

FRANCHISE DISCLOSURE DOCUMENT



Barrio Nation LLC
an Ohio limited liability company
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Cleveland, Ohio 44102
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Barrio Nation LLC offers franchises to operate a fast-casual restaurant serving build-your-own tacos and bowls and modern alcoholic and non-alcoholic beverages using fresh, flavorful, high-quality ingredients in a unique, lively atmosphere.

The total investment necessary to begin operation of a single restaurant franchise ranges from \$889,197 to \$1,357,797 for the first franchise purchased and from \$864,197 to \$1,347,797 for each additional franchise. This includes \$15,000 to \$40,000 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Richard Ledbetter, Director of Franchise Operations and Finance, at 3190 West 63rd Street, Cleveland, Ohio 44102, and ph. (216) 400-7141.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or

by writing to the FTC at 600 Pennsylvania Avenue, 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.

Issuance Date: April 30, 2024

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 D.
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 E 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 Barrio restaurant 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 Barrio restaurant franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

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 Ohio. 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 Ohio than in your own state.

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.

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE
MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Should the prospective franchisee have any questions regarding the notice of this filing with the attorney general, such questions should be addressed to the Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Section, P.O. Box 30213, Lansing, MI 48909. (517) 373-7117.

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Item 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The franchisor is Barrio Nation LLC. For ease of reference in this Disclosure Document, Barrio Nation LLC will be referred to as “Barrio,” “we,” or “us.” “You” means the franchisee, person, or legal business entity (including a corporation, partnership, limited liability company, or other legal entity [collectively, “legal entity”]) and its owners, officers, and directors, that is buying the franchise.

We are an Ohio limited liability company formed on October 14, 2021. We began offering Barrio franchises in December, 2021. Our principal business address is 3190 W. 63rd. St., Cleveland, OH 44102. We operate under our limited liability company name, Barrio Nation LLC, the names “Barrio” and “Barrio tacos + tequila + whiskey,” and no other name. See Exhibit A for our agents for service of process.

We offer and sell the Barrio franchises described in this Disclosure Document, and have not conducted any other types of business. We have not operated, nor do we currently operate, any businesses like the franchises described in this Disclosure Document, or in any other line of business. We have not offered, nor do we currently offer, franchises in any other line of business.

Our Predecessors, Parents and Affiliates

We have the following parent and predecessor: Barrio Bros., LLC began doing business under the Barrio name on September 11, 2017 (“Barrio Bros.”). Barrio Bros.’s principal business address is 3190 W. 63rd Street, Cleveland, Ohio 44102.

Barrio Bros. owns and operates, through subsidiary and affiliated companies, seven Barrio restaurants located in Lakewood, OH (since 2013), Cleveland-Tremont, OH (since 2012), Cleveland-Gateway, OH (since 2015), Kent, OH (since 2019), Cleveland Heights, OH (since 2017), Willoughby, OH (since 2018), and Strongsville, OH (since 2021). Barrio Bros. also co-owns and operates a Barrio restaurant located in Portsmouth, New Hampshire (since 2018). Barrio Bros. additionally licenses the operation of several Barrio-branded concession stands in the following locations: (a) Progressive Field, a Major League Baseball stadium located in Cleveland, Ohio (since 2018); and (b) Ohio Stadium, a college football stadium located in Columbus, Ohio (since 2021), all of which operate under a different model than our franchised restaurants.

Barrio Bros. owns, through a subsidiary company, food truck operations that offer food and beverages similar to the food and beverages offered by Barrio restaurants. This business operates 5 food trucks throughout the Cleveland, OH area, and has been in operation since 2017.

Barrio Bros. also owns, through a subsidiary company, a catering operation that offers off-site catering of food and beverages similar to the food and beverages offered by Barrio restaurants. This business operates throughout the Cleveland, OH area, and has been in operation since 2017.

Neither Barrio Bros. nor any of its predecessors or affiliates has offered or sold, and does not currently offer or sell, the Barrio franchises described in this Disclosure Document or franchises in any other line of business, but they reserve the right to do so in the future.

The Business

We grant to each franchisee a license to use our names, marks, and systems to operate a restaurant offering build-your-own tacos and bowls that are made to order and unique alcoholic (namely, margaritas and other tequila and whiskey based-cocktails) and non-alcoholic beverages.

Barrio is about serving the best in Tacos + Tequila + Whiskey in a very high-vibe atmosphere. Our restaurants feature unique artwork and décor, our menu is straightforward and aligned with current culinary and dietary trends, and our concept appeals to a broad demographic base of individuals, families, professionals, and students, both young and old. Our build-your-own tacos and bowls are scratch-made from only high quality, fresh and flavorful ingredients that have won the brand numerous national awards and accolades. The build-your-own approach allows customers to use our creative chits to custom order our genuine, deliciously-made tacos along with our cutting-edge margaritas and other specialty drinks.

Barrio restaurant franchises can succeed in both urban and suburban areas, and can be located in traditional shopping malls, strip malls, mixed-use developments and stand-alone locations. Regardless of location, the Barrio restaurant franchise must have ample parking for patrons and be in a high traffic environment.

The Franchises Offered

We currently offer one type of franchise: Barrio restaurant franchises. We have offered these franchises since December 2021.

We franchise the right to operate a single restaurant that must be physically located in a designated geographic area (the “Protected Territory”) under the “Barrio” name and other authorized names and marks (the “Marks”), using a system of distinctive operating procedures, methods, and standards that we have developed (the “System”). Our System includes (1) multiple potential revenue streams, including various dayparts, dine-in, take-out, catering and online and mobile ordering, (2) extensive classroom and hands-on training covering key aspects of running the business, (3) real estate and construction support from an experienced team who can provide guidance on site selection, construction, interior design and more, (4) pre-approved supplier relationships for necessary foods, paper goods and equipment, (5) operations support through an assigned franchise director to assist in operational procedures, training and overall development, and (6) marketing support, with a holistic approach to generate buzz through social media, direct mail, and other channels.

You will sign our standard franchise agreement attached as Exhibit B (the “Franchise Agreement”) when you purchase your Barrio franchise. We call the Barrio restaurant franchise that you will operate “your Restaurant” or “your Barrio franchise.” In the past, we have negotiated the terms of the Franchise Agreement with certain franchises. Barrio Nation LLC will be the contracting party under the Franchise Agreement.

The Market and Competition

Your Barrio franchise must operate at a site we approve and according to our standards, specifications, operating procedures, and rules (the “System Standards”).

Your Restaurant will compete with other restaurants and bars, including those that serve the same or similar Mexican-inspired foods and beverages. The restaurant and bar business is highly competitive and well developed in most markets, with numerous restaurants and bars offering Mexican and Tex-Mex food and beverages. These competing facilities may be independently owned and operated or may consist of regional or national chains or franchise systems.

Despite this competition, we believe that Barrio restaurants will appeal to customers because of our fresh, made-from-scratch food, trendsetting beverages, exceptional service, unique environment, and other distinctive characteristics.

Industry-Specific Laws and Regulations

In addition to applicable federal laws, rules and regulations, many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your Barrio franchise and generally to all businesses, including those that: (1) establish licensing and certification requirements for businesses in general, (2) establish general standards, specifications and requirements for the construction, design and maintenance of your Restaurant location, including zoning or land use approvals; (3) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements and permitting for restaurants and bars; (4) set standards pertaining to employee compensation, benefits, and health and safety; (5) set standards and requirements for fire safety and general emergency preparedness; (6) regulate the proper use, storage and disposal of waste and other hazardous materials; (7) regulate food preparation and safety; (8) temporarily impose substantial restrictions on the operation and occupancy of restaurants due to pandemic or other public health crisis; and (9) impose other restrictions on food and beverages bars and restaurants sell. There may be other laws, rules, and regulations that affect your Restaurant.

You are required to obtain a liquor permit or alcoholic beverage license to sell alcoholic beverages at your Restaurant. The availability and cost of obtaining such permit or license vary from location to location. You are also required to comply with all federal, state, and local laws that govern the sale and distribution of alcoholic beverages. You may also be held liable for actions of intoxicated customers through state and local dram shop laws.

Rules promulgated by U.S. Food and Drug Administration require the labeling of calorie and nutrition information for food and beverages on menus and menu boards and certain other nutritional information for certain covered establishments and to provide written nutritional information to customers upon request. States and localities may also have implemented similar laws and rules.

The Federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide,

and particulate matters, including caps on omissions from commercial food preparation and refrigeration processes. You must also comply with all other local, state, and federal laws that apply to your operations, including health, sanitation, smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, and other site components.

You must comply with all payment card infrastructure (“PCI”) industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process, or transmit cardholder data.

You are solely responsible for investigating the laws, rules, and regulations applicable in your city and state, including, but not limited to, those referenced above - you should investigate these laws and rules and consult with a legal advisor as to whether these and/or other requirements apply to your franchise. Violations of these laws and regulations may result in substantial civil or criminal penalties for individuals or entities.

Item 2

BUSINESS EXPERIENCE

Chief Executive Officer: Tom Leneghan

Mr. Leneghan has served as our Founder and Chief Executive Officer since our inception in June 2021. Mr. Leneghan also serves as Founder and Chief Executive Officer of Barrio Bros., located in Cleveland, Ohio, since September 2017, and has served as Chief Executive Officer of the Barrio-branded restaurants now owned by Barrio Bros. since 2012.

President: Sean Fairbairn

Mr. Fairbairn has served as our President and Managing Partner since our inception in June 2021. Mr. Fairbairn also serves as President and Managing Partner of Barrio Bros., located in Cleveland, Ohio, since September 2017, and has served as President and Managing Partner of the Barrio-branded restaurants now owned by Barrio Bros. since 2012.

Director of Franchise Operations and Finance: Richard Ledbetter

Mr. Ledbetter has been our Controller since our inception in June 2021, and became our Director of Franchise Operations and Finance effective April 30, 2023. Mr. Ledbetter also serves as Controller for Barrio Bros. since August 2019, located in Cleveland, Ohio. Prior to joining Barrio, Mr. Ledbetter was Controller for Melt Bar and Grilled, a restaurant chain located primarily in the Cleveland, Ohio area from April 2015 until August 2019.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

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

Item 5

INITIAL FEES

You must pay to us a lump sum initial franchise fee upon signing your Franchise Agreement. The initial franchise fee is \$40,000.00 for one Barrio franchise. If you are purchasing more than one Barrio franchise, the initial franchise fee will be \$30,000.00 for the second franchise, \$20,000.00 for the third franchise, and \$15,000.00 for the fourth and each additional franchise. You must pay your initial franchise fee for all franchises being purchased in a lump sum upon signing the Franchise Agreement (if you purchase multiple franchises, you will sign the Franchise Agreements for all of the franchises at the same time). The initial franchise fee does not include the fee to purchase our optional programs with your franchise. The initial franchise fee is fully earned by us when paid, and is not refundable in whole or in part under any circumstances.

Item 6

OTHER FEES

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Royalty Fee	6% of Gross Sales (2).	Due weekly or monthly, as specified by us from time to time, on the day we select (3).	Based on Gross Sales during the previous week or month, as the case may be.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
National Advertising Fee	Up to 2% of Gross Sales (2).	Due weekly or monthly, as specified by us from time to time, on the day we select (3).	We do not currently charge a National Advertising Fee, but we may in the future. If we charge a National Advertising Fee in the future, we can increase or decrease the fee at any time. However, your contribution will not exceed 2% of your Gross Sales. See Item 11 for additional information.
Regional Advertising Fee	Up to 2% of Gross Sales (2).	Due weekly or monthly, as specified by us from time to time, on the day we select (3).	We do not currently charge a Regional Advertising Fee, but we may in the future. If we charge a Regional Advertising Fee in the future, we can increase or decrease the fee at any time. However, your contribution will not exceed 2% of your Gross Sales. See Item 11 for additional information.
Opening Marketing Expenses	\$7,500	Due before opening.	This amount is paid by you to us in advance, and will be applied by us, or reimbursed to you, for documented local opening marketing expenses made by you within one month prior to opening. This payment is non-refundable.
Local and Regional Advertising Cooperatives	An amount set by the cooperative	As required by the cooperative.	See Item 11 for information about advertising cooperatives. There are currently no advertising cooperatives. (4)
Technology Fee	Our then-current fee, currently \$199 per month. (5)	Due on the day of each month that we specify.	For certain technology-related administrative expenses. See Item 8 for additional information.
Late Opening Fee	\$2,500 per month	Upon demand by us	Charged if you do not open your Restaurant within one year of signing the Franchise Agreement.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Interest	Lesser of 15% per annum and the highest commercial contract interest rate permitted by law	From the date payments are due, and continues until outstanding balance and accrued interest are paid in full	Charged on any late payments of Royalty Fees, Advertising Fees, Technology Fees, amounts due for product purchases, or any other amounts due to us or our affiliates.
Audit Expenses	Cost of audit and inspection (currently \$1,200), plus any reasonable accounting and legal expenses	On demand	Payable if the Royalty Fee or Advertising Fee is understated by 2% or more, or you fail to submit required reports or financial statements.
Late Reporting Fee	\$100 per week	10th day of the month following any period for which any required report is not timely submitted.	Payable if any report or other information required to be submitted to us is received by us after the established deadline.
Returned Check Fee	\$100	As incurred	Due each time a check you write to us is dishonored.
Product and Service Purchases	Our then current fees and charges.	See Item 8	Payable for products and services you purchase from us or our affiliates (see Item 8).
Supplier and Product Evaluation Fee	Cost of inspection and testing of product sample (currently \$500-\$700)	On demand	Payable if we inspect or test product samples from any proposed supplier nominated by you (see Item 8).
Insurance	Amount of unpaid premiums and related costs	On demand	Payable if you fail to maintain required insurance coverage and we obtain coverage for you.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Replacement of Operations Manual	An amount set by us; currently \$250	As incurred	Payable if your copy of the Operations Manual is lost, destroyed, or significantly damaged.
Renewal Fee	\$20,000.00, or 50% of the then-current Initial Franchise Fee, whichever is higher.	Upon renewal	Payable upon signing the renewal Franchise Agreement.
Transfer Fee	\$5,000.00	Before transfer completed	Applies to any transfer of the Franchise Agreement, the franchise, or a controlling interest in the franchise. You must pay this fee to us concurrently with the execution of a transfer agreement, including a general release in favor of us, our affiliates, and our and their officers, directors, employees and agents.
Legal Costs and Attorney's Fees	All legal costs and attorneys' fees incurred by us	As incurred	Payable if we must enforce the Franchise Agreement, or defend our actions related to, or against your breach of, the Franchise Agreement.
Injunction or Order of Specific Performance	All amounts incurred by us in obtaining an injunction or specific performance.	As incurred	Payable if we obtain an injunction or order of specific performance against you to enforce the provisions of the Franchise Agreement or to prohibit any act or omission by you or your employees that constitutes a violation of any applicable law or prevent any other irreparable harm to our interests.

<u>Type of Fee (1)</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Indemnification	All amounts (including attorneys' fees) incurred by us or otherwise required to be paid	As incurred	Payable to indemnify us, our affiliates, and our and their respective owners, officers, directors, employees, agents, successors, and assigns against all claims, liabilities, costs, and expenses, whether asserted by third parties or us, related to your acts, omissions, ownership and operation of your franchise.
Electronic or Hard Copies of Marketing Materials	All costs and expenses we incur	As incurred	There may be a charge for electronic or hard copies of marketing materials in order to reimburse us for creative costs and expenses.
Franchise Maintenance and Refurbishing	All costs and expenses we incur	As incurred	Payable if we repair, maintain, or refurbish the franchise after you fail to correct deficiencies of which we give notice to you.
De-Identification	All costs and expenses we incur	As incurred	Payable if we de-identify the franchise upon its termination or expiration.
Termination Fee	Liquidated damages equal to your average monthly Royalty Fee, National Ad Fund contribution (if any), Regional Ad Fund contribution (if any), and Technology Fee, multiplied by the number of months remaining in your franchise term, discounted by a present value discount factor of five percent (5%)	On demand	If you or we terminate your franchise before your franchise term expires, unless such termination is made by you for our default in accordance with the provisions of the Franchise Agreement. (6)

Explanatory Notes:

- (1) This table and the accompanying notes describe the nature and amount of all other payments that you must pay to us or our affiliates or that we or our affiliates collect on behalf of third parties, on a recurring basis, whether on a regular periodic basis or as infrequent anticipated expenses, in operating your Restaurant. Except for some product and service purchases (see Item 8) and advertising cooperative payments (see Item 11) or as otherwise noted in this FDD, all fees are uniform, and are imposed by, collected by, and payable to us. All fees are non-refundable unless otherwise expressly noted.
- (2) “Gross Sales” means the total of all amounts received by you and derived from the operation of the Franchise, including all amounts received at or away from the site of the Franchise, or through the business the Franchise conducts, including the aggregate of the sales price of all food and beverage items (except where the inclusion of alcoholic beverage sales is prohibited by law), goods and merchandise sold, and the charges for all services you perform, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, including sales and services (a) originating at or from operation of your Restaurant, even if delivery or performance is made offsite from your approved location, (b) placed by mail, facsimile, telephone, internet, social media, and similar means if received or filled at or from your approved location, (c) from mechanical and other vending devices in your Restaurant, and (d) that you, in the normal and customary course of your operations, would credit or attribute to the operation of a Restaurant. Gross Sales do not include: the sale of gift certificates or cards (the redemption value will be included in Gross Sales at the time of redemption); the amount of any discount offered to employees or customers; the amount of any city, county, state, or federal sales, luxury, or excise tax on such sales actually collected from customers and paid to the appropriate taxing authority; and any gratuities paid to wait staff separately stated on the sales receipt or not included in the sales price.
- (3) You must pay all amounts due to us or our affiliates by automatic debit or by certified or cashier’s check or wire transfer, as specified from time to time. If we require payment by automatic debit, we will debit your business checking account automatically for the amounts due (see Exhibit 4 to Franchise Agreement), including, the Royalty Fees, Advertising Fees, and other amounts you owe us. You must make funds available for withdrawal from your account before each due date.
- (4) If we create an advertising cooperative that includes your franchise, the voting power of any Barrio restaurants owned by us or our affiliates that belong to the cooperative will be the same as yours.
- (5) This fee is paid to us to offset certain technology-related administrative expenses that we incur in connection with assisting you to set up and maintain the required Computer System (including the point of sale and accounting software) and required mobile applications and loyalty programs, for updating menus and other customer-facing materials, and for other similar services we may provide. We reserve the right to change this fee from time to time to reflect increases in the services provided.

- (6) You must pay the termination fee, plus any costs and attorneys' fees incurred by us, if you improperly attempt to terminate or close your Restaurant or Barrio franchise before your term expires, or we terminate your Franchise Agreement for any reason set forth in the Franchise Agreement. Alternatively, we may recover from you any damages suffered by us (e.g., any actual, economic, consequential and indirect damages incurred by us including, without limitation, the loss of future revenues) resulting from your improper or wrongful termination of the franchise. Termination fees may be unenforceable in certain states. See Item 17 for additional information.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee (1)	\$40,000	Lump sum, unless otherwise agreed	When you sign the Franchise Agreement	Us
Security Deposits (2)	\$9000-\$17,000	Before opening	Before opening	Landlord and /or utility companies
3-Months' Lease Rent (3)	\$24,000 - \$50,000	As agreed	As agreed	Landlord
Leasehold Improvements/ Buildout (4)	\$240,000 - \$460,000	As agreed	Before opening	Landlord or construction contractors
Design Fees/Architect Fees	\$15,000 - \$20,000	As agreed	Before opening	Architects and other professionals
Signage (5)	\$25,000 - \$30,000	As agreed	Before opening	Approved vendor
Equipment (6)	\$150,000 - \$175,000	As agreed	Before opening	Approved vendors
Misc. Supplies (7)	\$20,000 - \$25,000	As agreed	Before opening	Approved vendors
Furnishings/ Decor (8)	\$100,000 - \$125,000	As agreed	Before opening	Approved vendors
Grand Opening marketing expenses (9)	\$7,500	As agreed	Before opening	Us
Computer, Software, Installation, and program subscriptions for 3 months (10)	\$23,600-\$31,600	As agreed	Before opening	Approved vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Business Licenses and Permits and related Professional Fees (11)	\$25,000 - \$50,000	As required	Before opening	Governmental agencies and professionals
Initial Inventory – 3 months (12)	\$40,000 - \$45,000	As agreed	Before opening	Approved vendors (see Item 8)
Insurance – 3 months (13)	\$3,000-\$6,000	As agreed	Before opening	Insurer
Initial Training Expenses (14)	\$5,000 - \$10,000	As incurred	As incurred	Third parties
Uniforms	\$2,000 - \$3,000	As incurred	As incurred	Approved vendor
Telecommunications Services (15)	\$1,500-\$2,100	As agreed	As incurred	Vendors
Advertising and Related Expenses – 3 months (16)	\$13,000 - \$15,000	As agreed	As incurred	Us
Technology Fee – 3 months (17)	\$597	As agreed	monthly	Us. See note 17
Additional Funds–3 months (18)	\$145,000-\$245,000	As agreed	As incurred	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT (19)	\$889,197-\$1,357,797			

Explanatory Notes:

- * The preceding chart and accompanying notes describe the estimated total initial investment expenses to obtain and commence business for a single Barrio restaurant franchise. These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating a single Barrio restaurant franchise. Our estimates are based on the experience of Barrio Bros. in operating restaurants using the Barrio System, and our current requirements for restaurants. The factors underlying our estimates may vary depending on a number of variables, and the actual investment you make in developing and opening your Restaurant franchise may be greater or less than the estimates given depending upon the location of your franchise, the size of your Restaurant, and current relevant market conditions. All fees are non-refundable unless otherwise expressly noted or separately negotiated by you with a third party supplier.
- (1) The amount stated here is applicable for the purchase of your first franchise, but will be less for additional franchises. See Item 5 for additional information about your initial franchise fee.

- (2) This estimate includes security deposits required by the landlord and utility companies, but not your telecommunications service. Security deposits may be refundable, subject to the providers' terms and conditions.
- (3) This estimate includes 3-months' rent. Your actual rent payments may vary, depending upon your location and your market's retail lease rates. We require that restaurants be a minimum of 4,500 square feet in size. If you purchase instead of lease the premises for your Restaurant, the purchase price, down payment, interest rates, and other financing terms will determine the amount of your monthly mortgage payments.
- (4) This estimate does not include any construction allowances that may be offered by your landlord. Any such allowance would reduce your costs. This leasehold improvement estimate includes building permits, architectural and engineering fees, and construction costs. Building and construction costs will vary significantly depending upon the condition of the premises for the Restaurant, whether the premises previously operated as a restaurant or is a "white shell," the size of the your Restaurant, your decisions as to equipment and décor purchases, and local construction costs and market conditions. This estimate is based on the experiences of substantially all of the existing and under development Barrio restaurants, but some restaurants have spent more than the stated cost range based on the owners' discretionary decisions regarding size, equipment and décor.
- (5) The type, size and cost of the signage you actually install will be based upon the zoning and property use requirements and restrictions.
- (6) This estimate is for equipment necessary to operate your Restaurant, namely, kitchen and bar components. This estimate varies significantly depending on whether the premises previously operated as a restaurant and already contains certain usable kitchen and bar equipment, such as walk-in coolers, grease traps, hood, and bar dispensers.
- (7) This estimate includes miscellaneous supplies to operate your Restaurant for the first 3 months and includes office supplies, forms, stationary, and other paper products.
- (8) This estimate includes furniture and décor for your Restaurant, such as guest seating and tables, displays, lighting fixtures, bar front, and wall mural.
- (9) You are required to conduct a grand opening campaign to promote your Restaurant. This figure is the minimum amount you are required to spend on grand opening marketing. This amount is paid by you to us in advance, at least 30 days before opening (or at opening if required by state law), and will be applied by us, or reimbursed to you, for documented local opening marketing expenses made by you within one month prior to opening, and/or within six months after opening. This payment is non-refundable.
- (10) This estimate includes the required computer, installation, and hardware, the average initial start-up costs for the required point-of-sale system and back-office software, and the three-month average for subscription fees for the point-of-sale system, back-office software, and other required software and program subscriptions.

- (11) In addition to obtaining general business licenses as required by the jurisdiction in which you are operating your Restaurant, you must obtain a liquor license in order to operate your Restaurant. The cost of a liquor license depends on the locality and availability. Our estimate is based on obtaining a liquor license in the State of Ohio. Your cost may vary significantly and you should investigate those costs with your advisors.
- (12) This estimate includes the initial inventory (such as food, beverages, condiments, take-out containers) to operate your Restaurant for the first three months of operations. This cost may increase depending on the success of your Restaurant.
- (13) You must obtain and maintain, at your own expense, the insurance coverage that we periodically require. See Item 8. You may also wish to obtain additional insurance coverage for your own benefit.
- (14) This estimate includes the travel and living expenses, including airfare, that you will incur when you and your employees attend the initial training program for restaurants described in Item 11. It does not include any wages or salary for you or your employees during this training.
- (15) This estimate includes the security deposits and service fees for your telecommunications system and internet. Security deposits may be refundable, subject to the providers' terms and conditions.
- (16) This estimate includes telephone and internet directory advertising fees and the required local advertising spending requirement. See Items 8 and 11 for our advertising-related requirements.
- (17) This estimate includes your payment to us for certain technology-related administrative expenses for the first three months of operation. This amount shall be paid to us by automatic debit or by certified or cashier's check or wire transfer, as we specify from time to time. See Item 8 for additional information.
- (18) This estimate includes your initial start-up expenses (other than the items identified separately in the table) during your Restaurant's first 3 months of operation. These expenses primarily consist of payroll costs expected to be incurred during your Restaurant's operation, but not any draw or salary for you. This estimate also includes sign-up and subscription fees for required loyalty apps, and other miscellaneous expenses and pre-paid fees and deposits. These figures are estimates, based upon our past experience in opening and operating Barrio restaurants, and we cannot guarantee that you will not have additional expenses starting the business. Your actual costs for initial start-up expenses during this 3-month period will depend on how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products; the prevailing wage rate; your competition; and the sales level you reach during the initial period. This 3-month period is not intended, and should not be interpreted, to identify a point at which your business will achieve break-even cash flow.

- (19) You should review these figures with a business advisor before making any decision to purchase the franchise. Unless otherwise noted, none of these expenses are refundable.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Lease and Purchase Specifications and Requirements

You must lease or purchase your Restaurant location, leasehold improvements, kitchen equipment, computer and office equipment, fixtures, furnishings and decor, signage, insurance, inventory (including, without limitation, food, ingredients, condiments, beverages [both alcoholic and non-alcoholic]), uniforms, advertising and marketing materials and services, training, supplies, programs, third-party delivery services, and other items and services under our specifications as set forth in our Operations Manual – see Items 7 and 11. These specifications include standards for appearance, delivery, performance, quality control, and/or design.

You must lease or purchase your leasehold improvements, kitchen equipment, computer and office equipment, fixtures, furnishings and decor, signage, insurance, inventory (including, without limitation, food, ingredients, condiments, and both alcoholic and non-alcoholic beverages), uniforms, advertising and marketing materials and services, training, supplies, programs, third-party delivery services, and other items and services only from suppliers or designees approved by us. Our Operations Manual lists our approved suppliers. There may be items for which we or our affiliates are approved suppliers (see below).

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require and satisfy other insurance-related obligations. You must purchase (1) comprehensive commercial general liability and motor vehicle liability insurance, including broad form contractual liability, liquor liability (which may require a separate policy), personal injury, advertising injury, and products liability coverage, under one or more policies of insurance containing minimum liability coverage of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (2) “all risks” property insurance and tenant’s liability coverage, including coverage for fire, vandalism, and malicious mischief; (3) worker's compensation insurance as required by law, with limits equal to or in excess of those required by statute; (4) employment practices liability insurance with minimum liability coverage of not less than \$1,000,000 per occurrence, and (5) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements. We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. Deductibles must be in reasonable amounts and are subject to review and written approval by us. Your commercial general liability insurance policy must be an “occurrence” policy. If any policy is written on a “Claims Made” basis, you must purchase and maintain unlimited tail coverage that shall remain in effect following the termination or expiration of the Franchise Agreement and/or such policy. All insurance policies you purchase must name us (and, if we so request, our members, directors, employees, agents, and affiliates) as additional insureds. If you fail to obtain

or maintain the insurance we specify, we may (but need not) obtain the insurance for you and your Restaurant on your behalf and at your cost (see Item 6). You should consult with your own insurance agents, brokers, and attorneys to determine what types of coverages and what level of insurance protection you may need or desire, in addition to the coverages and minimum limits specified by us. The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment histories.

We also require you to maintain dedicated high speed internet services for communications and for remote access and information retrieval by us, as we may specify from time to time in the Operations Manual or otherwise in writing. We do not specify a specific internet supplier.

We may contract with third parties to provide web site design, maintenance, hosting, and search engine optimization for our franchises, and certain technology-related administrative expenses. You will be required to use all such services. You will pay us a fee for such services, and we will pay the third-party providers directly. The amount you pay us may be less or more than the amount we pay to the third-party providers and may be used to offset internal costs related to the stated purposes of this fee.

We estimate that your total expenditures in leasing or purchasing real estate, equipment, fixtures, products, marketing materials, services, and computer hardware and software from our approved suppliers will represent approximately 50% of your total purchases and expenses in connection with establishing and operating your Barrio franchise. Virtually all of the goods and services that you must lease or purchase in establishing and operating your franchise must comply with our standards and specifications.

