of the Franchised Business); and/or any referral, service provider, supplier or other agent/independent contractor or employee of Franchisee including acts, errors or omissions committed or incurred, negligent or intentional acts in connection with Franchisee's operation of the Business; libel, slander or any other form of defamation by Franchisee and any infringement, violation or alleged infringement or violation of any Name, Mark, patent or copyright or any misuse of the Confidential Information. This provision includes any liability arising from labor or employment law violations as well as any liability related to joint employer claims. This provision includes all claims as indicated above, of ours, directly against Franchisee (without a third-party involvement) due to acts or omissions of Franchisee or us in which we suffer damages including but not limited to, harm to our goodwill and reputation.

We will have the right to control all litigation, including selection and management of counsel, and to defend and/or settle any claim, against and/or including us and/or our-related persons/entities, or affecting our and/or their interests with no obligation to Franchisee and without affecting our rights under this indemnity or otherwise. Franchisee may appoint separate independent counsel to represent Franchisee's interest in such suits, proceedings, claims, etc., all at Franchisee's expense. Franchisee's indemnification obligations survive termination of this Agreement.

19. MISCELLANEOUS COVENANTS OF FRANCHISEE

A. Covenants are Independent

The parties agree that each covenant herein shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Agreement is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which we are a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this Agreement.

B. Franchisee's Principals

The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an entity, all managing partners, general partners, members, managers, shareholders, officers, directors and other operational personnel whom we designate as Franchisee's Principals and all holders of an ownership interest in any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on Schedule 7 of this Agreement.

C. Franchisee Will Not Compete Against Franchisor

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training, our Confidential Information and our System.

Franchisee agrees that, except as otherwise approved in writing by us, Franchisee shall not, during the term of this Agreement and for a period of two (2) years from the date of (i) a transfer permitted under this Agreement; (ii) the expiration or termination of this Agreement (regardless of the cause for termination); or (iii) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 19.C, either directly or indirectly for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity, own, maintain, operate, engage in, be employed by, or have any interest in any business using any aspect of the System, the overall Burros & Fries business concept, with similar Products and/or Services within a ten (10) mile radius of the Accepted Location designated hereunder, or within a ten (10) mile radius of any other System franchise or company-owned business in existence or planned as of the time of termination or expiration of this Agreement as identified in the Franchise Disclosure Document in effect as of the date of expiration or termination of this Agreement.

The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in any other jurisdictions, or the enforceability of the remainder of this Agreement. This covenant not to compete is given in part in specific consideration for access to trade secrets provided as a part of our training or ongoing support programs. In any jurisdiction in which the covenant contained in this Section 19 or any part of it is deemed not enforceable in whole or in part, Franchisee hereby grants us an option to purchase Franchisee's Business on expiration or termination of this Agreement. In such case, we may exercise this option by giving thirty (30) days' written

notice to Franchisee (Sections 22.C and 22.E). On termination or expiration, Franchisee will deliver to us a list of these Assets (as described in Section 24.G) and their cost as well as receipts evidencing their cost. Franchisee must relinquish possession on receipt of payment, but no later than ninety (90) days after expiration or termination. Franchisee's other post termination obligations under this Agreement and by law remain in effect on termination or expiration of this Agreement.

D. Exception to Covenant Not to Compete

Section 19.C hereof shall not apply to ownership by Franchisee or any of its Owners of less than a five percent (5%) beneficial interest in the outstanding equity securities of any Publicly-Held Corporation. As used in this Agreement the term "Publicly-Held Corporation" shall be deemed to refer to a corporation which has securities that has been registered under the Federal Securities Exchange Act of 1934.

E. Franchisee Will Not Divert Business

During the term of this Agreement and for a period of two (2) years following the expiration or termination of this Agreement, Franchisee agrees that it will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity:

1. Solicit, service, sell or attempt to divert business directly or indirectly to any competitor by direct or indirect inducement or otherwise, or any patrons of its Business or any other franchisee including company-owned businesses with which or with whom Franchisee has had contact during the term of this Agreement to any competitor by direct or indirect inducement or otherwise; or
2. Do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Names and Marks or the System or both; or
3. Induce, directly or indirectly, any person (regardless of position) who is at that time employed by us or by any other franchisee of ours, to leave his or her employment. This also applies to any person (regardless of position) who was at any time during the prior twelve (12) months employed by us, any company-owned business or by any other franchisee of ours. The only exception is if Franchisee receives written consent by us or any other franchisee and works out some type of an arrangement to compensate the former employer for reasonable costs and expenses related to replacing the person.

F. Franchisor Is Entitled to Injunctive Relief

In addition to any and all other remedies and damages to which we are entitled, in order to protect our Names, Marks, Products, Services, Confidential Information, proprietary materials and rights, and goodwill, we may seek a permanent injunction and the preliminary or temporary equitable relief we deem necessary, to restrain the violation of this Agreement by Franchisee or any persons, parties, and entities acting for Franchisee. Franchisee agrees that we may obtain the injunctive relief and enter it in any court or arbitration forum that we deem appropriate.

In recognition of the difficulty in determining on an expedited basis the value of, and the necessity of us to avoid irreparable harm and to protect, our Names and Marks, Products, Services, Confidential Information, methods of operation, copyrighted materials, patents, trade secrets, proprietary materials and rights, and goodwill, Franchisee waives, to the extent permitted by law, the right to interpose the defense that we have an adequate remedy at law. Franchisee further waives any requirement that we post a bond or other security, to the extent permitted by law.

G. Covenants Are Enforceable Independent of Claims

Franchisee expressly agrees that the existence of any claim it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants of this Section 19. Franchisee further agrees that we shall be entitled to set off any amounts owed by us to Franchisee against any loss or damage to us resulting from Franchisee's breach of this Section 19.

H. No Right of Set-Off

Franchisee expressly agrees that the existence of any claims it may have against us, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by us of the covenants in this Section 19 and there shall be no set off for your claim. Franchisee agrees to pay all damages, costs and expenses (including reasonable attorney's fees) incurred by us in connection with the enforcement of this Section 19.

I. Disclosure of Contact Information in FDD

Franchisee acknowledges that its contact information will be included in our Franchise Disclosure Document in the future, as required by state agencies and the Federal Trade Commission, and that such inclusion may result in prospective franchisees contacting Franchisee.

20. OBLIGATIONS OF THE FRANCHISOR: SUPERVISION, ASSISTANCE AND SERVICES

We shall provide Franchisee with the following assistance and services:

A. The Training Program

We will provide the initial training program at our headquarters or another location of our choice. Initial training will take place after Franchisee pays the Initial Franchisee Fee, but before Franchisee opens the Business for operation. We will provide this initial fifty-two (52) day training program without charge for Franchisee, which includes pre-opening and grand opening assistance. Training is provided without charge for a total of three (3) people, being the Franchisee, the Manager, and a key personnel no earlier than sixty (60) days prior to when the Franchisee anticipates opening the Business for operation. Franchisee will, however, be responsible for travel, accommodation, food, and other costs for all its attendees. Franchisee must attend and satisfactorily complete training within sixty (60) days that Franchisee anticipates opening. If any of the three (3) people fail to timely complete the initial training program to our satisfaction, Franchisee has the right to appoint a replacement to be trained by us at Franchisee's expense and if either the Franchisee or the Manager do not satisfactorily complete the training to our satisfaction, then we may terminate this Agreement as described in Section 23.C. Any person designated by Franchisee to replace a previously trained person must be trained by us within thirty (30) days of first employment, at Franchisee's cost as provided below. For a second or subsequent franchise, we will not be obligated to provide additional training to Franchisee.

We may reasonably require Franchisee, its Owners, General Managers or lead chef to receive or attend and complete to our satisfaction additional or advanced training from time to time. Franchisee may be required to pay a fee for such training of up to three hundred dollars (\$300) per person per ½ day. Franchisee must also pay for travel, food, and accommodations and all other related expenses. We will attempt to use distance learning techniques where possible, to minimize these costs.

Depending on availability, we may provide additional training to Franchisee for Franchisee's Owners, General Manager and/or Employees at Franchisee's request. Franchisee may be required to pay us any additional costs over and above the additional training fees such as travel that we reasonably incur

should training be held at Franchisee's Business. If additional training is held at our corporate headquarters, Franchisee will be responsible for travel, food and accommodations and other expenses of its trainees.

We offer training resources, such as the Operations Manual to assist franchisees at their business location. Franchisee acknowledges that its compliance with the Operations Manual is vitally important to us and other System franchisees and is necessary to protect our representation and the guidance of the Names and Mark and to maintain the uniform quality of operation throughout the System. However, while the Operations Manual is designed to protect our reputation and the good will of the Names and Marks the Operations Manual is not designed to control the day-to-day operation of the Business. Franchisee shall give us not less than two (2) weeks' notice of the dates and times when Franchisee is available for training. Training dates must be mutually agreed upon by Franchisee and us.

- i. We shall also offer additional training resources to the Franchisee to be determined by us, for the operation, advertising and promotion of the Business including refresher training programs, seminars, workshops, annual conference and information may be available through the intranet system on our website for the benefit of the Franchisee and the Franchisee's employees. We may charge a reasonable fee for additional training if deemed appropriate (distinct from continuing education) but not to exceed the additional training fee. All traveling, food, accommodations and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending additional training shall be paid by Franchisee.
- ii. We may conduct an annual conference at such place as shall be designated by it for all Franchisees but initially will most likely be our headquarters. A registration fee for each participant may be required not to exceed one thousand dollars (\$1,000) per person and its expenses and Franchisee will be responsible for costs associated with attending the conference such as travel, food, accommodations and other expenses. We reserve the right to increase the fee a reasonable amount based on reasonable criteria.
- iii. We may provide continuing education sessions ("Continuing Education") at locations designated by it but most likely at our headquarters. Continuing Education sessions may have a registration charge of three hundred dollars (\$300) per day per person. Franchisee is responsible for all costs associated with attending such sessions such as travel, food and accommodations or our expenses (such as travel, food and accommodations) if we provide Continuing Education sessions onsite at Franchisee's Business. The Continuing Education sessions will normally not exceed one (1) day and it is expected we will at least have quarterly sessions subject to special need. The content will cover particular aspects of the Franchise including but not limited to new Products and Services, recipes and food preparation; updated lists of approved products, supplies, kitchen equipment or services Franchisee is authorized to use; operational standards, technology and software developments; sales, merchandising, promotional programs and marketing; administration and so forth. We reserve the right to increase the per day fee a reasonable amount based on reasonable criteria.

We may, but are not obligated to, offer additional training resources to the Franchisee to be determined by us, for the operation, advertising and promotion of the Business which may include certification programs, seminars, workshops, product or service training programs, annual convention and information available through our website for the benefit of the Franchisee and the Franchisee's employees. We may charge a reasonable fee for additional training if deemed appropriate. Any and all travel, food,

and accommodations and other expenses incurred by the Franchisee or Franchisee's representatives or employees attending our training shall be paid by the Franchisee.

As part of the initial training program, we will provide Franchisee with: a written list of approved Products and Services Franchisee can offer in its Business; a written list of approved vendors and suppliers to lease and/or purchase products, supplies, kitchen equipment and services from; a written list of recipes including food preparation and presentation standards; a written list of cleaning standards and recommended procedures for hiring a professional laundry services; product knowledge and specifications, strategies for leasing and/or purchasing kitchen equipment, products and supplies; inventory management, kitchen equipment operations, operational standards and techniques in efficiencies, service standards, recommended hiring and training guidelines, safety procedures, merchandising, sales and promotional strategies, suggested pricing for Products and Services in addition to software programs as described in Section 20.I that may or may not have been developed by us (or our affiliates) and required in the operation of each Business. We reserve the right, in our sole discretion, to add, modify and change such training from time to time. Franchisee will be responsible for all costs associated with the administration of such changes.

We will provide Franchisee with any Software, if developed. Basic initial training for the Software and all other software programs necessary to run the Business will be provided as part of the initial franchise training program. In addition, we may provide technical support, ongoing assistance, consultation and upgrade requirements for Franchisee's computers, tablets, POS system and software. We will update and make changes to the Software, if developed, as it deems necessary. We will provide recommendations for other software programs necessary for the operation of the Business. All costs associated with installation, upgrading, protecting and maintaining the computers, tablets, POS system and all other software programs necessary for the operation of the Business are the sole responsibility of the Franchisee.

We will provide ongoing guidance in the operation of Franchisee's Business and provide assistance to resolve operational challenges which Franchisee may encounter outside the scope of the Operations Manual. This guidance can be furnished in whatever manner we consider appropriate in our Business Judgment, including electronically, free of charge, to answer questions from Franchisee and its staff (responses to be provided as promptly as possible during regular business hours). We will conduct, when and as frequently as we deem advisable, onsite inspections of the Business and evaluations of management and operations in order to assist the Franchisee and maintain System standards, quality, appearance and service. If we have not inspected the Franchisee's Business in the past twelve (12) months and Franchisee would like to have an inspection performed, Franchisee must notify us in writing and we will perform an inspection within three (3) months of Franchisee's request. Any inspection that Franchisee requests, the cost of the inspection will be at Franchisee's expense. Guidance may also be furnished in writing, telephonically, through training programs and/or on-site consultations or web-based computer training, among other methods. Onsite consultations are subject to additional training fees (as mentioned above) in addition to any and all travel, food, accommodations, and other expenses incurred by us and shall be paid by Franchisee.

We will provide guidance to Franchisee in its efforts to obtain all licenses, permits, approvals and inspections required by governmental agencies to construct and operate the Business. Ultimately, however it is Franchisee's responsibility and obligation to obtain and maintain all such licenses, permits, approvals and inspections and all out of pocket costs associated with obtaining and maintaining such licenses, permits, approvals and inspections as described in Section 12.C of this Agreement.

We may, from time to time, provide to Franchisee, at Franchisee's expense, such advertising and promotional plans and materials for local advertising as described in Section 12.L of this Agreement and may direct the discontinuance of such plans and materials at any time. All other advertising and promotional materials that Franchisee proposes to use must be reviewed and approved by us, pursuant to Section 12.L of this Agreement.

We may provide memos, newsletters, bulletins, brochures, manuals and reports, if any, as may from time to time be published by or on our behalf regarding our plans, policies, developments and activities. In addition, we may provide such communication concerning new Products, Services, industry developments, recipes, food preparation techniques, kitchen equipment, operating procedures, training, software, marketing, advertising and improvements to management that we feel are relevant to the operation of the Business.

We shall also provide guidance and specifications for the all kitchen equipment, furnishings, fixtures, technology items (as described in Section 12.I), software and signage necessary to operate the Business. In addition, we shall provide guidance for establishing standardized accounting, bookkeeping, cost management and inventory tracking systems. The cost for such updates and/or upgrades is Franchisee's responsibility.

All of our obligations under this Agreement shall benefit only the Franchisee, and no other party is entitled to rely on, enforce, benefit from or obtain relief for breach of such obligations, either directly or by subrogation.

B. Web Page

We will provide to Franchisee a Burros & Fries page housed within the corporate website that may include interactive functionality and portals online for additional training, advertising, operational and support materials. Franchisee may customize parts of the web page with our approval however the look of the web page must remain consistent as specified in the Operations Manual. Franchisee agrees and acknowledges that maintenance and any changes, edits or updates to the web page must be performed by us, our affiliates and/or approved vendors. Upon approval of Franchisee's request, which must be submitted in writing, Franchisee is responsible for the cost of such changes. Franchisee may neither establish nor use any Website or perform any type of promotion over the Internet without our prior written approval and if such approval is granted Franchisee must comply with our requirements regarding discussing, advertising or disseminating any information on a Website, regarding the Business as described in Section 6 of this Agreement. We shall own all copyright and other intellectual property rights to the web page, as well as the contents of the corporate website or any other Website upon expiration or termination of this Agreement as described in Section 24.E and this agreement constitutes a "work for hire." In the event that an arbitral panel or a court of competent jurisdiction holds that the customizations or contents are not works for hire, then the Franchisee agrees to assign all copyright and other intellectual property rights to the customizations to us. The term "all copyright and other intellectual property rights" shall include ownership rights in all media, whether now known or hereinafter invented, by all means, methods, and processes, whether now known or hereinafter invented, including interactive rights and rights to derivate works.