Issuance and Modification of our Specifications

Our Operations Manual sets forth our specifications, standards, and guidelines for all real estate, goods, and services that you are required to obtain in establishing and operating your franchise, and additional guidelines and requirements for operating your franchise. We will make available new or modified specifications, standards, and guidelines to you through periodic amendments or supplements to the Operations Manual or other written materials. See Item 11 for additional information about our Operations Manual.

We will make available written copies of our standards and specifications and approved and proposed suppliers to you, unless these standards and specifications contain our confidential information (see Item 14).

Approved Products, Distributors and Suppliers

We have developed standards and specifications for the leasehold improvements, furniture, and décor of your Restaurant, the equipment and materials used at your Restaurant, the food and beverage products, ingredients, and condiments served at your Restaurant, packaging, supplies, and third-party delivery services utilized at your Restaurant, and merchandise and products authorized for sale at your Restaurant. We have approved, and will continue to periodically approve, specifications and/or suppliers and distributors of the above items, services and products,

which may include us or our affiliates, that meet our standards and requirements. These specifications include standards and requirements relating to product quality, prices, brands, consistency, reliability, financial capability, labor relations and customer relations. You must (1) purchase the food, beverage, ingredients, and products used by and offered for sale by your Restaurant in the quantities and brands we designate; (2) use those formats, recipes, formulae, and containers for products that we prescribe; and (3) purchase all food, beverage, ingredients, products, services, and other materials only from distributors and other suppliers we have approved.

We may approve a single distributor or other supplier (collectively, "supplier") for any product or service, and may approve a supplier only as to certain products or services. We may concentrate purchases with one or more suppliers to obtain lower prices or the best advertising support or services for any group of restaurants franchised or operated by us. Our approval of a supplier may be conditioned on requirements relating to the frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), and other similar criteria, and may be temporary, pending our continued evaluation of the supplier.

You must obtain the point-of-sale and management software we designate to manage your Restaurant's customer orders, inventory, accounting, and back-office.

If you would like to purchase or lease any items from any unapproved supplier, then you must submit to us a written request for approval of the proposed supplier or the proposed supplier may submit its own request. We may inspect the proposed supplier's facilities, and require that product samples from the proposed supplier be delivered for testing either directly to us or any independent certified laboratory that we designate. We also may require you (or the proposed supplier requesting the evaluation) to pay us an evaluation fee (not to exceed the reasonable cost of the inspection and the actual cost of the test (see Item 6)) to make the evaluation. We will approve or disapprove your proposed supplier within 60 days of receiving all of the information that we require for the evaluation. We reserve the right to periodically re-inspect the facilities and products or services of any approved supplier, and revoke our approval if the supplier does not continue to meet any of our criteria.

Barrio and Our Affiliates as Approved Suppliers

We may designate us and/or our affiliates as an approved supplier, or the only approved supplier, from which you may or must lease or purchase certain products or services in developing and operating your Barrio franchise. We and our affiliates may derive revenue from these sales and may sell these items at prices exceeding our or their costs in order to make a profit on the sale.

We reserve the right to designate us and/or our affiliates as approved suppliers, or the exclusive supplier(s), from whom you may purchase or lease certain other categories of products, services, and equipment.

We are currently not an approved supplier for any other product, service or equipment. No franchisor officer owns an interest in any supplier.

Purchasing Cooperatives

There currently are no purchasing or distribution cooperatives in existence with respect to our franchise system, but we may require them in the future.

Negotiated Purchase Arrangements

We may periodically negotiate purchase arrangements with vendors that sell products and services to our franchisees, and we may establish national buying accounts with vendors whose products meet our specifications. Currently, we have negotiated purchase arrangements, including pricing terms, with our designated or approved suppliers of non-alcoholic beverages and mixers, certain food products, certain paper products, point-of-sale technology, customer loyalty services and accounting, inventory and other back-office software.

Our Involvement with Suppliers

We and our affiliates and designees reserve the right to receive revenue or other material consideration from suppliers in consideration for other goods or services that we require or advise you to obtain from approved suppliers. We anticipate that any revenue or other consideration received would probably include promotional allowances, rebates, volume discounts, and other payments. We expect that at least some of these arrangements will generally allow us to obtain discounts off standard pricing, and pass at least a portion of the savings on to you. In fiscal year 2023, Barrio Bros., LLC's revenue totaled \$23,737,475.00. Of this total, \$0.00 or 0% of its total revenue was derived from franchise purchases or leases of products or services purchased from third party suppliers that pay us a rebate and other payments for franchise purchases. In fiscal year 2023, our revenue totaled \$1,552,030.78. Of this total, \$0.00 or 0% of our total revenue was derived from franchise purchases or leases of products or services purchased from third party suppliers that pay us a rebate and other payments for franchise purchases.

There are currently no purchasing and distribution cooperatives.

Effects of Compliance and Noncompliance

You must comply with our requirements to purchase or lease real estate, goods, and services according to our specifications and/or from approved suppliers to be eligible to renew your Franchise. Failure to comply with these requirements will render you ineligible for renewal, and may be a default allowing us to terminate your Franchise and/or withhold performance (including but not limited to removing your access to our website or any intranet, removing any information about your Franchise on our website or social media accounts, and removing you from any lists of approved Franchises for which any of our approved suppliers provide discounts or any national or other alliance programs lists that you are approved to participate in). We do not provide any other benefits to you because of your use of designated or approved services and products, or suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 3.1 of FA, Exhibits 1 and 6 of FA	Items 7, 8, and 11
b. Pre-opening purchases/leases	Sections 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6 of FA, Exhibit 1 and 6 of FA	Items 7, 8, and 11
c. Site development and other pre-opening requirements	Sections 3.1, 3.2, 3.3, 3.4, 3.6, and 3.7 of FA	Items 7, 8, and 11
d. Initial and ongoing training	Sections 4, 5.1 and 10.7 of FA	Items 5, 6, 7, 11 and 14
e. Opening	Sections 3.3 and 3.7 of FA, Exhibit 1 of FA	Items 7 and 11
f. Fees	Sections 2.4, 3.4, 4.2, 5.1, 5.2, 6, 10.1, 10.2, 10.3, 10.8, 11, 12, 13.2, 14.5, 15, 16.3 of FA	Items 5, 6, 7, 8, 11, 13 and 14
g. Compliance with standards and policies/Operating Manual	Sections 2.4, 3.2, 3.3, 3.4, 3.5, 3.6, 5.6.3, 7, 10, 11.4, 13.1 and 19 of FA	Items 8, 11, and 12
h. Trademarks and proprietary information	Sections 7, 9, 16.2, and 16.4 of FA	Items 13 and 14
i. Restrictions on products/services offered	Section 10.2 and 10.5 of FA	Item 8 and 16
j. Warranty and customer service requirements	Section 10.7 of FA	Not Applicable
k. Territorial development and sales quotas	Section 2.3, 3.1, and Exhibit 1 of FA	Item 12
l. On-going product/service purchases	Sections 3.4, 5.1, 5.3, 6.3, 6.4, 10.2, 10.3, 10.5, 10.8, 10.9, 11.2, 11.3, and 11.4 of FA	Items 8 and 11
m. Maintenance, appearance, and remodeling requirements	Sections 7.4, 7.7, 10.1, 10.5, and 16.3 of FA	Items 8, and 11

Obligation	Section in Agreement	Disclosure Document Item
n. Insurance	Section 10.8 of FA	Items 6, 7, and 8
o. Advertising	Sections 6.3 and 11 of FA	Items 6, 7, and 11
p. Indemnification	Section 8.3 of FA	Items 6 and 13
q. Owner's participation/ management/staffing	Sections 4.1 and 10.7 of FA, Exhibit 3 of FA	Items 11 and 16
r. Records and reports	Section 12 and 13 of FA	Item 6 and 11
s. Inspections and audits	Section 13 of FA	Item 6
t. Transfer	Section 14 of FA	Items 6 and 17
u. Renewal	Section 2.4 of FA	Item 6 and 17
v. Post-termination obligations	Sections 9.2, 9.3, 16, 17.8 of FA	Item 17
w. Non-competition covenants	Sections 9.3, 16.5, and 17.8 of FA	Item 17
x. Dispute resolution	Sections 17.8, 17.9, 17.10 and 17.11 of FA	Item 17
y. Non-solicitation/non- disparagement/non-disclosure covenants	Sections 9.2, 9.3, 16, 17.8 of FA	Item 17

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guaranty your note, lease or obligations.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Pre-Opening Obligations:

Before you open your Barrio Franchise for business, we or our designee will:

1. Designate your Protected Territory (Franchise Agreement – Section 2.3). See Item 12 for additional information about your Protected Territory. You may only operate a Barrio Restaurant physically located in your Protected Territory.

2. Review and approve or disapprove your proposed Restaurant site (Franchise Agreement – Section 3.1). You must use your best efforts to seek and select a mutually agreeable site within your Protected Territory within 90 days after signing the Franchise Agreement. We will inform you of our approval or disapproval of your proposed site within 14 days of your proposal of your Restaurant site. The site must meet our criteria for demographics; traffic patterns; parking; ingress and egress; character of neighborhood; competition from, proximity to, and nature of other businesses; size; appearance; and other physical and commercial characteristics. We require your Restaurant to be a minimum of 4,500 square feet in size. Restaurants can be located in both urban and suburban areas, and can be located in traditional shopping malls, strip malls, mixed use developments, or free-standing spaces. For each proposed site, you must submit to us, in the form we specify, a description of the site and any other information or materials that we may require. We will not unreasonably withhold approval of a site that meets our standards. If you fail to identify a mutually agreeable site by the established deadline, then we may terminate your Franchise Agreement. Our approval of a proposed site is not, and should not be deemed, a judgment by us concerning the likelihood of success of a restaurant at the location, or the relative desirability of the site in comparison to other sites within the Protected Territory.

3. If we require, approve the terms of the lease for the premises of your Restaurant (Franchise Agreement – Section 3.1). You must lease (or acquire, if applicable) the premises for your Restaurant within 180 days after signing the Franchise Agreement. We may terminate your Franchise Agreement if you do not sign your lease by this deadline. Generally, we do not own premises that are leased to Barrio restaurants. Your lease must include the provisions required by the Franchise Agreement, or you must obtain our express written approval as to any variations or exclusions of such provisions in your lease.

4. Furnish you with one set of plans, specifications, and other materials reflecting our suggestions and requirements for layout, equipment, fixtures, decorations and signs for a Barrio restaurant (Franchise Agreement – Section 3.2). Using an architect designated or approved by us, you must modify the plans and specifications to comply with all local ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the premises. You must submit final construction plans and specifications to us for our approval before you begin construction at the premises, and must construct your Restaurant in accordance with those approved plans and specifications.

You must open your Restaurant within 9 months after signing your Franchise Agreement. (Franchise Agreement – Section 3.3). We estimate that restaurants will typically open for business approximately 8-9 months after signing the Franchise Agreement. Factors affecting this length of time include locating a site and signing a lease, construction or remodeling of the site, completion of required training, financing arrangements, local ordinance and building code compliance, obtaining a liquor license, weather conditions, delivery and installation of equipment, fixtures and signs, and hiring and training of your staff.

5. Approve the final construction plans and specifications for your Restaurant (Franchise Agreement – Section 3.2). You must construct your Restaurant in accordance with the final construction plans and specifications approved by us for your Restaurant. See paragraph 4 above.

6. Identify, in writing, the minimum standards and specifications for the products, equipment, materials, signs, inventory, supplies, and services you must use to develop and operate your Restaurant (including, if applicable, our optional programs), the minimum standards and specifications that you must satisfy in developing and operating your Restaurant, and the designated and approved suppliers from whom you must or may buy or lease these items (which might be limited to or include us and/or our affiliates) (Franchise Agreement – Sections 3.5, 3.6 and 5.1). We will only provide the name of approved suppliers for these items and we will not deliver or install these items for you.

7. Lend to you one copy of our Operations Manual, which contains our mandatory and suggested specifications, standards and procedures for operating your Restaurant (Franchise Agreement – Section 5.1-5.2). The paper Operations Manual, the Table of Contents of which attached as Exhibit C, contains 95 pages. The Operations Manual may be composed of or include writings, drawings, photos, video and audio recordings, and/or other written or intangible materials. We may make all or part of the Operations Manual available to you through various means, including the internet, websites, emails or other remote means. The Operations Manual contains our System Standards and information about your other obligations under the Franchise Agreement. We may modify all or any portion of the Operations Manual periodically to reflect changes in System Standards. You must keep your copy of the Operations Manual current, and in a secure location at your Restaurant. You agree that you will monitor and access any website, intranet, or extranet designated by us for any updates to the Operations Manual. If you and we have a dispute over the contents of the Operations Manual, then our master copy of the Operations Manual will control. The Operations Manual, as well as any password or other digital identification necessary to access the Operations Manual on a Website, intranet, or extranet, is confidential, and you may not copy, duplicate, record or otherwise reproduce any part of it. If your copy of the Operations Manual is lost, destroyed or significantly damaged, then you must obtain a replacement copy at our then-applicable charge (see Item 6). You may view our Operations Manual at our corporate headquarters before purchasing your Restaurant, but must first sign a nondisclosure agreement promising not to reveal any of the information contained in the Operations Manual without our permission. See Item 14 for additional information about our Operations Manual.

8. Provide you with specifications for the computer, point of sale and billing system(s) for your Restaurant (Franchise Agreement – Section 3.4). You must install your computer, point of sale and billing system(s) in accordance with our specifications. See below for additional information about these specifications.

9. Provide you with our initial training program for Barrio franchises at no additional charge to you, however, you must pay the food, lodging and travel expenses for all attendees. See below for additional information concerning our initial training program for Barrio franchises. (Franchise Agreement – Section 4.2).

10. Review and approve or disapprove any advertising that you propose to use for your Restaurant (Franchise Agreement – Section 11.2). Our actual or deemed approval will not mean that we have analyzed or approved any advertising materials with respect to any state, local or administrative law, rule or regulation that may be applicable to a franchise’s business. Advertising on the internet or having your own website or social media accounts is restricted by your Franchise Agreement.

11. We may establish, maintain, and administer a National Ad Fund and one or more Regional Ad Funds. As available, we will provide you with digital copies of our marketing materials via our intranet or any other means designated by us. (Franchise Agreement – Section 11.1). The National Ad Fund will be used to support and pay for marketing programs we deem necessary, desirable, or appropriate to promote the services and products offered by your and other Franchises, including Barrio restaurants owned by us or our affiliates. Each Regional Ad Fund will be used to support and pay for marketing programs we deem necessary, desirable, or appropriate to promote the services and products offered by your and other Franchises located within a designated territorial region, including Barrio restaurants owned by us or our affiliates. Also, we may, at our discretion, charge you for hard or digital copies of marketing materials.

Post-Opening Obligations:

After your Restaurant opens for business, and so long as you are not in default under the Franchise Agreement, we or our designee will:

1. Provide you with guidance and assistance in the following areas: (a) specifications, standards, programs and operating procedures used by Barrio Restaurant franchises; (b) purchasing approved equipment, furniture, furnishings, signs, products, operating materials, services, marketing materials, and supplies; (c) development and implementation of local advertising and promotional programs; (d) general operating and management procedures; (e) establishing and conducting employee training programs; (f) specify approved brands, types and/or models of equipment, furniture, fixtures, and signs; (g) suggested pricing points for certain products, and (h) changes in any of the above that occur from time to time. We do not currently specify the minimum or maximum prices at which you must sell products at your Restaurant (Franchise Agreement – Sections 3.5, 3.6 and 5.1).

2. Continue lending to you a copy of our Operating Manual (Franchise Agreement – Sections 5.1-5.2). We may modify the Operations Manual periodically to reflect changes in System Standards.

3. Issue and modify, in our discretion, the System Standards for restaurant franchises (including any optional programs used by your Restaurant) (Franchise Agreement – Section 5.3).

4. Allow you to use our Marks and confidential information in operating your Restaurant (Franchise Agreement – Sections 7 and 9). You must use the Marks and confidential information only as authorized in the Franchise Agreement and Operations Manual.

5. Indemnify you against damages for which you are held liable in certain proceedings arising out of your use of our Marks in compliance with the Franchise Agreement, and reimburse you for costs you incur in defending against any such claim (Franchise Agreement – Section 7.5).

6. Review and approve suppliers and distributors you would like to use (Franchise Agreement – Section 3.6 and Section 10.3).

7. Provide any product or perform any service for which we or our affiliate are an approved supplier (Franchise Agreement - Sections 3.6 and 10.3).

8. As we deem appropriate, provide you and your staff with additional, on-going, and supplemental training programs (Franchise Agreement – Section 4.2).

9. Review and approve or disapprove your advertising, marketing, and promotional materials (Franchise Agreement – Section 11.2). Our actual or deemed approval will not mean that we have analyzed or approved any advertising materials with respect to any state, local or administrative law, rule, or regulation that may be applicable to your business. Advertising on the internet or having your own website or social media accounts is restricted by your Franchise Agreement.

10. We may establish, maintain, and administer a National Ad Fund. As available, we will provide you with digital copies of our marketing materials via our intranet or any other means designated by us. (Franchise Agreement – Section 11.1). The National Ad Fund will be used to support and pay for marketing programs we deem necessary, desirable, or appropriate to promote the services and products offered by your and other Restaurants. Each Regional Ad Fund will be used to support and pay for marketing programs we deem necessary, desirable, or appropriate to promote the services and products offered by your and other Franchises located within a designated territorial region, including Barrio restaurants owned by us or our affiliates. Also, we may, at our discretion, charge you for hard or digital copies of marketing materials.

11. As we deem advisable, conduct inspections of your Restaurant, including evaluations of its training methods, techniques, and equipment; its staff; and the services and products provided to customers to ensure that the high standards of quality, appearance and service of the Barrio System are maintained (Franchise Agreement – Section 13.1). At any reasonable time and without advance notice to you, we or our agents, such as a “mystery shopper” service, may: (i) inspect the premises; (ii) observe the operations of the Franchise for such consecutive or intermittent periods as we deem necessary; (iii) interview personnel of the Franchise; (iv) interview or survey customers of the Franchise; and (v) inspect and copy any books, marketing and advertising, records and documents relating to the operation of the Franchise. We or our agents may record telephone calls placed to your Restaurant. We may provide you with additional guidance and training based on the results of these inspections.

Training Program

No later than 60 days before your Restaurant opens for business, we will provide to you and up to 3 of your employees, our initial training program for the general business of operating a Barrio franchise, which includes hands-on classroom instruction. You (if you are an individual)

or your Principal Owners as defined in your Franchise Agreement (if you are a legal entity), your general manager (if we agree for you to have a general manager; see Item 15), and your employees that we designate must complete this initial training program to our satisfaction. If the designated individuals have not completed the initial training program within the stated timeframe, we may terminate your franchise or delay the opening of your Restaurant until the training program has been satisfactorily completed by the designated individuals.

The training program includes classroom instruction and hands-on Restaurant operation training at a corporate-owned Barrio restaurant in the Cleveland, Ohio area. We plan to be flexible in scheduling training. The initial training program will be offered on an as-needed basis. There will be no tuition charge for the initial training program for the persons we require to attend (see Item 6). You must pay any wages or compensation owed to, and all travel, lodging, meal, and transportation expenses incurred by, all of your personnel who attend the training program.

The instructional materials used in the initial training program consist of the Operations Manual, marketing and advertising materials, and other written directives related to the Operation of a Barrio franchise. Our instructors for the initial training program will vary, but will be employees of our affiliated Barrio restaurant units with significant relevant work experience in their designated subject area, including both within our restaurant units and training in a restaurant environment. We also reserve the right to draw on the experience of our personnel, our franchises, or our affiliates, in order to conduct initial training.

Our four-week training program for Barrio franchises is described below:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Back of the House Kitchen Operations	25	25 in Cleveland, OH 30 at your Restaurant	Cleveland, OH; at your Restaurant
Front of the House Guest Relations	25	25 in Cleveland, OH 30 at your Restaurant	Cleveland, OH; at your Restaurant
Management Training	25	25	Cleveland, OH
Opening and Closing Functions	25	25 in Cleveland, OH 30 at your Restaurant	Cleveland, OH; at your Restaurant
Total Hours:	100	190	

The training program is subject to change due to updates and modifications in materials, methods, procedures, manuals and personnel without notice to you.

These subjects are integrated throughout the four-week training program that takes place in Cleveland, Ohio, and the on-site, on-the-job training at your Restaurant. Your staff will be required to attend certain training sessions at the initial training program separate from the training

sessions that you attend due to the nature of the topics being covered. In some instances, you and your staff will attend the same training session.

In addition to the training in Cleveland, Ohio, for your first Restaurant, we will provide 9 days of on-site training assistance. If you are opening your second Restaurant, the on-site training will consist of 4 days of on-site training assistance, if you are opening your third Restaurant, the on-site training will consist of 2 days of on-site training assistance, and if you are opening your fourth (or more) Restaurant, we will not provide you with on-site training assistance. We will not charge you for this on-site training, however, you must pay all of your employee wages and the cost of food used during the on-site training. You (if you are an individual) or your Principal Owners as defined in your Franchise Agreement (if you are a legal entity), and/or your general manager (if we agree for you to have a general manager) are all required to attend this on-site training. The on-site training will occur once you have completed the initial training program, have received your certificate of occupancy and liquor license for the premises, and hired employees to staff your Restaurant.

You, (if you are an individual) or your Principal Owners as defined in your Franchise Agreement (if you are a legal entity), and/or your general manager (if we agree for you to have a general manager) are also required to attend and complete any food and alcohol safety training or related-restaurant courses or classes required by any governmental entity.

We reserve the right to offer and hold additional ongoing training programs and franchise owners' meetings for your Restaurant at such times and locations as we may deem necessary or appropriate, including via on-line or virtual environments. We also reserve the right to make any of these training programs mandatory for you and/or designated owners, employees, general managers, and/or representatives of yours. You will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of yours who attends any additional training program or franchise owners meeting offered and held by us.

Advertising and Marketing

Advertising by You

You may develop, at your cost, advertising and promotional materials for your own use, but may not use them until after we have approved them in writing. You must submit to us for our approval samples of all advertising and promotional materials not prepared or previously approved by us that you wish to use. We will not unreasonably withhold our approval. If we do not disapprove any materials submitted to us within 15 days of receiving them, they will be deemed approved. Our actual or deemed approval will not mean that we have analyzed or approved any such materials with respect to any state, local or administrative law, rule, or regulation that may be applicable to your business.

In addition to any Advertising Fees for a National Ad Fund or Regional Ad Fund (see below) and the Technology Fee, your Restaurant must spend not less than \$7,500.00 on grand opening advertising and marketing. This amount is paid by you to us in advance, at least 30 days before opening (or at opening if required by state law), and will be applied by us, or reimbursed to

you, for documented local opening marketing expenses made by you within one month prior to opening, and/or within six months after opening.

You are also required to spend 1.5% of your gross revenues on a monthly basis on local marketing, and any amounts spent by you for a local or regional advertising cooperative (see below) or a Regional Ad Fund (see below) will be credited against this obligation.

We may require you to list and advertise your franchise in the professional trade association directories and principal regular (white pages) and classified (yellow pages) telephone directories distributed within your Protected Territory, and with such internet-based directories as we may specify. These listings must be made in the directory categories we specify, using our standard forms of listing and classified directory advertisements. We may place classified directory advertisements on a national or regional basis, and list your and other Barrio franchises operating within the directories' distribution area, with the cost of the advertisements being reasonably apportioned among all franchises listed.

If you purchase a franchise, you irrevocably consent to the use of your name and likeness, including voice and image, by us and its respective affiliates, successors and assigns, for all commercial purposes, including advertising and promotion, in any media, throughout the world in perpetuity, including but not limited to, on the internet.

We may require you to use a website controlled by us and to require you to use search engine optimization services. In the event we establish a website, or series of websites, for our System and restaurant franchises, you agree to give us information and materials that we may periodically request concerning your Restaurant franchise, and to otherwise participate in the System website in the manner that we may require. If we establish a System website, all advertising and promotional materials that you develop for your Restaurant must contain the URL of the System website in the manner that we may designate.

Local and Regional Advertising Cooperatives

You are not currently required to participate in any local or regional advertising cooperative. We currently have no local or regional advertising cooperatives, but reserve the right to have one in the future. If we do create a local or regional advertising cooperative that includes your Protected Territory, you will be required to participate in it.

Advertising Councils

There is currently not an advertising council ("Council"), but we reserve the right to establish one in the future. We will select the Council's members, and we may change or dissolve the Council at any time. We anticipate that a Council would serve in an advisory capacity, but may grant to the Council any operational or decision-making powers that we deem appropriate. We, or one or more of our affiliated companies or persons, may also offer separate, optional, advisory councils or groups that may have additional costs to you should you decide to participate.

Advertising by Us - Advertising Funds

We have the right to create a separate advertising fund on a system-wide basis (the "National Ad Fund"), and one or more separate advertising funds for certain geographical territories (a "Regional Ad Fund") for our restaurant franchises to accomplish national, regional and local advertising and promotional programs we deem necessary or appropriate in our sole discretion for each franchise. See Item 6 for the amount of your required contribution to the National Ad Fund and/or a Regional Ad Fund that includes all or any part of your Protected Territory. Currently we do not require Barrio Franchises to contribute to a National Ad Fund, but we reserve the right to require contributions of up to 2% of your gross revenues to the National Ad Fund, and we also reserve the right to charge a different amount for any non-traditional outlets (e.g., food courts) or locations (e.g., college campuses). Currently we do not require Barrio Franchises to contribute to a Regional Ad Fund, but we reserve the right to require contributions of up to 2% of your gross revenues to one applicable Regional Ad Fund, and we also reserve the right to charge a different amount for any non-traditional outlets (e.g., food courts) or locations (e.g., college campuses). The National Ad Fund and Regional Ad Funds are sometimes referred to as the "Ad Funds."

All Barrio Franchises will be required to contribute to the National Ad Fund on the same basis as you, respectively, unless prohibited by law. We have the right to increase or decrease your contribution to any Ad Fund upon 30 days written notice to you. Barrio restaurants owned by us or our affiliates must contribute to the National Ad Fund on the same basis as you, subject only to limitation under applicable law.

We will administer and direct all marketing programs financed by the Ad Funds, and will have sole discretion over the creative concepts, materials, endorsements and media used by the Ad Funds, and the geographic, market, and allocation of the Ad Funds. We have the right to determine, in our sole discretion, the composition of all geographic territories and market areas for the development and implementation of such programs. We do not have to spend any specific amount on advertising in the area or territory where your franchise will be located. The Ad Funds may be used to pay any and all costs of maintaining, administering, directing, and preparing national, regional or local advertising materials, programs, and marketing activities, including, without limitation, (a) costs for preparing and conducting television, radio, magazine, billboard, newspaper, internet and other media programs and activities, (b) costs associated with conducting marketing research, (c) costs associated with website development, maintenance, hosting and marketing, including without limitation, search engine optimization and social media, (d) administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising, (e) employing advertising, program and marketing agencies, and vendors providing marketing services, (f) development, implementation and maintenance of online asset management tools, (g) marketing and advertising training programs and materials, (h) costs for providing promotional brochures and advertising templates and materials to Barrio franchises, (i) obtaining sponsorships and endorsements and hosting franchisee meetings, (j) preparing and conducting sweepstakes, contests, and other prize promotions, (k) making charitable donations, and (l) providing and procuring public relations services and conducting public relations activities.

Advertising materials developed or produced by the Ad Funds may include video, audio, and written advertising materials, which may be prepared by our in-house advertising department. The Ad Funds will furnish you with approved advertising materials at its direct cost of producing those advertising materials. Amounts contributed to the Ad Funds may be used to place advertising in television, radio, newspaper, or other media as solely determined by us. We will not use Ad Fund contributions for advertising that is principally a solicitation for the sale of franchises.

The Ad Funds will be accounted for separately from our other funds, and will not be used to pay any of our general operating expenses, except for salaries, administrative costs, and overhead that we incur in activities reasonably related to the administration of the Ad Funds and their marketing programs, including preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Funds. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the applicable Ad Fund in that year, and the Ad Funds may borrow from us or other lenders to cover that Ad Fund's deficits or invest any surplus for future use by such Ad Fund. We will prepare an annual unaudited statement of monies collected and costs incurred by an Ad Fund and will provide it to you upon written request. We had no Ad Fund collections or expenditures during the last fiscal year (ending December 31, 2022).

The Ad Funds will be intended to enhance recognition of the Marks and the goodwill and patronage of Barrio franchises. Although we will endeavor to use the Ad Funds to develop advertising and marketing materials and programs and place advertising that will benefit all contributing franchises, we have no obligation in developing, implementing, or administering advertising or promotional programs, ensuring that the Ad Funds' expenditures in or affecting any geographic area are proportionate or equivalent to the contributions made by any franchise in that geographic area, or that any franchise will benefit from the development of advertising and marketing materials or the placement of advertising by the Ad Funds directly or in proportion to the franchise's contribution to the Ad Fund. We assume no direct or indirect liability or obligation to you or any other Barrio franchisee in connection with the establishment of a National Ad Fund, or the collection, administration, or disbursement of monies paid into an Ad Fund. We will not be a fiduciary to you with respect to the management of any Ad Fund.

We may suspend contributions to, and the operations of, an Ad Fund for any period we deem appropriate, and may terminate any Ad Fund upon 30 days' written notice to you. All unspent monies held by the Ad Fund on the date of termination will be distributed to us, our affiliates, and you and our other franchisees in proportion to each party's respective contributions to the Ad Fund during the preceding 12-month period. We may reinstate a terminated Ad Fund upon the same terms and conditions set forth in the Franchise Agreement upon 30 days' advance written notice to you.

In the future, we may also establish optional programs to provide additional marketing services to Barrio franchises. If you choose to use any optional marketing program, you must agree to pay the fee determined by us.

In the future, we may also offer Barrio franchises the opportunity to participate in marketing promotions that we will provide directly to the franchise's customers via email, telephone, mail, social media or other means.

Computer System and Billing System

You must purchase and use the computer hardware and software and billing system and subscriptions (collectively, "Computer System") that we periodically designate to operate your Barrio franchise. You must obtain the Computer System, software licenses, maintenance and support services, and other related services from the suppliers we specify (which may be limited to us and/or our affiliates). The Computer System will manage customer relations, accounting, inventory management, billing, and credit card functions. The estimated initial cost of purchasing your Computer System will range from \$23,600-\$31,600. We may periodically modify the specifications for, and components of, the Computer System. These modifications and/or other technological developments or events may require you to purchase, lease, and/or obtain by license such computer and technological hardware, software and other solutions that we specify from time to time, including among other things, point-of-sale systems, digital menu boards, audio and video equipment, subscriptions and systems, security systems, connection to remote servers, off-site electronic repositories, and high speed Internet connections and service, and obtain service and support for the Computer System. The Franchise Agreement does not limit the frequency or cost of these changes, improvements, upgrades, or updates. We have no obligation to reimburse you for any Computer System costs. Within 60 days after you receive notice from us, you must obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly.

We may charge you a reasonable fee for (i) installing, providing, supporting, modifying, and enhancing any proprietary software or hardware that we develop and license to you; and (ii) other Computer System-related maintenance and support services that we or our affiliates provide to you. If we or our affiliates license any proprietary software to you or otherwise allow you to use similar technology that we develop or maintain, then you must sign any software license agreement or similar instrument that we or our affiliates may require.

You will have sole responsibility for: (1) the acquisition, operation, maintenance, repairing and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of other third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained and upgraded. Unless otherwise provided, we and our affiliates will have no responsibilities for these items. The estimated annual cost of any optional or required maintenance, updating, upgrading, or support contracts for your Computer System is \$3,525.00.

We will have independent, unlimited access to the information the Computer System generates, stores and tracks, including any information pertaining to your gross revenues and all other information stored by the Computer System. There are no limitations on our ability to access the information and data.

Item 12

TERRITORY

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands

that we control. However, after you have identified a location for your Restaurant that we have approved, we will designate a geographic area surrounding your Restaurant, which will consist of an approximate 5 mile radius surrounding your Restaurant, which may be defined by ZIP codes or geographic boundaries granting a similar area, which will then be known as your Protected Territory. You and we will mutually agree on your Protected Territory's boundaries when or after you sign the Franchise Agreement. You may operate your Restaurant (including, if permitted under the Franchise Agreement, our optional programs) only at an approved site that is physically located in your Protected Territory. You may not relocate your Restaurant to a different site in your Protected Territory without our approval – we are not required to grant any request to relocate your Restaurant, and approval will be made in our discretion. If you are in compliance with the Franchise Agreement, then neither we nor our affiliates will operate or grant a franchise for another Barrio restaurant offering our franchised services and products and using our Marks from a location within your Protected Territory, except as set forth below. The continuation of your rights to your Protected Territory does not depend on your achievement of any specific sales volume or market penetration. However, the continuation of your rights to your Protected Territory depends upon your compliance with your obligations under your Franchise Agreement. Failure to comply with your obligations under the Franchise Agreement may result in the termination of your franchise. Your Protected Territory may not be modified or altered under any circumstances unless you and we both agree to the change. Other than the foregoing, under no other circumstances may your Protected Territory be altered or modified by us.

You may solicit, accept and sell authorized services and products to customers who reside outside your Protected Territory without having to pay any special compensation to us or any other Barrio franchisee. You are permitted to use other channels, such as telemarketing or other direct marketing, to make or solicit such sales outside of your Protected Territory. Likewise, restaurants owned by us or other Barrio franchisees may solicit, accept, and sell authorized services and products to customers residing in your Protected Territory without having to pay you any special compensation. Restaurants owned by us and other Barrio franchisees are permitted to use other channels, such as the internet, email, social media, telemarketing, or other direct marketing, to make or solicit such sales inside of your Protected Territory using the Marks. You may not discount your pricing to attract customers who live in the Protected Territory of another Barrio restaurant.

You have no options or rights of first refusal to purchase additional Barrio franchises, but may apply to us for the right to operate additional Barrio franchises under separate agreements.

To the extent that we, from time to time, may permit you to offer catering, food truck services, delivery or other off-site services, we may also limit your right to provide such services to a geographic area designated by us or any of our designated third-party delivery providers. If we or a designated third-party delivery provider specifies a geographic area in which you may offer and provide delivery, food truck services, catering and/or other off-site services, you agree not to offer or provide such services outside of that geographic area. Such geographic area may be modified by us or the third-party delivery provider from time to time and such geographic area may be different than your Protected Territory.

Reservation of Rights

We and our affiliates reserve the right to engage in any activities we deem appropriate that your Franchise Agreement does not expressly prohibit, whenever and wherever we desire, including the right to (a) own and operate and grant others the right to own and operate, Barrio franchises physically located outside of your Protected Territory on terms and conditions we deem appropriate; (b) own and operate and grant others the right to own and operate other related companies or franchises, or enter into other lines of business, offering products and services that are similar or dissimilar to those offered by Barrio franchises, both in and outside of your Protected Territory, under trademarks and service marks other than the Marks without any compensation to you, and to use other channels (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); (c) own and operate and grant others the right to own and operate, businesses different from Barrio franchises but operated under the Marks within or outside your Protected Territory, without any compensation to you, and to use other channels (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); (d) own and operate and to grant others the right to own and operate food and/or beverage service restaurants and/or operations (including carts, kiosks, mobile units, concessions, or similar businesses), offering products and services that are similar or dissimilar to those offered by Barrio franchises, and to otherwise license the use of any components of the System including without limitation the Marks, in any Alternative Channels located at any location, including within the Protected Territory; and (e) the right to be acquired (whether through acquisition of assets, or equity interests or otherwise, regardless of the form of transaction) by a business or entity providing products and services similar to those provided by Barrio franchises even if that business or entity operates, franchises, or licenses competitive businesses in your Protected Territory. “Alternative Channels” means any facility serving a captive market or other outlet not consisting of a standalone restaurant, including but not limited to, food retailers (including big box retailers), supermarkets, shopping malls, amusement parks, airports, casinos, college and school campuses, arenas, stadiums, ballparks, hotels, resorts, convention centers, and any other public attraction or venue or mass gathering events or locations, and facilities of any kind for which food and/or beverage service rights are contracted to a third party or parties, whether inside or outside of the Protected Territory.

At this time, we do not operate, franchise or have plans to operate or franchise a business under a different trademark or service mark that is similar or dissimilar to the products and services offered by Barrio franchises.

Item 13

TRADEMARKS

We grant you the right to operate your Barrio franchise using our principal Marks: (1) the standard character mark “Barrio,” and (2) the design mark “barrio tacos + tequila + whiskey.” You may also use other future trademarks, service marks, and logos we approve to identify your Barrio franchise.

We have the right, pursuant to a license from our parent Barrio Bros. LLC, to use, and grant you the right to use, the following registered marks with the USPTO:

Mark	Registration Number	Date of Registration	Principal or Supplemental Register
Barrio	5824667	August 6, 2019	Principal
	5824820	August 6, 2019	Principal

All affidavits required by the USPTO in connection with these marks have been filed.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, with respect to the Marks. There are no pending infringement, opposition, or cancellation proceedings or material federal or state litigation involving the use and ownership of any of our trademarks. No agreement significantly limits our right to use or license the Marks in a manner material to your Barrio franchise.

Your right to use the Marks is derived solely from your Franchise Agreement, and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable specifications, standards, and operating procedures we prescribe during the term of your Franchise, including, without limitation, timely payment of the Initial Franchise Fee, Continuing Franchise Fees, Advertising Fees, and all other sums due to us. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. Your use of the Marks and any goodwill established by them will be for our exclusive benefit, and your Franchise Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of your Franchise Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols authorized for use by, and licensed to you under, your Franchise Agreement. You may not at any time during or after the term of your Franchise contest, or assist any other person in contesting, the validity or ownership of any of the Marks.

You must immediately notify us of any apparent use of, or claims of rights to a trademark identical to or confusingly similar to the Marks. You may not communicate with any person other than us and our counsel about the apparent infringement, challenge, or claim. We and our affiliates will have sole discretion to take any affirmative action as we deem appropriate in, and the exclusive right to control any litigation or USPTO or other proceeding arising out of any apparent infringement, challenge, or claim, or otherwise relating to any Mark. You must sign any instruments and documents, render any assistance, and perform any acts that our or our affiliates' counsel deems necessary or advisable to protect and maintain our or our affiliates' interests in any litigation or USPTO or other proceeding related to any Mark, or otherwise protect and maintain our interests in the Marks.

If we decide that it is advisable for us and/or you to modify or discontinue use of any Mark and/or use one or more additional or substitute trade or service marks, then you must comply with our instructions to do so within a reasonable time after receiving notice from us at your own expense and we need not reimburse you for any loss of revenue due to any modified or discontinued Mark.

On October 5, 2021, the USPTO issued a service mark registration for the name “Barrio” to a third party for use in connection with bar and restaurant services. This registration was issued pursuant to an application made on December 14, 2017, under the name “Barrio Sangria Bar,” which was changed to “Barrio” shortly before the registration issued in 2021. Because the application date of this third-party service mark precedes the application dates for our Marks, it is possible that the owner of this third-party mark could attempt to claim priority over our Marks and the nationwide exclusive right to use the “Barrio” name to identify restaurants. Such a claim could materially affect your use of the Marks. With respect to this registration, we have not initiated any infringement, opposition, or cancellation proceedings or litigation, but may do so in the future. There are many other federal and state registrations for restaurant and bar related trademarks that include the word “Barrio” so our ability to claim the exclusive use of that term is limited.

We cannot prevent anyone who began using the name “Barrio” before our use of it from continuing their use of that name in the area of prior use. The name “Barrio” may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You acknowledge that you are responsible for finding out whether the name “Barrio” is already being used in the Protected Territory.

If you are in compliance with your obligations as to use of the Marks hereunder, we agree to indemnify you against, and reimburse you for, all out-of-pocket damages that you are ordered to pay any third party in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, provided us with the opportunity to defend the claim, cooperated with the defense of the claim, and otherwise complied with this Agreement. We may defend any proceeding arising out of your use of any Mark under your Franchise Agreement, and have no obligation to indemnify or reimburse you for any attorneys’ fees or disbursements you incur if we defend the proceeding.

Except as described above, we do not know of any prior rights or infringing uses in your Protected Territory that could materially affect your use of our Marks.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a registered patent or copyright, but you can use the proprietary information in our Operations Manual. See Item 11 for additional information about our Operations Manual. We do not own any rights in or licenses to any patents or have any pending patent applications that are material to the Franchise. Although we have not filed an application for copyright registration of our Operations Manual or other copyrighted or

copyrightable materials and items, we claim copyright protection in them, and they are proprietary. We do not have any obligation to take action for unauthorized uses of the information in our Operations Manual or other copyrighted item, but we intend to do so in circumstances we deem appropriate. We do not have to indemnify you for losses brought by a third party concerning your use of this information, but intend to do so under circumstances we deem appropriate. Unless otherwise provided in this Item 14, we are not aware of any other material infringing uses of this information. There are no agreements in effect affecting or limiting our right to use this information. There are no material determinations of, or proceedings in, the United States Patent and Trademark Office, the United States Copyright Office or a court concerning any patent or copyright owned by us.

We and our affiliates have developed proprietary confidential information comprising methods, techniques, procedures, know how, information, systems, and knowledge of and experience in the design and operation of Barrio franchises, including but not limited to (1) services and products offered and sold at Barrio franchises and knowledge of sales and profit performance of any one or more Barrio franchises; (2) sources of products sold from Barrio franchises; (3) advertising and promotional programs; (4) Barrio franchise image and decor; (5) methods, techniques, formats, specifications, procedures, information, systems and knowledge of and experience in the development, operation, and franchising of Barrio franchises; (6) copyrighted or copyrightable materials, including, without limitation, menus, recipes, office forms and procedures, training, promotional, and marketing materials, telephone scripts and the content of the Operations Manual and other works of authorship under or in connection with the operation of the System; and (7) the methods of training employees (collectively, the “Confidential Information”). We will disclose the Confidential Information to you in the initial training program described in Item 11, the Operations Manual lent to you, and guidance furnished to you during the term of your franchise. You will not acquire any interest in the Confidential Information other than the right to use it in the development and operation of your franchise during the term of the franchise.

The Confidential Information is proprietary, and, except to the extent that it is or becomes generally known in the industry or trade, is our trade secret, and is disclosed to you solely for your use in the operation of your Franchise during the term of the Franchise. You (1) must not use, directly or indirectly, the Confidential Information in any other business or capacity or for any purpose other than as needed in the development or operation of your Franchise during the term of the Franchise; (2) must maintain the confidentiality of the Confidential Information during and after the term of the Franchise and not directly or indirectly publish or otherwise disclose it to any third party; (3) must not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media; and (4) must adopt and implement all reasonable procedures, including any that we may prescribe periodically, to prevent the unauthorized use or disclosure of any of the Confidential Information, including restrictions on disclosure to your employees and the use of nondisclosure clauses in employment agreements with your employees.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Unless we approve your employment of an on-site general manager to operate your Barrio franchise, you (if you are an individual) or one of your principal owners, officers, directors, or employees approved by us (if you are a legal entity) must actively participate in the actual operation of the Franchise, have at least five years' experience managing a restaurant, and devote as much of your time as may be reasonably necessary for its efficient operation. If we agree to your employment of a general manager, then the general manager will supervise the day-to-day operation of your Franchise. If you or your principal owners do not have at least five years' experience managing a restaurant, you will be required to employ a general manager with at least five years' of restaurant management experience. You must not hire any general manager without our prior written approval of his or her qualifications. Each general manager and successor general manager must attend and complete our initial training program for your Franchise prior to commencing the role of general manager (see Item 11). We do not require that the general manager have an equity interest in your Franchise, but he or she cannot have any interest in or business relationship with any business competitor of your Franchise, and must sign a written agreement to maintain confidential the proprietary information described in Item 14 and conform with the covenants not to compete described in Items 17(q) and 17(r), as well as non-disparagement and non-solicitation covenants described in Items 17(x) and 17(y).

Obligations of Owners

You (if an individual) or each of your owners (if you are a legal entity) must sign an Assumption and Guarantee of Obligations (attached to the Franchise Agreement as Exhibit 3), agreeing to be bound by and guaranteeing your obligations as the "franchisee" under your Franchise Agreement. If you and/or your owners transfer your Franchise Agreement or any related interest, with our prior written consent, then you and/or the owners making the assignment must agree to be bound by the terms of the Franchise Agreement, and guarantee the obligations of the "franchisee" under the Franchise Agreement. You and your owners must at all times faithfully, honestly and diligently perform your and their obligations under the Franchise Agreement. You and they must continuously exert your and their best efforts to promote and enhance your Franchise. Neither you nor your owners can engage in any other business or activity that may conflict with your or their obligations under your Franchise Agreement.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell only those services and products we have approved for your Franchise. You must also offer all goods and services that we designate for your Franchise. You may not offer or sell any goods, services, equipment, or products that we prohibit without our written consent. We may add new or additional products and services that you must offer at your Franchise. There are no restrictions in the Franchise Agreement on our right to do this. All

advertising, signs, promotional materials, decorations and other related items we designate must have the Marks in the form we specify.

See Item 12 for information regarding restrictions on your customers.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements for your Barrio franchise. You should read these provisions in the agreements attached to this Disclosure Document.

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise Agreement	Summary
a. Length of franchise term	Section 2.1	10 years
b. Renewal or extension of the term	Section 2.4	Additional terms of 5 years
c. Requirements for you to renew or extend	Section 2.4	The term “renewal” means that you will be granted a franchise for up to 2 additional terms of 5 years, subject to your compliance with all the terms of the Franchise Agreement and all other agreements between you and us, including the Operations Manual. At least 6 months before the expiration of the applicable term, we will notify you as to whether you appear eligible to renew the Franchise and, if applicable, we will provide you with a notice of deficiencies. If you appear to be eligible for renewal, we will ask you to provide us with notice of your intent to renew within a specific time period after receipt of our notice. Also, you must: maintain possession of premises and refurbish and redecorate in compliance with our then current requirements or obtain and develop suitable substitute premises; correct any deficiencies in the operation of the franchise identified in our written notice to you prior to expiration; sign our then

Provision	Section in Franchise Agreement	Summary
		current franchise agreement and any ancillary documents; pay a renewal fee (see Item 6); and sign a general release of any and all claims against us, our officers, directors, employees and agents (see Exhibit G). You may be asked to sign a contract with materially different terms and conditions than your original Franchise Agreement. Your right to renew will be contingent upon your acceptance of these new terms and conditions.
d. Termination by you	Section 15.6	The Franchise Agreement gives you the right to terminate prior to the end of the stated term only if we are in material default under the Franchise Agreement and do not cure that default within 90 days after receipt of written notice from you. You may also be entitled to terminate the Franchise Agreement for reasons allowed under applicable state law.
e. Termination by us without cause	Not applicable	Not applicable.
f. Termination by us with cause	Section 15.1	Only upon written notice, except that if you fail to timely and expressly assume, ratify or confirm the Franchise Agreement in any bankruptcy proceeding and you cease, or have ceased performance under the Franchise Agreement in any respect, then all rights granted to you under the Franchise Agreement shall immediately and automatically terminate and revert to us without further notice to you or action on our part.
g. "Cause" defined –curable defaults	Section 15.1	You do not pay us within 10 days after written notice; you do not comply with any other provision of the Franchise Agreement or specification, standard, or operating procedure and do not correct such

Provision	Section in Franchise Agreement	Summary
		failure within 30 days after written notice.
h. "Cause" defined – non-curable defaults	Section 15.1	You fail to timely develop or open the franchise; you (or any individuals required to attend) fail to attend and/or successfully complete any required initial training or subsequent mandatory training; you abandon, surrender, transfer control of or do not actively operate the franchise or lose the right to occupy the franchise location; you or any Principal Owner make an unauthorized transfer or assignment of the franchise or its assets; you are adjudged a bankrupt, become insolvent, or make an assignment for the benefit of creditors, or you fail to satisfy any judgment rendered against you for a period of 30 days after all appeals have been exhausted; you use, sell, or distribute unauthorized products, or use any customer referral or marketing services that has not been formally approved by us in writing and in advance for your franchise or for the franchise system as a whole; you or your Principal Owners are convicted of a felony, or are convicted or plead no contest to any crime or offense that adversely affects the reputation of the franchise and the goodwill of our Marks, or otherwise engage in any dishonest, unethical or conduct that is reasonably likely to reflect materially and unfavorably on the goodwill or reputation of your Franchise, the Marks or the System; you understate your gross revenues for any period as determined by an audit or inspection by greater than 5%; you violate any health or safety law or ordinance or regulation, or operate the franchise in a way that creates a health or safety hazard; you

Provision	Section in Franchise Agreement	Summary
		fail to submit when due any financial statements, reports or other data, information, or supporting records; or you fail on 3 or more occasions within any active 12 month period to comply with the Franchise Agreement regardless of whether you properly them. Also, in the event you fail to timely and expressly assume, ratify or confirm the Franchise Agreement in any bankruptcy proceeding and you cease, or have ceased, performance hereunder in any respect, then all rights granted to you under the Franchise Agreement shall immediately and automatically terminate and revert to us without further notice to you or action on our part. Also, in the event, in the opinion of our legal counsel, any provision of the Franchise Agreement is contrary to law and we are not able to negotiate an amendment to the Franchise Agreement to conform to legal requirements upon 30 days' notice, or the amendment requires a fundamental change to the Franchise Agreement, we may terminate the Franchise Agreement.
i. Your obligations on termination/non-renewal	Sections 15 and 16	You must pay all amounts owed to us; refrain from using our Marks, return to us or destroy (as we specify) all customer lists, forms and materials bearing our Marks or relating to the franchise; de-identify the franchise premises; return the Operations Manual; comply with covenants against competition and the non-solicitation, non-disparagement and non-disclosure covenants in Section 9 of the Franchise Agreement; and cease using all confidential information.

Provision	Section in Franchise Agreement	Summary
		You must also (1) execute any documents and take any steps necessary to delete your listings from classified telephone directories, disconnect, or, at our option, assign to us all telephone numbers that have been used in your Franchised Business, assign to us any URLs, domain names, and social media and social networking names that you have used in connection with your Franchised Business, and terminate all other references that indicate you are or ever were affiliated with us, and (2) give us a final accounting for your Restaurant, and you must maintain all accounts and records for your Restaurant for a period of not less than seven years after final payment of any amounts you owe to us, our affiliates, and/or related persons, but you may not sell, disclose, or otherwise transfer any of the information contained in those accounts and records to, or for use by, any competitive business. If the contract is terminated by us or otherwise expires, or if the contract is terminated by you without compliance with the contract, you will also be liable for the costs, expenses and damages set forth in Section 15.3 and your Restaurant will be subject to our right to purchase under Section 15.7 of the contract (see item o. below).
j. Assignment of contract by us	Section 14.3	Fully transferable by us.
k. "Transfer" by you-defined	Section 14	Transfer includes any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest or change of ownership of you, the Franchise Agreement, the franchise or its

Provision	Section in Franchise Agreement	Summary
		assets, or any other interest in the franchise.
l. Our approval of transfer by you	Section 14.4	You may not transfer the Franchise Agreement, the franchise or its assets or any interest in the franchise without our approval. We will not unreasonably withhold approval if you are in full compliance with the Franchise Agreement.
m. Conditions for our approval of transfer	Section 14.5	If you propose to transfer the Franchise Agreement, the franchise or its assets, or any interest in the franchise, or if any of your Principal Owners proposes to transfer a controlling interest in you or make a transfer that is one of a series of transfers which taken together would constitute the transfer of a controlling interest, then you must apply to us for approval of such transfer and sign such forms and procedures as we have in effect at that time, the person or entity to whom you wish to make the transfer must apply to us for acceptance as a franchisee, and you must submit to us all of the information and documentation required for us to evaluate the proposed transfer. Also, the new owner must have sufficient business experience, aptitude and financial resources to operate the franchise; you must pay all amounts due us or our affiliates; new owner and its director must successfully complete our initial training program; your landlord must consent to transfer of the lease, if any; you must pay us a transfer fee (see Item 6); you and your Principal Owners must sign a general release in favor of us, our affiliates, and our and their officers, directors, employees and agents (see Exhibit G); you and your Principal Owners

Provision	Section in Franchise Agreement	Summary
		must comply with all post-termination obligations in the Franchise Agreement; new owner must agree to remodel to bring the franchise and the premises to current standards; new owner must assume all obligations under your Franchise Agreement or, at our option, sign a new Franchise Agreement using our then-current form. We also may approve the material terms of the transfer, and require that you enter into an agreement with us providing that all obligations of the new owner to make installment payments of the purchase price to you or your Principal Owners will be subordinate to the obligations of the new owner to pay any amounts payable under the Franchise Agreement or any new Franchise Agreement that we may require the new owner to sign in connection with the transfer, and containing a general release of any claims that you may have against us. (see Exhibit G).
n. Our right of first refusal to acquire your business	Section 14.8	We have the right to match any bona fide, arms-length offer for your business.
o. Our option to purchase your business	Section 15.7	When the Franchise Agreement expires or terminates, we may purchase your operating assets at fair market value, less the value of any goodwill associated with our Marks and other intangible assets.
p. Death or disability of franchisee	Section 14.6	Executor, administrator, or other personal representative must transfer interest within 12 months; all transfers are subject to provisions in Franchise Agreement regulating transfers.
q. Non-competition covenants during the term of the franchise	Section 9.3 and 17.8	Neither you, your Principal Owners, General Managers, nor any immediate family members of you or

Provision	Section in Franchise Agreement	Summary
		your Principal Owners may perform services for or have any interest in any business providing competitive services or products.
r. Non-competition covenants after the franchise is terminated or expires	Section 9.3	Applicable for a period of 2 years following termination, expiration or Transfer, within a 5 mile radius of your Franchise premises or any other Barrio restaurant.
s. Modification of the agreement	Section 21	No modifications to Franchise Agreement unless you and we agree in writing; we may amend Operations Manual at any time.
t. Integration/merger clause	Section 21	Only the Franchise Agreement applies (subject to state and federal law); all other agreements or promises are not enforceable, except that nothing in the Franchise Agreement will operate to waive or disclaim your right to rely on the representations and claims asserted in this FDD.
u. Dispute resolution by arbitration or mediation	Section 17.9	Except for certain claims, we and you must arbitrate all disputes in Cuyahoga County, Ohio (subject to state law) before a single arbitrator with the American Arbitration Association. Except as we elect to seek temporary or permanent injunctive relief, before either party commences an arbitration, the parties agree that, as a condition precedent to the filing or commencement of any arbitration, they will attempt to resolve any dispute through internal mediation between the parties to be conducted in a mutually agreeable location, or if no such location is agreed upon within 10 days after a request for mediation, then at our corporate headquarters.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Section 17.9 and 17.11	Cuyahoga County, Ohio (subject to state law).
w. Choice of law	Section 17.11	Ohio law governs, except for matters regulated by the United States Trademark Act (subject to state law).
x. Non-solicitation and non-disparagement covenants	Sections 4.1, 9.3 and 17.8	The Franchise Agreement prohibits each Principal Owner from making any negative or critical statements to any third parties, either verbally or in any other form or media, about (a) the Franchisor, the Franchise, any of our franchisees, or any of their respective products, services, businesses or business practices, or (b) the actions, operations or character of the Franchisor or the Franchise's respective owners, officers, directors, employees, consultants or agents. The Franchise Agreement also prohibits each Principal Owner, during the term of the Franchise Agreement and for a period of two (2) years following the expiration, termination or Transfer of the Franchise Agreement, from interfering with the Franchisor's relationship with any of the Franchisor's franchisees, vendors or suppliers.
y. Non-disclosure covenants	Sections 4.1, 9.2 and 17.8	You, your principal owners and your General Managers agree that at all times you/they (1) will not directly or indirectly use the Confidential Information in any other business or capacity or for any purpose other than as needed in the development and operation of the Franchise during the term of the Franchise Agreement; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of the Franchise Agreement and not directly or indirectly publish or

Provision	Section in Franchise Agreement	Summary
		otherwise disclose it to any third party; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures, including those we may prescribe from time to time, to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to your employees, and the use of non-disclosure, non-solicitation, non-disparagement and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information.

Item 18

PUBLIC FIGURES

We do not use any public figures to promote our franchises.

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.

Written substantiation of the data used in preparing the following financial performance representation will be made available to you upon reasonable request.

As of December 31, 2023, there were 24 Barrio-themed restaurants that were either in operation or have signed franchise agreements but have not yet begun operations. Of those 24 outlets, this financial performance representation presents data from 17 restaurants. The information below presents the past performance results from our 7 Company-Owned outlets, our 1 affiliate-owned outlet, and 9 franchised outlets, including those that converted from a licensee operation to a franchise model, each of which was in existence and operating for all of calendar year 2023.

We do not present information regarding the concession stands located inside of the 2 professional or college stadiums in Cleveland and Columbus, OH because the operational models for these outlets are not substantially similar to the Restaurant model being offered to prospective franchisees. We also excluded the 7 franchised outlets that signed franchise agreements in 2023 and either opened during 2023 or have not yet opened, because these outlets do not have a full year of operational results.

The 7 Company-owned Restaurants presented are the only substantially similar outlets owned by us, the 10 additional Restaurants presented are the only substantially similar outlets owned in whole or in part by third parties.

Please carefully read all of the information presented in this Item 19, including the explanatory notes following the tables below.

January 1, 2023 – December 31, 2023

	Company-Owned Restaurants (7 Units) and Affiliate-Owned Restaurant (1 Units)
Gross Sales ¹	Average: \$3,001,003.52 Median: \$3,070,934.50 Range: \$1,950,122.53 - \$3,958,918.77 4 of the 8 Units (50%) exceeded the average.
Gross Profit ²	Average: \$2,097,701.46 Median: \$2,146,583.22 Range: \$1,363,135.65 - \$2,767,284.22 4 of the 8 Units (50%) exceeded the average.
Adjusted Gross Profit ³	Average: \$1,971,839.37 Median: \$2,017,788.23 Range: \$1,281,347.51 - \$2,601,247.17 4 of the 8 Units (50%) exceeded the average.

January 1, 2023 – December 31, 2023

	Franchised Restaurants (9 Units)
Gross Sales ¹	Average: \$2,136,368.12 Median: \$1,646,102.78 Range: \$1,107,596.37- \$3,508,627.36 4 of the 9 Units (44.4%) exceeded the average.
Gross Profit ²	Average: \$1,493,321.32 Median: \$1,150,625.84 Range: \$774,209.86 - \$2,452,530.52 4 of the 9 Units (44.4%) exceeded the average.
Adjusted Gross Profit ³	Average: \$1,403,722.05 Median: \$1,081,588.29 Range: \$727,757.57 - \$2,305,378.69 4 of the 9 Units (44.4%) exceeded the average.