C. Site Selection

Franchisee has the responsibility for selecting a site for its Business. If Franchisee is leasing a space for the Business, we must review and approve the lease prior to the lease being signed. If the Franchisee is purchasing property, we must review and approve the lease or purchase contract prior to it being signed. We will review and approve or disapprove the location of the Business and will not

unreasonably withhold our approval. We shall have the right, but not the obligation, to inspect the Business prior to opening.

We do not represent that we have any special expertise in selecting sites by our approval. Our approval of a site is not a representation or warranty that the Business will be profitable or that Franchisee's sales will attain any predetermined levels. Approval is intended only to indicate that the proposed site meets our minimum criteria for identifying sites. Franchisee agrees that our approval or disapproval of a proposed site does not impose any liability on us.

D. Layout and Design

We will assist the Franchisee in the review of the layout and design prior to the Franchisee signing a lease or sublease. We will provide Franchisee with guidelines of the layout and design however, Franchisee may need to hire its own architect, at its own expense, to create a complete set of drawings based on the facility size and local permitting requirements. We must review and approve Franchisee's architect's final plan. We do not represent that we have any special expertise in approving architectural plans. Our approval of Franchisee's architectural plan is not a representation or warranty that such plan will meet local permitting requirements or that such plan will not have to be revised or done over again in order to get final approval by local authorities. Approval is intended only to indicate that the Business is set up and meets our minimum criteria. Franchisee agrees that our approval or disapproval of Franchisee's architectural plans do not impose any liability on us. The costs of leasehold improvements, equipment, furniture, fixtures, technology items, signs and décor for finishing out the Business are the responsibility of the Franchisee. The Franchisee is responsible for all lease negotiations.

We will make available to Franchisee, at no charge, and advise Franchisee with regards to design plans, floor plans and mandatory specifications for the construction and layout of the Business which includes the exterior and interior design. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities). Franchisee must adhere to all local zoning ordinances, regulations, fire, health and building codes, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, standard plans and specifications for the Business, subject to our approval, as provided in Section 12.T of this Agreement, which will not be unreasonably withheld, provided that such plans and specifications conform to our general criteria.

Franchisee understands and acknowledges that we have the right to modify the final set of drawings, architectural plans, floor plans, schematics and/or specifications as we deem appropriate, periodically (however we will not modify the final set of drawings, architectural plans, floor plans, schematics and/or specifications for the Business developed pursuant to this Agreement once those final set of drawings, architectural plans, floor plans, schematics and/or specifications have been approved by us and given to Franchisee).

E. Hiring Employees

We will provide Franchisee with recommended hiring guidelines when hiring Employees (defined in Section 12.F of this Agreement) for its Business. These guidelines are provided for reference only and Franchisee acknowledges that it bears the sole responsibility for hiring, training and firing Employees. Further, Franchisee acknowledges that we are not responsible for and do not direct or control the conduct of Franchisee's employees. Further, Franchisee acknowledges that we are not responsible for and do not direct or control the conduct of Franchisee's Employees. Such recommendations and suggestions will be covered in the initial training program and are specified in the Operations Manual. Franchisee understands that such recommendations and suggestions will be updated and may change periodically at our discretion.

Franchisee can negotiate any rate for Employees. Franchisee may be provided with a recommended rate or wage schedule and may elect to use, subject to applicable laws, these rates or wages as a guide when hiring Employees. Franchisee acknowledges that we have made no guarantee or warranty that using such recommended or suggested rates or wages will enhance Franchisee's sales or profits. Rate or wage negotiations with Employees are the sole responsibility of the Franchisee. Franchisee acknowledges that it is fully in charge of hiring of all employees and for managing those employees on an on-going basis. Our input as to hiring and management of employees are suggestions and guidelines which we believe are important, and except for specific requirement set forth in this Agreement or the Manual, Franchisee is responsible for making all employee related decisions

Failure of Franchisee to adhere to the requirement of criminal background checks for all prospective employees may be considered a breach of this Agreement and we may terminate the Agreement in its sole discretion, except where the Franchisee has reasonable cause to deviate from our standards as described in Section 23.C of this Agreement.

F. No Warranties Other than in Writing

With respect to any products, supplies, kitchen equipment and services (as described in Section 12.I) provided by us or our affiliates and/or any person/company referred/approved by us or our affiliates, other than specific written warranties expressly provided in connection with such items, such items are provided without any warranties, express or implied, the warranties of merchantability, quality of such items, accuracy of informational content, system integration and suitability for a particular purpose being expressly disclaimed. In addition, we make no warranties regarding any open source code contained in any software that we may provide to the Franchisee. We do not warrant that any such software shall be free of bugs or viruses.

We are not liable for any guarantee that Franchisee or any Owners, General Manager, agents or Employees make to any guest or third party. Franchisee will offer and fully comply with any of our Rewards Programs, membership programs, loyalty programs, gift card programs and/or promotions as developed and designated by us as described in Section 12.H of this Agreement. Franchisee will not misrepresent or omit or fail to state any guarantee when such programs are implemented.

G. Operations Manuals

We will revise the Operations Manual and the contents of any other manuals and materials created or approved for use in the operation of the Business, from time to time as we deem necessary to improve on its methods of operations. Franchisee expressly agrees that each new or changed standard shall be deemed effective upon receipt by Franchisee or as specified in such standard. We will lend Franchisee the confidential Operations Manual for the initial Franchisee training session and if Franchisee satisfactorily completes training, for the term of this Agreement. If the copy of the Operations Manual loaned to Franchisee is lost, stolen or destroyed before Franchisee returns it to us, Franchisee must replace such manual its own expense.

The Operations Manual is designed to protect the System and the Names and Marks associated with the System, and not to control the day-to-day operation of the Business. Franchisee at all times will remain responsible for the operation of the Business and all activities occurring at or associated with the Business.

Franchisee shall at all times treat the Operations Manual, and any of our written directives, any business plans and specifications, and any other manuals created for or approved for use in the operation of the Business, and any supplements thereto, and the information contained therein, in trust and as Confidential Information, as well as our trade secrets, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or

otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

The Operations Manual, written directives, other manuals and materials, and any other confidential communications provided or approved by us, shall at all times remain our sole property and shall at all times be kept and maintained in a secure place at the Business premises.

H. Selecting Vendors

We shall provide Franchisee with a written list of approved vendors and suppliers that may include or be limited to us or our affiliates for products, supplies, kitchen equipment and services (as described in Section 12.I) necessary for the operation of the Business. We will provide Franchisee with a list of all approved products, supplies, kitchen equipment and services that Franchisee is authorized to use, offer or sell in the operation of the Business; and a written list of all approved vendors and suppliers to lease and/or purchase such items from during the initial training program. Franchisee understands that such lists will be updated and may change periodically at our discretion and Franchisee agrees to implement such updates at Franchisee's expense as described in Section 12.I of this Agreement. Franchisee will be required to submit in writing alternate products, supplies, kitchen equipment, services, vendors or suppliers to us for approval as described in Section 12.I of this Agreement.

I. Availability of Products, Supplies and Kitchen Equipment

We will use commercially reasonable efforts to ensure that authorized vendors and suppliers, which may include or be limited to us and our affiliates, maintain a reasonable supply of products, supplies and kitchen equipment (as described in Section 12.I) for purchase by Franchisee. We require that the Franchisee lease or purchase such items from us, our affiliates or approved vendors and/or suppliers. We will provide Franchisee with list of written specifications for such items along with a list of approved vendors and Franchisee is responsible for acquiring all such items as are necessary for the operation of the Business. All items that are provided by us will be competitively priced, taking into account equivalent quality and other reasonable considerations.

We reserve the right to establish minimum and maximum retail pricing on certain Products and Services from time to time based on competition prevalent within the food service industry, as legally allowed (as further described in Section 20.K). We shall publish inventory (if any) and Minimum Representation requirements in the Operations Manual and such requirements may be amended from time to time by us in our sole discretion.

We reserve the right to implement a centralized purchasing system for franchisees and to negotiate prices and terms with vendors and suppliers and to receive rebates or other financial incentives from such purchases by franchisees. We may utilize such rebated funds in any manner we choose in our sole discretion as more fully described in Section 10 B.

J. Advertising and Promotion

We shall develop and provide creative materials that could be used for local and regional advertising at our expense and make such advertising and promotional materials available to our Franchisees. Publication or distribution of such materials in the Franchisee's market area shall be at Franchisee's own expense. We will provide specific guidelines for advertising, marketing and promotions initiated by individual franchisees and shall reserve the right to disapprove any advertising, marketing and promotions, which, in our opinion, are not in accordance with these guidelines. However, no such approval shall be unreasonably withheld or denied. Immediately upon notification to do so, Franchisee shall discontinue any advertising that would, in our opinion, be detrimental to any franchisee or any part of the System or the Franchise.

K. Suggested Pricing for Products and Services

We will provide Franchisee with guidance and suggested pricing for Products and Services offered by our franchisees. Franchisee shall have the right to sell Products and offer Services at any price and/or rate Franchisee may determine and we reserve the right, to establish minimum and maximum pricing for any given Product or Service nationwide to the extent allowed by federal and state laws as explained in Sections 12.H and 12.I of this Agreement. Suggested pricing for Products and rates for Services may vary from region to region to the extent necessary to reflect differences in costs and other factors applicable to such regions. If Franchisee elects to sell any Product or offer any Service at any price and/or rate recommended by us, Franchisee acknowledges that we have made no guarantee or warranty that offering such Products or Services at our recommended prices and/or rates will enhance Franchisee's revenues, sales or profits.

We will continue to research and develop new Products and Services as we deem appropriate in our sole discretion. We may conduct market research and testing to determine consumer trends and salability of new Products and Services. If we select Franchisee, Franchisee can choose to participate in a market research program to test market new Products, Services and Rewards Programs in the Business and provide us with timely reports and other relevant information regarding that market research. If Franchisee participates in any test marketing, Franchisee agrees to purchase, at Franchisee's expense, a reasonable quantity of products, supplies, kitchen equipment or services being tested and to effectively promote and make a good faith effort to offer and/or sell Products and Services associated with them. Franchisee shall participate in and comply with our sales and promotional programs and/or Product promotions established by us.

L. Business Planning Assistance

After Franchisee signs this Agreement, we may review and comment on any business plan and pro forma financial projections Franchisee prepares. We do not represent that we have any special expertise in reviewing or developing business plans, or that any business plan developed by us will result in any profits, revenues, incomes, margins, or sales. Our review and commentary of a business plan or financial pro-forma is not a representation or warranty that the Franchisee's business will be profitable, that the Franchisee will earn any revenues, or that Franchisee's sales will attain any pre-determined sales levels. Our review and commentary is intended only to provide information sharing to Franchisee and Franchisee agrees that such review and commentary does not impose any liability on us. Franchisee specifically acknowledges that we have not reviewed or commented on any business plan or pro-forma prior to the Effective Date of this Agreement.

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 to be in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular Business or circumstance, physical characteristics, freeway access, density of 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. Franchisee shall not have any right to object to a variation from standard specifications and practices granted to any other franchisee and shall not be entitled to require us to grant to Franchisee a like or similar variation, unless the laws of the Franchisee's state expressly require us to grant such a similar variation.

Franchisee acknowledges that when we use the phrases "sole and absolute discretion," "sole discretion" and/or "Business Judgment," whether in this Agreement or another context, we and Franchisee agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions except that we will not do so arbitrarily. We shall use our judgment in exercising such discretion

based on our assessment of the interests we consider appropriate and will not be required to consider Franchisee's individual interests or the interests of any other franchisee(s). Franchisee, we and all other franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, we and Franchisee agree that the ultimate decision-making responsibility for the System must be vested in us. So long as we act in material compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

22. RELOCATION, ASSIGNMENT, TRANSFER, SALE OR PURCHASE OF FRANCHISED BUSINESS

A. Relocation

Any relocation (1) shall be to a location within the Territory on Non-Traditional Location (unless waived by us), (2) requires our prior written consent, which we may grant, condition or withhold in our Business Judgment (and may be withheld, in any case, if Franchisee is not in good standing), (3) will be at Franchisee's sole expense and (4) will require that Franchisee (and each Owner if an Entity) sign a general release.

B. General Requirements for Assignment by Franchisee

Franchisee shall not voluntarily or involuntarily transfer, sell, assign or encumber any interest in or ownership or control of Franchisee, the Franchised Business, and/or its assets, the Business or this Agreement (however Franchisee is allowed to transfer up to twenty percent (20%) of its shares or other ownership interests as described below), except in the ordinary course, of business, or make any lease or sublease of any property Franchisee is leasing or subleasing in connection with the Business, without our prior written consent. Any attempted sale, assignment or transfer of any interest in Franchisee, the Franchised Business, and/or its assets, the Business or this Agreement without our prior written consent will be a default under the terms of this Agreement, and will be voidable by us. In granting any such consent, we may impose reasonable conditions, including, without limitation, the following:

1. Franchisee must be in full compliance with the terms of this Franchise Agreement, including being paid in full on all fees due and having settled all outstanding accounts with us, our affiliates and all suppliers;
2. The proposed transferee (if an Entity then its Owners) must meet our then-applicable standards;
3. The proposed transferee (or its owners if an Entity, managers, directors or officers) must not operate a franchise, license another or operate businesses offering products and services similar to those offered by the Franchise;
4. We shall charge a flat transfer fee of ten thousand dollars (\$10,000) to Franchisee when Franchisee transfers part or the entire Franchise Business upon our written consent (defined as all other transfers). The term "flat transfer fee" means that Franchisee shall pay this amount regardless of whether our actual cost to process the transfer is higher or lower than such amount. The flat transfer fee will include, but not be limited to, reasonable attorney's fees actually incurred, the cost of investigating the transferee and our administrative expenses (including employee salaries, sales staff commissions, travel costs, out of pocket costs properly attributable to the transfer). In addition, if the transferee was already in our lead database at the time of first contact between Franchisee and the

transferee, we may require Franchisee to pay a referral fee (which amount will be customary for the transaction), in addition to the flat \$10,000 fee described above, plus the amount of any broker fees that we are responsible for paying to third parties (does not include our employees);

5. Transferee must pay for and successfully complete the training programs then required of new franchisees at a cost of three hundred dollars (\$300) per person per ½ day and our expenses, subject to increase from time to time.
6. Franchisee shall have substantially complied with all of the terms and provisions of this Agreement, any amendment hereof or successor hereto, or any other agreements between the Franchisee and our subsidiaries or affiliates and, at the time of transfer, shall not be in default;
7. Franchisee shall have executed a general release, in a form satisfactory to us, of any and all claims against us and our officers, directors, shareholders, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances;
8. The transferee (and, if the transferee is other than an individual, such principals and/or owners of a beneficial interest in the transferee as we may request) shall enter into a written assumption agreement, in a form satisfactory to us, assuming and agreeing to discharge all of Franchisee's obligations, known by transferee after reasonable inquiry, under this Agreement and/or any new franchise agreement;
9. The transferee must meet our subjective and objective standards, including all quality standards, experience, talent, skills, educational, managerial, business and financial capacity; has the aptitude and ability to operate the Business; and has adequate financial resources and capital to operate the Business;
10. The transferee (and, if an Entity its Owners of a beneficial interest in the transferee as we may request) shall execute and agree to be bound by the then current form of this Agreement, which form may contain provisions that materially alter the rights or obligations under this Agreement. Alternatively, we may in our sole discretion require the transferee to sign the then current form of this Agreement then being used by us, but where the term will end on the expiration date of this Agreement and with such renewal term, if any, as may be provided by this Agreement and the following requirements apply: (i), the transferee shall sign all other ancillary agreements as we may require for the Franchise Business as required under the then current form of this Agreement, which agreements shall supersede this Agreement in all respects, and (ii) additional changes to the terms of the Agreement may be made, at our sole discretion, which include, without limitation, higher royalty fee payments, advertising contributions and renewal rights;
11. The transferee, at its expense, shall upgrade the Business to conform to our then-current standards and specifications of the System and shall complete the upgrading and other requirements within the time specified by us;
12. Franchisee shall remain liable for all of the obligations to us in connection with the Franchise Business it incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;
13. Franchisee must obtain and submit satisfactory evidence of transfer or consent of lenders, lessors and governmental authorities for all material permits, approvals and licenses;

14. Franchisee may transfer up to twenty percent (20%) of its shares or other ownership interests to any person or entity, in the aggregate, without invoking this provision, provided that in connection with any such transfer of more than ten percent (10%) ownership the transferee executes the same Guarantee and other agreements which would be required upon execution of this Agreement by Franchisee, if such transferee had then been the owner of such percentage of Franchisee's shares or other ownership interests. Franchisee's transfer of an ownership interest without complying with the foregoing, or transfers of more than twenty percent (20%) ownership in the Franchisee's entity, in one or more transfers, without our prior written approval is a material breach of this Agreement;
15. The transferee shall agree to a sublease or to a transfer and assignment, and assumption of the lease of the Business from the original Franchisee and shall obtain the landlord's approval if required prior to any transfer or sublease, if applicable;
16. The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales;
17. Franchisee agrees that we may (but are not required to) discuss with Franchisee and/or the proposed transferee any matters related to any transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of the Franchise, etc.). Franchisee expressly consents to any such discussions by us and we may contact any proposed transferee directly regarding such matters or otherwise;
18. Neither Franchisee nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. Franchisee acknowledges and agrees that an approval of a proposed transfer shall not be deemed to be an approval of the terms, nor any indication as to any likelihood of success or economic viability;
19. Franchisee and its Owners and/or Principals will agree not to compete, not to divert business, or attempt to hire employees, after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in Section 19.C of this Agreement; and
20. Franchisee and its Owners and/or Principals will not directly or indirectly at any time or in any manner (except with respect to other Burros & Fries Business that Franchisee or its Principals own and operate) identify itself or any business as a current or former Burros & Fries business owner or as one of our franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Burros & Fries Business in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggest or indicates a connection or association with us as described in Sections 24.A and 24.C of this Agreement.

In addition, the Franchisee must submit copies of the draft Asset Purchase Agreement or Ownership Purchase Agreement, all draft Promissory Notes, and Security Agreements, with the transferee, regardless of whether they are Franchisee financed or lender financed. In addition to all other grounds for rejection, we have the right to reject any proposed purchase of the assets of the Franchised Business or any type of ownership interest in the Franchisee or Franchised Business on the grounds that the proposed transferee has, in our sole opinion, taken on too much debt.

C. Transfer, Sale or Assignment by Franchisor and Franchisor's Right of First Refusal

Franchisee acknowledges that we have an unrestricted right to sell, transfer or assign its rights or obligations under this Agreement to any transferee or legal successor of ours.

We have a right of first refusal regarding any proposed sale, assignment or transfer by Franchisee subject to this Agreement. During the term of this Agreement, if Franchisee, any of its Owners wish to sell, assign or otherwise transfer an interest in this Agreement, the Franchised Business and/or its assets, or an ownership interest in Franchisee (collectively, the "Interest"), then Franchisee will comply with the requirements of Sections 22.B, 22.C and 22.E of this Agreement.

Franchisee will notify us within ten (10) days after Franchisee has commenced discussions or communications even if preliminary, regarding such a proposed sale, assignment or transfer and then send us written updates of the status of such discussions or communications every thirty (30) days thereafter unless and until such discussions or communications have ceased, in which case Franchisee must notify us in writing within five (5) business days that such discussions or communications have ceased. Whether the discussions have ceased or not, at our option, we may require Franchisee to send us, by certified mail or other receipted delivery, copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction as well as any materials Franchisee sends to the buyer or transferee. Before agreeing to any such transaction, Franchisee and its Owners agree to obtain from a responsible and fully disclosed buyer, and then send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating to any proposed transfer. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. The bona fide offer with the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer a five thousand dollar (\$5,000) earnest money deposit (if a proposed disposition is part of a transaction involving additional Franchised Businesses, operating under other Franchise Agreements or license agreements with us, the proposed buyer must pay Franchisee this earnest money deposit for each Franchise involved).

To enable us to determine whether we will exercise its option, Franchisee or its Owners, shall provide such information and documentation, including financial statements, as we may require (as noted below). In the event that we elect to purchase said Interest, closing on such purchase must occur within ninety (90) days from the date of notice to the Franchisee of the election to purchase said Interest by us. Failure of us to exercise the option afforded by this Section 22.C shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of Section 22.B, with respect to a proposed transfer of any Interest. Any later change in the terms of any offer prior to closing shall constitute a new offer subject to the same rights of first refusal by us as in the case of an initial offer.

We may, by delivering written notice to Franchisee or its Owners within thirty (30) days after we receive both an exact copy of the offer and the Preliminary Due Diligence Package (the date on which we have received the exact copy of the offer and the Preliminary Due Diligence Package is called the "Trigger Date"), notify Franchisee of our non-binding preliminary intent to purchase or not to purchase the interest proposed to be sold. The "Preliminary Due Diligence Package" is information and copies of documents (where applicable) that Franchisee supplies to us which consists of Franchisee's Business financial statements (including weekly and monthly revenue information) for the preceding three (3) years, a copy of the Business's current lease or sublease (if applicable and if we do not already have it), information about the number and compensation of employees working at the Business, the Franchisee's merchant account printouts for the past three (3) years, the Franchisee's bank statements for the past three (3) years along with a description of competing restaurants or food service businesses offering similar Products and Services operating within the Territory or Non-Traditional Location (if operating a Non-Traditional Location). If we notify Franchisee within thirty (30) days after the Trigger Date (the "First Notice Deadline") that we are preliminarily interested in exercising our right of first refusal, we will have an additional thirty (30) days after the First Notice Deadline both to conduct our due diligence and then to

notify Franchisee of either our binding intent to exercise our right of first refusal or our decision not to exercise this right. This additional period is called the “Due Diligence Deadline.” If we elect to purchase the interest proposed to be sold for the price and on the terms and conditions contained in the offer:

- 1) We may substitute cash for any other form of payment proposed in the offer (such as ownership interests in a privately-held entity);
- 2) Our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes; we may provide promissory notes with the same terms as those offered by the proposed buyer, except as to subordination). Regarding subordination, Franchisee acknowledges and agrees that our obligations under the promissory notes then outstanding to any and all lenders, although senior to the equity rights of its owners will also be senior to the promissory notes given to Franchisee;
- 3) We will have an additional thirty (30) days after the Due Diligence Deadline to close; and
- 4) We must receive, and Franchisee agrees to provide, all customary representations and warranties given a seller of assets of a similar business or the ownership interests in a similar legal entity, as applicable, including, without limitation, representations and warranties regarding:
 - (i) Ownership and condition of and title to ownership interests and/or;
 - (ii) Liens and encumbrances relating to ownership interests and/or assets;
 - (iii) Validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased;
 - (iv) All products, supplies, technology items, kitchen equipment (as described in Section 12.I) and other such items necessary to operate the Business is in good working condition and suitable for use;
 - (v) No litigation or administrative proceedings pending against the Franchisee, or any of its officers, directors, or Owners arising out of the Franchisee’s Business;
 - (vi) No notices from any federal, state, or local governmental authority to make any changes to the Business or that negatively affect it;
 - (vii) The Franchisee has the authority to sell the assets of its Business, including a copy of all director and/or Owner resolutions;
 - (viii) The Franchisee will comply with the Bulk Sales Act, if it is required under the laws of the Franchisee’s state;
 - (ix) There will be no material adverse change in the operation of the Franchisee’s Business between the date of signature of any Asset Purchase Agreement, and the date of settlement;
 - (x) There are no tax or employee claims or issues; and
 - (xi) The Franchisee will not enter into any transaction between the date of signature and the date of settlement other than in the ordinary course of business.

D. Transfer Upon Death or Mental Incapacity

Upon the death or mental incapacity of any person with an interest in Business, the executor, administrator, or personal representative of that person must transfer such interest to a third party approved by us within six (6) months after death or mental incapacity. These transfers, including, without limitation, transfers by devise or inheritance, will be subject to the same restrictions and conditions as any inter vivos transfer. However, in the case of a transfer by devise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions of this Agreement, the personal representative of the deceased Franchisee shall have six (6) months to dispose of the deceased's interest in the Business, which disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within six (6) months, we may terminate this Agreement.

Upon the death of the Franchisee or if an Entity, an Owner who owns more than ten percent (10%) or more of the Business or in the event of any temporary or permanent mental or physical disability of such person, a manager shall be employed for the operation of the Business who has successfully completed our training courses to operate the Business on behalf of the Franchisee. If after the death or disability of the named Owner, the Business is not being managed by such trained manager, we may at our option, appoint a manager to maintain the operation of the Business until an approved transferee or manager will be able to assume the management and operation of the Business, but no such operation and management of the Business will continue for more than ninety (90) days without the approval of the personal representative of the named Owner (renewable as necessary for up to one year) and we will periodically discuss the status of the Business with the personal representative of the named Owner; such manager shall be deemed an employee of the Franchisee. All funds from the operation of the Business during the period of management by such appointed or approved manager shall be kept in a separate fund and all expenses of the Business, including compensation of such manager, other costs and travel and living expenses of such appointed or approved manager (the "Management Expenses"), shall be charged to such fund. As compensation for the management services provided, in addition to any other fees due, we shall charge such fund the full amount of the direct expenses incurred by us during such period of management for and on behalf of Franchisee, provided that we shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee, the named Owner or personal representative of the named Owner, the Entity or any person or entity having an interest therein for any debts, losses or obligations incurred by the Business, or to any creditor of Franchisee or the named Owner during any period in which it is managed by our appointed or approved manager.

Within thirty (30) days after the effective date of legal transfer of the franchise to Franchisee's heirs or successors of Franchisee's Owners, the heirs or successors must notify us in writing and make application for approval of such transfer. The application for such transfer is subject to the same conditions, procedures and costs as any other transfer except that there may be no transfer fee.

E. Transfer, Sale or Assignment to Third Party

If we do not exercise our right to purchase within thirty (30) days pursuant to Section 22.C, Franchisee may thereafter transfer, sell or assign the Interest to the proposed buyer, but not at a lower price or on more favorable terms than disclosed to us in writing. The sale is subject to our prior written approval as specified in this Agreement.

If Franchisee does not complete the sale to the proposed buyer within ninety (90) days after we notify Franchisee that we do not intend to exercise our right of first refusal (whether or not the First Notice Deadline or the Due Diligence Deadline has expired), or if there is a material change in the terms of the sale (which Franchisee must communicate promptly to us), we will have an additional right to accept the sale during the thirty (30) day period following either the expiration of that ninety (90) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the

modified terms, at our option. If Franchisee does not complete the sale to the proposed buyer within an additional ninety (90) days, then any proposed sale or transfer thereafter once again must comply with all of the provisions of Sections 22.B, 22.C and 22.E, as though there had not previously been a proposed sale or transfer.

In addition to its other obligations, such as obtaining our prior written approval, if Franchisee sells or offers to sell ownership interests, the sale of which is regulated by any applicable law, Franchisee must: (i) fully comply with all applicable laws, (ii) disclose to offerees and purchasers that neither we nor our employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering, (iii) ensure that we have a reasonable time to review any reference to us or our franchisees in any prospectus or offering documents before their distribution or use, (iv) pay our actual legal costs incurred for our review, (v) indemnify us, our officers, owners, directors, employees, affiliates, and agents from any liability, cost, damage, claim, and expense and from any and all obligations to any person, entity or governmental agencies arising out of or relating to the offer, sale or continuing investment, (vi) sign such further indemnities and provide such further assurances as we may reasonably require and (vii) disclose our ownership rights to all trademarks, service marks, trade names, logos, trade secrets, copyrights, and patents.

If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. We and Franchisee may execute an addendum setting forth certain of these amendments applicable in certain jurisdictions, so long as and to the extent that, then applicable laws referred to in the addenda remain in effect.

F. Resale Assistance of Franchised Business

Franchisee may, at any time, request our assistance in locating a buyer for its Business. We may, at our option, provide such assistance in accordance with the policies and procedures as set forth in the Operations Manual. We reserve the right to charge Franchisee a fee to cover our reasonable costs and expenses (including the time committed by our employees) incurred in providing such assistance. If we elect to assist Franchisee in finding a buyer for the Business in any way, we make no promises or commitments to Franchisee that a buyer will be located or that anyone will be willing to purchase the Business at a price acceptable to Franchisee. We reserve the right to reject any proposed sale based on our determination, in our sole discretion, that the purchase price or purchase terms agreed to between Franchisee and any prospective buyer is excessive or will not enable the buyer to succeed as a franchisee in the System, and by requesting our assistance Franchisee waives any liability claims it may have against us for such rejection.

23. TERMINATION OF FRANCHISE

A. Impact of Statutes Upon Franchise Agreement

Some state laws provide certain rights to franchisees located in a particular state, including: (1) limitations on our ability to terminate a franchise except for good cause; (2) restrictions on our ability to deny renewal of a franchise; (3) circumstances under which we may be required to purchase certain inventory when a franchise is terminated or not renewed in violation of the statute; and (4) provisions relating to arbitration. To the extent that the provisions of this Franchise Agreement are inconsistent with the terms of such state laws, the terms of the applicable state laws may control in those states.

Termination or modification of a lease or contract upon the bankruptcy of one of the parties may be unenforceable under the Bankruptcy Act of 1978, Title II, U.S. Code, as amended.

B. Termination By Franchisor With Right to Cure

Except as otherwise provided in this Agreement, upon any material default by Franchisee under this Agreement or any other agreement between Franchisee and us or our affiliates, we may terminate this Agreement only by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty (30) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. We may terminate this Agreement by written notice to Franchisee for Franchisee's material breach of this Agreement or of any other agreement between Franchisee and us or our affiliates, if Franchisee fails to cure the breach within thirty (30) days after written notice is delivered to Franchisee, provided that this Agreement does not prescribe a different cure period for such breach. Any breach relating to any violation of health or safety laws must be cured within seventy-two (72) hours of notice or such shorter period prescribed by law. Any default for failure to pay monetary amounts must be cured within five (5) days or shorter period as is provided by law.

We may invoke our rights under this Section 23.B if, among other things, Franchisee fails to pay any required sums contemplated by this Agreement or any other agreement between Franchisee and us (and/or our respective affiliates).