(1) The term “Gross Sales” has the same meaning as given in the Franchise Agreement, namely: the total of all revenue and receipts derived from the operation of the Franchise, including all amounts received at or away from the site of the Franchise, or through the business the Franchise conducts, including the aggregate of the sales price of all food and beverage items, goods, wares, and merchandise sold, and the charges for all services you perform, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, including sales and services (a) originating at from operation of your Restaurant even if delivery or performance is made offsite from your Approved Location, (b) placed by mail, facsimile, telephone, internet, social media, and similar means if received or filled at or from your Approved Location, (c) from mechanical and other vending devices in your Restaurant, and (d) that you, in the normal and customary course of your operations, would credit or attribute to the operation of a Restaurant. Gross Sales do not include: the sale of gift certificates or stored value cards (the redemption value will be included in Gross Sales at the time of redemption); or the amount of any discount offered to employees or customers; the amount of any city, county, state, or federal sales, luxury, or excise tax on such sales. This information reflects actual data reported to us by the operating outlet.

(2) The Gross Profit figure represents Gross Sales minus the costs of goods sold. Costs of goods sold consist of the costs paid by the Units for food, liquor, non-alcoholic beverages, retail goods, and beer and wine. This information reflects actual data reported to us by the operating

outlet. Costs of goods sold do not include other expenses, such as employee payroll and benefits, owner's compensation, rent, marketing, advertising or other operating costs— See Items 7 and 11. We have calculated costs of goods sold to be equal, on average across the 17 units, to 30.1% of the gross revenues and have applied that cost to each unit to obtain the Gross Profit figure.

(3) The Adjusted Gross Profit figure represents the Gross Profit, as adjusted by deducting 6% of Gross Sales for royalty payments that are required under the franchise agreement. This adjustment is made to approximate the effect of paying royalties. Although these 17 outlets were in operation for all of 2023, we did not collect royalties from these outlets in 2023 on a uniform basis throughout the year, so we have not deducted any of such fees that may have been paid by those units, and are instead using the contractually-required royalty amount.

Some Restaurants have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Other than the preceding financial performance representation, we do not make any financial performance representations. 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 us by contacting our Vice President of Operations and Development at 3190 West 63rd Street, Cleveland, Ohio 44102 (Phone: 216-400-7141), the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

System-wide Outlet Summary For Years 2021 to 2023

Outlet Type (1)	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	7	+7
	2023	7	12	+5
Company- Owned	2021	8	8	0
	2022	8	8	0
	2023	8	8	0
Total Outlets	2021	8	8	0
	2022	8	15	+7
	2023	15	20	+5

Our Barrio Franchisees

See Exhibit D for the name, address, and telephone number of each of our current and former Barrio franchisees. Certain franchisees have signed confidentiality clauses during the last three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Barrio System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

The name, city, state, and telephone number for each Franchisee that was terminated, not renewed, canceled, voluntarily or involuntarily ceased to do business under the franchise agreement during the 2023 fiscal year, or who has not communicated to us within 10 weeks of the issuance date of this disclosure document, is set forth in Exhibit D. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

We do not include as franchises or company-owned outlets any unaffiliated concession stand and other concepts operating under trademark licenses.

Transfers of Outlets from Franchisees to New Owners (other than Franchisor) **For Years 2020 to 2023**

State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

Status of Franchised Outlets **For Years 2021 to 2023**

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
FL	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MA	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
MI	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	1	0	0	0	0	4

OH	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
PA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
SC	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
Total	2021	0	0	0	0	0	0	0
	2022	0	7	0	0	0	0	7
	2023	7	5	0	0	0	0	12

**Status of Company-Owned Outlets
For years 2021 to 2023**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
<u>NH</u>	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
<u>OH</u>	2021	6	1	0	0	0	7
	2022	7	0	0	0	0	7
	2023	7	0	0	0	0	7
<u>Totals</u>	2021	8	0	0	0	0	8
	2022	8	0	0	0	0	8
	2023	8	0	0	0	0	8

Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
FL	1	1	0
IL	0	1	0
IN	0	1	0
MD	0	1	0
NC	1	0	0
OH	1	1	0
TX	1	0	0
Totals	4	5	0

Item 21

FINANCIAL STATEMENTS

Exhibit E contains the following financial statements required to be included with this Disclosure Document:

The audited balance sheet, statement of operations, statement of owners' equity, and statement of cash flows of our affiliate, Barrio Bros., LLC, an Ohio limited liability company, for the period from January 1-December 31, 2021, January 1-December 31, 2022, and for the period January 1-December 31, 2023.

Barrio Bros., LLC absolutely and unconditionally guarantees to assume the duties and obligations of Barrio Nation LLC under its Franchise Agreement. A copy of the Guaranty of Performance is contained in Exhibit E to this Disclosure Document.

Item 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

Exhibit B	Franchise Agreement (including as exhibits an Owner's Guaranty and Assumption of Franchisee's Obligations, Lease Addendum and other documents)
Exhibit F	General Release Agreement
Exhibit G	Transfer Agreement

Item 23

RECEIPTS

Following Exhibit G are 2 blank originals of a detachable Receipt form to be signed by you. Please sign both originals. We will keep one signed original, and you will keep the other.

EXHIBIT A

**STATE ADMINISTRATORS/AGENTS
SERVICE OF PROCESS**

Following is information about state agencies and administrators whom you may wish to contact with questions about Barrio Nation LLC, or this Disclosure Document, as well as our agents for service of process.

Our agent for service of process in the State of Ohio is:

Richard Ledbetter
3190 W. 63rd St.
Cleveland, OH 44102

We intend to register the franchises described in this Disclosure Document in some or all of the following states in accordance with applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA

Department of Financial Protection and
Innovation:
1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013
(213) 576-7505

Sacramento

2101 Arena Blvd.
Sacramento, California 95834
(916) 445-7205

San Francisco

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 557-3787

HAWAII

(state administrator)
Hawaii Commissioner of Securities
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(agent for service of process)
Commissioner of Securities of the
State of Hawaii
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

ILLINOIS

Franchise Bureau
Office of the Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

(state administrator)
Indiana Secretary of State
Securities Division, E-111
302 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

(agent for service of process)
Indiana Secretary of State
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

MARYLAND

(state administrator)
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)
Maryland Securities Commissioner
at the Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

MICHIGAN

(state administrator)
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
(517) 373-7177

(for service of process)
Michigan Department of Commerce,
Corporations and Securities Bureau
P.O. Box 30054
6546 Mercantile Way
Lansing, Michigan 48909

MINNESOTA

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 539-1600

NEW YORK

(Administrator)

New York Department of Law
Investor Protection Bureau
28 Liberty St., 21st Floor
New York, New York 10005
(212) 416-8236

(agent for service of process)

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, New York 12231
(518) 473-2492

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, 5th Floor
Bismarck, North Dakota 58505
(701) 328-2910

OREGON

Department of Insurance and Finance
Corporate Securities Section
Labor and Industries Building
Salem, Oregon 97310
(503) 378-4387

RHODE ISLAND

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex – Building 69-1
Cranston, RI 02920
(401) 462-9527

SOUTH DAKOTA

Division of Insurance
Securities Regulation
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA

(state administrator)

State Corporation Commission, Division of
Securities
and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9051

(for service of process)

Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

(for service of process)

Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Street, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT B

FRANCHISE AGREEMENT

BARRIO NATION LLC

FRANCHISE AGREEMENT

NOTICE: This Agreement is subject to binding arbitration – see Section 17.9.

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Barrio Nation LLC
FRANCHISE AGREEMENT

This Franchise Agreement (this or the "Agreement") is being entered into and is effective as of the date of the last signature below (the "Agreement Date"). The parties to this Agreement are Barrio Nation LLC, an Ohio limited liability company ("we," "us" or "Barrio"), _____, as the franchisee ("you" or "Franchisee"), and, if you are a partnership, corporation, or limited liability company, your "Principal Owners" (defined below).

1. INTRODUCTION.

1.1 Style of Agreement; Common Terms. This Agreement has been written in an informal style in order to make it more easily readable and to be sure that you become thoroughly familiar with all of the important rights and obligations the Agreement covers before you sign it. This Agreement includes several exhibits, all of which are legally binding and are an integral part of the complete Franchise Agreement. In this Agreement, we refer to Barrio Nation LLC as "we," "us," or the "Barrio." We refer to you as "you" or "Franchisee" and such terms include any person or entity that operates or has an interest in the Franchised Business (defined below). If you are a corporation, partnership, or limited liability company, you will notice certain provisions that are applicable to those principal shareholders, partners or members on whose business skill, financial capability and personal character we are relying in entering into this Agreement. Those individuals will be referred to in this Agreement as "Principal Owners".

1.2 The Franchise System.

a. Through the expenditure of considerable time, effort and money, we and our Affiliates (defined in Section 1.2c below) have devised a system (the "System") relating to the construction, development, establishment, and operation of fast-casual dining restaurants serving build-your-own tacos and bowls and modern alcoholic and non-alcoholic beverages using fresh, flavorful, high-quality ingredients in a unique, lively atmosphere (each a "Restaurant"). Subject to an additional fee, we may also offer additional programs, products and services, which additional programs, products and services may change from time to time. We identify the System by the use of certain trademarks, service marks and other commercial symbols, including the marks "Barrio," "Barrio Tacos + Tequila + Whiskey" and certain associated designs, artwork and logos, which we may change or add to from time to time (the "Marks").

b. From time to time we grant to persons who meet our qualifications, franchises to own and operate a Barrio Restaurant in accordance with the System in a specified geographic territory. This Agreement is being presented to you because of the desire you have expressed to obtain the right to develop, own, and be franchised to operate a Barrio Restaurant (we refer to your Barrio franchise hereinafter as the "Franchise" or the "Franchised Business").

c. As used in this Agreement, the term "Affiliate" means any entity that is wholly or partly owned by another entity, that shares common ownership with another entity, or that has an ownership interest in another entity.

1.3 Due Diligence. In signing this Agreement, you acknowledge that you have conducted an independent investigation of the Barrio System, and recognize that, like any other business, the nature of it may evolve and change over time, that an investment in a Barrio

Franchised Business involves business risks. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

1.4 No Waiver. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

1.5 Non-Uniform Agreements. You acknowledge and agree that we have previously entered into franchise agreements with other franchisees, that we may in the future enter into franchise agreements with other franchisees, and that some or all of those franchise agreements may have terms substantially different from those in this Agreement. You also acknowledge and agree that we may, in our sole discretion and business judgment, waive or modify comparable provisions of any of those franchise agreements in a non-uniform manner, so long as we do so on a reasonably non-discriminatory basis.

2. GRANT OF FRANCHISE.

2.1 Term. You have applied for a franchise to own and operate a Barrio Restaurant, and we have approved your application in reliance on all of the representations you made in that application. As a result, and subject to the provisions of this Agreement, we grant to you a Franchise to operate a Restaurant offering all products, services, and proprietary programs of ours in accordance with all elements of the System, that we may require for Barrio Restaurants.

You must operate the Franchise at a mutually agreeable site (the "Approved Location") to be identified after the signing of this Agreement, and to use the System and the Marks in the operation of that Franchise, for an "Initial Term" of 10 years. The Initial Term will begin on the Agreement Date, unless you are assuming the Franchise pursuant to a Transfer, in which case the length of the Initial Term shall be determined by the applicable Transfer Agreement. To avoid uncertainty, the expiration date of the Initial Term is listed on Exhibit 1. Termination or expiration of this Agreement will constitute a termination or expiration of your Franchise and the rights you received in connection with the Franchise, including your rights to use the Marks or any portion of the Confidential Information. (All references to the "Term" or the "Term of this Agreement" refer to the period from the Agreement Date to the date on which this Agreement actually terminates or expires.)

2.2 Full Term Performance. You specifically agree to be obligated to operate the Franchise, perform the obligations of this Agreement, and continuously exert your best efforts to promote and enhance the business of the Franchise for the entire Initial Term, and any subsequent renewal or extension of the Term of this Agreement.

2.3 Protected Territory; Reservation of Rights. You acknowledge that the Franchise granted by this Agreement gives you the right to operate your Franchise only at the Approved Location. Provided you are in full compliance with this Agreement, neither we nor our Affiliates

will operate or grant a franchise for the operation of another Barrio Restaurant franchise offering our franchised services and products and using our Marks that is physically located within the territory described in Exhibit 1 (the "Protected Territory"). You and we will mutually designate your Protected Territory upon or after the signing of this Agreement and Exhibit 1 shall be deemed to be automatically updated and revised to reflect such designation or any mutually agreed upon changes to your Protected Territory.

We and our affiliates reserve the right to engage in any activities we deem appropriate, including the right to (a) own and operate and grant others the right to own and operate, Barrio franchises physically located outside of your Protected Territory on terms and conditions we deem appropriate; (b) own and operate and grant others the right to own and operate, other related companies or franchises, or enter into other lines of business, offering products and services that are similar or dissimilar to those offered by Barrio franchises, both in and outside of your Protected Territory, under trademarks and service marks other than the Marks without any compensation to you, and to use other channels (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); (c) own and operate and grant others the right to own and operate, businesses different from Barrio franchises but operated under the Marks within or outside your Protected Territory, without any compensation to you, and to use other channels (for example, the internet, email, social media, telemarketing, or other direct marketing) in connection with such system(s) and/or location(s); (d) own and operate and to grant others the right to own and operate food and/or beverage service restaurants and/or operations (including carts, kiosks, mobile units, concessions, or similar businesses), and to otherwise license the use of any components of the System including without limitation the Marks, in any Alternative Channels located at any location, including within the Protected Territory; and (e) the right to be acquired (whether through acquisition of assets, or equity interests or otherwise, regardless of the form of transaction) by a business or entity providing products and services similar to those provided by Barrio franchises even if that business or entity operates, franchises, or licenses competitive businesses in your Protected Territory.

For purposes hereof, the term "Alternative Channels" means: any facility serving a captive market or other outlet not consisting of a standalone restaurant, including but not limited to, food retailers (including big box retailers), supermarkets, shopping malls, amusement parks, airports, casinos, college and school campuses, arenas, stadiums, ballparks, hotels, resorts, convention centers, and any other public attraction or venue or mass gathering events or locations, and facilities of any kind for which food and/or beverage service rights are contracted to a third party or parties, whether inside or outside of the Protected Territory.

To the extent that we, from time to time, may require or permit you to offer catering, food truck services, delivery or other off-site services, we may also limit your right to provide such services to a geographic area designated by us or any of our designated third-party delivery providers. If we or the third-party delivery provider specifies a geographic area in which you may offer and provide delivery, food truck services, catering and/or other off-site services, you agree not to offer or provide such services outside of that geographic area. Such geographic area may be modified by us or the third-party delivery provider from time to time and such geographic area may be different than your Protected Territory.

2.4 Renewal of Franchise.

a. **Franchisee's Right to Renew.** Subject to the provisions of subparagraphs 2.4b and 2.4c below, upon the expiration of the Initial Term, if you are not then in default under this Agreement or any other agreement between you and us or any of our Affiliates, you will have the right to renew the Franchise for up to 2 additional terms of 5 years each.

- (1) At least 6 months before the expiration of the Franchise, we will notify you as to whether you appear eligible to renew the Franchise or, if applicable, we will provide you with a notice of deficiencies pursuant to subparagraph 2.4b below.
- (2) If you appear to be eligible for renewal, we will ask you to provide us with notice of your intent to renew within a specific time period after receipt of our notice.
- (3) If you give us timely notice of your desire to renew the Franchise, we will provide you with our then-current Franchise Disclosure Document and a timetable for the renewal process.
- (4) Following an appropriate review period, and subject to your continued compliance with this Agreement and satisfaction of other terms of eligibility for renewal, you and we will enter into the documentation described in subparagraph 2.4c below.

b. Notice of Deficiencies and Other Requirements.

- (1) At least 6 months before the expiration of the Franchise, we agree to give you written notice of any deficiencies in your operation or in the historical performance of the Franchise that could cause us not to renew the Franchise. If we will permit renewal, our notice will state what actions, if any, you must take to correct the deficiencies in your operation of the Franchise or of the Approved Location, and will specify the time period in which those deficiencies must be corrected or other requirements satisfied.
- (2) Renewal of the Franchise will be conditioned on your continued compliance with all the terms and conditions of this Agreement up to the date of expiration, and not just on those conditions set forth in our 6 month deficiency notice.
- (3) If we send a notice of non-renewal, it will state the reasons for our refusal to renew.
- (4) If we permit renewal, you will be required to refurbish and decorate the Approved Location, replace fixtures, furnishings, wall decor, furniture, equipment, and signs and otherwise modify the Restaurant to be in compliance with the specifications and standards then applicable to new Barrio Restaurant franchises, which renovations may include structural changes, remodeling, redecoration, and modifications to existing improvements.
- (5) As a condition to renewal, you may not be in default, whether or not beyond the applicable cure period, of any Lease (defined in Section 3.1d below) for the Approved Location, or any equipment lease or financing instrument relating to the Franchised Business; you may not be in default, whether or not beyond the applicable cure period, with any vendor or supplier to the Franchised Business or Restaurant; and, for the 12 months before the date of your notice and the 12 months before the expiration of the then-current term, you must have been in strict

compliance with this Agreement or any other agreements between you and us or our Affiliates.

- (6) As a condition to renewal, you and your employees must be in compliance with our then-current training requirements.
- (7) As a condition to renewal, you must have the right to remain in possession of your Approved Location, or have secured other premises acceptable to us, for the entire renewal term.

c. **Renewal Agreement and Fee; Releases.** To renew the Franchise, Barrio, you and your Principal Owners must execute the form of Franchise Agreement and any ancillary agreements we are then customarily using in the grant or renewal of franchises for the operation of Barrio Restaurant Franchises (with appropriate modifications to reflect the fact that the agreement relates to the grant of a renewal franchise), except that no initial franchise fee will be payable upon renewal of the Franchise. The terms of the Franchise Agreement that you must execute upon renewal, and any other agreements we may require, may differ materially from those contained in this Agreement, including the possibility of increased Royalty Fees and Ad Fund contributions (as defined below). Your right to renew will be contingent upon your acceptance of the new terms. You must pay to us a renewal fee equal to \$20,000.00 or 50% of the then-current Initial Franchise Fee, whichever is greater, concurrently with signing the renewal Franchise Agreement. You and your Principal Owners must also execute general releases, in a form satisfactory to us, of any and all claims against us and our Affiliates, and our and their respective owners, officers, directors, employees, and agents.

3. DEVELOPMENT AND OPENING OF THE FRANCHISE

3.1 Site Approval; Lease or Purchase of Approved Location.

a. You will use your best efforts to seek and select a proposed site for the Approved Location within the Protected Territory that is acceptable to us as suitable for the operation of the Franchise within 90 days of the date of this Agreement. You must submit to us, in the form we specify, a description of the site and such other information or materials as we may reasonably require. We will not unreasonably withhold approval of a site that meets our standards for general location and neighborhood, size, traffic patterns, parking size, layout, demographics, exterior and interior appearances and other physical characteristics for Barrio Restaurant franchises. If you fail to identify a mutually agreeable site within the above period, we may terminate this Agreement without refunding your Initial Franchise Fee or any other payments made to us. You may not relocate your Restaurant to a different site in your Protected Territory without our approval.

b. We may from time to time retain the services of, or enter into master contracts with, certain providers of site evaluation products and services. If we enter into such a relationship, it may require you to use the services of such supplier to evaluate the sites you propose for your Restaurant. If we require you to purchase such products and services from its designated third-party supplier, we will pay the supplier on your behalf. There is no charge to you for such products and services for the first site you propose for a Restaurant, but for your second or subsequent site you propose for your Restaurant, we may charge you a fee for those products and services.

c. We will approve or disapprove a proposed site within 14 days after the receipt of all documents and additional information as we may reasonably require. Our failure to provide notification within this time period shall be considered disapproval. To the extent that we provide

onsite evaluations, you must reimburse us for any out-of-pocket costs that we incur in connection with performing the evaluation, such as travel, lodging, and dining expenses for each individual performing the evaluation.

d. Once we have approved the proposed site of the Approved Location for your Franchise, you must obtain lawful possession of the Approved Location through lease or purchase within 180 days of the date of this Agreement. We must approve any agreement by which you secure possession of your Approved Location (the “Lease”) before you sign it. The Lease must contain certain provisions we require pursuant to the form of Lease Addendum attached as Exhibit 5 (“Lease Addendum”). It is your sole responsibility to obtain a fully-executed Lease Addendum in connection with executing your Lease, and our approval of your Lease is subject to our receipt of the Lease Addendum. **YOU ACKNOWLEDGE AND AGREE THAT OUR APPROVAL OF A LEASE DOES NOT CONSTITUTE, DIRECTLY OR IMPLICITLY, AN ASSURANCE THAT YOU SHOULD SIGN THE LEASE, OR THAT THE TERMS OF THE LEASE ARE FAVORABLE TO YOU. IT MEANS ONLY THAT THE LEASE CONTAINS THE LEASE TERMS THAT WE REQUIRE FOR OUR PROTECTION.**

e. **YOU ACKNOWLEDGE AND AGREE THAT NEITHER YOUR USE OF OUR APPROVED SITE EVALUATION SERVICES NOR OUR APPROVAL OF YOUR PROPOSED SITE CONSTITUTES, DIRECTLY OR IMPLICITLY, AN ASSURANCE THAT YOUR RESTAURANT WILL ACHIEVE A CERTAIN SALES VOLUME OR LEVEL OF PROFITABILITY; IT MEANS ONLY THAT THE PROPOSED SITE MEETS OUR MINIMUM CRITERIA. WE ASSUME NO LIABILITY OR RESPONSIBILITY FOR: (1) EVALUATION OF YOUR RESTAURANT LOCATION’S SOIL FOR HAZARDOUS SUBSTANCES; (2) INSPECTION OF ANY STRUCTURE ON YOUR RESTAURANT LOCATION FOR ASBESTOS OR OTHER TOXIC OR HAZARDOUS MATERIALS; (3) COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT (“ADA”); OR (4) COMPLIANCE WITH ANY OTHER APPLICABLE LAW. IT IS YOUR SOLE RESPONSIBILITY TO CHOOSE A SITE FOR YOUR RESTAURANT BASED ON YOUR INDEPENDENT INVESTIGATION, AND OBTAIN SATISFACTORY EVIDENCE AND/OR ASSURANCES THAT YOUR RESTAURANT LOCATION (AND ANY STRUCTURES THEREON) IS FREE FROM ENVIRONMENTAL CONTAMINATION AND IS IN COMPLIANCE WITH THE REQUIREMENTS OF THE ADA AND OTHER APPLICABLE LAWS.**

3.2 Prototype and Construction Plans and Specifications. We may furnish to you prototype plans and specifications for your Restaurant location, reflecting our requirements for size, design, decorations, furnishings, furniture, layout, décor (including wall mural(s)), color schemes, equipment, fixtures and signs for Barrio Restaurants, which may be in the form of actual plans for an existing or proposed Restaurant with which we are involved. Using an architect we designate or approve, it will then be your responsibility to have the plans and specifications modified to comply with all ordinances, building codes, permit requirements, and lease requirements and restrictions applicable to the Approved Location. You must submit final construction plans and specifications to us for our approval before you begin construction at the Approved Location, and must construct the Franchise location in accordance with those approved plans and specifications. Our waiver or failure to strictly enforce any such requirements for plans, specifications, décor, etc. shall not constitute a waiver of any other term or provision of this Agreement or the failure by us to discharge any duty to you with respect to your office Approved

Location. **YOU ACKNOWLEDGE AND AGREE THAT OUR APPROVAL OF YOUR PLANS DOES NOT CONSTITUTE, DIRECTLY OR IMPLICITLY, AN ASSURANCE THAT THE PLANS COMPLY WITH FEDERAL, STATE, OR LOCAL LAWS AND REGULATIONS, INCLUDING THE ADA; IT MEANS ONLY THAT THE PROPOSED SITE MEETS OUR MINIMUM CRITERIA. IT IS YOUR RESPONSIBILITY TO CONFIRM THAT YOUR RESTAURANT AND APPROVED LOCATION COMPLY WITH THE ADA AND ALL OTHER APPLICABLE ORDINANCES, BUILDING CODES, PERMIT REQUIREMENTS, AND LEASE REQUIREMENTS AND RESTRICTIONS.**

3.3 Development of the Franchise.

a. You agree at your own expense to do the following: (i) within nine (9) months of the date of this Agreement, or (ii) if you sign this Agreement pursuant to the purchase of multiple Barrio franchises, by the Opening Deadline defined in Exhibit 1:

- (1) secure all financing required to fully develop the Franchise;
- (2) obtain all required building, utility, sign, health, sanitation, liquor and business permits and licenses and any other required permits and licenses, including a certificate of occupancy;
- (3) construct the Franchise location according to the construction plans and specifications we have provided and/or approved;
- (4) decorate the interior and exterior of the Franchise location in compliance with plans and specifications we have provided and/or approved;
- (5) purchase and install all required equipment, furniture, furnishings and signs prior to commencing operations;
- (6) cause all the training requirements of Section 4 to be completed prior to commencing operations;
- (7) purchase an opening inventory of menus, utensils, products and other supplies and materials prior to commencing operations;
- (8) provide proof prior to commencing operations, in a form satisfactory to us, that the construction and operation of the Restaurant does not violate any applicable state or local zoning or land use laws, ordinances, or regulations, or any restrictive covenants that apply to such location;
- (9) provide proof prior to commencing operations, in a form satisfactory to us, that you (and/or your General Manager, as defined in Section 4.1, if any) are legally authorized and have all licenses necessary to perform all of the services and sell all foods, beverages and other goods to be offered by your Franchise, and that your organizational structure is consistent with all legal requirements;
- (10) at all times after commencing operations, utilize all approved internal and external marketing programs for the Franchise;
- (11) provide us with a copy of the approved and fully executed Lease;
- (12) acquire all required insurance policies as required under Section 10.8 below;
- (13) do any other acts necessary to open and operate the Franchise in accordance with

this Agreement (including, without limitation, becoming fully active on our designated billing system as required under Section 3.4 below);

- (14) obtain our approval to open the Franchise for business; and
- (15) open the Franchise for business.

For purposes of the following paragraph, you must achieve each of the foregoing requirements in this paragraph before your Restaurant is deemed to be “open.”

b. If you do not open your Restaurant within one year of the date of this Agreement, for any reason not due to our default under this Agreement, we will have the right to charge you a \$2,500.00 monthly fee. Nothing in this paragraph shall prohibit us from exercising our rights and remedies under Section 15 or any other provision of this Agreement.

3.4 Computer System.

a. **General Requirements.** You agree to use in the development and operation of the Franchise such computer and technological hardware, software and other solutions that we specify from time to time, including among other things, point-of-sale systems, digital menu boards, audio and video equipment, subscriptions and systems, security systems, connection to remote servers, off-site electronic repositories, and high speed Internet connections and service (the “Computer System”), and you may not use any cash registers or computer hardware, accessories, or peripheral equipment that we have not approved for use by Restaurants. Without limiting the foregoing:

- (1) You acknowledge that we may modify such specifications and the components of the Computer System from time to time. Our modification of such specifications for the components of the Computer System may require you to incur costs to purchase, lease and/or obtain by license new or modified computer hardware and/or software, and to obtain service and support for the Computer System during the Term of this Agreement.
- (2) You acknowledge that we cannot estimate the future costs of the Computer System (or additions or modifications thereto), and that the cost to you of obtaining the Computer System (or additions or modifications thereto), including software, may not be fully amortizable over the remaining Term of this Agreement. Nonetheless, you agree to incur such costs in connection with obtaining the computer hardware and software comprising the Computer System (or additions or modifications thereto).
- (3) As part of the Computer System, we may require you to obtain specified computer hardware and/or software, including without limitation a license to use proprietary software developed by us or others.
- (4) Within a reasonable period of time following our request, you agree to obtain the components of the Computer System that we designate and require from time to time.
- (5) Within a reasonable period of time following our request, you shall accept debit cards, credit cards, stored value cards, or other non-cash systems specified by us to enable customers to purchase authorized products, and you shall obtain all

necessary hardware and/or software used in connection with these non-cash systems, which shall constitute part of the Computer System.

- (6) We also require you to maintain a dedicated high-speed internet service or connection or other communication means for remote access and information retrieval by us, as we may specify from time to time in the Operations Manual or otherwise in writing
- (7) You further acknowledge and agree that we and our Affiliates have the right to charge a reasonable fee for software or systems installation services; modifications and enhancements specifically made for us or our Affiliates that are licensed to you; and other maintenance and support-related services that we or our Affiliates furnish to you (the “Technology Fee”). The amount you pay us may be less or more than the amount we pay to any third-party providers, and may be used to offset internal costs related to the stated purposes of the Technology Fee.
- (8) You will have sole responsibility for: (1) the acquisition, operation, maintenance, and upgrading of your Computer System; (2) the manner in which your Computer System interfaces with our computer system and those of third parties; and (3) any and all consequences that may arise if your Computer System is not properly operated, maintained, and upgraded.

Your full implementation of our computer system and software requirements, including our designated billing system, is a crucial part of your Restaurant’s start-up and operation, and you and we agree that the Computer System requirements are a top priority.

b. **No Liability.** We are not responsible or liable for any actual, alleged, or perceived defects or deficiencies in the Computer System, any components thereof, service provider(s), or any required third-party software, or the performance of any of the forgoing.