C. Termination of Franchise Without Right to Cure

Notwithstanding the foregoing, Franchisee shall be deemed to be in breach and we, at our option, may terminate this Agreement and all rights granted under it without affording Franchisee any opportunity to cure the breach, effective immediately upon us notifying Franchisee in writing of such breach, if Franchisee or any of its Owners does any of the following:

1. Fails to agree on a Territory (if not operating a Non-Traditional Location and if a Territory was not agreed upon before signing this Agreement), fails to secure a lease and/or fails to open the Business within the time limits as provided in Sections 6 and 9.B above;
2. Fails to attend and satisfactorily complete the initial training program within sixty (60) days of the date Franchisee anticipates opening the Business;
3. Attends the initial franchise training program and we determine, in our sole discretion, that the Franchisee, its Owners or General Manager has failed the initial training program and does not appoint another General Manager to attend; or another General Manager appointed by Franchisee fails the initial training program and/or is deemed not qualified to manage the Business;
4. Abandons, surrenders, or transfers control of the operation of the Business to a third party other than another Owner or General Manager or fails to continuously and actively operate its Business for five (5) consecutive days, unless precluded from doing so by damage to the premises of the Franchise Business due to war, act of God, civil disturbance, natural disaster, labor dispute or other events beyond Franchisee's reasonable control;
5. Fails or refuses, on more than three (3) occasions during the term of this Agreement, to submit when due any financial statement, tax return or schedule or to pay when due Royalty Fees, or any other payments due to us or our affiliates;

6. Operates the Business in a manner that presents a safety, health or environmental hazard to guests and/or violates any federal, state, or local law, rule, regulation or ordinance; and maintain a “A” rating or ninety percent (90%) rating or above for all health department inspections;
7. Fails to use its best efforts when hiring employees including taking every action required by applicable laws related to criminal background checks for all prospective employees as described in Section 12.F;
8. Is unable to provide Products and/or Services associated with the System, or if any business or professional license, credential or certification required by law is suspended or revoked, or otherwise not maintained continuously and actively in full force and effect, and in good standing;
9. Fails, for a period of fifteen (15) days (or such lesser period as required by applicable law) after notification of violation or non-compliance by us or any appropriate authority, to comply with any federal, state or local law, ordinance or regulation applicable to the operation of the Business;
10. Violates any environmental, health, safety or sanitation law, ordinance or regulation, or operates the Business (including operating any vehicles) in an unsafe manner; and does not begin to cure the violation immediately and to correct the violation within 72 hours after Franchisee receives notice from us or another party unless shorter period for cure provided pursuant to Section 22.B;
11. Makes a material misrepresentation or omission on the application for the Franchise;
12. Transfers, assigns or sub-franchises this Agreement without having our prior written consent, as set forth herein;
13. Discloses or divulges, to any unauthorized person, the contents of the Operations Manual, training materials or any other Confidential Information provided to Franchisee by us;
14. Fails to comply with modifications to System standards as required by us within a ninety (90) day period from the time of written notice by us;
15. Offers and sells Products and/or Services through any alternative channel of distribution without our permission; or engages in any activity, which has a material adverse effect on us or the Names and Marks;
16. Makes any changes to any Products, Proprietary Products, piece of equipment or any third party products (such as changing containers, packaging, labeling, etc.) as described in Section 12.I of this Agreement;
17. Makes or allows any unauthorized use or copy of our Confidential Information, Proprietary Products and/or Software (if developed) or seeks to challenge our ownership rights in the System, including our Confidential Information, Proprietary Products and/or Software;
18. Engages in any activity to translate, reverse engineer, reverse compile, disassemble or create derivative works based on our Confidential Information, Proprietary Products and/or Software (if developed);

19. Manufactures or produces any product or piece of kitchen equipment that is similar to, or competes with any of our Products, Proprietary Products, third party products or kitchen equipment offered or used in the Business without our advanced written consent;
20. Engages in activity to distribute, act as an exclusive distributor or secure exclusive rights to distribute any products, Proprietary Products, third party products or kitchen equipment without our written consent;
21. Engages in activity to sublicense, rent, lease, sell, distribute or otherwise transfer our Confidential Information and/or Software or any portion thereof, or any rights therein, to any person or entity;
22. Exhibits a reckless disregard for the physical or mental well-being of employees, guests, us or our representatives, or the public at large, including battery, assault, sexual harassment or discrimination, racial harassment or discrimination, alcohol or drug abuse or other forms of threatening, outrageous or unacceptable behavior as determined in our sole and absolute discretion;
23. Fails to procure and maintain all required insurance coverage (including any lapses, alterations, or cancellations to the insurance policies) as defined in Section 13 of this Agreement;
24. Fails or refuses to: cease using and/or remove any product, supply, kitchen equipment or other items from the Business deemed to constitute a violation of this Agreement by us; (ii) maintain all kitchen equipment and technology items (clean, service and repair) as specified by us; (iii) sell, offer, change, modify or discontinue any Product (including menu item), Service or Rewards Program as specified by us; (iv) prepare all food products in accordance with our standards, recipes, techniques, processes and presentation standards; and/or (v) execute and provide Services according to our standards as described in Sections 12.H and 12.I of this Agreement;
25. Fails or refuses to: (i) adhere to our cleaning standards and/or laundry service requirements; and (ii) purchase or use the products, Proprietary Products, supplies, kitchen equipment and services as specified by us as described in Sections 12.H and 12.I of this Agreement;
26. Fails or refuses to comply with our inventory (if any) requirements or Minimum Representation requirements (if applicable) as set forth in the Operations Manual;
27. Fails to comply with the terms of any auto-ship programs as set forth in the Operations Manual (currently not in effect);
28. Engages in Target Marketing to solicit and obtain guests by any type of advertising or marketing outside Franchisee's assigned Territory; or fails or refuses to refer off-site events or Services to other franchisees or company-owned businesses (as described in Section 6);
29. Uses the Names and Marks or any part thereof in any form on the Internet, including but not limited to, addresses, domain names, URLs, Websites, links, metatags, locators, search techniques and co-branding arrangements without our prior written consent;

30. Is convicted of a felony or has pleaded nolo contendere to a felony, is arrested or convicted on charges relating in any way to the possession or use of illegal drugs, controlled substances or steroids or is charged and convicted of a crime of moral turpitude;
31. Engages in unfair business practices or unethical conduct;
32. Fails to discharge within a reasonable time, any valid lien placed against the property of the Franchise Business;
33. Makes an assignment for the benefit of creditors or an admission of the Franchisee's inability to pay its obligations as they become due;
34. Files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, disposition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against Franchise, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Franchisee or the Business, or the claims of creditors of Franchisee or the Business are abated or subject to a moratorium under any laws;
35. If a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's Business or assets is filed and consented to by Franchisee;
36. If a receiver or other custodian (permanent or temporary) of the Business, Franchisee, or Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction or by private instrument or otherwise;
37. If proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee.
38. If a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or if Franchisee is dissolved or extinguished;
39. If execution is levied against Franchisee's Business or property or against any ownership interest in Franchisee;
40. If any real or personal property of Franchisee's Business shall be sold after levy by any sheriff, marshal, or constable;
41. If, in material violation of the terms of Sections 12, 16, 20 and/or 22;
42. If Franchisee maintains false books or records, or submits any false reports to us;
43. If any inspection of Franchisee's records discloses an under-statement of payments due to us of two percent (2%) or more, two or more times in any two (2) year period;
44. If Franchisee's Business has three (3) or more material complaints reported to a governmental entity (material complaints are determined in our sole and absolute discretion) with respect to the Business in any twelve (12) month period.

D. Termination by Franchisee

If we violate a material and substantial provision of the Agreement and we fail to remedy or to make substantial progress toward curing the violation within thirty (30) days after receiving written notice from Franchisee detailing our alleged default, Franchisee may terminate this Agreement if so permitted under applicable law. Any attempted termination of this Agreement and the Franchise by Franchisee, without complying with the foregoing requirements, or for any reason other than breach of material and substantial provision of this Agreement by us and our failure to cure such breach within thirty (30) days after receipt of written notice thereof, shall not be permitted.

E. General Effect of Termination

On termination or expiration, all of Franchisee's post-termination obligations, including covenant not to compete, non-disclosure, return of the Operations Manual and other proprietary materials, and indemnity, will remain in full force and effect. If this Agreement terminates for any reason prior to its expiration date, we will be entitled to our Royalty Fees and other fees for either the remainder of the term of this Agreement and to all other applicable remedies (as described in Section 24.H).

F. Territory Alteration as an Alternative to Termination

If Franchisee is in default of the Franchise Agreement, as an alternative to termination, we may modify or completely eliminate any rights that Franchisee may have with respect to exclusivity in the Territory, effective ten (10) days after delivery of written notice to Franchisee.

24. FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

A. Franchisee Shall Cease Using Names and Marks

Franchisee further agrees that, upon termination or expiration of this Agreement, Franchisee shall immediately and permanently cease to use, by advertising, or any manner whatsoever, any Confidential Information, methods, trade secrets, procedures, descriptions of Products and Services associated with us and the Names and Marks and any proprietary marks and distinctive forms, slogans, symbols, signage, logos or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signage (this includes vehicles with graphics, if applicable), advertising materials, menus, stationery, forms and any other articles, which display the Names and Marks. Franchisee shall make or cause to be made, at its expense, changes directed by us in signage, vehicles (if applicable), building and structures so as to effectively distinguish the surviving business entity, if any, from its former appearance and from other existing Burros & Fries Businesses. Franchisee shall comply with the covenant not to compete and the agreement to maintain the confidentiality of proprietary information, as well as return all information that is considered to be Confidential Information under the terms and conditions of this Agreement back to us.

B. Franchisee Shall Cease Operating the Business & Refrain from Notifying Guests

Franchisee shall immediately cease to operate its Business and shall not thereafter, directly or indirectly, represent itself to the public or hold itself out as a present or former franchisee of ours.

In addition, Franchisee shall not give notice of termination or expiration of this Agreement to Franchisee's guests without our prior written consent. We shall have the sole right to notify all of Franchisee's guests of the termination or expiration of this Agreement at the time and manner we determine to be most appropriate. All existing guest and account lists of the Franchisee shall be our property.

Franchisee shall assist us in transferring such lists to us upon termination or expiration of this Agreement at such times and in the manner we require.

Franchisee must immediately tender all new or used inventory of our Proprietary Products, décor, signage, uniforms, apparel, promotional, advertising, marketing materials and/or anything that displays our Marks in addition to all Confidential Information to us and/or our designated affiliates or destroy, if notified by us in writing to do so, all inventory of such items in a timely manner as in accordance with the terms of the Operations Manual and as specified in Section 24.G of this Agreement.

C. Franchisee May Not Adopt Confusingly Similar Names and Marks

Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Names and Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute our exclusive rights in and to the Names and Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with us or a former association or connection with us.

D. Franchisee Shall Cancel Assumed Names and transfer Phone Numbers

Franchisee further agrees that upon termination or expiration of this Agreement, Franchisee shall take all action necessary to cancel all assumed names or equivalent registrations relating to its use of any or all of the Names and Marks. Franchisee shall take all actions necessary to transfer all phone numbers, addresses, domain names, listings and location contacts for the Business and/or used in the Business to us or our designee, including but not limited to authorizing all telephone, Internet, email, electronic network, directory and listing entities to effectuate the same.

E. Franchisee Shall Transfer or Terminate Domain Name and Websites

Upon termination or expiration of this Agreement, Franchisee agrees that, we will have the absolute right to notify InterNIC, ICANN and all other Internet authorities of the termination or expiration of Franchisee's right to use all domain names, web pages, Websites and other search engines for the Business and to authorize the above and other search engines to transfer to us or our designee all domain names, Websites and search engines associated with the Business. Franchisee acknowledges and agrees that we have the absolute right to, and interest in, all domain names, web pages, Websites and search engines related to the Business and that we have the full right and authority to direct the above Internet authorities and all search engines to transfer Franchisee's domain names, web pages, Websites and search engines to us or our designee if this Agreement expires or is terminated for any reason. Franchisee further acknowledges that this may be required to sign a general release by Franchisee of the above Internet authorities from any and all claims, liabilities, actions and damages that Franchisee may, at any time, have the right to allege against them in connection with this provision.

F. Franchisee Must Return Operations Manuals and Other Materials

Franchisee further agrees that upon termination or expiration of this Agreement, it will immediately return to us all copies of the Operation Manual, training materials and any other materials, which have been loaned to Franchisee by us. Franchisee further agrees to turn over to us all items containing any of the Marks, including all vendor, account and guests lists and contracts for the Franchised Business.

G. Franchisor May Purchase Assets

We shall have the right of first refusal to purchase or assume Franchisee's interest in the Franchised Business, or in its assets on the same terms as those contained in a bona fide offer from a third party. As used in this Section, "Assets" means leasehold improvements, all kitchen equipment, furnishings, fixtures and technology items (as described in Section 12.I), signage, products, inventory (such as non-perishable products, ingredients, supplies, retail items in addition to all printed menus, advertising and marketing materials), vehicles (if applicable) and the lease or sublease for the Business. This right is governed by time limits and procedures described in this Agreement with respect to our right of first refusal in the event of an assignment. If we exercise our right of first refusal, Franchisee must transfer Franchisee's interest in the Franchised Business and in the Assets.

If Franchisee is selling its Assets, we shall have the right (but not the duty), to be exercised by notice of intent to do so within thirty (30) days after termination or expiration, to purchase any or all Assets and items bearing our Names and Marks, at fair market value (less the amount of any outstanding liens or encumbrances). In the event that we and Franchisee cannot agree on fair market value, then the fair market value shall be determined in good faith by an independent third-party appraisal. We and Franchisee shall mutually agree upon an appraiser. If we and Franchisee cannot agree on one appraiser, then we and the Franchisee shall each select one independent, qualified appraiser and the two shall select a third appraiser and all three shall determine the fair market value of the Assets we have elected to purchase. If the difference between the appraisal of the Franchisee's appraiser is greater than the difference between the appraisal of our appraiser and the independent appraiser, the Franchisee shall pay all costs and expenses of the three appraisers. Otherwise all expenses of the third appraiser shall be equally shared by us and we and the Franchisee shall each be responsible for the expenses incurred by their respective appraisers. For any items that display the Marks and for any of our Proprietary Products (regardless of whether they display our Marks), the fair market value is agreed to be zero, except for any vehicles (if applicable). We and Franchisee agree that the terms and conditions of our right and option to purchase the Assets which may be recorded, if deemed appropriate by us. If we elect to exercise any option to purchase the Assets as herein provided, we shall have the right to set off any amounts due from Franchisee.

Except as otherwise provided in this Agreement, Franchisee shall retain whatever interest it may have in the Assets of the Franchised Business.

H. Franchisee Must Pay Monies Owed to Franchisor

Franchisee shall pay to us or our affiliates, within thirty (30) days after the effective date of termination or expiration of this Agreement, such Royalty Fees, System Advertising Fund Fees, other advertising fees, payments or any other sums owed to us or our affiliates by Franchisee, which are then unpaid. Franchisee shall pay to us or our affiliates all damages, costs, and expenses, including reasonable attorney's fees, incurred by us in obtaining injunctive or other relief for the enforcement of any provisions of Sections 19 and 24.

25. PROVISIONS RELATING TO ENFORCEMENT

A. Franchisee May Not Withhold Payments Due Franchisor

Franchisee agrees that he or she will not withhold payments of any Royalty Fees, System Advertising Fees or any other amounts of money owed to us for any reason, on grounds of alleged nonperformance by us of any obligation. All such claims by Franchisee shall, if not otherwise resolved by us and Franchisee, be submitted to mediation and/or arbitration as provided in this Agreement. The Franchisee has no right of offset, or set off to any amounts due and owing to us.

B. Severability

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or requires the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements.

C. Mediation

The parties agree to mediate any dispute or claim arising between them out of this Agreement, or any resulting transaction before resorting to arbitration as set forth in Section 25.D. Any party to this Agreement may initiate mediation by serving a written demand on the other party stating the particulars of the demand being served. Mediation fees shall be divided equally among the parties involved. Before any mediation commences, the parties will agree to a date and/or certain event which will constitute a completion of the mediation process. All mediations shall be held in San Diego County, California. If, for any dispute or claim to which this paragraph applies, any party commences an action without first attempting to resolve the matter through mediation or refuses to mediate after a request has been made, then the other party ("Mediating Party") shall be entitled to recover attorney's fees and costs, even if such Mediating Party was not otherwise entitled to recover its attorney fees and cost in any arbitration or legal action between the parties pursuant to the terms of this Agreement. This mediation provision applies whether or not the arbitration provision is initiated. It shall be held at the same venue as for arbitration as described in Section 25.D.

D. Arbitration

Except as we elect to enforce this Agreement by judicial process, injunction, or specific performance (as provided below), all disputes and claims relating to any provision hereof, any specification, standard or operating procedure, or any other obligation of Franchisee prescribed by us, or any obligation of us, or the breach thereof (including, without limitation, any specification, standard or operating procedure or any other obligation of Franchisee or us, which is illegal or otherwise unenforceable or voidable under any law, ordinance, or ruling) shall be settled by mandatory binding arbitration in San Diego County, California. Arbitration must be in accordance with the then current Commercial Rules of the American Arbitration Association ("AAA") and, where applicable, the provision of the Federal Arbitration Act, i.e. 9 USC §1, et al.; and provided that at the option of we or the Franchisee that the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association which could include an attorney with twenty (20) years or more franchise experience. The actual selection of the arbitrator from the list will be in accordance with the procedures for selecting an arbitrator under the Commercial Rules of the AAA. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 1-3 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. The parties further agree that arbitration will be conducted on an individual and not a class-wide or multiple plaintiff basis.