3.5 Equipment, Furniture, Fixtures, Furnishings and Signs. You agree to use in the development and operation of your Restaurant only the fixtures, furnishings, equipment, signs, and items of décor that we have approved. You further agree to place or display at your Approved Location (interior and exterior) only those signs, emblems, lettering, logos, and display materials that we have approved in writing from time to time. You agree that you will purchase or lease approved brands, types, or models of fixtures, furnishings, equipment, and signs only from suppliers designated or approved by us. We will only provide the name of approved suppliers for these items and we will not deliver or install these items for you. If you propose to purchase, lease or otherwise use any fixtures, furnishings, equipment, signs, or items of décor which have not been approved by us, you must first notify us in writing and shall, at your sole expense, submit to us upon request sufficient specifications, photographs, drawings, and/or other information or samples for a determination as to whether those fixtures, furnishings, equipment, and/or signs comply with the Standards (as such term is defined in Section 10.5 below). We will, in our sole discretion, approve or disapprove the items and notify you within 30 days after we receive the request, and our failure to respond will be deemed to be a denial of permission.

3.6 Approved Suppliers and Distributors. You must purchase those products designated by us only from suppliers and/or distributors approved and designated by us (“Designated Suppliers”), including, but not limited to: (1) fixtures, furniture, equipment, signs, items of décor; (2) food products and ingredients developed by or for us pursuant to a special

recipe, formula, or specifications; (3) all fountain and bottled beverages; (4) uniforms, shirts, and all merchandise and items intended for retail sale (whether or not bearing the Marks); (5) advertising, point-of-purchase materials and other printed promotional materials; (6) gift certificates and cards; (7) stationery, business cards, contracts, and forms; (8) bags, packaging, and supplies bearing the Marks; (9) advertising and marketing services, including loyalty and mobile applications and public relations; (10) delivery platforms and services, mobile ordering apps and services, and online or virtual order fulfillment services; and (11) other products and services that we require.

We may, in our sole discretion, enter into supply contracts either for all Restaurants or a subset of Restaurants situated within one or more geographic regions (each a “Supply Contract”), with one or more vendors of products, services, or equipment and may require all company-owned and franchised Restaurants in a geographic area to purchase from, use, or sell to such vendors. If we enter into such Supply Contracts, then immediately upon notification, you and all Restaurants in the geographic area must purchase the specified product, service, or equipment only from the designated supplier; provided, however, that if, at the time of such notification, you are already a party to a non-terminable supply contract with another vendor or supplier for the designated product, service or equipment, then your obligation to purchase from our designated supplier under the Supply Contract will not begin until the scheduled expiration or earlier termination of your pre-existing supply contract.

We may also establish commissaries and distribution facilities owned and operated by us or our Affiliates, or otherwise designate us or our Affiliates as a Designated Supplier. We may receive money or other benefits from Designated Suppliers based on your purchases; you agree that we have the right to retain and use all such benefits as we deem appropriate, in our sole discretion.

If you propose to purchase supplies from sources that have not been approved by us, you must first notify us in writing and shall, at your sole expense, submit to us upon request sufficient specifications, photographs, drawings, and/or other information or samples for a determination as to whether those fixtures, furnishings, equipment, and/or signs comply with the Standards (as such term is defined in Section 10.5 below). We will, in our sole discretion, approve or disapprove the items and notify you within 30 days after we receive the request, and our failure to respond will be deemed to be a denial of permission. We will make all determinations about whether to approve an alternative supplier in its discretion based on our then-current criteria, which may change from time to time. We may also refuse to consider and/or approve any proposed alternative vendor for any reason whatsoever, and/or, with or without cause, revoke our approval of any vendor at any time. You acknowledge that we are likely to reject your request for a new supplier without conducting any investigation if we have already designated an exclusive supplier for that product or service.

3.7 Franchise Opening. You agree not to open the Franchise for business until: (1) all of your obligations under Sections 3.1 through 3.5 of this Section have been fulfilled (including, without limitation, becoming fully active on our designated billing system); (2) we determine that the Franchise has been properly constructed, decorated, furnished, equipped, and stocked with materials and supplies in accordance with plans and specifications we have provided or approved; (3) you and any of your Franchise’s employees whom we require complete our pre-opening Initial Training (as defined in Section 4.2a) to our satisfaction; (4) the Initial Franchise Fee (as defined

in Section 6.1) and all other amounts due to us have been paid, or payment thereof has been provided for to our satisfaction (in our sole discretion); (5) you have furnished us with copies of all insurance policies required by Section 10.8 of this Agreement, or have provided us with appropriate alternative evidence of insurance coverage and payment of premiums as we have requested; and (6) we have approved any marketing, advertising, and promotional materials you desire to use, as provided in Section 11.2 of this Agreement.

4. TRAINING.

4.1 General Manager. Subject to satisfying our requirements, you may employ a general manager to operate the Franchise instead of you (the “General Manager”). The term “General Manager” means an individual with primary day-to-day responsibility for the Franchise’s operations, and may or may not be you (if you are an individual) or a Principal Owner, officer, director, or employee of yours (if you are other than an individual). We do not require that the General Manager have an equity interest in the Franchise. The General Manager will be obligated to devote his or her full time, best efforts, and constant personal attention to the Franchise’s operations, and must have full authority from you to implement the System at the Franchise. You must not hire any General Manager or successor General Manager without first receiving our written approval of such General Manager’s qualifications, which will include a specified minimum number of years of experience in the restaurant industry. Each General Manager and successor General Manager must attend and complete our Initial Training (as defined herein) prior to commencing the role of General Manager. No General Manager may have any interest in or business relationship with any business competitor of your franchise. Each General Manager must sign a written agreement, in a form approved by us, to preserve the secrecy of our Confidential Information as described in Sections 9.1 and 9.2, and to abide by the non-solicitation, non-disparagement and non-compete covenants described in Section 9.3. We can provide a form for this required written agreement, however, our form is subject to review by your attorney for compliance with all local laws and rules. You must forward to us a copy of each such signed agreement. If we determine, in our sole discretion, during or following completion of the Initial Training program, that your General Manager (if any) is not qualified to act as General Manager of the Franchise, then we have the right to require you to choose (and obtain our approval of) a new individual for that position.

4.2 Training. You acknowledge that it is very important to the operation of the Franchise that you and your employees receive appropriate training. To that end, you agree as follows:

a. At least 60 days before the Franchise opens for business, you must attend our initial training program for your Franchise (the “Initial Training”) at the time and place we designate. You (if you are an individual), the Principal Owners (if you are a legal entity), your General Manager (if any) and any other employees we designate must complete this initial training program to our satisfaction. The Initial Training may include classroom instruction and Franchise operation training, and will be furnished at a corporate-owned Barrio restaurant we designate, an Affiliate, and/or at another location we designate. Our Initial Training programs may be different for each employee depending on their responsibilities at the Franchise. There will be no tuition charge for the persons that we require to attend any Initial Training program. All persons who attend our Initial Training must attend and complete the Initial Training to our satisfaction. If we, in our sole discretion, determine that any General Manager or employee that we require to attend is unable to satisfactorily complete such Initial Training program, then you must not hire that person, and must

hire a substitute General Manager or employee (as the case may be), who must enroll in the Initial Training program within 15 days thereafter, and complete the Initial Training to our satisfaction.

b. You agree to have your General Manager (if any) and/or other employees who attend our Initial Training complete additional training programs at places and times as we may request from time to time during the Term of this Agreement.

c. In addition to the Initial Training, for your first Restaurant, we will provide 9 days of on-site training assistance by our employees approximately two weeks before you open your Restaurant. You (if you are an individual) or your Principal Owners as defined in your Franchise Agreement (if you are a legal entity), and/or your General Manager (if we agree for you to have a General Manager) are also all required to attend this on-site training. The on-site training will occur once you have completed the Initial Training program, have received your certificate of occupancy and liquor license for your Franchise location, and hired employees to staff your Restaurant. The on-site training consists of seven days of general operational training for your employees (including, but not limited to, food and beverage preparation and service training), and two days of soft-opening assistance. Notwithstanding the forgoing, if you are opening your second Restaurant the on-site training will consist of 4 days of on-site training assistance, if you are opening your third Restaurant the on-site training will consist of 2 days of on-site training assistance, and if you are opening your fourth (or more) Restaurant we will not provide you with on-site training assistance. There will be no tuition charge for the on-site training assistance, but you are required to purchase the food and beverages utilized during the training.

d. In addition to providing the Initial Training and on-site training described above, we reserve the right to offer and hold such additional ongoing training programs and franchise owners meetings regarding such topics and at such times and locations as we may deem necessary or appropriate. We also reserve the right to make any of these training programs mandatory for you and/or designated owners, General Managers, employees, and/or representatives of yours. If we offer any such mandatory training programs, then you or your designated personnel must attend all of the programs offered. In addition, you may be required to attend our annual conference, which we plan to conduct once per year. The location of the annual conference will be determined by us. You will be solely responsible for the wages and travel, lodging, and living expenses for each attendee of yours who attends the annual conference. We will not charge you a fee to attend the annual conference, but we will collect fees from you that are imposed by third parties relating to the annual conference, such as fees charged for food and beverage.

e. You agree to pay all wages and compensation owed to, and travel, lodging, meal, transportation, and personal expenses incurred by, all of your personnel who attend our Initial Training, the on-site training and/or any mandatory or optional training we provide.

f. The Franchise's General Manager (if any) and other employees shall obtain all certifications and licenses required by law in order to perform their responsibilities and duties for the Franchise.

5. GUIDANCE; OPERATIONS MANUAL.

5.1 Guidance and Assistance. During the Term of this Agreement, we may from time to time furnish you guidance and assistance with respect to: (a) specifications, standards, programs and operating procedures used by Barrio Restaurant franchises; (b) purchasing approved equipment, furniture, furnishings, signs, materials, décor (including mural(s)), supplies and

services; (c) development and implementation of local advertising and promotional programs; (d) general operating and management procedures; (e) establishing and conducting employee training programs for your Franchise; (f) specifying approved brands, types and/or models of equipment, furniture, fixtures, and signs; and (g) changes in any of the above that occur from time to time. This guidance and assistance may, in our discretion, be furnished in the form of the "Operations Manual" described in Section 5.2 below, email or other electronic communications, internet-based materials, and/or telephone consultations and/or personal consultations at our offices or your Franchise. If you request, and if we agree to provide, any additional, special on-premises training of your personnel or other assistance in operating your Franchise, then you agree to pay a daily training fee in an amount to be set by us, and all expenses we incur in providing such training or assistance, including any wages or compensation owed to, and travel, lodging, transportation, and living expenses incurred by, our Barrio personnel.

5.2 Operations Manual. The "Operations Manual" we lend to you will contain mandatory and suggested specifications, programs, standards, and operating and management procedures that we prescribe from time to time for your Franchise, as well as information relative to other obligations you have in the operation of the Franchise. The Operations Manual may consist of or include writings, drawings, photos, audio recordings, video recordings, and/or other written or intangible materials. We may make all or part of the Operations Manual available to you through various means, including the internet. All or any portion of a previously available Operations Manual may be superseded from time to time with replacement materials to reflect changes in the specifications, standards, programs, operating procedures and other obligations in operating the Franchise. You agree that you will monitor and access our website and communications from us for any updates to the Operations Manual.

Any password or other digital identification necessary to access the Operations Manual on a Website, intranet, or extranet will be deemed to be Confidential Information belonging to Barrio, subject to Article 9 of this Agreement. You must keep your copy of the Operations Manual current, and if you and we have a dispute over the contents of the Manual, then our master copy of the Manual will control.

You agree that you will not at any time copy any part of the Operations Manual, permit it to be copied, disclose it to anyone not having a need to know its contents for purposes of operating your Franchise, or remove it from the Franchise location without our permission. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, then you must obtain a replacement copy for us at our then-applicable charge.

Notwithstanding the forgoing, you shall be responsible for the day-to-day operation of the Franchised Business. While the Operations Manual sets forth our standards for the Franchise, the procedures utilized to implement those standards rest with the Franchisee.

5.3 Modifications to System. We will continually be reviewing and analyzing developments relative to the System, and based upon our evaluation of this information, may make changes in the System, including but not limited to adding new components to services and products offered and equipment used by Barrio Restaurant franchises. Moreover, changes in, or interpretations of, laws regulating the services offered by Barrio franchises may require us to restructure our franchise program or require your General Manager (if any) and employees to obtain additional licenses or certifications. You agree, at our request, to modify the operation of the Franchise to comply with all such changes, and to be solely responsible for all related

costs. **Advisory Councils.** You agree to participate in, and, if required, become a member of any advisory councils or similar organizations we form or organize for Barrio Restaurant franchises. We will select the advisory council's members, and we may change or dissolve the advisory council at any time. We anticipate that an advisory council would serve in an advisory capacity, but may grant to the advisory council any operational or decision-making powers that we deem appropriate in our sole discretion. We, or one of more of our Affiliated companies or persons, may also offer separate, optional, advisory councils or groups that may have additional costs to you should you decide to participate.

6. FEES.

6.1 Initial Franchise Fee. You agree to pay us the initial franchise fee (the "Initial Franchise Fee") set forth below when you sign this Agreement. In recognition of the expenses we incur in furnishing assistance and services to you, you agree that we will have fully earned the Initial Franchise Fee, and that it is due and non-refundable, when you sign this Agreement.

a. If you are purchasing one Restaurant franchise, the Initial Franchise Fee is \$40,000.00.

b. If Exhibit 1 states that you are signing this Agreement pursuant to your purchase of multiple Restaurant franchises, then your Initial Franchise Fee due hereunder shall be \$30,000.00 for the second Restaurant franchise, \$20,000.00 for the third Restaurant franchise, and \$15,000.00 for the fourth and each additional Restaurant franchise.

c. Any deposits previously paid by you will be credited against the Initial Franchise Fee due hereunder.

6.2 Royalty Fee. You agree to pay us a Royalty Fee ("Royalty Fee") equal to six percent (6%) of the Gross Sales (defined below) of the Franchise. The Royalty Fee will be payable weekly or monthly, as specified by us from time to time, on the day we select based on the Franchise's Gross Sales for the specified week or month, as the case may be. The term "Gross Sales" shall, for purposes of this Agreement, mean the total of all amounts received by you and derived from the operation of the Franchise, including all amounts received at or away from the site of the Franchise, or through the business the Franchise conducts, including the aggregate of the sales price of all food and beverage items (except where the inclusion of alcoholic beverage sales is prohibited by law), goods and merchandise sold, and the charges for all services you perform, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, including sales and services (a) originating at from operation of your Restaurant even if delivery or performance is made offsite from your Approved Location, (b) placed by mail, facsimile, telephone, internet, social media, and similar means if received or filled at or from your Approved Location, (c) from mechanical and other vending devices in your Restaurant, and (d) that you in the normal and customary course of your operations would credit or attribute to the operation of a Restaurant. Gross Sales do not include: the sale of gift certificates or cards (the redemption value will be included in Gross Sales at the time of redemption); or the amount of any discount offered to employees or customers; the amount of any city, county, state, or federal sales, luxury, or excise tax on such sales actually collected from customers and paid to the appropriate taxing authority; and any gratuities paid to wait staff separately stated on the sales receipt or not included in the sales price. You and we acknowledge and agree that the Royalty Fee represents compensation paid by you to us for the guidance and assistance we provide and for the use of our Marks, Confidential Information (as defined herein), know-how, access to proprietary

software and business systems, and other intellectual property we allow you to use under the terms of this Agreement (including, without limitation, copyrighted and proprietary forms and materials).

6.3 Advertising Fees.

a. Recognizing the value of advertising to the goodwill and public image of Barrio Restaurant franchises, we may, in our sole discretion, establish, maintain and administer an advertising fund (the "National Ad Fund") for such advertising as we may deem necessary or appropriate in our sole discretion. You agree to contribute to the National Ad Fund in the amount of up to a maximum of two percent (2%) of the Gross Sales of the Franchise. We may also establish one or more additional advertising funds for Restaurants located in specific geographical territories ("Regional Ad Funds") and you may be required to join one of them. We reserve the right to require you to contribute up to two percent (2%) of the Gross Sales of the Franchise to such Regional Ad Fund in the future, but we do not currently have any Regional Ad Funds. We also reserve the right to charge a different amount for any non-traditional outlets (e.g. food courts) or locations (e.g., college campuses.) The National Ad Fund and Regional Ad Funds are referred to herein as the Ad Fund or Ad Funds.

b. We will provide you with 30 days' advance notice of the establishment or termination of an Ad Fund and any change in the required contribution. These advertising fees (the "Advertising Fees") will be payable weekly or monthly, as specified by us from time to time, together with the Royalty Fee. A further description of the Ad Funds and your obligations with respect to advertising and promoting the Franchise is found in Section 11 of this Agreement. We do not currently collect Advertising Fees, but reserve the right to do so in the future.

c. In the future, we may also establish programs to provide additional marketing services to Restaurant franchises, which programs will be optional for Restaurant franchises. If you choose to use these marketing programs, you must agree to pay the fee determined by us. You will only be permitted to use these programs if you pay this fee. We reserve the right to change the amount of this fee at any time. If we choose to establish a program in the future, and you choose to purchase this optional program, you agree to comply with all specifications and requirements contained in the Operations Manual concerning this program.

6.4 Fees Relating to Other Programs; Technology Fee. We, or our Affiliates, may offer additional optional services, products or programs in connection with your Restaurant Franchise, subject to an additional fee paid to us or third parties. For example, we may in the future offer certain franchisees, but not necessarily all franchisees, the opportunity to operate a food truck service based on terms, conditions and standards that would be agreed upon at such time. Additionally, you are required to pay the monthly Technology Fee, defined and discussed in Section 3.4, for certain technology-related services and expenses.

6.5 Interest on Late Payments. All Royalty Fees, Advertising Fees, amounts due from you for purchases from us or our Affiliates, and other amounts which you owe us or our Affiliates (unless otherwise provided for in a separate agreement between us or our Affiliates) will begin to accrue interest after their respective due dates at the lesser of (a) the highest commercial contract interest rate permitted by state law, and (b) the rate of fifteen percent (15%) per annum. You acknowledge that the inclusion of this Section in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate that we have any intention to extend credit to, or otherwise finance your purchase or operation of the Franchise. We have the right to require

that any payments due us or our Affiliates be made by certified or cashier's check, wire transfer or electronic funds transfer in the event that any payment by check is not honored by the bank upon which the check is drawn. We also reserve the right to charge you a fee of \$100 for any payment by check that is not honored by the bank upon which it is drawn, subject to applicable state law. Payments due us or our Affiliates will not be deemed received until such time as funds from the deposit of any check by us or our Affiliates is collected from your account.

6.6 Electronic Funds Transfer. We have the right to require you to participate in an electronic funds transfer program under which Royalty Fees, Advertising Fees, and any other amounts payable to us or our Affiliates are deducted or paid electronically from your bank account (the "Account"). In the event you are required to authorize us to initiate debit entries, you agree to sign all requested forms (including the ACH Agreement attached to this Agreement as Exhibit 4) and make the funds available in the Account for withdrawal by electronic transfer no later than the payment due date. The amount actually transferred from the Account to pay Royalty Fees and Advertising Fees will be based on the Franchise's Gross Sales reported to us. If you have not reported the Franchise's Gross Sales for any reporting period, then we will be authorized to debit the Account in an amount equal to 120% of the Royalty Fee, Advertising Fee, and other amounts transferred from the Account for the last reporting period for which a report of the Franchise's Gross Sales was provided to us. If at any time we determine that you have under-reported the Franchise's Gross Sales or underpaid any Royalty Fee or Advertising Fee due us under this Agreement, then we will be authorized to initiate immediately a debit to the Account in the appropriate amount, plus applicable interest, in accordance with the foregoing procedure. Any overpayment will be credited, without interest, against the Royalty Fee, Advertising Fee, and other amounts we otherwise would debit from your account during the following reporting period. Our use of electronic funds transfers as a method of collecting Royalty Fees and Advertising Fees due us does not constitute a waiver of any of your obligations to provide us with monthly reports as provided in Section 12, nor shall it be deemed a waiver of any of the rights and remedies available to us under this Agreement.

6.7 Application of Payments; No Set-Off. When we receive a payment from you, we have the right in our sole discretion to apply it as we see fit to any past due indebtedness of yours due to us or our Affiliates, whether for Royalty Fees, Advertising Fees, purchases, interest, or for any other reason, regardless of how you may designate a particular payment should be applied. You may not, on grounds of alleged non-performance by Barrio of its obligations under this Agreement, withhold payment of Royalty Fees, Advertising Fees and/or any other amounts due to Barrio and/or its related parties or Affiliates.

7. MARKS; COPYRIGHTED WORKS.

7.1 Ownership and Goodwill of Marks.

a. You acknowledge that your right to use the Marks is derived solely from this Agreement, and is limited to your operation of the Franchise pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the Term of the Franchise, including, without limitation, timely payment of the Initial Franchise Fee, Royalty Fees, Advertising Fees, and all other sums due to us.

b. You understand and acknowledge that our right to regulate the use of the Marks includes, without limitation, any use of the Marks in any form of electronic media, such as Websites (as defined herein) or web pages, or as a domain name or electronic media identifier.

c. If you make any unauthorized use of the Marks either during or after the Term of this Agreement, it will constitute a breach of this Agreement and an infringement of our rights in and to the Marks.

d. You acknowledge and agree that all your usage of the Marks and any goodwill established by your use will inure exclusively to our benefit and the benefit of our Affiliates, and that this Agreement does not confer any goodwill or other interests in the Marks on you (other than the right to operate the Franchise in compliance with this Agreement).

e. All provisions of this Agreement applicable to the Marks will apply to any additional trademarks, service marks, commercial symbols, designs, artwork, or logos we may authorize and/or license you to use during the Term of this Agreement.

f. We cannot prevent anyone who began using the name "Barrio" before our use of it from continuing their use of that name in their area of prior use. The name "Barrio" may be in use by other businesses in the United States who are not our franchisees or in any way affiliated with us. You acknowledge that you are responsible for finding out whether the name "Barrio" is already being used in the Protected Territory.

g. Barrio has invested substantial time, energy, and money in the promotion and protection of its Marks as they exist on the date of this Agreement. However, rights in intangible property such as the Marks are often difficult to establish and defend. In addition, other circumstances, such as changes in the cultural and economic environment within which the System operates, changes in marketing or other strategies, or third-party challenges to Barrio's rights in the Marks, may make changes in the Marks desirable or necessary. Barrio therefore reserves the right to change its Marks and the specifications for each when we believe that such changes will benefit the System. You will promptly conform at your own expense to any such changes. Barrio need not reimburse you for any loss of revenue due to any modified or discontinued Mark or for your expenses in changing to, or promoting, a modified or substitute trademark or service mark.

7.2 Limitations on Franchisee's Use of Marks. You agree to use the Marks as the sole trade identification of the Franchise, except that you will display at the Franchise location a notice, in a form acceptable to us, stating that you are the independent owner of the Franchise pursuant to a Franchise Agreement with us. You agree not to use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos and additional trade and service marks licensed to you under this Agreement), or in any modified form. You also shall not use any Mark, or any commercial symbol similar to the Marks, in connection with the performance or sale of any unauthorized services or products, to promote any business or commercial venture other than the Franchise, or in any other manner we have not expressly authorized in writing. You agree to display the Marks in the manner we prescribe at the Franchise and in connection with advertising and marketing materials, and to use, along with the Marks, any notices of trade and service mark registrations we specify. You further agree to obtain any fictitious or assumed name registrations as may be required under applicable law.

7.3 Notification of Infringements and Claims. You agree to immediately notify us in writing of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark or similar trade name, trademark, or service mark of which you become aware. You agree not to communicate with anyone except us and our counsel in connection with any such infringement, challenge, or claim. We have the right to exclusively

control any litigation or other proceeding arising out of any actual or alleged infringement, challenge, or claim relating to any Mark. You agree to sign any documents, render any assistance, and do any acts that our attorneys say is necessary or advisable in order to protect and maintain our interests in any litigation or proceeding related to the Marks, or to otherwise protect and maintain our interests in the Marks.

7.4 Discontinuance of Use of Marks. If it becomes advisable at any time in our sole judgment for the Franchise to modify or discontinue the use of any Mark, or use one or more additional or substitute trade or service marks, including the Marks used as the name of the Franchise, then you agree, at your sole expense, to comply with our directions to modify or otherwise discontinue the use of the Mark, or use one or more additional or substitute trade or service marks, within a reasonable time after our notice to you.

7.5 Indemnification of Franchisee. If you are in compliance with your obligations as to use of the Marks hereunder, we agree to indemnify you against, and reimburse you for, all out-of-pocket damages that you are ordered to pay any third party in any trademark infringement proceeding arising out of your use of any Mark pursuant to and in compliance with this Agreement, and for all costs you reasonably incur in the defense of any such claim in which you are named as a party, so long as you have timely notified us of the claim, provided us with the opportunity to defend the claim, cooperated with the defense of the claim, and otherwise complied with this Agreement. We may defend any proceeding arising out of your use of any Mark under this Agreement, and have no obligation to indemnify or reimburse you for any attorneys' fees or disbursements you incur if we defend the proceeding.

7.6 Copyrighted Works; Ownership.

a. We hereby authorize you to use in the operation of the Franchised Business those certain copyrighted or copyrightable materials which are from time to time owned by us or our Affiliates and which we approve and license for use in the operation of the Franchised Business. These copyrighted or copyrightable materials include, but are not limited to, the Operations Manual, training materials, advertising and promotional materials, murals and other artworks, menus, recipes, and other portions of the System, and any translations or paraphrasing of any of the forgoing (collectively, the "Copyrighted Works"). You acknowledge and agree that we or our Affiliates own the Copyrighted Works and we may (at our option) further create, acquire, or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of the Franchised Business, the System, and the Restaurants, all of which shall be deemed to be Copyrighted Works under this Agreement and owned by us or our Affiliates. You acknowledge that your right to use the Copyrighted Works is derived solely from this Agreement, and is limited to your operation of the Franchise pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures we prescribe from time to time during the Term of the Franchise, including, without limitation, timely payment of the Initial Franchise Fee, Royalty Fees, Advertising Fees, and all other sums due to us.

b. This Agreement does not confer any interest in the Copyrighted Works to you, other than the right to use them in the operation of the Franchised Business in compliance with this Agreement and the System. If we authorize you to prepare any adaptation, translation or work derived from the Copyrighted Works, or if you prepare any Copyrighted Works such as advertisements, manuals, posters, forms, or marketing or promotional material (all of which shall be subject to and in compliance with this Agreement), you agree that such adaptation, translation,

derivative work, or Copyrighted Work shall be the sole and exclusive property of us and you hereby assign all your right, title, and interest therein to us. You further agree to execute any documents that we determine are necessary to reflect such ownership and to submit all such adaptations, translations, derivative works and Copyrighted Works to us for prior written approval before use.

c. If you make any unauthorized use of the Copyrighted Works either during or after the Term of this Agreement, it will constitute a breach of this Agreement and an infringement of our rights in and to the Copyrighted Works.

7.7 Discontinued Use of Copyrighted Works. If we believe at any time that it is advisable for you or us to modify, discontinue using, and/or replace any of the Copyrighted Works, you agree to comply with our directions within a reasonable time after receiving notice, including using one or more additional or substituted copyrighted or copyrightable items. We shall have no obligation to reimburse you for any expenditures made by you to modify or discontinue the use of any Copyrighted Work or to adopt additional or substitute copyrighted or copyrightable items.

8. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.

8.1 Independent Contractor; No Fiduciary Relationship. Both you and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner, or employee of the other for any purpose whatsoever. In no event shall we be deemed to be an employer (joint or otherwise) of any of your employees, representatives or agents. You agree to conspicuously identify yourself in all your dealings with customers, suppliers, public officials, Franchise personnel, and others as the owner of an independent Franchise pursuant to a Franchise Agreement with us, and to place any other notices of independent ownership on your forms, business cards, stationery, advertising, and other materials as we may require from time to time.

8.2 No Liability, No Warranties. We have not authorized or empowered you to use the Marks or the System except as provided by this Agreement, and you agree not to employ any of the Marks in signing any contract, check, purchase agreement, negotiable instrument or legal obligation, application for any license or permit, or in a manner that may result in liability to us for any indebtedness or obligation of yours. Except as expressly authorized by this Agreement, neither you nor we will make any express or implied agreements, warranties, guarantees or representations, or incur any debt, in the name of or on behalf of the other, or represent that your and our relationship is other than that of franchisor and franchisee.

8.3 Responsibility for Acts and Omissions; Indemnification.

a. **You acknowledge that you are the sole and independent owner of your Franchised Business, you are and will be in full control thereof, and you will conduct the business solely in accordance with your own judgment and discretion, subject only to the provisions of this Agreement. As indicated in Section 7.2, you must conspicuously identify yourself, internally and to third parties, as the independent owner of the Franchised Business and as a franchisee of Barrio, and neither you nor any of your employees should represent to any third parties that you are employees or agents of Barrio. You agree that as between you and us, you are solely responsible for the effects, outcomes and consequences of your**

acts and omissions and the acts and omissions of your employees, representatives and agents in connection with or relating to the operation of your Franchised Business.

b. We will not assume any liability or be deemed liable for any agreements, representations, or warranties you make that are not expressly authorized under this Agreement, nor will we be obligated for any damages to any person or property directly or indirectly arising out of the operation of the business you conduct pursuant to this Agreement, whether or not caused by your negligent or willful action or failure to act.

c. We will have no liability for any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the business you conduct, or any payments you make to us pursuant to this Agreement (except for our own income taxes).

d. You agree to defend, indemnify and hold harmless us, our Affiliates and our and their respective owners, directors, managers, officers, employees, agents, successors, and assigns (individually, an “Indemnified Party,” and collectively, the “Indemnified Parties”), from and against any and all claims, lawsuits, demands, actions, causes of action or other events, whether brought by third parties or us, and for all costs and expenses incurred by the Indemnified Party in connection therewith, including without limitation actual and consequential damages, reasonable attorneys', accountants' and/or expert witness fees, cost of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, to the extent caused by, relating to or otherwise arising out of (1) the effects, outcomes and consequences of your acts and omissions and the acts and omissions of your employees, representatives and agents in connection with or relating to the operation of your Franchised Business, (2) any agreements, representations, or warranties you make to third parties that are not expressly authorized under this Agreement, (3) any damages to any person or property directly or indirectly arising out of the operation of your Franchised Business, whether or not caused by your negligent or willful action or failure to act, (4) any sales, use, excise, income, gross receipts, property, or other taxes levied against you or your assets, or on us, in connection with the business you conduct, or any payments you make to us pursuant to this Agreement (except for our own income taxes), (5) our actions taken relating to the enforcement of this Agreement, and/or (6) your breach of any provision of this Agreement.

e. The allocation of responsibility and your indemnification obligations described above will survive and continue in full force and effect after, and notwithstanding, the expiration, renewal or termination of this Agreement.