The party having an arbitrable claim will have one (1) year from the date of discovery but not to exceed two (2) years from the date the claim occurred, in which to settle the claim or to commence arbitration on the claim. Otherwise the claim or demand will be deemed abandoned and shall be barred. The arbitrator shall allow discovery in accordance with the California Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Unless

specifically provided for by applicable statute, no punitive or exemplary damages shall be awarded against either us or Franchisee, or entities related to them, in an arbitration proceeding or otherwise, and are hereby waived. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of us or of Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and we shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. Arbitration fees shall be shared equally and the prevailing party shall be entitled to their attorney fees from the losing party, provided should there be no prevailing party each party shall pay their own attorney fees.

This arbitration provision shall not apply to any of the following disputes or controversies: any action for injunctive or other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as we deem to be necessary or appropriate to compel Franchisee to comply with Franchisee's obligations to us and/or to protect the Names and Marks or any claim or dispute involving or contesting the validity of any of the Names and Marks, or any claim or dispute involving any of the Confidential Information, trade secrets, or copyrights provided by us to the Franchisee under this Agreement.

E. Rights of Parties Are Cumulative

The rights of us and Franchisee are cumulative, and the exercise or enforcement by us or Franchisee of any right or remedy shall not preclude the exercise or enforcement by us or Franchisee of any other right or remedy hereunder which we or Franchisee are entitled by law to enforce by the provisions of this Agreement or of the Operations Manual.

F. Judicial Enforcement, Injunction and Specific Performance

Notwithstanding anything to the contrary contained in Section 25.D above relating to arbitration, we shall have the right to enforce by judicial process our right to terminate this Agreement for the causes enumerated in Section 23 of this Agreement, to collect any amounts owed to us for any unpaid Royalty Fees, or other unpaid fees or charges due hereunder, arising out of the business conducted by Franchisee pursuant hereto, and to pursue any rights we may have under any leases, subleases, sales, purchases, or security agreements or other agreements with Franchisee. We shall be entitled, without bond, to the entry of temporary or permanent injunctions and orders of specific performance enforcing any of the provisions of this Agreement. If we secure relief by judicial enforcement, Franchisee agrees to pay to us an amount equal to the aggregate costs of obtaining such relief, including, without limitation, reasonable attorneys' fees, costs of investigation, court costs, and other litigation.

G. California Law Applies

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et seq.) or the U.S. Arbitration Act, this Agreement shall be governed by the laws of the State of California, and venue for arbitration or litigation shall lie in San Diego County, California, or in the applicable United States District Court for Southern California.

H. Attorney Fees

In the event that either party incurs any expenses (including but not limited to reasonable attorneys' fees and reasonable expert witness fees) in enforcing the provisions of this Agreement by arbitration or legal action, the prevailing party shall be entitled to recover such expenses directly from the other.

I. Binding Effect

This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

J. Entire Agreement/Integration/No other Agreements/Manual(s) May Change

This Agreement and the exhibits to this Agreement constitute the final, complete and exclusive agreement of the Parties with respect to the subject matter hereof and supersedes and merges all prior discussions between the parties. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to Franchisee. No amendment to this Agreement shall be binding on either party unless mutually agreed to by the parties in writing. The Operations Manual may be amended at any time by us, and Franchisee shall adapt its methods or procedures to comply with the requirements thereof.

K. Force Majeure

Except for monetary obligations or as otherwise specifically provided in this Franchise Agreement, if either party to this Agreement shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of strikes, lock-outs, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war, or other causes beyond the reasonable control of the party required to perform such work or act under the terms of this Agreement through no fault of such party, then performance of such act shall be excused for the period of the delay, but in no event to exceed ninety (90) days from the stated time periods as set forth in this Franchise Agreement.

26. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

27. COUNTERPART

This Agreement and any amendments or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by both of the parties hereto.

28. TIME IS OF THE ESSENCE

Time is of the essence. The parties to this Agreement hereby agree that time is of the essence with respect to each of their respective duties and obligations under this Agreement.

29. APPROVALS AND WAIVERS

Whenever this Agreement requires the prior approval or consent of ours, Franchisee shall make a timely written request to us therefore, and such approval or consent shall be obtained in writing.

We make no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee or in connection with any consent, or by reason of any neglect, delay, or denial of any request thereof.

No failure of us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Waiver by us of any particular default or breach by Franchisee shall not affect or impair our rights with respect to any later default or breach of the same, similar or different nature, nor shall any delay, forbearance, or omission, breach or default by us to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair our right to exercise the same, nor shall such constitute a waiver by us of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

30. AUTHORITY

Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the individuals executing this Agreement on behalf of such corporation, limited liability company or partnership, warrant to us, both individually and in their capacities as Owners, partners, members, shareholders, directors and officers, that all of them as the case may be, have read and approved this Agreement, including the restrictions which this Agreement places upon their right to transfer their respective interests in such entity as set forth in Section 22.

31. FURTHER REPRESENTATIONS AND WARRANTIES BY THE FRANCHISEE

Franchisee acknowledges and warrants that it has received a complete and final copy of this Agreement, our Disclosure Document and applicable exhibits, in a timely fashion as required; and that before signing this Agreement, Franchisee was given ample opportunity to review and examine our Disclosure Document and was furnished with copies of the documents. **NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE DISCLOSURE DOCUMENT WAS MADE.**

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE AND ALL OF ITS OWNERS, HAVE BEEN ADVISED TO HAVE THIS AGREEMENT AND ALL OTHER DOCUMENTS REVIEWED BY AN ATTORNEY AND THAT FRANCHISEE AND ITS OWNERS HAVE READ, UNDERSTOOD, HAD AN OPPORTUNITY TO DISCUSS AND AGREED TO EACH PROVISION OF THIS AGREEMENT. THE FRANCHISEE AND ITS OWNERS AGREE THAT THERE HAS BEEN NO PRESSURE OR COMPULSION BY FRANCHISOR OR ITS AGENTS TO SIGN THIS AGREEMENT.

FRANCHISEE ACKNOWLEDGES AND AGREES THAT THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED TO BE UNDERTAKEN BY FRANCHISEE AND ITS OWNERS IS SPECULATIVE AND WILL BE DEPENDENT ON PERSONAL EFFORTS AND SUCCESS IS NOT GUARANTEED. FRANCHISEE AND ITS OWNERS ACKNOWLEDGE AND REPRESENT THAT IT HAS ENTERED INTO THIS AGREEMENT AND MADE AN INVESTMENT ONLY AFTER MAKING AN INDEPENDENT INVESTIGATION OF THE OPPORTUNITY, INCLUDING HAVING RECEIVED A LIST WITH THE FRANCHISE DISCLOSURE DOCUMENT OF OTHER CURRENTLY AND PREVIOUSLY OPERATED BURROS & FRIES FRANCHISES, IF ANY AT THAT TIME.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Burros & Fries Franchise, Inc., Franchise Agreement in duplicate on this _____ day of _____, 2022.

FRANCHISOR:

Burros & Fries Franchise, Inc.

Address for Notices
4536 Bonita Rd.
Bonita, CA 91902
Tel.: (619) 773-6589
Attn: Fernando Ruiz

Signed: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

Address for Notices

By: _____

Name: _____

Title: _____

Dated: _____

By: _____
_____, Individually

Dated: _____

FRANCHISEE'S SPOUSE

By: _____
_____, Individually

Dated: _____

SCHEDULE 1
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEPOSIT)

BY AND BETWEEN BURROS & FRIES FRANCHISE, INC., a California corporation (the "COMPANY") and _____ ("FRANCHISEE") dated _____, 2022.

The undersigned depositor ("DEPOSITOR") hereby authorizes the Company to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("DEPOSITORY") to debit such account pursuant to COMPANY's instructions.

DEPOSITORY

Branch

Address

City, State and Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until DEPOSITORY has received joint written notification from COMPANY and DEPOSITOR of the DEPOSITOR's termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity on which to act. If an erroneous debit entry is initiated to DEPOSITOR's account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by DEPOSITORY, if (a) within 15 calendar days following the date on which DEPOSITORY sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice identifying such entry, stating that such entry was in error and requesting DEPOSITORY to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

DEPOSITOR

DEPOSITORY

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

SCHEDULE 2 PRE-EXISTING BUSINESSES

As a condition precedent to the effectiveness of the Franchise Agreement and in consideration of the terms and conditions of the Franchise Agreement, Franchisee represents and warrants to Franchisor as follows:

1. Individually and as an entity owned by [Franchisee and or affiliates of Franchisee] currently operate a business known as _____ (“Pre-Existing Business”).
2. Any and all existing franchise agreements, stockholder agreements, partnership agreements, option agreements or any other third-party rights relating to the Pre-Existing Business, do not contain any covenants, terms and conditions which do now, or may in the future, prohibit the execution of the Franchise Agreement and the participation of any of the Owners, managers or employees of the Franchisee in the Franchised Business; and
3. Other than the consents of Franchisee and Franchisor there is no other third-party consent required for the acquisition of the franchise to be legally binding and effective; and
4. There are no existing restrictive covenants, other than those which the Pre-Existing Business has waived, binding on Franchisee or any of its partners, owners, agents, representatives or employees that would be breached by the acquisition and operation of the Franchised Business obligations of Franchisee to Franchisor, and
5. The Pre-Existing Business provides the following goods and services to its guests at the following locations:

5.1 Goods and services of Pre-Existing Business(s)

5.2 Location(s) of Pre-Existing Goods Business(s)

and from the date hereof will continue to operate as [an independent organization] and shall not carry out any other businesses directly or indirectly competing with the Franchised Business, and

6. Franchisee shall convert the entire Pre-Existing Business into the Franchised Business and shall hence forth operate that business as Franchised Business under the trade name “Burros & Fries,” and
7. Franchisee agrees that any business currently operated or to be operated by any affiliate of Franchisee outside of the Franchised Business which later becomes a part of the Franchised Business shall be folded into the Franchised Business after notice and approval by us, and

8. Franchisee shall indemnify, defend and hold harmless us and our affiliates, against all losses, costs, proceedings, judgments, liabilities, expenses, court costs, and reasonable fees of attorneys and other professionals, arising out of or resulting from any breach of the representations and warranties set out in this Exhibit or in connection with any willful or negligent act or omission of Franchisee or Franchisee's employees or agents, including but not limited to such act or omission that contributes to any economic damage, bodily injury, sickness, disease or death. This indemnity shall survive termination of the Franchise Agreement.

FRANCHISEE:

Signed: _____

Printed Name: _____

Title: _____

Date: _____

SCHEDULE 3
FRANCHISE AGREEMENT: INDIVIDUAL GUARANTY
(USE FOR CORPORATE, PARTNERSHIP OR OTHER ENTITY
FRANCHISEE)

This Guaranty is a Schedule to the Franchise Agreement between Burros & Fries Franchise, Inc., a California corporation ("Franchisor") and _____ ("Franchisee") dated the _____ day of _____, 20.

1. The undersigned agree, individually and on behalf of his or her marital community, to personally and unconditionally guarantee the performance of Franchisee under the Franchise Agreement and to perform all obligations under this Agreement on default by Franchisee. The undersigned further agree to pay any judgment or award against Franchisee obtained by Franchisor. Guarantors are also bound by covenants of the Agreement that by their nature or terms survive the expiration or termination of the Agreement, including but not limited to non-competition, indemnity and non-disclosure provisions.
2. Each Guarantor has consulted legal counsel of his/her own choosing as to his/her responsibilities and liabilities under this Guaranty.
3. Each Guarantor waives:
 - (a) Notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed;
 - (b) Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed;
 - (c) Any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability;
4. Each Guarantor consents and agrees that:
 - (a) Liability under this Guaranty is joint and several with any other guarantor and the Franchisee;
 - (b) Each will render any payment or performance required under this Guaranty on demand, if Franchisee fails or refuses punctually to do so;
 - (c) Each will individually comply with the provisions and all subsections of the Agreements and associated documents;
 - (d) Liability is not contingent or conditioned on Franchisor's pursuit of any remedies against Franchisee or any other persons; and
 - (e) Liability is not affected by any extension of time, acceptance or part performance, release of claims, or other compromise that Franchisor may grant Franchisee or other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement.

- (f) Each waives acceptance and notice of acceptance by Franchisor; waives notice of demand, and waives protest and notice of default, except as may be required by the Franchise Agreement.

5. Each Guarantor further hereby consents and agrees that:

- (a) Guarantor's liability under this undertaking shall be direct, immediate, and independent of the liability of Franchisee, other guarantors, and the other owners of the Franchisee;
- (b) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by an abandonment of the Agreement by a trustee of Franchisee. Neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by impairment, modification, change, release or limitation of the liability of the Franchisee or its estate in bankruptcy or any remedy for enforcement resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;
- (c) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and
- (d) Guarantor agrees to pay all reasonable attorneys' fees and costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in the enforcing this undertaking against Guarantor.

Guarantor agrees to be personally bound by the arbitration obligations under the Agreement, including without limitation, the obligation to submit to binding arbitration the claims described in the Agreement.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

Dated on the _____ day of _____, 20____.

[Remainder of Page Intentionally Left Blank – Signature Page Follows]

(Set forth the name, address and percentage ownership of each owner of Franchisee, their spouse and their percentage ownership, if applicable):

NAME	ADDRESS	PERCENTAGE
------	---------	------------

By: _____ _____,	_____ _____	_____%
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FRANCHISEE'S SPOUSE:

NAME	ADDRESS	PERCENTAGE
------	---------	------------

By: _____ _____, Individually	_____ _____	_____%
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NAME	ADDRESS	PERCENTAGE
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By: _____ _____,	_____ _____	_____%
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FRANCHISEE'S SPOUSE:

NAME	ADDRESS	PERCENTAGE
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By: _____ _____, Individually	_____ _____	_____%
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SCHEDULE 4
COLLATERAL ASSIGNMENT OF LEASE

Franchisee: _____

Franchisor: Burros & Fries Franchise, Inc., a California corporation

Date of this Collateral Assignment of Lease (the "Assignment"): _____, 20____.

The Franchisee, to effect various provisions of that certain Franchise Agreement dated_____, 20____, by and between Franchisee and Franchisor (the "Franchise Agreement"), hereby collaterally assigns to Franchisor (subject to the terms and conditions below) all of Franchisee's right, title and interest in, to and under that certain lease (the "Lease") dated _____, 20____, between Franchisee and _____, ("Landlord"), for that property commonly known as: _____ (the "Premises"), a copy of which Lease is attached to this Assignment.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the sum of Ten Dollars (\$10.00) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, and notwithstanding anything in the Lease to the contrary, it is hereby agreed as follows:

No material modification or amendment of the Lease shall occur or be effective without the prior written consent of Franchisor.

Except as provided in the Franchise Agreement, the Franchisor will not take possession of the Premises under this Assignment until and unless there is a default by Franchisee under the Lease or a termination, cancellation, rescission or expiration of the Franchisee's rights, or a default by Franchisee, under the Franchise Agreement. In such event(s), the Franchisor (or its designee) may (but has no obligation to) take possession of the Premises and assume the Franchisee's rights under the Lease, and, in such event, Franchisee will have no further right, title or interest in or under the Lease or to the Premises, all such rights thereby passing to the Franchisor or its designee, without the Landlord's further consent. The Franchisee will fully cooperate therewith, and do all acts necessary or appropriate thereto. The Franchisor will have no liabilities or obligations of any kind arising from, or in connection with, this Assignment, the Lease, the Premises or otherwise until and unless the Franchisor takes possession of the Premises pursuant to this Assignment and, in any event, the Franchisor will only be responsible for those obligations accruing with respect to the Lease after the date of such express assumption. Upon taking possession of the Premises, Franchisor shall be obligated from that date forward to perform all of the duties and obligations of Franchisee under the Lease. Franchisor shall notify Landlord, in writing, within five (5) days of taking possession of the Premises.