9. CONFIDENTIAL INFORMATION; NON-COMPETITION; OTHER COVENANTS.

9.1 Types of Confidential Information. We possess certain unique confidential and proprietary information and trade secrets consisting of the following categories of information, methods, know how, techniques, products, services and knowledge developed by us, including but not limited to: (a) services and products offered and sold at Barrio franchises including, without limitation, recipes and preparations for food and beverages; (b) knowledge of sales and profit performance of any one or more Barrio franchises; (c) knowledge of sources and costs of products sold or artwork or other décor used at Barrio franchises, (d) advertising and promotional programs, and Restaurant image, vibe and décor; (e) methods, techniques, formats, specifications,

procedures, information, systems, and knowledge of, and experience in, the development, operation, and franchising of Barrio franchises; (f) non-public Copyrighted Works, including, without limitation, the content of the Operations Manual; and (g) methods of training employees. Without limiting the generality of the foregoing, Confidential Information includes our proprietary recipes and standards and specifications for product preparation, packaging, and service; all food and other product specifications and sources of supply; all procedures, systems, techniques and activities employed by us or by you in the preparation, offer and sale of products and/or services at or from your Restaurant; all pricing paradigms established by us or by you; all of our and/or your sources, or prospective sources, of supply and all information pertaining to same, including wholesale pricing structures, the contents of sourcing agreements, and the identity of vendors and suppliers; and our specifications, and your final plans, for the construction, buildout, design, renovation, décor, equipment, signage, furniture, fixtures and trade dress elements of your Restaurant. We will disclose much of the above-described information to you in advising you about site selection, providing our Initial Training, providing access to the Operations Manual, and providing guidance and assistance to you under this Agreement. All of such information disclosed to or developed by you will be referred to in this Agreement as our "Confidential Information".

9.2 Non-Disclosure Agreement.

a. You agree that your relationship with us does not vest in you any interest in the Confidential Information, other than the right to use it solely in the development and operation of the Franchise during the Term of this Agreement, and that the use or duplication of the Confidential Information in any other business or for any other purpose would constitute an unfair method of competition or otherwise result in irreparable damage to us.

b. You acknowledge and agree that the Confidential Information belongs to us, may contain trade secrets belonging to us, and is disclosed to you or authorized for your use solely on the condition that you agree, and you therefore do agree, that you (1) will not use, directly or indirectly, the Confidential Information in any business or capacity or for any purpose other than as needed in the development and operation of the Franchise during the Term of this Agreement; (2) will maintain the absolute confidentiality of the Confidential Information during and after the Term of this Agreement and not directly or indirectly publish or otherwise disclose it to any third party; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written form or another form or media that may be copied or duplicated; and (4) will adopt and implement all reasonable procedures, including any that we may prescribe from time to time, to prevent unauthorized use or disclosure of the Confidential Information, including without limitation restrictions on disclosure to or by your employees, and the use of non-disclosure, non-solicitation, non-disparagement and non-competition agreements we may prescribe or approve for your shareholders, partners, members, officers, directors, employees, independent contractors, or agents who may have access to the Confidential Information. You acknowledge and agree that we are under no duty or obligation to you to enforce any such Agreements for your or our benefit. Your duties and obligations with respect to Confidential Information shall survive the Transfer, termination or expiration of this Agreement.

c. If you conceive of or develop any improvements or additions to the marketing, method of operation, now or other Confidential Information, or the services or products offered by a Barrio Restaurant (collectively, "Improvements"), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and

any third parties that we authorize to operate a Restaurant, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses, and such Improvements will be deemed to be part of the Confidential Information

9.3 Non-Competition Agreement and Other Restrictive Covenants.

a. Non-Competition. You agree that we would be unable to protect the Confidential Information against unauthorized use or disclosure, and would be unable to encourage a free exchange of ideas and information among Barrio franchises, if franchise owners of Barrio franchises were permitted to hold interests in any competitive businesses (as described below). Therefore, during the Term of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner, shall directly or indirectly perform services for, or have any direct or indirect interest as an owner, investor, partner, lender, director, officer, employee, manager, consultant, representative, or agent in, any business that offers “Competitive Services”; provided, however, that the ownership of one percent (1%) or less of a publicly traded company will not be deemed to be prohibited by this Section. This covenant shall remain effective for a period of two (2) years following any Transfer, termination or expiration of this Agreement, except that it shall then be limited to businesses offering Competitive Services from a location that is located within 5 miles of the Approved Location or any other Barrio Restaurant then in existence. For purposes hereof, the term “Competitive Services” means any restaurant or other retail food service business: (i) offering or selling Mexican or “Tex-Mex” food products for consumption on or off such business’ premises; and/or (ii) offering or selling products or services that are the same as or similar to products and services offered by your or other Barrio Restaurants.

b. Non-Disparagement. You agree that during the Term of this Agreement, and thereafter following any Transfer, termination or expiration of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner, will directly or indirectly make any negative or critical statements to any third parties, either verbally or in any other form or media, about (a) us, the Franchise, any of our franchisees, or any of their respective products, services, businesses or business practices, or (b) the actions, operations or character of any of our or their respective owners, officers, directors, employees, consultants or agents.

c. Non-Interference. You agree that during the Term of this Agreement, and thereafter for a period of two (2) years following any Transfer, termination or expiration of this Agreement, neither you, nor any Principal Owner, nor any member of your immediate family or of the immediate family of any Principal Owner, will directly or indirectly interfere with our relationship with any of our franchisees, vendors or suppliers.

d. General Managers to Sign Agreement. You further agree that you will cause each General Manager to enter into and deliver to us a Non-Disclosure Agreement in such form as we may approve, either concurrently with the execution of this Agreement or at such later date when the affiliation of such person with you is established. You acknowledge and agree that we are under no duty or obligation to you to enforce any such Agreements for your or our benefit. The duties and obligations imposed in the Non-Disclosure Agreement shall survive the Transfer, expiration or earlier termination of this Agreement.

e. Covenants are Reasonable and Necessary. It is the express intention of the parties hereto to comply with all laws which may be applicable to this Agreement. You acknowledge and agree that a breach of any provision of this Section 9.3 would cause immediate and irreparable harm to us. Therefore, you acknowledge and agree that the foregoing restraints are fair and reasonable, are required for the protection of our legitimate business interests, and do not impose any undue hardship on you.

10. BARRIO FRANCHISE OPERATING STANDARDS.

10.1 Condition and Appearance of the Franchise. You agree that:

a. neither the Franchise nor the Approved Location will be used for any purpose other than the operation of the Franchise in compliance with this Agreement;

b. you will maintain the condition and appearance of the Franchise, its equipment, furniture, furnishings, and signs, and the Approved Location in accordance with our standards and consistent with the image of a Barrio Restaurant franchise as an efficiently operated restaurant offering high quality food, beverages and services, and observing the highest standards of cleanliness, sanitation, efficient and courteous service and pleasant ambiance, and in that connection will take, without limitation, the following actions during the Term of this Agreement: (1) thorough cleaning, repainting and redecorating of the interior and exterior of the Approved Location at reasonable intervals; (2) interior and exterior repair of the Approved Location; (3) continuing cleaning and maintenance of all equipment in accordance with manufacturer and our recommendations and requirements, and (4) repair or replacement of damaged, worn out or obsolete equipment, furniture, furnishings and signs;

c. you will not make any material alterations to the Approved Location or the appearance of the Franchise, as originally developed, without our advance written approval. If you do so, we have the right, at our option and at your expense, to rectify alterations we have not previously approved;

d. you will promptly replace or add new equipment when we reasonably specify in order to meet changing standards or new methods of service;

e. on notice from us, you will engage in remodeling, expansion, redecorating and/or refurbishing of the Approved Location and the Franchise to reflect changes in the operations of Barrio franchises that we prescribe and require of new franchisees, provided that (1) no material changes will be required unless there are at least 2 years remaining on the Initial Term or any renewal Term of this Agreement (all actual changes will be subject to our approval); and (2) we have completed the proposed change in at least twenty-five percent (25%) of all similarly situated Barrio-owned and Affiliate-owned Barrio Restaurants, if there are any, and have undertaken a plan to make the proposed change in the balance of such Barrio-owned and Affiliate-owned Restaurants;

f. you will place or display at the Approved Location (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve; and

g. if at any time in our reasonable judgment, the general state of repair, appearance, or cleanliness of the Approved Location of the Franchise or its fixtures, equipment, furniture, or signs do not meet our standards, then we shall have the right to notify you specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies

within 10 days after receipt of our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, then we shall have the right, in addition to all other remedies available to us at law or under this Agreement, to enter the Approved Location or the Franchise and perform any required maintenance or refurbishing on your behalf, and you agree to reimburse us for all costs we incur on demand.

10.2 Franchise Services and Products. You agree that (a) the Franchise will offer for sale all the types of services and products that we from time to time specify for Restaurants; (b) you will not offer for sale or sell at the Franchise, the Approved Location, or any other location, any services or products we have not approved; (c) all products will be offered at retail and within your Protected Territory, and you will not offer or sell any products at wholesale; (d) you will not use the Approved Location for any purpose other than the operation of the Franchise; (e) you will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing; and (f) you will not permit to be installed at your Restaurant premises any juke box, vending or game machine, gum machine, game, ride, gambling or lottery device, coin or token operated machine, or any other music, film, or video device not authorized by us. You agree to maintain an inventory of approved products sufficient in quantity and variety to realize the full potential of the Franchise. Your Restaurant must begin offering for sale additional or modified products, and cease offering discontinued products, within 10 days of the date you receive written notice of the addition, modification, or discontinuance. All products or services offered for sale in connection with the Franchised Business must meet our Standards. We may, in our sole discretion, restrict sales of certain menu items to certain time periods during the day.

Without limiting the foregoing, you agree that all food and other products must be prepared and packaged strictly in accordance with our Standards for product preparation and presentation. This includes, without limitation, using only required or approved ingredients, and strictly complying with our recipes, instructions, and techniques when preparing, packaging, and presenting for sale menu items or other products.

We reserve the right to prescribe, and subsequently vary, one or more menus and formats to be utilized in the operation of your Restaurant. The menus and formats may include requirements concerning organization, graphics, product descriptions, illustrations, and other matters related to the menu. Prescribed menus and formats may vary depending on region, market size, or other factors deemed relevant by us. If any menu that you are using ceases to be an authorized menu and format, you will have a reasonable period of time (not to exceed 60 days) to discontinue use of the old menu and format and begin using an authorized menu and format.

We may, from time to time, conduct market research and testing to determine consumer trends and the salability of new services and products. You agree to cooperate by participating in our market research programs, test marketing new services and products in the Franchise, and providing us with timely reports and other relevant information regarding such market research. In connection with any such test marketing, you agree to offer a reasonable quantity of the products or services being tested, and effectively promote and make a reasonable effort to sell them.

You may set menu prices in your discretion; however, because enhancing the System's competitive position and consumer acceptance for the System's products and services is a paramount goal of Barrio and its franchisees, and because this objective is consistent with the long-term interest of the System overall, Barrio may exercise certain rights, to the fullest extent

permitted by then-applicable law, with respect to pricing of products and services, including, but not limited to, establishing the maximum and/or minimum retail prices which you may charge customers for the products and services offered and sold at your Restaurant; recommending retail prices; advertising specific retail prices for some or all products or services sold at your Restaurant, which Barrio may compel you to observe and honor; and developing and advertising price promotions or package promotions which may directly or indirectly impact your retail prices, and in which Barrio may compel you to participate. Barrio may engage in any such activity periodically or throughout the term of this Agreement, and may engage in such activity in some geographic areas but not others, or with regard to certain subsets of franchisees but not others. You acknowledge and agree that any maximum, minimum, or other prices Barrio prescribes or suggests may or may not optimize the revenues or profitability of your Restaurant, and you irrevocably waive any and all claims arising from or related to Barrio's prescription or suggestion of your Restaurant's retail prices.

10.3 Approved Products, Distributors and Suppliers. You must purchase those products designated by us only from suppliers and/or distributors approved and designated by us as set forth in Section 3.6 above.

10.4 Hours of Operation. You agree to keep the Franchise open for business at such times and during such hours as we may prescribe from time to time in our Operations Manual. You further agree that day-to-day operational decisions relating to the opening and closing procedures of the Franchised Business, including security, staffing, and other similar matters, shall be made solely by you.

10.5 Specifications, Standards and Procedures. You agree to comply with all mandatory specifications, programs, standards, and operating and management procedures relating to the appearance, function, cleanliness, sanitation and operation of the Franchise (the "Standards"). Any mandatory specifications, programs, standards, and operating and management procedures that we prescribe from time to time in the Operations Manual, or otherwise communicate to you in writing, will constitute provisions of this Agreement as if fully set forth in this Agreement. All references to "this Agreement," the "Operations Manual" or the "Standards" include all such mandatory specifications, programs, standards, and operating and management procedures.

Without limiting the foregoing, you agree to at all times operate your Franchised Business in strict compliance with the Standards (as supplemented, amended, or modified by Barrio from time to time) including, without limitation: (1) type, quality, taste, weight, dimensions, ingredients, uniformity, manner of preparation, pricing, and sale of all food products and beverages sold at your Restaurant; (2) sales and marketing procedures and customer service; (3) advertising and promotional programs; (4) layout, décor, and color scheme of your Restaurant; (5) appearance and dress of employees; (6) safety, maintenance, appearance, cleanliness, sanitation, standards of service, and operation of your Restaurant; (7) submission of requests for approval of brands of products, supplies, and suppliers; (8) use and illumination of signs, posters, displays, standard formats, and similar items; (9) use of audio equipment and type and decibel levels of music; (10) use of video equipment and type and decibel level of television broadcasts (including closed captioning requirements); (11) types of fixtures, furnishings, equipment, smallwares, and packaging; (12) menus, including product offerings, appearance, and inclusion of nutrition information; (13) participation in quality assurance and customer satisfaction programs; (14) use of any third-party food delivery services, online ordering services, or other food aggregation

services; and (15) the make, type, location, and decibel level of any game, entertainment, or vending machine.

You will participate in and offer to your customers all customer loyalty and reward programs, and all contests, sweepstakes, and other promotions that we may develop from time to time. We will communicate to you in writing the details of each such program and promotion, and you must promptly display all point-of-sale advertising and promotion-related information at such places within your Restaurant as we may designate.

To the extent that we develop or authorize the sale of gift certificates and/or stored value cards, you must acquire and use all computer software and hardware necessary to process their sale and to process purchases made using them. All proceeds from the sale of all gift certificates and stored value cards belong exclusively to us, and you shall remit the proceeds of such sales to us according to the procedures that we prescribe periodically. We will reimburse or credit to you (at our option) the redeemed value of gift cards and stored value cards accepted as payment for products and services sold by your Restaurant.

You also agree to honor such credit cards, courtesy cards, and other credit devices, programs, and plans as may be issued or approved by us from time to time. Any reasonable and customary service charges or discounts from reimbursements charged on such cards or authorizations will be at your sole expense.

You acknowledge that because uniformity may not be possible or practical under many varying conditions, Barrio reserves the right to materially vary the System or franchise agreement terms for any franchisee, based on the timing of the grant of the franchise, the peculiarities of the particular territory or circumstances, business potential, population, existing business practices, other non-arbitrary distinctions, or any other condition which Barrio considers important to the successful operation of the System. You have no right to require Barrio to disclose any variation or to grant the same or a similar variation to you. Barrio may also permit variations in the Standards between Restaurants owned by Barrio (or its Affiliates) and Restaurants owned by franchisees.

10.6 Compliance with Laws and Good Business Practices.

a. You agree to secure and maintain in force in your name all required licenses, permits and certificates relating to the operation of the Franchise. You also agree to operate the Franchise in full compliance with all applicable laws, ordinances, and regulations, including without limitation all government regulations relating to the handling of food products, service of alcohol, immigration, discrimination worker's compensation insurance, advertising, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes, and sales taxes.

b. Under applicable federal law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), you are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism as defined in the Order. Accordingly, you represent to us that you do not, and hereafter will not, engage in any acts of terrorism or terrorist activity. In addition, you represent to us that you are not Affiliated with and/or do not support any individual or entity engaged in, contemplating, or supporting any acts of terrorism or terrorist activity. Further, you represent to us that you are not acquiring the rights granted under this Agreement with the intent to generate

funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

c. All advertising you employ must be completely factual, in good taste (in our judgment), and conform to the highest standards of ethical advertising and all legal requirements. You agree that in all dealings with us, your customers, your suppliers, and public officials, you will adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You further agree to refrain from any business or advertising practice that may be harmful to the business of Barrio, the Franchise, and/or the goodwill associated with the Marks and other Barrio franchises.

d. You must notify us in writing within 5 days of (1) the commencement of any action, suit, or proceeding, and/or of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental unit, that may adversely affect your and/or the Franchise's operation, financial condition, or reputation, including, without limitation, any and all claims of bodily injury brought against you or any of your employees, independent contractors or owners, regardless of the nature of the claim, anticipated outcome or remedies sought; and/or (2) your receipt or knowledge any notice of violation of any law, ordinance, or regulation relating to health or safety.

10.7 Management and Personnel of the Franchise.

a. Unless you employ a General Manager that we approve to operate the Franchise as provided in Section 4.1, you must actively participate in the actual, on-site, day-to-day operation of the Franchise, and devote as much of your time as is reasonably necessary for the efficient operation of the Franchise. If you employ a General Manager in accordance with Section 4.1, then the General Manager must fulfill this requirement.

b. Any General Manager must obtain all licenses and certifications required by law before assuming his or her responsibilities at the Franchise.

c. You must ensure that your employees and independent contractors of the Franchise have any licenses as may be required by law, and hold or are pursuing any licenses, certifications, and/or degrees required by law or by us in the Operations Manual, as updated from time to time.

d. You will be exclusively responsible for the terms of your employees' and independent contractors' employment and compensation, and for the proper training of your employees and independent contractors in the operation of the Franchise, all hiring, retention and firing decisions, and for all other employment practices utilized in the operation of the Franchise. You must notify and communicate clearly with your employees in all dealings (including, without limitation, your written and electronic correspondence, paychecks, and other materials) that Franchisee (and only Franchisee) is their employer and that Barrio is not their employer.

e. You must establish any training programs for your employees and/or independent contractors that we may prescribe in writing from time to time. We may require you to enroll in and maintain the human resources and payroll services provided by the vendor we designate for such services, including the payment of any fees and execution of any agreement required by such vendor. The required services may consist of payroll processing, payroll tax filing, human resource solutions, benefits administration services, hiring and employee onboarding.

f. You must require all employees and independent contractors to maintain a neat and clean appearance, and conform to the standards of dress that we specify in the Operations Manual, as updated from time to time.

g. Each of your employees and independent contractors must sign a written agreement, in a form approved by us, to maintain confidential our Confidential Information, proprietary information, and trade secrets as described in Section 9.1. You must forward to us a copy of each such signed agreement.

h. All of your employees and independent contractors must render prompt, efficient and courteous service to all customers of the Franchise.

i. You agree not to recruit or hire, either directly or indirectly, any employee (or a former employee, for six (6) months after his or her employment has ended) of any Barrio Restaurant operated by us, our Affiliates, or another Barrio franchise owner without first obtaining the written consent of us, our Affiliate, or the franchise owner that currently employs (or previously employed) such employee. If you violate this provision, in addition to any other right or remedy we may have, you agree to pay the employee's current or former employer twice the employee's annual salary, plus all costs and attorneys' fees incurred as a result of the violation. This amount is set at twice the employee's annual salary because it is a reasonable estimation of the damages that would occur from such a breach, and it will almost certainly be impossible to calculate precisely the actual damages from such a breach.

10.8 Insurance.

a. Before you open the Franchise and during any Term of this Agreement, you must maintain in force, under policies of insurance issued by carriers in good standing in the state where your Restaurant is located: (1) comprehensive commercial general liability and motor vehicle liability insurance, including broad form contractual liability, liquor liability (may require a separate policy), personal injury, advertising injury, and products liability coverage, under one or more policies of insurance containing minimum liability coverage of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate; (2) "all risks" property insurance and tenant's liability coverage, including coverage for fire, vandalism, and malicious mischief; (3) worker's compensation insurance as required by law, with limits equal to or in excess of those required by statute; (4) employment practices liability insurance with minimum liability coverage of not less than \$1,000,000 per occurrence, and (5) any other insurance required by applicable law, rule, regulation, ordinance or licensing requirements. We may periodically increase or decrease the amounts of coverage required under these insurance policies, and/or require different or additional kinds of insurance, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances. In addition to the foregoing required policies of insurance, we highly recommend that you obtain property damage, business interruption, employment practices, cyber liability and electronic data loss insurance coverage. You agree that compliance with any state minimum insurance requirements does not relieve you from the obligation to comply with the contractual insurance requirements in this Agreement.

b. You must provide us with 30 days' advance written notice of any material modification, cancellation, or expiration of any policy.

c. Deductibles must be in reasonable amounts, and are subject to review and written approval by us.

d. Your commercial general liability insurance policy must be an “occurrence” policy and must name us (and, if we so request, our members, directors, employees, agents, and Affiliates) as an additional insured.

e. You must provide us with (i) certificates and copies of additional insured endorsements evidencing the existence of such insurance concurrently with execution of this Agreement and prior to each subsequent renewal date of each insurance policy, and (ii) upon our request stating the reason therefor (such as a claim has been filed against us), copies of the insurance policies, along with all applicable endorsements. Prior to the expiration of the term of each insurance policy, you must furnish us with appropriate certificates of insurance evidencing the renewal or replacement insurance policy and additional insured endorsements.

f. If you at any time fail or refuse to maintain any insurance coverage required by us or to furnish satisfactory evidence thereof, then we, at our option and in addition to our other rights and remedies under this Agreement, may, but need not, obtain such insurance coverage on your behalf, and you shall reimburse us on demand for any costs or premiums paid or incurred by us.

g. Notwithstanding the existence of such insurance, you are and will be responsible for all loss or damage and contractual liability to third persons originating from or in connection with the operation of the Franchise, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom; and you agree to defend, indemnify and hold harmless the Indemnified Parties of, from, and with respect to any such claims, loss or damage, which indemnity shall survive the termination or expiration and non-renewal of this Agreement and is in addition to, not in lieu of, any other allocation of responsibilities or indemnity clauses contained herein.

h. In addition to the requirements of the foregoing paragraphs of this Section 10.8, you must maintain any and all insurance coverage in such amounts and under such terms and conditions as may be required in connection with your Lease or purchase of the Approved Location.

i. The insurance Barrio requires is for its own protection. You should consult with your own insurance agents, brokers, and attorneys to determine what types of coverages and what level of insurance protection you may need or desire, in addition to the coverages and minimum limits specified by Barrio. Your obligation to maintain insurance coverage as described in this Agreement will not be reduced in any manner by reason of any separate insurance we maintain on our own behalf, nor will our maintenance of that insurance relieve you of any obligations under this Agreement.

11. ADVERTISING

11.1 By Barrio. As stated in Section 6.3a, due to the value of advertising and the importance of promoting the public image of Barrio Restaurant franchises, we may establish, maintain, and administer one or more Ad Funds to support and pay for national, regional, or local marketing and promotional programs that we deem necessary, desirable, or appropriate, in our sole discretion, to promote the good will and image of all Barrio Restaurant franchises. You will contribute to the Ad Funds the Advertising Fees, subject to the terms set forth in Section 6.3a. We agree that any Restaurants owned by us or our Affiliates will be required to contribute to the National Ad Fund on at least the same basis as you do, subject only to limitation under applicable law.

a. Barrio will be entitled to direct all advertising programs financed by the Ad Funds, with sole discretion over the creative concepts, materials, endorsements and media used therein (including creation and modification of logos, menu design, graphics, and vehicle wraps), and the geographic, market, and media placement and allocation of the programs. Barrio shall have the right to determine, in its sole discretion, the composition of all geographic territories and market areas for the development and implementation of such programs. Barrio does not have to spend any specific amount on advertising in the area or territory where your franchise will be located. You agree that the Ad Funds may be used to pay any and all costs of maintaining, administering, directing, and preparing national, regional or local advertising materials, programs, and promotional activities, including, without limitation, (1) costs for preparing and conducting television, radio, magazine, billboard, newspaper, internet and other media programs and activities, (2) costs associated with conducting marketing research, (3) costs associated with website development and marketing, including without limitation, search engine optimization and social media, (4) administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising, (5) employing advertising, program and marketing agencies, and vendors providing marketing services, (6) development, implementation and maintenance of online asset management tools, (7) marketing and advertising training programs and materials, (8) costs for providing promotional brochures and advertising templates and materials to Barrio Restaurant franchises, (9) obtaining sponsorships and endorsements and hosting franchisee meetings, (10) preparing and conducting sweepstakes, contests, and other prize promotions, (11) making charitable donations, and (12) providing and procuring public relations services and conducting public relations activities. As available, we will provide you with digital or hard copies of our marketing materials via our intranet. We may, at our discretion, charge you for hard or digital copies of these marketing materials. You agree that the amounts you contribute to the Ad Funds may be used for placement of advertising in television, radio, newspaper or other media as solely determined by Barrio.

b. Each Ad Fund will be accounted for separately from other funds of Barrio, and will not be used to defray any of our general operating expenses, except for any reasonable salaries, administrative costs, and overhead we may incur in activities reasonably related to the administration of the Ad Fund and its advertising programs (including without limitation conducting market research, preparing advertising and marketing materials, and collecting and accounting for contributions to the Ad Fund). We may spend in any fiscal year an amount greater or less than the total contributions to the Ad Funds in that year. We may cause an Ad Fund to borrow from us or other lenders to cover deficits of that Ad Fund, or to invest any surplus for future use by such Ad Fund. You authorize us to collect for remission to the Ad Funds any advertising monies or credits offered by any supplier to you based upon purchases you make.

c. You understand and acknowledge that the Ad Funds will be intended to maximize recognition of the Marks and the goodwill and patronage of Barrio Restaurant franchises. Although we will endeavor to use the Ad Funds to develop advertising and marketing materials, and to place advertising in a manner that will benefit all Barrio Restaurant franchises, we undertake no obligation in developing, implementing, or administering advertising or promotional programs to ensure that expenditures by the Ad Funds in or affecting any geographic area are proportionate or equivalent to contributions to the Ad Funds by Barrio Restaurant franchises operating in that geographic area, or that any Barrio Restaurant franchise will benefit directly or in proportion to its contribution to the Ad Funds from the development of advertising and marketing materials or the placement of advertising. Barrio shall not be a fiduciary to you with respect to the management

of the Ad Funds. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction, or administration of the Ad Funds.

d. We will have the right to terminate any Ad Fund by giving you 30 days' advance written notice. All unspent monies on date of termination will be divided between Barrio and the contributing Barrio Restaurant franchisees in proportion to our and their respective contributions. At any time thereafter, we will have the right to reinstate the Ad Fund under the same terms and conditions as described in this Section (including the rights to terminate and reinstate the Ad Fund) by giving you thirty (30) days' advance written notice of reinstatement.

e. In addition to the Ad Funds, as stated in Section 6.3b, we may establish a program in the future to provide additional marketing services to Restaurant franchises.

f. We may also offer franchises the opportunity to participate in marketing promotions that we will provide directly to the Franchise's customers via email, telephone, mail, social media or other means.

11.2 By Franchisee.

a. You agree to list and advertise the Franchise in each of the classified telephone directories distributed within your market area, and with such internet-based directories as we may specify, in those business classifications as we prescribe from time to time, using any standard form of classified telephone directory advertisement we may provide.

b. On each occasion before you use them, samples of all local advertising and promotional materials not prepared or previously approved by us must be submitted to us for approval. If you do not receive our written disapproval within 15 days from the date we receive the materials, the materials will be deemed to have been approved. You agree not to use any advertising or promotional materials that we have disapproved.

c. You irrevocably consent to the use of your name and likeness, including voice and image, by us and our respective Affiliates, successors and assigns, for all commercial purposes, including advertising and promotion, in any media, throughout the world in perpetuity, including but not limited to, on the internet.

d. You agree that you will spend not less than \$7,500.00 for marketing and advertising in the month prior to opening your Restaurant. You will pay us this amount at least 30 days prior to your scheduled opening date, or such later time as may be required by law, and we will use such funds to directly pay for the applicable advertising activities of your Restaurant, and/or reimburse you for any such advertising expenses upon our receipt of documentation acceptable to us. This deposit is not refundable.

e. You agree that in each calendar month you will spend not less than 1.5% of your Gross Sales for the prior month on local advertising. Any contributions you make toward an Advertising Cooperative (defined below) or a Regional Ad Fund (defined in Section 6.3) will be applied to satisfy this obligation. We reserve the right to collect this amount directly from you in the future and if we do so, we will apply such funds only for advertising directed to customers in your Protected Territory.

11.3 Local and Regional Advertising Cooperatives. We may, from time to time, form a cooperative group of Restaurants to facilitate marketing and advertising placement in a particular

geographic area (“Advertising Cooperative”). Any Advertising Cooperative established by us will be operated solely as a conduit for the collection and expenditure of Advertising Cooperative fees to pay for the development, placement, and distribution of advertising for the benefit of Restaurants located in the geographic region served by that Advertising Cooperative. If we form an Advertising Cooperative for the region in which your Restaurant is located, you agree to participate in the Advertising Cooperative pursuant to the terms of this Section.

We will have the exclusive right to create, dissolve, and merge each Advertising Cooperative created, in its discretion, and to create and amend the organizational and governing documents related thereto, provided that such documents shall: (1) operate by majority vote, with each Restaurant (including each of those owned by us or our Affiliates) entitled to one vote in the Advertising Cooperative; (2) entitle us to cast one vote (in addition to any votes to which we may be entitled on account of our operation of Restaurants in the area served by the Advertising Cooperative); (3) permit the members of the Advertising Cooperative, by majority vote, to determine the amount of required contributions; (4) require the members of the Advertising Cooperative and their elected officers to be responsible for administering and operating the Advertising Cooperative, (5) require the Advertising Cooperative to have an independent certified public accountant prepare an annual financial statement, which will be made available to all members of that Advertising Cooperative, and (6) provide that any funds left in the Advertising Cooperative at the time of dissolution shall be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination.

You agree to be bound by all organizational and governing documents created by us and, at our request, shall execute all documents necessary to evidence or affirm your agreement. Any Advertising Cooperative shall begin operating on a date determined in advance by us.

No advertising or promotional plans or materials may be used by the Advertising Cooperative or furnished to its members without our prior approval. All advertising plans and materials must conform to the Standards and must be submitted to us for approval according to the procedures required elsewhere in this Agreement.

11.4 Websites and Social Media.

a. You acknowledge and agree that any online presence (such as a website or social media page or account) will be deemed “advertising” under this Agreement, and will be subject to, among other things, the provisions of this Section 11.4. You are not permitted to establish or use any such website, other online presence, or other electronic medium that mentions or describes the Franchised Business, or displays any of the Marks without our prior written approval.

b. We reserve the right to require you to use a website and social media accounts controlled by us and to require you to use search engine optimization services. Further, we may establish a website or a series of websites for our System and Restaurants (collectively, the “System Website”). If we include information about the Franchised Business on the System Website, you agree to give us the information and materials that we may periodically request concerning the Franchised Business, and to otherwise participate in the System Website in the manner that we may periodically require. By posting or submitting to us information or materials for the System Website, you are representing to us that the information and materials are accurate, not misleading, and do not infringe on any third party’s rights. We own all intellectual property and other rights in the System Website and all information it contains. We may implement and periodically modify standards relating to the System Website and, at our option, may discontinue

the System Website at any time. If we establish a System Website, all advertising, marketing, and promotional materials that you develop for your Franchised Business must contain the domain name of, or other link to, the System Website in the manner that we periodically may designate.

c. We may contract with third parties to provide social media and inbound marketing design, maintenance, hosting, and search engine optimization for our franchises and for the System Website. If we do engage third parties to provide such services, you are required to use all of these services.

12. ACCOUNTING, REPORTS AND FINANCIAL STATEMENTS. You agree to establish and maintain at your own expense a bookkeeping, accounting, and record keeping system conforming to the requirements, systems and formats, if any, which we prescribe from time to time, including computerized cash and data capture and retrieval systems to record Restaurant sales electronically for all sales by your Franchised Business. These systems must include the capability of being accessed by our computer system or a third-party designee, which you agree to permit. With respect to the operation and financial condition of the Franchised Business, you agree to furnish us in the form we prescribe from time to time: (a) if we request it, by the day of each week that we may specify, an electronic report of the Franchise's Gross Sales for the preceding week; (b) by the day of each week that we may specify, a written report of the franchise's Gross Sales for the preceding week, and any other data, information, and supporting records that we may require; (3) by the day of each month that we may specify, a profit and loss statement for the preceding calendar month, and a year-to-date profit and loss statement and balance sheet; (4) within 90 days after the end of your fiscal year, a fiscal year-end balance sheet, and an annual profit and loss statement for that fiscal year, reflecting all year-end adjustments; and (5) such other reports as we prescribe from time to time. If we do not receive any report by the established deadline, then you must pay to us a non-refundable late fee of \$100.00, payable in a lump sum within 5 days after the date on which the late report was due. You agree to maintain and furnish upon our request complete copies of federal and state income tax returns you file with the internal revenue service and state tax departments, reflecting revenues and income of the franchise or the corporation, partnership, or limited liability company that holds the franchise. We reserve the right to require you to have audited or reviewed financial statements prepared by a certified public accountant on an annual basis.

13. INSPECTIONS AND AUDITS.

13.1 Barrio's Right to Inspect the Franchise. To determine whether you and the Franchise are complying with this Agreement and the specifications, programs, standards, and operating procedures we prescribe for the operation of the Franchise, we or our agents, such as a "mystery shopper" service, have the right, at any reasonable time and without advance notice to you, to: (1) inspect the Approved Location; (2) observe the operations of the Franchise for such consecutive or intermittent periods as we deem necessary, and remove samples of any food and beverage product, material, or other products for testing and analysis (without paying for the samples); (3) interview personnel of the Franchise; (4) interview customers of the Franchise; and (5) inspect and copy any referral source, marketing and/or advertising books, records and documents relating to the operation of the Franchise, including, without limitation, those required to be maintained and/or furnished under Section 12 above. You agree that we or our agents may record telephone calls placed to your Franchised Business. You agree to fully cooperate with us in connection with any of those inspections, observations and interviews and must promptly correct any deficiencies in the operation of your Franchise of which we advise you. You agree to

present to your customers any evaluation forms we periodically prescribe, and agree to participate in, and/or request that your customers participate in, any surveys performed by or on our behalf.

13.2 Barrio's Right to Audit. We have the right at any time during business hours, and without advance notice to you, to inspect and audit, or cause to be inspected and audited, the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Franchise, and the books and records of any corporation, limited liability company, or partnership that holds the Franchise. You agree to fully cooperate with our representatives, agents and any independent accountants we may hire to conduct any inspection or audit, and to pay upon demand any underpayment found to have occurred, plus interest at the past due payment rate set forth earlier in this Agreement. You agree to supply us or our representatives with true, accurate and complete copies of requested documents within 20 days of the date of the request. If the inspection or audit is necessary because of your failure to furnish any reports, supporting records, other information or financial statements as required by this Agreement, or to furnish such reports, records, information, or financial statements on a timely basis, or if an understatement of Gross Sales for any period is determined by an audit or inspection to be greater than two percent (2%), then you agree to reimburse us for the cost of such inspection or audit, including without limitation any attorneys' fees and/or accountants' fees we may incur, and the travel expenses, room and board, and applicable per diem charges for our employees. If an understatement of Gross Sales for any period is determined by an audit or inspection to be greater than five percent (5%), then, in addition to any other remedies we may have, we may immediately terminate this Agreement upon notice to you, without any right to cure (see Section 15.1). The above remedies are in addition to all our other remedies and rights under this Agreement or under applicable law.

14. TRANSFER REQUIREMENTS.

14.1 Organization. If you are a corporation, partnership, limited liability company or other legal entity (or if this Agreement is assigned to a corporation, partnership, limited liability company or other legal entity with our approval), you represent and warrant to us that you are and will continue to be throughout the Term of this Agreement, duly organized and validly existing in good standing under the laws of the state of your incorporation, registration or organization, that you are qualified to do business and will continue to be qualified to do business throughout the Term of this Agreement in all states in which you are required to qualify, that you have the authority to execute, deliver and carry out all of the terms of this Agreement, and that during the Term of this Agreement the only business you (i.e., the corporate, partnership or limited liability entity) will conduct will be the development, ownership and operation of the Franchise.

14.2 Interests in Franchisee. You and each Principal Owner represent, warrant and agree that all "Interests" in Franchisee are owned in the amount and manner described in Exhibit 2. No Interests in Franchisee will, during the Term of this Agreement, be "public" securities (i.e., securities that require, for their issuance, registration with any state or federal authority). An "Interest" is defined to mean any shares, stock, units, membership interests, or partnership interests of Franchisee and any other equitable or legal right in any of Franchisee's stock, revenues, profits, rights or assets. When referring to Franchisee's rights or assets, an "Interest" includes this Agreement, Franchisee's rights under and interest in this Agreement, any Barrio Franchise, and the revenues, profits or assets of any Barrio Franchise. You and each Principal Owner also represent, warrant, and agree that no Principal Owner's Interest has been given as security for any obligation (i.e., no one has a lien on or security interest in a Principal Owner's Interest), and that no change

will be made in the ownership of an Interest other than as expressly permitted by this Agreement or as we may otherwise approve in writing. You and each Principal Owner agree to furnish us with such evidence as we may request from time to time to assure ourselves that the Interests of Franchisee and each of your Principal Owners remain as permitted by this Agreement, including a list of all persons or entities owning any Interest, as defined above.

14.3 Transfer by Barrio. You represent that you have not signed this Agreement in reliance on any owner, officer, or employee of Barrio remaining with us in that capacity. We may change our ownership or form at any time in our sole discretion. This Agreement is fully transferable by us, without restriction, and will inure to the benefit of any person or entity to whom it is transferred, or to any other legal successor to our interests in this Agreement. After our assignment of this Agreement to a third party who expressly assumes our obligations under this Agreement, we no longer will have any performance or other obligations or liabilities under this Agreement.

14.4 No Transfer Without Approval. You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have entered into this Agreement in reliance on the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of you and your Principal Owners. Accordingly, if you Transfer or attempt to Transfer either this Agreement or any part of your interest in it, or any Interest of Franchisee or a Principal Owner, without our advance written approval, you will have breached this Agreement and we will have the right to terminate this Agreement under the terms of Article 15 below. In addition, any attempted Transfer by you of this Agreement or any part of your Interest in it, without our prior consent, is null and void.

a. As used in this Agreement the term "Transfer" means any voluntary, involuntary, direct or indirect assignment, sale, gift, exchange, grant of a security interest, or occurrence of any other event which would or might change the ownership of any Interest, and includes, without limitation: (1) the Transfer of ownership of capital stock, units, membership interests, partnership interests or other ownership interests; (2) merger or consolidation, or issuance of additional securities representing an ownership interest in Franchisee; (3) sale or issuance of capital stock, units, membership interests, partnership interests or other ownership interests; (4) Transfer of an Interest in a divorce proceeding or otherwise by operation of law; (5) Transfer or all, or substantially all, of the operating assets of the Franchised Business; or (6) Transfer of an Interest by will, declaration of or transfer in trust (other than an assignment to a fully-revocable trust solely for the benefit of one or more Principal Owners), or under the laws of intestate succession.

b. We will not unreasonably withhold consent to a Transfer of an Interest by a Principal Owner to a member of his or her immediate family or to one or more of your key employees, so long as all Principal Owners together retain a "controlling Interest" (i.e., the minimum ownership percentage listed in Exhibit 2), although we reserve the right to impose reasonable conditions on the Transfer as a requirement for our consent.

c. Interests owned by persons other than the Principal Owners ("minority owners") may be Transferred without our advance consent unless the Transfer would give that transferee and any person or group of persons affiliated or having a common interest with the transferee more than a collective twenty-five percent (25%) Interest in Franchisee, in which case our advance written approval for the Transfer must be obtained. In the event of any minority owner transfer, you will promptly notify us of the change in ownership or Interests. Your formal partnership,

corporation, LLC or other formation documents and all stock, partnership, unit or other certificates or other evidence of ownership must recite or bear a legend reflecting the transfer restrictions of this Section 14.4.

d. If you propose to Transfer this Agreement, the Franchise or its assets, or any Interest, or if any of your Principal Owners proposes to Transfer a controlling Interest in you or make a Transfer that is one of a series of Transfers which taken together would constitute the Transfer of a controlling Interest in you, then you must apply to us for approval of such Transfer sign such forms and procedures as we have in effect at that time, the person or entity to whom you wish to make the Transfer ("Proposed New Owner") must apply to us for acceptance as a franchisee, and you must submit to us all of the information and documentation required for us to evaluate the proposed Transfer and to confirm that all of the conditions set forth in Section 14.5 below have been, or will be, satisfied.

14.5 Conditions for Approval of Transfer. If you and your Principal Owners are in full compliance with this Agreement, both monetary and otherwise, we will not unreasonably withhold our approval of a Transfer that meets all the applicable requirements of this Section 14, including the Right of First Refusal provisions in Section 14.8 below. The Proposed New Owner must be of good moral character and otherwise meet our then applicable standards for Barrio Restaurant franchisees. For any proposed Transfer, all of the following conditions must be met before or at the time of the Transfer:

a. in our belief and judgment, the Proposed New Owner must have sufficient business experience, aptitude, and financial resources to operate the Franchise;

b. you must pay any amounts owed for purchases from us and our Affiliates, and any other amounts owed to us or our Affiliates which are unpaid, including any Initial Franchisee Fee, Royalty Fees, and Advertising Fees;

c. the Proposed New Owner's directors and such other personnel as we may designate must have successfully completed our Initial Training program and shall be legally authorized to perform the services offered by the Franchise. The Proposed New Owner shall be responsible for any wages and compensation owed to, and the travel and living expenses (including all transportation costs, room, board and meals) incurred by, the attendees who attend the Initial Training program;

d. if your Lease for the Approved Location requires it, the lessor must have consented to the assignment of the Lease of the Approved Location to the Proposed New Owner;

e. you must pay us a non-refundable Transfer fee in the amount of \$5,000.00 concurrently with the execution of the Transfer Agreement, described in Section 14.5 (f) below, and you must reimburse us for any reasonable expenses incurred by us in investigating and processing any Proposed New Owner where the Transfer is not consummated for any reason;

f. you and your Principal Owners must execute a Transfer Agreement, which will include (i) a general release (in a form satisfactory to us) of any and all claims you and/or they may have against us, our Affiliates, and our and our Affiliates' respective officers, directors, managers, employees, and agents, and (ii) acknowledgment that the restrictive covenants set forth in Article 9 of this Agreement will survive the Transfer to the extent set forth therein;

g. we must approve the material terms and conditions of the proposed Transfer, including without limitation that the price and terms of payment are not so burdensome as to adversely affect the operation of the Franchise;

h. the Franchise and the Approved Location shall have been placed in an attractive, neat and sanitary condition.

i. you and your Principal Owners must enter into an agreement with us providing that all obligations of the Proposed New Owner to make installment payments of the purchase price (and any interest on it) to you or your Principal Owners will be subordinate to the obligations of the Proposed New Owner to pay any amounts payable under this Agreement or any new Franchise Agreement that we may require the Proposed New Owner to sign in connection with the Transfer, and containing a general release of any claims that you may have against us.

j. the Franchise shall have been determined by us to contain all equipment and fixtures in good working condition, as were required at the initial opening of the Franchise. The Proposed New Owner shall have agreed, in writing, to make such reasonable capital expenditures to remodel, equip, modernize and redecorate the interior and exterior of the premises in accordance with our then existing plans and specifications for a Barrio Restaurant franchise, and shall have agreed to pay our expenses for plan preparation or review, and site inspection.

k. Upon receiving our consent for the Transfer or sale of the Franchise, the Proposed New Owner shall agree to assume all of your obligations under this Agreement in a form acceptable to us, and/or, at our option, shall agree to execute a new Franchise Agreement with us in the form then being used by us. We may, at our option, require that you guarantee the performance, and obligations of the Proposed New Owner.

14.6 Death and Disability. Upon the death or permanent disability of you or a Principal Owner, the executor, administrator, conservator or other personal representative of the deceased or disabled person must Transfer the deceased or disabled person's Interest within a reasonable time, not to exceed twelve (12) months from the date of death or permanent disability, to a person we have approved. Such Transfers, including without limitation transfers by a will or inheritance, will be subject to all the terms and conditions for assignments and Transfers contained in this Agreement. Failure to so dispose of an Interest within the 12-month period of time will constitute grounds for termination of this Agreement.

14.7 Effect of Consent to Transfer. Our consent to a proposed Transfer pursuant to this Section 14 will not constitute a waiver of any claims we may have against you or any Principal Owner, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement by the Proposed New Owner. Unless otherwise specified in writing, you will be subject to all post-Transfer/post-termination obligations set forth in this Agreement.

14.8 Our Right of First Refusal. If you or a Principal Owner desires to engage in a Transfer, you or the Principal Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the Interest for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the Interest within the 30-day period, you or the Principal Owner, as applicable, must sell the Interest to us. We will have

at least an additional 30 days to prepare for closing, plus any additional time needed to secure the assignment of all permits and consents required with respect to the operation of the Franchise Business or the occupancy of the Approved Location. We will be entitled to receive from you or the Principal Owner, as applicable, all customary representations and warranties given by you as the seller of the Interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Principal Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 14.5 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. At the closing, you agree to deliver instruments transferring to us or our designee good and merchantable title to the Interest, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us in our sole discretion), with all sales and other transfer taxes paid by you; all of your Restaurant's licenses and permits which may be assigned or transferred; the ownership interest or leasehold interest (as applicable) in your Approved Location and improvements or a lease assignment or lease or sublease, as applicable, all as approved by any required landlords or third parties and on terms acceptable to us in our sole discretion.

15. TERMINATION OF THE FRANCHISE.

15.1 Event of Default. Subject to applicable law, you will be deemed to be in default under this Agreement, and we will have the right to terminate this Agreement effective upon delivery of notice of termination to you, subject only to any right to cure to the extent expressly set forth below or mandated pursuant to applicable law, if:

- a. you do not develop or open the Franchise, or you (or any individuals required to attend) fail to attend and/or successfully complete any required initial training or subsequent mandatory training, in accordance with all terms and conditions (including, without limitation, time limits) provided for in this Agreement;
- b. you abandon, surrender, transfer control of, or lose the right to occupy the Approved Location, or do not actively operate the Franchise, or your Lease for or purchase of the location of the Franchise is terminated for any reason;
- c. you or your Principal Owners assign or Transfer this Agreement, any Interest, the Franchise, or assets of the Franchise without complying with the provisions of Section 14;
- d. you are adjudged a bankrupt, become insolvent or make a general assignment for the benefit of creditors, or you fail to satisfy any judgment rendered against you for a period of 30 days after all appeals have been exhausted;
- e. you use, sell, distribute, provide or give away any services or products, or use any customer referral or marketing service, that has not been formally approved by us in writing and in advance for your specific Franchise or for the System as a whole;
- f. you or any of your Principal Owners are convicted of or plead no contest to a felony or are convicted or plead no contest to any crime or offense that is likely to adversely affect the reputation of Barrio, the Franchise, and/or the goodwill associated with the Marks, or otherwise engage in any dishonest, unethical, or other conduct that is reasonably likely to reflect materially

and unfavorably on the goodwill or reputation of your Franchised Business, the Marks or the System;

g. you or any of your employees violate any health or safety law, ordinance or regulation, or operate the Franchise in a manner that presents a health or safety hazard to your customers or the public, and/or your Restaurant is cited for violation of health, sanitation, or safety laws or regulations and you fail to cure the violation within three (3) days after receiving the citation, regardless of any longer cure period granted by any governmental agency;

h. you do not pay when due any monies owed to us or our Affiliates, and do not make such payment within ten (10) days after written notice is given to you (unless a longer cure period is otherwise required by applicable law, in which case such longer period shall apply);

i. if you under-report Gross Sales for any period, as determined by an audit or inspection, in an amount greater than five percent (5%);

j. you or any of your Principal Owners fail to comply with any other provision of this Agreement, any other agreement with us, or any mandatory specification, program, standard, or operating procedure within 30 days after written notice of such failure to comply is given to you (unless a longer cure period is otherwise required by applicable law, in which case such longer period shall apply);

k. you fail to submit when due any financial statements, reports or other data, information, or supporting records; or

l. you or any of your Principal Owners fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not such failures to comply are corrected after notice is given to you or your Principal Owners.

Notwithstanding the foregoing, in the event you fail to timely and expressly assume, ratify or confirm this Agreement in any bankruptcy proceeding and you cease, or have ceased, performance hereunder in any respect, then all rights granted to you under this Agreement shall immediately and automatically terminate and revert to us without further notice to you or action on our part.

15.2 Legal Requirements. In addition, if, in the opinion of our legal counsel, any provision of this Agreement is contrary to law, then this Agreement shall remain in full force and effect and you and we agree to negotiate in good faith an amendment that would make this Agreement conform to the applicable legal requirements. If you and we are unable to reach such an agreement within 30 days after notice of the issue is given to the other party, or if fundamental changes to this Agreement are required to make it conform to the legal requirements, then we reserve the right to terminate this Agreement upon notice to you, in which case neither party shall have any liability to the other but all of your post-termination obligations set forth in Section 16 shall apply.

15.3 Our Remedies upon Termination. In the event that we terminate this Agreement under Section 15.1 or other applicable provisions of this Agreement, all rights granted to you under this Agreement shall immediately and automatically terminate and revert to us, and except for termination solely due to the circumstances described in Section 15.2, we shall be entitled, to recover from you the foregoing:

a. an amount equal to your average monthly Royalty Fee, National Ad Fund contributions (if established by us), Regional Ad Fund contributions (if established by us), and Technology Fee multiplied by the number of months remaining in the Term of this Agreement, discounted by a present value discount factor of five percent (5%), which shall constitute the agreed liquidated damages to us for the loss of future revenues (which we both agree include the expected amount of Royalty Fees, National Ad Fund contributions [if established by us], Regional Ad Fund contributions [if established by us], and Technology Fees payable by you for the remainder of the Term of this Agreement), or, if such liquidated damages are for any reason not enforceable, all compensatory, economic, incidental, consequential, indirect and other damages incurred by us; plus

b. all costs and expenses, including attorneys' fees, incurred in connection with the termination, collection of the termination fee and/or damages, and audit fees and expenses.

15.4 Remedies without Termination. In lieu of exercising our termination right under Section 15.1, we will also have the right to require your Restaurant to be closed during any period in which (a) it is in violation of applicable health, sanitation, or safety laws or regulations, or (b) we determine, in its sole discretion, that continued operation of your Restaurant poses a risk to public health or safety. In addition, if you are in default pursuant to Section 15.1, and in order to prevent any interruption of business of the Franchised Business and any injury to the goodwill and reputation thereof which may be caused thereby, you hereby authorize us, and we will have the right but not the obligation, to operate the Franchised Business for as long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement, so long as you are in default of your obligations under this Agreement. If we undertake to operate the Franchised Business, we will have the right to collect and pay from the revenues of the Franchised Business all expenses relating to the operation of the Franchised Business including, without limitation, Royalty Fees and Advertising Fund contributions, employee salaries, reimbursement of our expenses incurred in connection with such operation, plus a reasonable management fee. You hereby agree to defend, indemnify and hold harmless the Indemnified Parties from any and all claims arising from the alleged acts and omissions of it and its representatives under this provision.

You acknowledge and agree that Barrio's actions in accordance with this Section 15.4 will not constitute a breach of this Agreement and/or a defense to the enforcement by us of any provision of this Agreement, including the right to receive payment of Royalty Fees as provided in Section 6.2. You also acknowledge and agree that, should we exercise our rights under this Section rather than terminate this Agreement, Barrio's failure to exercise its right to terminate this Agreement will in no way constitute a waiver of its subsequent right to terminate this Agreement for the specified default or for any other default or to exercise any other remedies available to us under this Agreement, at law, or in equity.

15.5 Withholding of Performance. Barrio will perform its obligations under this Agreement if you are in full compliance with all or your duties and obligations to Barrio under this Agreement and the Operations Manual (including any documents incorporated therein). If you are not in such compliance, we may, in its sole judgment, do any or all of the following until you fully correct the breach or default or Barrio terminates this Agreement:

a. deny you access to the Barrio website or intranet;

- b. remove your Franchised Business from the Franchised Business locator page and/or remove your interior pages, on the Barrio Website;
- c. remove your Franchised Business from the list of Franchised Businesses to which inquiries are referred;
- d. remove your Franchised Business from the list of Franchised Businesses that are entitled to Barrio-related discounts from approved vendors; and/or
- e. remove your Franchised Business from the list of Franchised Businesses that are approved to participate in national or other alliance programs.

Barrio may take any or all of these actions in addition to or instead of giving you notice of default and/or termination under this Agreement. You acknowledge and agree that Barrio's withholding of performance services in accordance with this Section 15.5 will not constitute a breach of this Agreement and/or a defense to the enforcement by us of any provision of this Agreement, including the right to receive payment of Royalty Fees as provided in Section 6.2. You also acknowledge and agree that, should we choose to withhold performance rather than terminate this Agreement, Barrio's failure to exercise its right to terminate this Agreement will in no way constitute a waiver of its subsequent right to terminate this Agreement for the specified default or for any other default or to exercise any other remedies available to us under this Agreement, at law, or in equity.

15.6 Termination By You. If Barrio should fail to comply with any material provision of this Agreement, and such non-compliance is not cured within 90 days after written notice of such failure to comply is given by you to us (unless a longer cure period is otherwise required by applicable law, in which case such longer period shall apply), then, as your sole and exclusive remedies, you shall have the right to terminate this Agreement and pursue other remedies available to you for a breach of contract under applicable laws; provided, that you give written notice to us, within 10 days following the expiration of the applicable cure period, of your intention to terminate this Agreement. If you terminate this Agreement, you must still comply with your post-termination obligations described in Sections 9 and 16, and all other obligations that survive the expiration or termination of this Agreement.

15.7 Our Right to Purchase Your Restaurant. We have the option to purchase the operating assets of your Restaurant and the Approved Location (if you or one of your Affiliates owns the Approved Location) upon the occurrence of a Termination Event (as defined below). We may exercise this option by giving you written notice within thirty (30) days after the date of the Termination Event. We have the unrestricted right to assign this option to purchase. If we purchase your Restaurant and/or the Approved Location, we are entitled to all customary warranties and representations in our asset purchase, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

a. If you lease the Approved Location from an unaffiliated lessor, or if we choose not to purchase the Approved Location from you (or one of your Affiliates), you agree, at our election to (1) assign your Lease to us or our assignee, (2) enter into a sublease with us or our assignee for the remainder of the Lease term on the same terms (including renewal options) as the Lease, or (3) lease the Approved Location to us or our assignee for an initial term of five (5) years with, at our option, up to three (3) additional terms of five (5) years each, on commercially reasonable terms.

b. We (or our assignee) will pay the purchase price (calculated as described below) for your Restaurant and/or Approved Location at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase your Restaurant and/or the Approved Location. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our Affiliates. At the closing, you agree to deliver instruments transferring to us (or our assignee):

1. good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;
2. all of your Restaurant's licenses and permits which may be assigned or transferred; and
3. the ownership interest or leasehold interest (as applicable) in the Approved Location and improvements or a lease assignment or lease or sublease, as applicable.

c. If you cannot deliver clear title to all of the purchased assets, if all licenses and permits have not been assigned to us or our designee, or if there are other unresolved issues, we and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our owners, officers, managers, employees, agents, successors and assigns.

d. A "Termination Event" occurs if, (i) you terminate this Agreement (other than in accordance with Section 15.6), (ii) we terminate this Agreement for any reason, or (iii) the term of this Agreement (including any successor term) expires.

e. If we purchase your Restaurant upon a Termination Event, the purchase price for your Restaurant and, if applicable, the Approved Location will be their reasonable fair market value at the time of the Termination Event, provided that these items will not include any value for the rights granted by this Agreement, any goodwill attributable to our Marks, brand image, and other intellectual property, or any participation in the network of Barrio Restaurants. We may exclude from the assets purchased any operating assets and food, beverage or other supplies that are not reasonably necessary (in function or quality) to your Restaurant's operation or that we have not approved as meeting System Standards, and the purchase price will reflect these exclusions.

f. If we and you cannot agree on a fair market value, the fair market value will be determined by one (1) independent accredited appraiser selected by us who will conduct an appraisal and, in doing so, be bound by the criteria for the purchase price described above. You and we will share equally the appraisers' fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment.

g. We will have the right to offset against the purchase price of any items purchased from you pursuant to this Section any of the following: (1) amounts that you owe to us or our Affiliates; (2) Lease transfer fees (if any), other costs owed to your landlord, and the costs of renovating your Restaurant and/or Approved Location so that it meets our then-current Standards; (3) the costs of de-identifying your Restaurant and/or Approved Location in accordance with this Section if you fail to do so (i.e., if we do not elect to assume the Lease); and (4) all costs incurred

by us relating to our purchase of your Restaurant's assets (including reasonable legal fees and the cost of an independent appraiser, if necessary).

16. RIGHTS AND OBLIGATIONS OF COMPANY AND FRANCHISE OWNER UPON TERMINATION OR EXPIRATION OF THE FRANCHISE.

16.1 Payment of Amounts Owed to Barrio. You agree to pay us within five (5) days after the effective date of termination or expiration of the Franchise, or any later date that the amounts due to us are determined, all amounts owed to us or our Affiliates which are then unpaid including, without limitation, any unpaid Initial Franchise Fee, any unpaid Royalty Fees, Advertising Fees and Technology Fees, and any termination fee, damages, costs or expenses owed by you pursuant to Section 15.3, together with any audit costs and expenses owed by you pursuant to Section 13.2.