The Franchisee will not permit any surrender, termination, amendment or modification of the Lease and will elect and exercise all options to extend the term of or renew, or assume in bankruptcy, the Lease not less than thirty (30) days prior to the last day that said rights must be exercised. If the Franchisee does not do so, Franchisor may to the extent consistent with the United States Bankruptcy Code (but has no obligation to) do such acts for the account of Franchisee and without any liability or obligation of the Franchisor. Failure of the Franchisor to exercise any remedy hereunder shall not be a waiver of any of its rights. The rights and remedies of the Franchisor under this Assignment are in addition to those which the Franchisor has under the Franchise Agreement or otherwise. This Assignment shall bind, and benefit,

Franchisor and Franchisee, and their respective successors and assigns. With respect to Franchisor and Franchisee the dispute resolution provisions (including, but not limited to, mediation, binding arbitration, waiver of jury trial and limitation of damages) of the Franchise Agreement shall apply to this Assignment, and/or any matter related in any way to it, but the Franchisor may, in any event and at its option, proceed with any action in court for possession of the Premises and any related remedies. If there is more than one Franchisee, their obligations are joint and several. As between Landlord and Franchisor and/or Franchisee, the dispute resolution provisions of the Lease shall apply.

In the event Franchisee shall fail to perform or observe any of the terms, conditions or agreements in the Lease, Landlord shall give written notice thereof to Franchisor and Franchisor shall have the right (but not the obligation) to cure such default. Landlord shall not take any action with respect to such default under the Lease, including without limitation any action in order to terminate, rescind or avoid the Lease, for a period of fifteen (15) days following expiration of any cure period Franchisee may have under the Lease with respect to such default; provided, however, that in the case of any default which cannot with diligence be cured within said additional fifteen (15) day period, if Franchisor shall proceed promptly to cure such default and thereafter prosecute the curing of such default with diligence and continuity, the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of such default with diligence and continuity.

Landlord will recognize and accept the performance by Franchisor of any act or thing required to be done by Franchisee under the terms of the Lease and will accept such performance as if it were performed by Franchisee.

Landlord agrees that in any case commenced by or against Franchisee under the United States Bankruptcy Code, the Franchisor shall have standing to appear and act as a party to the Lease for purposes of the Bankruptcy Code, (but shall not have any obligations under the Lease unless Franchisor expressly assumes the Lease). Landlord shall, during Franchisee's bankruptcy case, serve on the Franchisor a copy of all notices, pleadings or documents which are given to Franchisee, and service shall be contemporaneous with and in the same manner as given to Franchisee. If the Lease or Franchisee's rights under the Lease are terminated, whether by reason of default of Franchisee or Landlord, rejection of the Lease in any bankruptcy case, voluntary surrender and acceptance, or otherwise, then Landlord shall give written notice of such termination to Franchisor. Franchisor or its nominee shall have the option, exercisable by written notice to Landlord delivered not later than the 30th day after written notice that the termination has occurred, to receive from Landlord a new lease of the Premises on the same terms and conditions as the Lease, for the remaining term of the Lease (that is, the portion of the term that would remain absent the termination and the conditions or events causing the same), and such same terms and conditions shall include any extension rights provided for in the Lease.

Any notice or other communication required or permitted to be given under this Assignment shall be in writing and addressed to the respective party as set forth below. Notices shall be effective (i) on the next business day if sent by a nationally recognized overnight courier service, (ii) on the date of delivery by personal delivery and (iii) on the date of transmission if sent by facsimile during business hours on a business day (otherwise on the next business day) (with receipt of confirmation). Any party may change the address at which it is to receive notices to another address in the United States at which business is conducted (and not a post-office box or other similar receptacle), by giving notice of such change of address in accordance with this provision.

Notices to Franchisor, Franchisee or Landlord shall be addressed as follows:

Landlord: _____

This Assignment may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same instrument. If any portion or portions of this Assignment shall be held invalid or inoperative, then all of the remaining portions shall remain in full force and effect, and so far as is reasonable and possible, effect shall be given to the intent manifested by the portion or portions held to be invalid or inoperative.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment under as of the date first above written.

FRANCHISEE:

Signature

Printed Name

Signature

Printed Name

LANDLORD:

By:_____

Its:_____

FRANCHISOR:

Burros & Fries Franchise, Inc.

By:_____

Its:_____

SCHEDULE 5
STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

- A. The following is a list of all managing partners, partners, members, managers, shareholders, other Owners, investors in Franchisee (including all investors who own or hold direct or indirect interest in Franchisee) as well as all Franchisee's Principals described in and designated pursuant to Section 19.B of the Franchise Agreement. A description of the nature of their interest is also provided below.

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>

- B. In addition to the persons listed in paragraph A, the following is a list of all Franchisee's Principals described in and designated pursuant to Section 19.B of the Franchise Agreement. Unless designated as a controlling Principal, each of Franchisee's Principals shall execute the Confidentiality Agreement in the form set forth in Schedule 8.

SCHEDULE 6 CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Agreement is made and entered into _____, 20____, between Burros & Fries Franchise, Inc., a California corporation (hereinafter referred to as “Franchisor/we/us/our”) and, _____(hereinafter referred to as “You”).

RECITALS:

WHEREAS, we have acquired the right to develop a unique system (the “System”) for the development and operation of a restaurant that serves Mexican dishes and a wide variety of sandwiches and other menu items under the name and mark “Burros & Fries” (“Mark”); and

WHEREAS, the System includes but is not limited to certain trade names, service marks, trademarks, symbols, logos, emblems, and indicia of origin, including, but not limited to the Mark and such other trade names, service marks, and trademarks as Franchisor may develop in the future to identify for the public the source of services and products marketed under such marks and under the System and representing the System’s high standards of quality, appearance and service standards; strategies for site acquisition, build-out, design and décor specifications; distinctive Products, Services, proprietary recipes, sauces,; specific food preparation techniques, methods, procedures including standards; specifications and purchasing strategies for all products, supplies and kitchen equipment; inventory management systems, vendors and supplier relationships, cost and pricing strategies, retail center setup, merchandising strategies, procedures for cleanliness, safety, sanitation and quality control; software, service methods and techniques, operational procedures, service standards, employee hiring, training and retention programs; menus, photographs of food, sales, advertising, marketing and promotional materials; forms, contracts, record keeping, reporting procedures and accounting methods all of which may be changed, improved and further developed by Franchisor from time to time and are used by Franchisor in the operation of the System (“Trade Secrets”); and

WHEREAS, the Trade Secrets provide economic advantages to us and are not generally known to and are not readily ascertainable by proper means by our competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, We have taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, We have granted You a limited right to manage and participate in the operation of a Business using the System and the Trade Secrets for the period defined in the Franchise Agreement made and entered into _____, 20____, (“Franchise Agreement”) between You and us; and

WHEREAS, You and we have agreed in the Franchise Agreement on the importance to us and to You and other licensed users of the System of restricting use, access and dissemination of the Trade Secrets; and

WHEREAS, it will be necessary for certain of You to have access to and to use some or all of the Trade Secrets in the management and operation of your Business using the System; and

WHEREAS, You have agreed to obtain from your staff written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, each member of your staff wishes to remain, or wishes to become a staff member; and

WHEREAS, You will receive and use the Trade Secrets in the course of operating your Business;

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. We shall disclose to You some or all of the Trade Secrets relating to the System.
2. You shall receive the Trade Secrets in confidence, maintain them in confidence and use them only in connection with the management and/or operation of your Business using the System for so long as you are licensed by us to use the System.
3. You shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without our express written permission.
4. You shall not at any time disclose or permit the disclosure of the Trade Secrets except to your staff members and then only to the limited extent necessary to train or assist your staff members in the management or operation of your Business using the System.
5. That all information and materials, including without limitation, build out drawings, specifications, techniques and compilations of data which we shall designate as confidential shall be deemed the Trade Secrets for the purposes of this Agreement.
6. You shall surrender the confidential Franchise Operations and Procedures Manual and such other manuals and written materials as we shall have developed ("Manuals") described in the Franchise Agreement and any other material containing some or all of the Trade Secrets to You by us, upon request, or upon expiration or termination of the Franchise Agreement, or upon conclusion of the use for which the Manuals or other information or material may have been furnished to your staff.
7. You shall not, directly or indirectly, commit any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.
8. The Manuals are loaned by us to You for limited purposes only and remain the property of ours and may not be reproduced, in whole or in part, without our written consent.
9. In further consideration for the disclosure to you of the Trade Secrets and to protect the uniqueness of the System, You agree that for two (2) years following the earlier of the expiration, termination or transfer of all of your interest in the Franchise Agreement you will not, without the prior written consent of us:
 - a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or guest of the Business to any competitor.
 - b. Employ or seek to employ any person who is at the time employed by us or any franchisee or developer of ours, or otherwise directly or indirectly induce such persons to leave that person's employment.

- c. Directly or indirectly, for yourself or through, on behalf of or in conjunction with any person, partnership or corporation, own, maintain, operate, engage in or have any financial or beneficial interest in (including interest in corporations, limited liability companies, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to, any business which is the same as or similar to the Burros & Fries Business including, but not limited to, the offering of products and services that are similar to the Products and Services which have been offered through the Business or is intended to be, located within a ten (10) mile radius of the Approved Location in the Franchise Agreement or of any Burros & Fries business (which includes company-owned businesses and/or other franchise businesses) in existence or under construction as of the expiration or termination of, or the transfer of all or your interest in, the Franchise Agreement.
10. You undertake to use your best efforts to ensure that your staff acts as required by this Agreement.
11. You agree that in the event of a breach of this Agreement, we would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, we shall be entitled to enforce this Agreement and shall be entitled, in addition to any other remedies which are available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.
12. You agree to pay all expenses (including court costs and reasonable legal fees) incurred by us and You in enforcing this Agreement.
13. Any failure by us or You to object or to take action with respect to any breach of this Agreement by You shall not operate or be construed as a waiver of or consent to that breach or any later breach by You.
14. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF CALIFORNIA. THE PARTIES AGREE THAT ANY ACTION BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY COURT, WHETHER FEDERAL OR STATE, SHALL BE BROUGHT IN CALIFORNIA IN THE JUDICIAL DISTRICT IN WHICH WE HAVE OUR PRINCIPAL PLACE OF BUSINESS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF, YOU OR WE MAY BRING SUCH ACTION IN ANY COURT IN THE STATE WHICH HAS JURISDICTION. THE PARTIES HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION.
15. The parties agree that each of the above covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having a valid jurisdiction in an unappealed final decision to which we are a party, You expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.
16. This Agreement contains the entire agreement of the parties regarding the subject matter herein. This Agreement may be modified only by a duly authorized amendment executed by all parties.
17. All notices and demands required to be given herein shall be in writing and shall be sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid or facsimile, telegram or telex (provided that the sender confirms the facsimile, telegram or telex by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties.

If directed to us, the notice shall be addressed to:

Burros & Fries Franchise, Inc.
4536 Bonita Rd.
Bonita, CA 91902
Attention: Fernando Ruiz
Telephone: (619) 773-6589

If directed to You, the notice shall be addressed to:

Attention: _____

Telephone: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile, telegram or telex shall be deemed given upon transmission, provided confirmation is made as provided above.

Any notices sent by expedited delivery service or certified or registered mail shall be deemed given three (3) business days after the time of mailing. Any change in the above addresses shall be effected by giving fifteen (15) days written notice of such change to the other party.

18. Our rights and remedies under this Agreement are fully assignable and transferable by us and shall inure to the benefit of our successors, assignees and transferees. The respective obligations of You and your staff herein are personal in nature and may not be transferred or assigned by you or your staff, as applicable.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

Burros & Fries Franchise, Inc.

You: _____

Printed Name: _____

Printed Name: _____

Signature: _____

Signature: _____

Title: _____

Title: _____

EXHIBIT B

DIRECTORY OF FEDERAL, STATE AND CANADIAN FRANCHISE REGULATORS

AGENTS FOR SERVICE OF PROCESS

EXHIBIT B

DIRECTORY OF FEDERAL AND STATE FRANCHISE REGULATORS

FEDERAL

FEDERAL TRADE COMMISSION

Division of Marketing Practices
Seventh and Pennsylvania Avenues N.W., Room 238
Washington, DC 20580
202-326-2970

STATE FRANCHISE REGULATORS & AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Financial Protection and Innovation
Commissioner of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
866-275-2677

FLORIDA

State Department of Agriculture and
Consumer Services
P.O. Box 6700, Suite 7200
Tallahassee, FL 32314-6700
850-410-3754

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
217-782-4465

MARYLAND

Securities Commissioner
Division of Securities
200 St. Paul Place, 20th Floor
Baltimore, Maryland 21202-2020
410-576-6360

CONNECTICUT

Connecticut Department of Banking
Securities Division
260 Constitution Plaza
Hartford, Connecticut 06103
800-831-7225

HAWAII

Commissioner of Securities of the State of Hawaii
Department of Commerce & Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
808-586-2727

INDIANA

Indiana Secretary of State
Securities Divisions
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
317-232-6681

MICHIGAN

Consumer Protection Division
Franchise Section
G. Mennen Williams Bldg., 1st Floor
525 W. Ottawa St.
Lansing, Michigan 48909
517-373-7117

MINNESOTA

Minnesota Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
651-539-1600

NORTH DAKOTA

Securities Commissioner
600 East Boulevard Avenue
5th Floor, Dept. 414
Bismarck, North Dakota 58505-0510
701-328-4712

SOUTH DAKOTA

Franchise Administrator
Division of Securities
124 S. Euclid Ave., Suite 104
Pierre, South Dakota 57501
605-773-4823

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main St, 9th Floor
Richmond, Virginia 23219
804-371-9733

State Administrator:
State Corporation Commission
1300 East Main St., 9th Floor
Richmond, Virginia 23219
804-371-9051

WISCONSIN

Franchise Registration
Division of Securities
345 W. Washington Avenue, 4th Floor
Madison, Wisconsin 53703
608-266-8557

NEW YORK

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
212-416-8222

NYS Department of Law
Investor Protection Bureau
28 Liberty St. 21st Fl
New York, NY 10005
212-416-8222

RHODE ISLAND

Department of Business Regulation
Division of Securities
1511 Pontiac Avenue Bldg. 69-2
Cranston, Rhode Island 02920
401-462-9527

TEXAS

Secretary of State
P.O. Box 12697
Austin, Texas 78711-2697
1019 Brazos
Austin, Texas 78701
512-463-5701

WASHINGTON

Securities Administrator
150 Israel Road SW
Tumwater, Washington 98501
360-902-8760

Mailing Address**PO Box 41200****Olympia WA 98504-1200**

EXHIBIT C

FRANCHISE DISCLOSURE QUESTIONNAIRE

EXHIBIT C

FRANCHISE DISCLOSURE QUESTIONNAIRE

As you know, Burros & Fries Franchise, Inc. (“we,” “us” or “Franchisor”) and you are preparing to enter into a Franchise Agreement for the operation of a Burros & Fries Franchised Business. The purpose of this Questionnaire 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.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed our Franchise Agreement and each exhibit and schedule attached to it?

Yes _____ No _____ Your Initials _____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes _____ No _____ Your Initials _____

If “No,” what parts of the Franchise Agreement do you not understand?
(Attach additional pages, if necessary)

3. Have you received and personally reviewed the Disclosure Document we provided to you?

Yes _____ No _____ Your Initials _____

4. Do you understand all of the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

If "No," what parts of the Disclosure Document do you not understand?
(Attach additional pages, if necessary)

5. Have you discussed the benefits and risks of operating a Franchised Business with an attorney, accountant or other professional advisor and do you understand those risks?

Yes _____ No _____ Your Initials _____

6. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____ Your Initials _____

7. Has any employee or other person speaking on our behalf made any statement or promise concerning the revenues, profits or operating costs of a Franchised Business operated by us or our franchisees?

Yes _____ No _____ Your Initials _____

8. Has any employee or other person speaking on our behalf made any statement or promise concerning the Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

9. 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 Franchised Business?

Yes _____ No _____ Your Initials _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the total amount of revenue a Franchised Business will generate?

Yes _____ No _____ Your Initials _____

11. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs you may incur in operating a Franchised Business that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

12. 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 Franchised Business?

Yes _____ No _____ Your Initials _____

13. 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 you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____ Your Initials _____

14. If you have answered “Yes” to any of questions 7 through 13, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

If you have answered “No” to all of questions 7 through 13, please leave the following lines blank.

15. Do you understand that in all dealings with you, our officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and the Franchisor?

Yes _____ No _____ Your Initials _____

You understand that your answers are important to us and we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

Franchise Applicant - Signature

Print Name

Date

EXHIBIT D

STATE ADDENDA

EXHIBIT D

**STATE LAW ADDENDA
TO
FRANCHISE DISCLOSURE DOCUMENT
AND
FRANCHISE AGREEMENT**

The following modifications are to the Burros & Fries Franchise, Inc., Disclosure Document and will supersede, to the extent then required by applicable state law, certain portions of the Franchise Agreement dated _____, 20____

**I. FRANCHISOR/FRANCHISEE RELATIONSHIP STATUTES
(Including Renewal and Termination Rights)**

For franchises governed by laws of the following states:

CALIFORNIA, COLORADO, HAWAII, ILLINOIS, INDIANA, IOWA, MARYLAND,
MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND, SOUTH DAKOTA,
VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise:

ARKANSAS	Stat. Section 4-72-201 to 4-72-210
CALIFORNIA	Corporations Code Sections 31000 to 31516
CONNECTICUT	Gen. Stat. Section 42-133e <i>et seq.</i>
DELAWARE	Code, Tit. 6, Ch. 25, Sections 2551-2556
HAWAII	Rev. Stat. Section 482E-1 <i>et seq.</i>
ILLINOIS	Rev. Stat. 815. ILCS 705/19 and 705/1 to 705/44
INDIANA	Stat. Sections 23-2-2.5.1 and 23-2-2.5.44
IOWA	Code Sections 523H.1523 to H.17
MARYLAND	Commercial Code Ann. 14-201 to 14-233
MICHIGAN	Stat. Section 445.1501 to 445.1545
MINNESOTA	Stat. Section 80C.01 to 80C.22
MISSISSIPPI	Code Section 75-24-51
MISSOURI	Stat. Section 407.400 <i>et seq.</i>
NEBRASKA	Rev. Stat. Section 87-401
NEW JERSEY	Stat. Section 56:10-1
NEW YORK	NY. Gen Bus 680 to 695
RHODE ISLAND	Gen. Laws 6-50-1 to 6-50-9
VIRGINIA	Code 13.1-557-57 to 13.1-574
WASHINGTON	Code Section 19.100.01 to 19.100.940
WISCONSIN	Stat. Section 135.01 to 135.065

These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

II. POST-TERM COVENANTS NOT TO COMPETE

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, HAWAII, ILLINOIS, INDIANA, MARYLAND,
MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND,
SOUTH DAKOTA, VIRGINIA, WASHINGTON, WISCONSIN

These states have statutes which limit the Franchisor’s ability to restrict your activity after the Franchise Agreement has ended.

California Business and Professions Code	Section 16,600
Michigan Compiled Laws	Section 445.771 <i>et seq.</i>
Montana Codes	Section 30-14-201
North Dakota Century Code	Section 9-08-06
Oklahoma Statutes	Section 15-217-19
Washington Code	Section 19.86.030

Other states have court decisions limiting the Franchisor's ability to restrict your activity after the Franchise Agreement has ended.

III. TERMINATION UPON BANKRUPTCY

For franchises governed by laws of the following states:

CALIFORNIA, CONNECTICUT, ILLINOIS, INDIANA, MARYLAND,
MICHIGAN, MINNESOTA, NEW YORK, VIRGINIA, WASHINGTON,
WISCONSIN

A provision in the Franchise Agreement which terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

IV. LIQUIDATED DAMAGES PROVISIONS

The following states have statutes which restrict or prohibit the imposition of liquidated damages provisions:

CALIFORNIA	Civil Code Section 1671
INDIANA	IC 23.2-2.5-2
MINNESOTA	Rule 2860.4400

State courts also restrict the imposition of liquidated damages. The imposition of liquidated damages is also restricted by fair practice laws, contract law, and state and federal court decisions.

For franchises governed by the laws of the state of MINNESOTA, liquidated damage provisions are void.

V. STATE ADDENDUMS

The following are Addendums for Franchises governed by the laws of the respective states as follows:

CALIFORNIA

The registration of this franchise offering by California Department of Financial Protection and Innovation does not constitute approval, recommendation or endorsement by the commissioner.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the Disclosure Document.

Neither FRANCHISOR nor any of the persons affiliated with FRANCHISOR set forth in Item 2 of the Disclosure Document are subject to any currently effective order of any National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78, et seq. suspending or expelling such

persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.)

The Franchise Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The franchise agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California with the costs being borne by the prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the law of California. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires us to give you a disclosure document, in a form and containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31 000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

OUR URL IS: WWW.BURROSANDFRIES.COM OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT WWW.DFPI.CA.GOV

FRANCHISOR: Burros & Fries Franchise, Inc.

Signed: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE:

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

Signed: _____

Name: _____

Date: _____

EXHIBIT E

OPERATIONS MANUAL

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OPERATIONS MANUAL

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ARTICLE 23	Promotions, Marketing and Advertising	206	(20 pages)
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Total Pages in Operations Manual:		(260 pages)	

EXHIBIT F

Reserved

EXHIBIT G

List of Franchisees

Veronica & Roberto Medina
Burros & Fries
1325 East Plaza Blvd.
National City, CA 91950

Brenda Robles Sanchez & Jose' Luis Hernandez
Burros & Fries
3404 Palm Ave., Ste. 100A
San Diego, CA 92154

Burros & Fries
255 Marketplace Ave., Ste. C3
San Diego, CA 92113

Silvia Ibarra & Jose' Luis Gutierrez
Burros & Fries
9211 Clairemont Mesa Blvd, Unit 106
San Diego, CA 92123

EXHIBIT H

Franchisees Who Left the System

SINCE THIS IS A NEW FRANCHISE OFFERING, NO FRANCHISEES HAVE LEFT THE FRANCHISE SYSTEM AS OF THE DATE OF THE DISCLOSURE DOCUMENT.

EXHIBIT I

Financial Statements



To the Shareholders of
Burros & Fries Franchise, Inc.
145 Willow Street, Suite 210
Bonita CA 91902

We consent to the use in the franchise offering and in the Franchise Disclosure Document issued by Burros & Fries Franchise, Inc. ("Franchisor") dated February 20, 2020, as it may be amended, of our report dated February 7, 2020, with respect to the financial statements of Burros & Fries Franchise, Inc. as of January 31, 2020, and for the period from November 18, 2019 (Inception) to January 31, 2020. This consent should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such report.

Hanna, CPA
Hanna, CPA
Chino Hills, California
February 7, 2020

BURROS & FRIES FRANCHISE, INC.

Financial Statements

**As of January 31, 2020
And For The Period From November 18, 2019 (inception) to January 31, 2020**

with

Independent Auditors' Report Thereon



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BURROS & FRIES FRANCHISE, INC.

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**Financial Statements:
As of January 31, 2020
And For The Period from November 18, 2019 (inception) to January 31, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Burros & Fries Franchise, Inc.
Bonita, California

We have audited the accompanying financial statements of Burros & Fries Franchise, Inc., which comprise the balance sheet as of January 31, 2020, and the related statements of operations, stockholders' equity, and cash flows for the period from November 18, 2019 (inception) to January 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burros & Fries Franchise, Inc. as of January 31, 2020, and the related statements of operations, stockholders' equity, and cash flows for the period from November 18, 2019 (inception) to January 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

Hanna, CPA
Hanna, CPA
Chino Hills, California
February 7, 2020

BURROS & FRIES FRANCHISE, INC.

BALANCE SHEET

ASSETS		Janaury 31, 2020
Current assets:		
Cash	\$	65,100
Total current assets		<u>65,100</u>
Total assets	\$	<u><u>65,100</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$	<u>-</u>
Total liabilities		<u>-</u>
Commitments and contingencies		
Common stock, no par value, 100,000 shares authorized, issued and outstanding		-
Additional paid-in capital		65,100
Retained earnings		<u>-</u>
Total stockholders' equity		<u><u>65,100</u></u>
Total liabilities and stockholders' equity	\$	<u><u>65,100</u></u>

See independent auditor's report and
accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

STATEMENT OF OPERATION

		For The Period From November 18, 2019 (inception) to January 31, 2020
Revenues:		
Franchise fees	\$	-
Advertising fee income		-
Royalty income		-
Total revenues	\$	-
Operating expenses:		
Advertising and promotions		-
State tax		-
Legal and professional services		-
Dues and Subscriptions		-
Total operating expenses		-
Total operating income (loss)		-
Net Income (loss)	\$	-

See independent auditor's report and
accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

For The Period From November 18, 2019 (inception) to January 31, 2020

	<u>Common Stocks</u>		Additional paid- in capital	Retained Earnings	Total
	<u>Stocks</u>	<u>Amount</u>			
Issuance of stocks -November 18, 2019	100,000	\$ -	\$ 65,100	\$ -	\$ 65,100
Net income (loss)	-	-	-	-	-
Balance, January 31, 2020	<u>100,000</u>	<u>\$ -</u>	<u>\$ 65,100</u>	<u>\$ -</u>	<u>\$ 65,100</u>

See independent auditor's report
and accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

STATEMENT OF CASH FLOWS

		For The Period From November 18, 2019 (inception) to January 31, 2020
Cash flows from operating activities		
Net income (loss)	\$	-
Adjustments to reconcile net loss to net cash used by operating activities:		
Changes in operating assets and liabilities:		
Franchise deposit		-
Net cash flows provided by (used in) operating activities		-
Cash flows from Investing activities		
Purchase of purchase of fixed assets		-
Net Cash flows used in investing activities		-
Cash flows from financing activities		
Proceeds from stock issuance		65,100
Stockholders contribution		-
Net cash flows provided by financing activities		65,100
Net increase/decrease in cash and cash equivalent		65,100
Cash at beginning of period		-
Cash at end of period	\$	65,100
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$	-
Income tax	\$	-

See independent auditor's report and
accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Period From November 18, 2019 (inception) to January 31, 2020

NOTE 1 – BUSINESS ACTIVITY

Burros & Fries Franchise, Inc. was formed in the state of California on November 18, 2019; the Company is in the business of offering franchises for the operation of a Fresh Mexican Grill restaurant that offers a variety of Mexican plates, burritos, tacos, sodas and other drinks. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to Burros & Fries Franchise, Inc.

The Company is in its initial start-up phase and is currently in the process of acquiring franchisees to operate in various states.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company’s revenue recognition policies are in compliance with FASB ASC 605-35 “Revenue Recognition”. Revenue is recognized when a formal arrangement exists, the price is fixed or determinable, all obligations have been performed pursuant to the terms of the formal arrangement and collectability is reasonably assured.

Franchise fees, which are typically received prior to completion of the revenue recognition process, are initially recorded as deferred revenue. Initial franchise fees, which are non-refundable, are recognized as income when substantially all services to be performed and conditions relating to the sale of the franchise have been performed or satisfied, which generally occurs when the franchised location commences operations or starts selling memberships.

The following services are typically provided by the Company prior to the opening of a franchised location:

- Approval of all site selections to be developed.
- Provision of architectural plans to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the location.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations of the location being developed.

Concentrations of Credit Risk

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

See independent auditors’ report

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Period From November 18, 2019 (inception) to January 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years.

Long-Lived Assets

The Company reviews long-lived assets to be held and used by an entity for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As there are no owned assets for the period ended January 31, 2020, no impairment of the carrying values of its long-lived assets existed at January 31, 2020. There can be no assurance, however, that demands for the Company's products or market conditions will not change which could result in impairment losses in the future.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP"). The preparation of these financial statements 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

Fair Value of Financial Assets and Liabilities

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as 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. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

See independent auditors' report

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Period From November 18, 2019 (inception) to January 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

Income Taxes

Deferred taxes are provided on liability method whereby deferred tax assets are recognized for deductible temporary differences and operating losses and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The deferred tax liability relates primarily to differences in methods of accounting for long-term contracts for financial reporting and income tax purposes. The deferred tax asset is adjusted for the effects of changes in tax laws and rates on the date of the enactment.

Recently Issued and Adopted Accounting Pronouncements

The Company's management has evaluated recently issued accounting pronouncements through the date of this report and concluded that they will not have a material effect on the financial statements as of January 31, 2020.

In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing and uncertainty of the revenue recorded. There are two basic transition methods that are available – full retrospective, or modified retrospective transition methods. We adopted the standards using the modified retrospective approach. The Company does not believe that the adoption of this new accounting standard to have a material impact on its financial position and results of operations.

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for

See independent auditors' report

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Period From November 18, 2019 (inception) to January 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs (e.g. commissions). The Company does not believe that the adoption of this new accounting standard to have a material impact on its financial position and results of operations.

The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

NOTE 3 – STOCKHOLDERS' EQUITY

During the period ended January 31, 2020, the Company issued 100,000 Shares for a total consideration of \$65,100 recorded as additional paid-in capital.

NOTE 4 – INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The provision differs from the expense that would result from applying federal statutory rates to income before income taxes primarily due to state income taxes and certain non-deductible expenses.

NOTE 5 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 7, 2020, the date which the financial statements were available to be issued and nothing has occurred that would require disclosure.

See independent auditors' report



To the Shareholders of
Burros & Fries Franchise, Inc.
145 Willow Street, Suite 210
Bonita CA 91902

We consent to the use in the franchise offering and in the Franchise Disclosure Document issued by Burros & Fries Franchise, Inc. ("Franchisor") dated March 31, 2021, as it may be amended, of our report dated March 26, 2021, with respect to the financial statements of Burros & Fries Franchise, Inc. as of December 31, 2020, and for the year then ended. This consent should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such report.

Hanna, CPA
Hanna, CPA
Chino Hills, California
March 26, 2021

BURROS & FRIES FRANCHISE, INC.

Financial Statements

As of December 31, 2020

with

Independent Auditors' Report Thereon



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BURROS & FRIES FRANCHISE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Burros & Fries Franchise, Inc.
Bonita, California

We have audited the accompanying financial statements of Burros & Fries Franchise, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burros & Fries Franchise, Inc. as of December 31, 2020, and the related statements of income, stockholders' equity, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hanna, CPA
Hanna, CPA
Chino Hills, California
March 26, 2021

BURROS & FRIES FRANCHISE, INC.

BALANCE SHEET

ASSETS	December 31, 2020
Current assets:	
Cash	\$ 97,900
Total current assets	97,900
Total assets	<u>\$ 97,900</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued liabilities	\$ -
Total liabilities	-
Commitments and contingencies	
Common stock, no par value, 100,000 shares authorized, issued and outstanding	-
Additional paid-in capital	33,273
Retained earnings	64,627
Total stockholders' equity	<u>97,900</u>
Total liabilities and stockholders' equity	<u>\$ 97,900</u>

See independent auditor's report and
accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

STATEMENT OF OPERATION

	For The Period From January 1, 2020 to December 31, 2020
Revenues:	
Franchise fees	\$ 35,000
Royalty income	31,827
Total revenues	<u>\$ 66,827</u>
Operating expenses:	
Legal and professional services	2,200
Total operating expenses	<u>2,200</u>
Total operating income (loss)	<u>64,627</u>
Net Income (loss)	<u><u>\$ 64,627</u></u>

See independent auditor's report and
accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

For The Period From January 1, 2020 to December 31, 2020

	<u>Common Stocks</u>		Additional paid- in capital	Retained Earnings	Total
	<u>Stocks</u>	<u>Amount</u>			
Balance, January 1, 2020	-	-	-	-	-
Issuance of stocks	100,000	\$ -	\$ 65,100	\$ -	\$ 65,100
Shareholders withdrawal	-	-	(31,827)	-	(31,827)
Net income (loss)	-	-	-	64,627	64,627
Balance, December 31, 2020	<u>100,000</u>	<u>\$ -</u>	<u>\$ 33,273</u>	<u>\$ 64,627</u>	<u>\$ 97,900</u>

See independent auditor's report
and accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

STATEMENT OF CASH FLOWS

	For The Period From January 1, 2020 to December 31, 2020
Cash flows from operating activities	
Net income (loss)	\$ 64,627
Adjustments to reconcile net loss to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Franchise deposit	-
Net cash flows provided by (used in) operating activities	64,627
Cash flows from Investing activities	
Purchase of purchase of fixed assets	-
Net Cash flows used in investing activities	-
Cash flows from financing activities	
Proceeds from stock issuance	65,100
Shareholders withdrawals	(31,827)
Net cash flows provided by financing activities	33,273
Net increase/decrease in cash and cash equivalent	97,900
Cash at beginning of period	-
Cash at end of period	\$ 97,900
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	\$ -
Income tax	\$ -

See independent auditor's report and
accompanying notes to financial statements

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

NOTE 1 – BUSINESS ACTIVITY

Burros & Fries Franchise, Inc. was formed in the state of California on November 18, 2019; the Company is in the business of offering franchises for the operation of a Fresh Mexican Grill restaurant that offers a variety of Mexican plates, burritos, tacos, sodas and other drinks. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to Burros & Fries Franchise, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company’s revenue recognition policies are in compliance with accounting standard ASC Topic 606, “Revenue from Contracts with Customers”. The new guidance includes the following five-step revenue recognition model:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

In 2020, the Financial Accounting Standards Board (FAB) issued Accounting Standards Update (ASU), *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchisee as a single performance obligation if the services are in line with the services listed within the guidance, and they meet certain other conditions.

The Company recognizes franchise royalties and system advertising on a monthly basis, which are generally based upon a percentage of sales made by the Company’s franchisees, when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- Approval of all site selections to be developed.
- Provision of architectural plans to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the location.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations of the location being developed.

Concentrations of Credit Risk

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

See independent auditors’ report

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Long-Lived Assets

The Company reviews long-lived assets to be held and used by an entity for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As there are no owned assets for the years ended December 31, 2020, no impairment of the carrying values of its long-lived assets existed at that period. There can be no assurance, however, that demands for the Company's products or market conditions will not change which could result in impairment losses in the future.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years.

Income Taxes

Deferred taxes are provided on liability method whereby deferred tax assets are recognized for deductible temporary differences and operating losses and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The deferred tax liability relates primarily to differences in methods of accounting for long-term contracts for financial reporting and income tax purposes. The deferred tax asset is adjusted for the effects of changes in tax laws and rates on the date of the enactment.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP"). The preparation of these financial statements 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

See independent auditors' report

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value of Financial Assets and Liabilities

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as 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. ASC

Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

Recently Issued and Adopted Accounting Pronouncements

The Company's management has evaluated recently issued accounting pronouncements through the date of this report and concluded that they will not have a material effect on the financial statements as of December 31, 2020.

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs (e.g. commissions). The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. The Company does not believe that the adoption of this new accounting standard to have a material impact on its financial position and results of operations.

See independent auditors' report

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In June 2020, the Financial Accounting Standards Board released an accounting standard update providing a one-year effective date delay for private companies to apply the revenue recognition and lease standards, due to the COVID-19 pandemic. The update enables private companies that have not yet applied the revenue recognition standard to do so for annual reporting periods starting after December 15, 2019.

The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. In response to the COVID-19 outbreak, “shelter in place” orders and other public health measures have been implemented across much of the United States.

The COVID-19 global pandemic continues to rapidly evolve. The Company is continually monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread and its impact on operations, financial position, cash flows, supply chains, purchasing trends, customer’s payments, and the industry in general, in addition to the impact on its employees.

Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Company’s operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Company, at the time of issuance, the impact could not be determined. Due to the impact the Company has limited its operations as mandated by each state.

NOTE 3 – STOCKHOLDERS’ EQUITY

During the year ended December 31, 2020, the Company has 100,000 Shares authorized, issued and outstanding.

NOTE 4 – INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The provision differs from the expense that would result from applying federal statutory rates to income before income taxes primarily due to state income taxes and certain non-deductible expenses.

See independent auditors’ report

BURROS & FRIES FRANCHISE, INC.

NOTES TO FINANCIAL STATEMENTS

For The Year Ended December 31, 2020

NOTE 5 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 26, 2021, the date which the financial statements were available to be issued and nothing has occurred that would require disclosure.

See independent auditors' report



Prudhomme Associates CPAs

A Professional Corporation

43460 Ridge Park Drive, Suite 220
Temecula, CA 92590

Member: AICPA, CSCP

To the Shareholder of
Burros & Fries Franchise, Inc.
4536 Bonita Rd.
Bonita, CA 91902

We hereby consent to the use of our **Independent Auditor's Report** dated June 22, 2022, relating to the financial statements of Burros & Fries Franchise, Inc. for the period ending December 31, 2021, with the Franchise Disclosure Document which was issued by Burros & Fries Franchise, Inc. (Franchisor) on June 30, 2022, or as it may be amended, and with the Burros & Fries Franchise, Inc. Franchise Renewal Application.

Prudhomme Associates CPAs

Temecula, CA
June 30, 2022

BURROS & FRIES FRANCHISE, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021



Prudhomme Associates CPAs

A Professional Corporation

43460 Ridge Park Drive, Suite 220

Temecula, CA 92590

Member: AICPA, CSCP

INDEPENDENT AUDITOR'S REPORT

To the Stockholders' of
Burros & Fries Franchise, Inc.
Bonita, California

Opinion

We have audited the financial statements of Burros & Fries Franchise, Inc., which comprise the balance sheet as of December 31, 2021, and the related statement of operations and retained earnings and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Burros & Fries Franchise, Inc. as of December 31, 2021 and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Burros & Fries Franchise, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Burros & Fries Franchise, Inc.'s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Burros & Fries Franchise, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Burros & Fries Franchise, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Temecula, California
June 22, 2022

BURROS & FRIES FRANCHISE, INC.
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS:

Cash	\$ 115,271
Franchise fees receivable, net of \$0 allowance	8,750
Royalties receivable, net of \$0 allowance	<u>12,442</u>

TOTAL CURRENT ASSETS	<u>136,463</u>
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OTHER ASSETS:

Franchise development costs, net of accumulated amortization of \$2,430	19,445
Deferred tax asset	18,936
Due from shareholder	<u>61,969</u>

TOTAL OTHER ASSETS	<u>100,350</u>
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TOTAL ASSETS	<u><u>\$ 236,813</u></u>
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BURROS & FRIES FRANCHISE, INC.
BALANCE SHEET
DECEMBER 31, 2021

LIABILITIES AND EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	\$ 7,500
Income taxes payable	<u>31,947</u>

TOTAL CURRENT LIABILITIES	<u>39,447</u>
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OTHER LIABILITIES

Deferred franchise fees	<u>116,230</u>
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TOTAL LIABILITIES	<u>155,677</u>
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STOCKHOLDERS' EQUITY:

Common stock, no par value, 100,000 shares authorized, issued and outstanding	-
Additional paid-in capital	65,100
Retained earnings	<u>16,036</u>

TOTAL STOCKHOLDERS' EQUITY	<u>81,136</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 236,813</u></u>
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BURROS & FRIES FRANCHISE, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2021

REVENUES		
Franchise fees	\$ 11,083	8.5 %
Royalty fees	92,807	71.5
Other income	<u>25,935</u>	<u>20.0</u>
TOTAL REVENUES	<u>129,825</u>	<u>100.0</u>
OPERATING EXPENSES		
Amorization	1,458	1.1
Filing fees	450	0.3
Legal and accounting	14,464	11.1
Management fees	63,000	48.5
Merchandise and signs	2,327	1.8
Utilities	<u>1,629</u>	<u>1.3</u>
TOTAL OPERATING EXPENSES	<u>83,328</u>	<u>64.2</u>
NET INCOME FROM OPERATIONS BEFORE TAXES	46,497	35.8
PROVISION FOR INCOME TAXES	<u>13,011</u>	<u>10.0</u>
NET INCOME	33,486	<u>45.8</u>
BEGINNING RETAINED EARNINGS, AS PREVIOUSLY REPORTED	64,627	
PRIOR PERIOD ADJUSTMENTS OF RETAINED EARNINGS	<u>(82,077)</u>	
ENDING RETAINED EARNINGS	<u><u>\$ 16,036</u></u>	

See notes to financial statements.

BURROS & FRIES FRANCHISE, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 33,486
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization	1,458
(Increase) decrease in:	
Franchise receivable	8,750
Other receivables	(6,872)
Deferred tax asset	(18,936)
Increase (decrease) in:	
Accrued expenses	3,000
Income taxes payable	21,902
Deferred franchise fees	50,167

NET CASH PROVIDED BY OPERATING ACTIVITIES	92,955
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CASH FLOWS FROM FINANCING ACTIVITIES:

Shareholder advances	(75,584)
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NET CASH PROVIDED BY FINANCING ACTIVITIES	(75,584)
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NET INCREASE (DECREASE) IN CASH	17,371
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CASH, BEGINNING OF YEAR	97,900
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CASH, END OF YEAR	\$ 115,271
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SUPPLEMENTAL INFORMATION :

Cash paid during the year for:

Interest	\$ -
Income taxes	\$ 19,285

See notes to financial statements.

BURROS & FRIES FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Burros & Fries Franchise, Inc. (the “Company”) was formed in the state of California on November 18, 2019. The Company is in the business of offering franchises for the operation of a fresh Mexican grill restaurant that offers a variety of Mexican foods and drinks.

Basis of Presentation

The Company prepares its financial statements following the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Under this method, revenues are recorded in the period in which they are earned rather than when received and expenses are recorded in the period incurred rather than when paid. The financial statements have been prepared using historical cost and fair value bases as discussed in the applicable accounting policies.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates.

Concentrations of Credit Risk

From time to time total cash and cash equivalents deposited with third party financial institutions by the Company may exceed the \$250,000 maximum covered by the Federal Depository Insurance Corporation (FDIC). It is the opinion of management that the solvency of these financial institutions is not of particular concern at this time.

Cash and Cash Equivalents

The Company considers financial instruments with maturities of less than 90 days to be cash equivalents for purposes of the statement of cash flows.

BURROS & FRIES FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables (less the allowance for doubtful accounts) are recorded at net realizable value. The amounts of receivables reported in the financial statements approximates fair value. The receivable represents the Company's unconditional right to receive consideration arising from their performance under contracts with franchisees. Management considers the probability of collection of receivables, taking into account specific circumstances of franchisees as well as general economic factors, when determining whether an allowance for doubtful accounts. Management considers all receivables to be collectible at December 31, 2021, therefore the allowance for doubtful accounts is zero.

Franchise fees receivable are the result of short-term financing of franchise fees due upon signing the franchise agreement. Net receivables from franchisees were \$17,500 at January 1, 2021 and \$8,750 at December 31, 2021.

Royalties receivable from franchisees were \$5,570 at January 1, 2021 and \$12,442 at December 31, 2021.

Revenue Recognition

Revenue from sales of individual franchises is collected at signing of the franchise agreement and recognized ratably over the term of the franchise. The standard term is ten years. The remainder of fees received are recorded as deferred revenue and included on the balance sheet. Franchise fees are not refundable. Therefore, even though services are to be provided by the Company prior to the opening of a franchised location, a portion of revenue will be recognized in the year received, whether the restaurant has commenced services in that year or at a later date. Pre-opening services provided by the Company are not considered to be a separate performance obligation. These services include:

- Approval of all site selections to be developed.
- Provision of architectural plans to be developed.
- Assistance in establishing building design specifications, reviewing construction compliance and equipping the location.
- Provision of management training for the new franchisee and selected staff.
- Assistance with the initial operations of the location being developed.

The Company recognizes royalties and system advertising on a monthly basis, which are based on a percentage of sales made by the Company's franchisees, when they are earned and deemed collectible.

BURROS & FRIES FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 – INTANGIBLE ASSETS

The Company incurred franchisor development costs during 2020. This consists of services required by the Company to create a comprehensive franchise program and includes legal fees, development of franchise documents, marketing and filing services. Completed costs are \$21,875. Accumulated amortization at December 31, 2021 is \$2,430.

The amortization for development costs is 15 years. Amortization expense for the year ended December 31, 2021 was \$1,458. Estimated future five-year amortization expense for development costs is \$1,458 per year for a total amount of \$7,290.

NOTE 3 – RELATED PARTY TRANSACTIONS

During 2021, the Company advanced the shareholder a net of \$75,584. Balance due from shareholder at December 31, 2021 is \$61,969.

The Company pays monthly fees to related parties owned by the Shareholder for management and consulting services. The Company paid \$63,000 for the year ending December 31, 2021.

NOTE 4– PROVISION FOR INCOME TAXES

The Company's provision for income taxes for the year ended December 31, 2021 represents \$8,901 provision for Federal taxes and \$4,110 provision for California Franchise taxes calculated at statutory tax rates.

The Company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The difference primarily relates to recognition of franchise fees. Deferred tax asset represents the future tax consequence for those differences. The deferred tax asset at December 31, 2021 is \$18,936.

Income Tax Positions

The Company has taken tax positions in the current and prior years with respect to various transactions entered into the ordinary course of business that management believes are appropriate in the circumstances.

BURROS & FRIES FRANCHISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4– PROVISION FOR INCOME TAXES (CONTINUED)

Income Tax Positions (Continued)

In the event of an audit by federal or state taxing authorities, these positions could be challenged by tax authorities. Any related adjustments to the Company's taxable income would be taxable at statutory rates and subject to utilization of net operating loss carryforwards. Management believes that tax positions it has taken would be sustained in the event of an audit and that any resultant tax would be immaterial to the financial statements of the Company taken as a whole. No tax years are currently under audit. Tax years 2020 through 2021 are currently open for examination by taxing authorities. The Company's policy regarding any interest and penalties associated with its tax position is to recognize amounts separately as interest and penalties expense, respectively.

NOTE 5– CORRECTION OF ERRORS

The accompanying financial statements of Burros & Fries Franchise, Inc. have been restated to correct errors made in the prior year. The errors relate to overstatement franchise fees of revenues and understatement of legal expenses and amortization and an understatement of income tax provision. The net result was an overstatement of net income of \$50,249, after effect of income taxes. Ending retained earnings at December 31, 2020 have been adjusted by \$82,077 for the effect of the restatement on the prior year.

NOTE 6– SUBSEQUENT EVENTS

Events or transactions that occurred after December 31, 2021 up through June 22, 2022, the date the Company's financial statements were available to be issued, were reviewed for subsequent event accounting and disclosure. During this period, management believes there were no material subsequent events.

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
California	April 12, 2021

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.

Receipt

RETURN THIS SIGNED COPY TO THE FRANCHISOR

ACKNOWLEDGMENT OF RECEIPT FOR FDD

**Franchise Disclosure Document [FDD]
BURROS & FRIES FRANCHISE, INC.**

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF BURROS & FRIES FRANCHISE, INC., OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU FOURTEEN (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 BURROS & FRIES FRANCHISE, INC., 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 THE APPROPRIATE STATE AGENCY AS IDENTIFIED ON **EXHIBIT B** OF THIS DISCLOSURE DOCUMENT.

Burros & Fries Franchise, Inc.'s franchise seller is Fernando Ruiz at 4536 Bonita Rd., Bonita, CA 91902, Phone (619) 773-6589.

Issuance Date: June 30, 2022.

I received a Burros & Fries Franchise, Inc. Disclosure Document dated _____, 2022, that included the following Exhibits:

- A Franchise Agreement with attached Schedules
- B List of State Agencies and Regulators
- C Franchise Disclosure Questionnaire
- D State Addenda
- E Operations Manual Table of Contents
- F Reserved
- G List of Franchisees
- H Franchisees Who Have Left the System
- I Financial Statements
- Receipt

Date

Recipient/Franchise Applicant

RETURN THIS SIGNED FORM TO THE FRANCHISOR. Mail to: Burros & Fries Franchise, Inc., 4536 Bonita Rd., Bonita, CA 91902 Email to: fer@burrosandfries.com

APPLICANT COPY

**ACKNOWLEDGMENT OF RECEIPT FOR FDD
Franchise Disclosure Document [FDD]
BURROS & FRIES FRANCHISE, INC.**

THIS DISCLOSURE DOCUMENT SUMMARIZES PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

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- G List of Franchisees
- H Franchisees Who Have Left the System
- I Financial Statements
- Receipt

Date

Recipient/Franchise Applicant

THIS SIGNED FORM REMAINS WITH THE FRANCHISE APPLICANT