16.2 Marks. Any use by you of the Marks and Copyrightable Works after the termination or expiration of the Restaurant Franchise will constitute the unlawful use of our intellectual property rights, which include trademarks and service marks. You agree that after the termination or expiration of the Franchise you will:

- a. not directly or indirectly at any time identify any business with which you are associated as a current or former Barrio franchise or franchisee;
- b. not use any Mark, any colorable imitation of any Mark, or any Copyrightable Works in any manner or for any purpose, or use for any purpose any trademark or other commercial symbol that suggests or indicates an association with us;
- c. return to us or destroy (whichever we specify) all customer lists, forms and materials containing any Mark or any Copyrightable Works or otherwise relating to a Barrio franchise;
- d. remove all Marks affixed to uniforms or, at our direction, cease to use those uniforms; and
- e. take any action that may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark.

You irrevocably appoint Barrio your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within 10 days after termination of this Agreement.

16.3 De-Identification. If you retain possession of the Approved Location, you agree to completely remove or modify, at your sole expense, any part of the interior and exterior decor that we deem necessary to disassociate the Approved Location with the image of a Barrio franchise, including any signage, mural, posters, furniture, equipment, products, trade dress, display units and any other item or product bearing the Marks. If you do not take the actions we request within 10 days after notice from us, we have the right to enter the Approved Location and make the required changes at your expense, and you agree to reimburse us for those expenses on demand. You irrevocably appoint Barrio your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within 10 days after termination of this Agreement.**Confidential Information.** You agree that on termination or expiration of the Franchise you will immediately cease to use any of the Confidential Information, and agree not to use it in any business or for any other purpose. You further agree that all non-disclosure and other covenants set forth in Section 9 above shall survive such termination or expiration and you will

immediately return to us all copies of the Operations Manual and any written Confidential Information or other confidential materials that we have loaned or provided to you.

16.5 Other Actions. Upon termination of this Agreement for any reason, and in addition to any other provisions contained in this Agreement, the parties will have the following further rights and obligations:

a. You must promptly execute any documents and take any steps that in the judgment of Barrio are necessary to delete your listings from classified telephone directories and on-line listings, disconnect, or, at Barrio's option, assign to it all telephone numbers that have been used in your Franchised Business, assign to Barrio any URLs, domain names, and social media and social networking names that you have used in connection with your Franchised Business, and terminate all other references that indicate you are or ever were affiliated with Barrio. By signing this Agreement, you irrevocably appoint Barrio your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within 10 days after termination of this Agreement. If Barrio chooses not to have you assign the telephone numbers to it, you may not assign the telephone number to any competitive business, use automatic forwarding to the telephone number of any competitive business, or otherwise make the telephone number directly or indirectly available to any competitive business.

b. Your Principal Owners and General Manager must immediately and continuously comply with the restrictive covenants set forth in this Agreement and any Non-Disclosure Agreement signed by your General Manager, as applicable.

c. You must give Barrio a final accounting for your Franchised Business, and you must maintain all accounts and records for your Franchised Business for a period of not less than seven years after final payment of any amounts you owe to Barrio, its Affiliates, and/or related persons when this Agreement is terminated, but you may not sell, disclose, or otherwise transfer any of the information contained in those accounts and records to, or for use by, any competitive business.

If this Agreement is terminated because of your default, the rights of Barrio described above or elsewhere in this Agreement may not necessarily be Barrio's exclusive remedies but will instead supplement any other equitable or legal remedies available to Barrio, including the right to withhold performance as provided in Section 15.4 of this Agreement. If this Agreement is terminated because of your default, nothing in this Section 16.5 may be construed to deprive Barrio of the right to recover damages as compensation for lost profits.

16.6 Continuing Obligations. All obligations of this Agreement (whether yours or ours) that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect after and notwithstanding its expiration or termination until they are satisfied in full or by their nature expire. Without limiting the foregoing, you acknowledge and agree that your covenants in Article 9 above survive the termination or expiration of this Agreement to the extent set forth in such Article 9.

17. ENFORCEMENT.

17.1 Invalid Provisions; Substitution of Valid Provisions.

a. To the extent that any of the non-competition, non-solicitation, or other restrictive covenants of this Agreement are deemed unenforceable because of their scope in terms of area,

business activity prohibited, length of time, or other terms, you agree that the invalid provision will be deemed modified or limited to the extent or manner necessary to make that particular provision valid and enforceable to the greatest extent possible in light of the intent of the parties expressed in such provision under the laws applied in the forum in that we are seeking to enforce such provision.

b. If any lawful requirement or court order of any jurisdiction (1) requires a greater advance notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action which is not required by this Agreement, or (2) makes any provision of this Agreement or any specification, program, standard, or operating procedure we prescribed invalid or unenforceable, then the advance notice and/or other action required or revision of the specification, program, standard, or operating procedure will be substituted for the comparable provisions of this Agreement in order to make the modified provisions enforceable to the greatest extent possible. You agree to be bound by the modification to the greatest extent lawfully permitted.

c. If a state regulator requires an amendment to this Agreement, the amendment is attached to this Agreement. We will not, however, be precluded from contesting the validity, enforceability, or applicability of such regulator's required amendment in any action relating to this Agreement or to its rescission or termination.

17.2 Unilateral Waiver of Obligations. Either you or we may, by written notice, unilaterally waive or reduce any obligation or restriction of the other under this Agreement. The waiver or reduction may be revoked at any time for any reason on 10 days' written notice.

17.3 Written Consents from Barrio. Whenever this Agreement requires our advance approval or consent, you agree to make a timely written request for it. Our approval or consent will not be valid unless it is in writing.

17.4 Lien. To secure your performance under this Agreement and indebtedness for all sums due us or our Affiliates, we shall have a lien upon, and you hereby grant us a security interest in, the following collateral and any and all additions, accessions, and substitutions to or for it and the proceeds from all of the same: (a) all inventory and equipment now owned or after-acquired by the Franchise, including but not limited to all inventory, equipment and supplies transferred to or acquired by you in connection with this Agreement; (b) all accounts of the Franchise now existing or subsequently arising, together with all interest in the Franchise, now existing or subsequently arising, together with all chattel paper, documents, and instruments relating to such accounts; (c) all contract rights of the Franchise, now existing or subsequently arising including, without limitation, accounts receivable and other contractual rights to payment from others; (d) all general intangibles of the Franchise, now owned or existing, or after-acquired or subsequently arising including, without limitation, all awards, damages, payments, escrowed monies, insurance proceeds, and interest, fees, charges or payments accruing on or received from or to be received on any of the foregoing in any way; and (e) all products, proceeds, substitutions, and replacements of any of the above described collateral. You agree to execute such financing statements, instruments, and other documents, in a form satisfactory to us, that we deem necessary so that we may establish and maintain a valid security interest in and to these assets, and you authorize us to file, without your signature, such financing statements as we shall deem necessary or advisable to reflect the security interest granted herein.

17.5 No Guarantees. If in connection with this Agreement we provide to you any waiver, approval, consent, or suggestion, or if we neglect or delay our response or deny any request for any of those, then we will not be deemed to have made any warranties or guarantees upon which you may rely, and will not assume any liability or obligation to you.

17.6 No Waiver. If at any time we do not exercise a right or power available to us under this Agreement or do not insist on your strict compliance with the terms of the Agreement, or if there develops a custom or practice that is at variance with the terms of this Agreement, then we will not be deemed to have waived our right to demand exact compliance with any of the terms of this Agreement at a later time. Similarly, our waiver of any particular breach or series of breaches under this Agreement, or of any similar term in any other agreement between us and any other Barrio franchisee will not affect our rights with respect to any later breach. It will also not be deemed to be a waiver of any breach of this Agreement for us to accept payments that are due to us under this Agreement.

17.7 Cumulative Remedies. The rights and remedies specifically granted to either you or us by this Agreement will not be deemed to prohibit either you or us from exercising any other right or remedy provided under this Agreement, or permitted by law or equity, except to the extent such remedies are specifically designated in this Agreement to be sole and exclusive.

17.8 Specific Performance; Injunctive Relief; Liquidated Damages.

a. Provided we give you the legally-required notice, we will be entitled, without being required to post a bond, to the entry of temporary and permanent injunctions and orders of specific performance to (1) enforce the provisions of this Agreement relating to your use of the Marks and non-disclosure, non-solicitation, non-disparagement, and non-competition obligations under this Agreement and any Non-Disclosure Agreement signed by a General Manager; (2) prohibit any act or omission by you or your employees that constitutes a violation of any applicable law, ordinance, or regulation; constitutes a danger to the public; or may impair the goodwill associated with the Marks or Barrio franchises; or (3) prevent any other irreparable harm to our interests. If we obtain an injunction or order of specific performance, then you shall pay us an amount equal to the total of our costs of obtaining it, including without limitation reasonable attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, and any damages we incur as a result of the breach of any such provision. You further agree to waive any claims for damage in the event there is a later determination that an injunction or specific performance order was issued improperly.

b. Not in limitation of the forgoing, or any other remedy we have under this Agreement, if you are deemed to be in default under this Agreement, we may give you the option to either operate your Franchise in full compliance with the terms and conditions of this Agreement for the remainder of the Initial Term, or to terminate the Agreement and comply with the non-competition obligations within the radius set forth herein which survive the termination of this Agreement.

c. **You agree that precise damages are difficult to calculate for a breach or violation of the provisions of Section 9 of this Agreement. Therefore, if you breach or violate Section 9 of this Agreement it is agreed that we would suffer actual damages of at least Fifty Thousand Dollars. In addition to any liquidated damages permitted herein, you must pay to us any and all actual damages in excess of the liquidated amount, plus all attorneys' fees incurred by us as a direct or indirect result of any breach or violation of this Agreement.**

17.9 Arbitration.

a. **Agreement to Arbitrate.** Except insofar as we elect to seek temporary or permanent injunctive relief as provided above, all controversies, disputes or claims arising between us, our Affiliates, and our and their respective owners, officers, directors, members, agents, and employees (in their representative capacity) and you (and your Principal Owners and guarantors) arising out of or related to: (1) this Agreement, any provision thereof, or any related agreement (except for any lease or sublease with us or any of our Affiliates); (2) the relationship of the parties hereto; (3) the validity of this Agreement or any related agreement, or any provision thereof; or (4) any specification, standard or operating procedure relating to the establishment or operation of the Franchise, shall be submitted for arbitration to be administered by the office of the American Arbitration Association.

b. **Place and Procedure.** Such arbitration proceedings shall be conducted in Cuyahoga County, Ohio, and, except as otherwise provided in this Agreement, shall be conducted in accordance with then current commercial arbitration rules of the American Arbitration Association, and the arbitration hearing shall be conducted before a single arbitrator, not a panel.

c. **Costs of Arbitration.** You and we acknowledge and agree that neither party shall be permitted to bring or maintain any actions, claims or counter-claims against the other party in any arbitration proceeding unless the party asserting such action, claim or counterclaim timely pays all costs and fees charged to it by the American Arbitration Association and one-half of all charges and fees of the designated arbitrator for the proceeding, as and when billed. In the event a party fails to pay all costs and fees charged to it by the American Arbitration Association and one-half of all charges and fees of the designated arbitrator for the proceeding, within the specified due date(s), the arbitrator is directed to dismiss any actions, claims or counter-claims brought by such party in the arbitration and assess such charges and fees against the non-paying party in any award issued in the proceeding.

d. **Awards and Decisions.** The arbitrator shall have the right to award or include in his award any relief that he or she deems proper in the circumstances, including without limitation, money damages (specifically including liquidated damages provided for herein), with interest on unpaid amounts from date due, specific performance, injunctive relief (including permanent, temporary and preliminary injunctive relief), attorneys' fees, and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties to this agreement, and judgment on the award may be entered in any court of competent jurisdiction, and each such party waives any right to contest the validity or enforceability of such award.

e. **Arbitration Discovery.** Discovery under the arbitration will be limited to the following for each side: (i) three depositions totaling 12 hours; (ii) six interrogatories each consisting of no more than 12 questions (with no subparts); and (iii) three document requests. The discovery may also be limited in any other manner as specified by the arbitrator, who will limit discovery to the greatest extent possible consistent with basic fairness.

f. **Survival; Third Parties.** The provisions of this Section are intended to benefit and limit third party non-signatories so that they are bound hereby, and will continue in full

force and effect subsequent to, and notwithstanding expiration or termination of, this Agreement.

g. **No Class Action or Consolidation.** You and we agree that any such arbitration shall be conducted on an individual, and not a joint or class-wide, basis, and shall not be consolidated with any other arbitration proceeding.

h. **Internal Mediation Prior to Arbitration.** Except insofar as we elect to seek temporary or permanent injunctive relief as provided in Section 17.8 of this Agreement, before either party commences an arbitration under this Section, the parties agree that, as a condition precedent to the filing or commencement of any arbitration, they will attempt to resolve any dispute through internal mediation between the parties to be conducted in a mutually agreeable location or, if no such location is agreed upon within 10 days after a request for mediation, then at our corporate headquarters. In the event that no settlement or resolution between the parties can be reached through internal mediation within thirty (30) days following the date on which a written request for internal mediation is made by any party, such dispute shall be submitted for arbitration pursuant to this Section. "Internal mediation" shall consist of, among other things, the parties having reasonable business discussions, whether by telephone or in person, concerning the dispute and means of resolving the same.

17.10 Waiver of Certain Damages and Jury Trial; Limitations of Actions. Except with respect to your obligations to defend and indemnify us and claims that we may bring under Sections 7, 9, 15, or 16 of this Agreement, and except for claims arising from your non-payment or underpayment of any amounts owed to us or our Affiliates, (1) any and all claims arising out of or related to this Agreement or the relationship between you and us shall be barred, by express agreement of the parties, unless an action or proceeding is commenced within two (2) years from the date the cause of action accrues; and (2) you hereby waive to the fullest extent permitted by law, any right to or claim for any indirect, special, consequential, incidental, punitive, exemplary, or treble damages, and other forms of multiple damages, against us, including without limitation, any economic loss, property damage, physical injury, or lost profits arising out of this Agreement, your use of the Marks, the System, or your inability to use the Marks or the System, regardless of whether arising under breach of contract, warranty, tort, strict liability, or any other legal or equitable theory or claim, even if such loss or damage could have been reasonably foreseen. Further, you agree that, except to the extent provided to the contrary in this Agreement, in the event of a dispute between you and us, you will be limited to the recovery of any actual and direct damages sustained by you. You and we irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either you or us.

17.11 Governing Law/Consent To Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051 et seq.) and except that all issues relating to arbitrability or the enforcement or interpretation of the agreement to arbitrate set forth in Section 17.9 which will be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law relating to arbitration, this Agreement and the Franchise will be governed by the internal laws of the State of Ohio (without reference to its choice of law and conflict of law rules), except that the provisions of any Ohio law relating to the offer and sale of business opportunities or franchises or governing the relationship of a franchisor and its franchisees will not apply unless their jurisdictional requirements are met independently without

reference to this Section. You agree that the venue for any action arising out of or relating to this Agreement (which is not required to be arbitrated hereunder or as to which arbitration is waived) shall be in any state or federal court of general jurisdiction in Cuyahoga County, Ohio, unless otherwise mutually agreed by the parties in writing, and you irrevocably submit to the jurisdiction of such courts and waive any objection you may have to either the jurisdiction or venue of such court.

17.12 Binding Effect. This Agreement is binding on and will inure to the benefit of our successors and assigns and, subject to the Transfer provisions contained in this Agreement, will be binding on and inure to the benefit of your successors and assigns, and if you are an individual, on and to your heirs, executors, and administrators.

17.13 No Liability to Others; No Other Beneficiaries. We will not, because of this Agreement or by virtue of any approvals, advice or services provided to you, be liable to any person or legal entity that is not a party to this Agreement, and no other party shall have any rights because of this Agreement. Without limiting the generality of the foregoing, you acknowledge and agree that you will not make any allegation or take any position with respect to a third party claim that is contrary to the foregoing sentence or Article 19 below.

17.14 Construction. All headings of the various Sections and paragraphs of this Agreement are for convenience only, and do not affect the meaning or construction of any provision. All references in this Agreement to masculine, neuter or singular usage will be construed to include the masculine, feminine, neuter or plural, wherever applicable. Except where this Agreement expressly obligates us to reasonably approve or not unreasonably withhold our approval of any of your actions or requests, we have the absolute right to refuse any request by you or to withhold our approval of any action or omission by you.

17.15 Joint and Several Liability. If the Franchisee is an entity and not an individual, then each Principal Owner must sign the Owner's Guaranty and Assumption of Obligations that is attached as Exhibit 3. If two (2) or more persons are the Franchisee under this Agreement, or one or more Principal Owners have guaranteed your performance of this Agreement, their obligation and liability to us shall be joint and several.

17.16 Multiple Originals. This Agreement will be executed using multiple copies, each of which will be deemed an original.

17.17 Timing Is Important. Time is of the essence of this Agreement. ("Time is of the essence" is a legal term that emphasizes the strictness of time limits. In this case, it means it will be a material breach of this Agreement to fail to perform any obligation within the time required or permitted by this Agreement.).

17.18 Independent Provisions. The provisions of this Agreement are deemed to be severable. In other words, the parties agree that each provision of this Agreement will be construed as independent of any other provision of this Agreement.

17.19 Exercise of Discretion. Whenever this Agreement gives Barrio discretion to take an action or make a decision, Barrio will be allowed to take or make (or refrain from taking or making) that action or decision based on its business judgment. Even if Barrio has numerous motives for a particular action or decision and/or there are other reasonable and/or arguably preferable alternatives to a particular action or decision, so long as at least one motive is a reasonable business justification, the action or decision will not be subject to challenge for abuse

of discretion. IF THE EXERCISE OF BARRIO'S DISCRETION AS TO ANY MATTER IS CHALLENGED, THE PARTIES EXPRESSLY DIRECT THE TRIER OF FACT THAT BARRIO'S RELIANCE ON A BUSINESS REASON IN THE EXERCISE OF ITS DISCRETION IS TO BE VIEWED AS A REASONABLE AND PROPER EXERCISE OF BARRIO'S DISCRETION, WITHOUT REGARD TO WHETHER OTHER REASONS FOR ITS DECISION MAY EXIST AND WITHOUT REGARD TO WHETHER THE TRIER OF FACT WOULD INDEPENDENTLY ACCORD THE SAME WEIGHT TO THE BUSINESS REASON.

18. NOTICES AND PAYMENTS. All written notices, reports and payments permitted or required under this agreement or by the operations manual will be deemed delivered: (a) at the time delivered by hand; (b) one (1) business day after transmission by telecopy, facsimile or other electronic system; (c) one (1) business day after being placed in the hands of a reputable commercial courier service for next business day delivery; or (d) three (3) business days after placed in the U.S. mail by registered or certified mail, return receipt requested, postage prepaid; and addressed to the party to be notified or paid at the address below, or its most current principal business address of which the notifying party has been advised, or to any other place designated by either party. Any required notice, payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before it is due) will be deemed delinquent. notice shall be sent to the following addresses:

To us: Barrio Nation LLC
3190 West 63rd Street
Cleveland, Ohio 44102

To you: The address(es) listed in Exhibit 2.1

19. INDEPENDENT JUDGMENT OF YOU AND YOUR GENERAL MANAGER. You and we acknowledge and agree that the specifications, programs, standards and operating procedures related to the services offered by the franchise under this agreement are not intended to limit or replace the judgment of you, or any general manager or any employee of the franchise, in supervising and performing the services offered by your franchise. The specifications, programs, standards, and operating procedures represent only the minimum standards, and you and your general manager (if any) are solely responsible for ensuring that the franchise performs services in accordance with all applicable laws, rules, regulations and requirements.

20. ACKNOWLEDGEMENTS.

20.1 Receipt of FDD. You hereby acknowledge that you have received from us our current franchise disclosure document, together with a copy of all proposed agreements related to the sale of the Franchise, at least 14 calendar days prior to the execution of this Agreement and at least 14 days before you paid us any consideration in connection with the sale or proposed sale of the Franchise granted by this Agreement.

20.2 Receipt of Agreement. You hereby acknowledge that you received from us this Agreement with all blanks filled in at least seven calendar days prior to the execution of this Agreement. You represent that you have read this Agreement in its entirety and that you have been

given the opportunity to clarify any provisions that you did not understand and to consult with an attorney or other professional advisor. You further represent that you understand the terms, conditions and obligations of this Agreement and agree to be bound thereby.

21. ENTIRE AGREEMENT. This agreement, together with the introduction and exhibits to it, constitutes the entire agreement between us, and there are no other oral or written understandings or agreements between us concerning the subject matter of this agreement. Notwithstanding, in accordance with federal law, nothing in this agreement shall require you to waive reliance on any representation made in the FDD. This agreement may be modified only by written agreement signed by both you and us, except that we may modify the operations manual at any time as provided herein.

The parties to this Agreement now execute and deliver this Agreement in multiple counterparts as of the date of the last signature below.

BARRIO NATION LLC

By: _____

Title: _____

Date: _____

FRANCHISE OWNER

Print Name: _____

Signature(s): _____

Date: _____

[NOTE: If the Franchisee is a corporation, partnership, LLC or other entity, please include the title of each signing party, and have each Principal Owner sign the Personal Guaranty form]

EXHIBIT 1 TO THE BARRIO FRANCHISE AGREEMENT

FRANCHISE AGREEMENT EXPIRATION DATE
PROTECTED TERRITORY
FRANCHISE OPENING

1-1 **Expiration Date.** Unless sooner terminated in accordance with the provisions of this Agreement, this Agreement will expire on _____.

1-2 **Protected Territory.** The Protected Territory referred to in Section 2.3 of this Agreement shall be depicted by a map of the Protected Territory, signed or initialed and dated by you and us, that may be attached hereto or otherwise agreed upon in writing by the parties, and such map shall be deemed to be incorporated herein by reference.

1-3 **Franchise Opening Schedule.** In signing the foregoing Agreement to which this Exhibit 1 is attached, you acknowledge that:

1. You have purchased the Franchise to which the Agreement corresponds as one of a group of _____ (_____) Barrio Restaurant Franchises.

2. The Franchise to which this Agreement corresponds constitutes Franchise number _____ of the Franchises mentioned above.

3. You must open each Franchise mentioned above within a certain time period specified by us, the length of which depends upon the number of Franchises you have purchased and the number of these Franchises that you have developed and opened for business before developing and opening the Franchise to which the Agreement corresponds.

4. You must open the Franchise to which this Agreement corresponds within the following time period (the "Opening Deadline"), subject to the requirements of Sections 3.3 and 3.6, and any other applicable provision of the Agreement:_____

EXHIBIT 2 TO THE BARRIO FRANCHISE AGREEMENT

OWNERSHIP INTERESTS IN FRANCHISE OWNER

2-1. Full name and address of the owners of, and a description of the type of, all currently held Interests in Franchisee:

	Name	Address	Interest held, including percentage	Required minimum ownership interest
Franchisee			N/A	N/A
Principal Owner				
Principal Owner				
Principal Owner				

Attach Additional Sheet for Principal Owners, if required.

2-2. Minimum individual and aggregate Principal Owner ownership percentage required at all times during the Term of this Agreement:

2-2.1 During the Term of this Agreement, the Principal Owners together must have a "controlling interest" (i.e., a 100 percent "ownership interest" of the equity, voting control and profits) in Franchise owner.

2-2.2 Unless otherwise permitted, the required minimum "ownership interest" of each Principal Owner during the Term of this Agreement is as set forth above:

2-3. Each Principal Owner must sign the Owner's Guaranty and Assumption of Obligations that is attached as Exhibit 3.

EXHIBIT 3

OWNER'S GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Barrio Franchise Agreement dated _____, 20__ ("Agreement") by and between Barrio Nation LLC ("us") and _____ [*insert name of franchisee*] ("Franchisee"), each of the undersigned owners of the Franchisee ("you", for purposes of this Guaranty only), hereby personally and unconditionally (1) guarantees to us and our successors and assigns that the Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the prompt and full performance of, and any breach of, each and every provision in the Agreement, including without limitation, monetary obligations, the obligations to take or refrain from taking certain actions and arbitration of disputes.

Each of you waives (1) protest and notice of default, demand for payment or nonperformance of any obligations guaranteed by this Guaranty; (2) any right you may have to require that an action be brought against Franchisee or any other person as a condition of your liability; (3) all right to payment or reimbursement from, or subrogation against, the Franchisee which you may have arising out of your guaranty of the Franchisee's obligations; and (4) any and all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantor.

Each of you consents and agrees that (1) your direct and immediate liability under this Guaranty shall be joint and several; (2) you will make any payment or render any performance required under the Agreement on demand if Franchisee fails or refuses to do so when required; (3) your liability will not be contingent or conditioned on our pursuit of any remedies against Franchisee or any other person; (4) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may from time to time grant to Franchisee or to any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims; (5) by signing this Agreement you are confirming that you are bound to the non-disclosure and non-competition provisions applicable to the Franchisee in Article 9 of the Agreement; and (6) this Guaranty will continue and be irrevocable during the Term of the Agreement and afterward for so long as the Franchisee has any obligations under the Agreement.

If we are required to enforce this Guaranty in a judicial or arbitration proceeding, and prevail in such proceeding, we will be entitled to reimbursement of our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by you to comply with this Guaranty, you agree to reimburse us for any of the above-listed costs and expenses incurred by us.

This Guaranty is now executed as of the Agreement Date.

EXHIBIT 4
ACH AGREEMENT

Barrio Nation LLC

CHECKING ACCOUNT - DEBIT/CREDIT AUTHORIZATION

Please complete and sign the form below, attach a voided check and mail or fax to the following: Barrio Nation LLC

Franchisee's Name _____

Name of Bank _____

Address of Bank _____

Name on Checking Account:
(As it appears on your checks) _____

Address where Checking
Statement mailed _____

BANK (ABA) ROUTING NUMBER: _____

CHECKING ACCOUNT NUMBER: _____

AUTHORIZATION:

I hereby authorize Barrio Nation LLC and the financial institution listed above to debit/credit the account I have specified for payment of my weekly and monthly fees incurred with Barrio Nation LLC. I understand that a fee will be charged to my account for each request returned for non-sufficient funds. I understand and agree to allow Barrio to debit or credit my account, as appropriate, if an adjustment is required for any reason. I understand that both the financial institution and Barrio Nation LLC reserve the right to terminate this payment plan and/or my participation therein. I may elect to discontinue my enrollment in this plan at any time. If I so choose, I will provide written notice to Barrio Nation LLC.

_____ Signature	_____ Date	_____ Phone
--------------------	---------------	----------------

ATTACH VOID CHECK HERE

We cannot process this request without a voided check.
Deposit Slips are NOT acceptable.

EXHIBIT 5

LEASE ADDENDUM

THIS ADDENDUM (this “Addendum”) is incorporated by reference into that certain Lease Agreement dated _____ (the “Lease”) between _____, having its principal offices at _____ (“Landlord”), and _____, having its principal offices at _____ (“Tenant”), for that certain real property premises located at _____ (the “Premises”). To the extent any provisions of this Addendum conflict with the provisions of the Lease, this Addendum shall govern and control.

1. Acknowledgement of Franchise Relationship. Landlord acknowledges that Tenant intends to operate as a Barrio® franchise restaurant at the Premises (the “Franchised Business”), and consents to such use for the term of the Lease, including any extensions. Landlord further acknowledges and agrees that that Tenant's rights to operate the Franchised Business derive solely pursuant to a franchise agreement (“Franchise Agreement”) between Tenant and Barrio Nation LLC (“Barrio”). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Barrio or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises.
2. Tenant Signage, Remodeling and Décor. Landlord agrees to allow Tenant to use Barrio’s standard interior and exterior signage and décor to the maximum extent permitted by applicable laws, rules and regulations. Landlord agrees that Tenant has the right to remodel, equip, paint, and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Franchised Business on the Premises. Notwithstanding the foregoing, any structural remodel of the building and/or its exterior signs shall be subject to Landlord’s prior and reasonable approval.
3. Barrio Not a Guarantor. Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Addendum or any other agreement, unless otherwise expressly agreed in writing by Barrio, Barrio shall not be construed as a guarantor or surety of Tenant’s obligations under the Lease or otherwise with respect to the operation of the Franchised Business at the Premises.
4. Collateral Assignment of Lease. Landlord hereby consents, without payment of a fee and without the need for further Landlord action, to the collateral assignment of Tenant's interest in the Lease to Barrio to secure Tenant's obligations to Barrio under the Franchise Agreement. Without limiting the foregoing:
 - (a) Tenant does not have the right to sublease or assign the Lease to any third party without Barrio’s and Landlord’s prior written approval.
 - (b) So long as Tenant is in good standing under the Lease, or if Tenant has cured all of Tenant’s defaults under the Lease, Tenant has the right to assign, and Landlord hereby

consents to the assignment of, all of its right, title and interest in the Lease to Barrio or one of its Affiliates or designees (a "Barrio Entity") during the term of the Lease, including any extensions or renewals. The assignment will not be effective, however, until the applicable Barrio Entity gives Landlord written notice of its acceptance of the assignment. The Barrio Entity will be responsible for the Lease obligations incurred after the effective date of the assignment.

(c) If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension thereof, Barrio has the right, but not the obligation, to unilaterally assume the Lease by giving Landlord written notice and without further action or consent by the Landlord.

(d) If a Barrio Entity elects to assume the Lease, Landlord and Tenant agree that (i) Tenant, and not the Barrio Entity, will be and remain liable for the responsibilities and obligations, including amounts owed to Landlord, for all periods prior to the date of assignment and assumption, and (ii) Barrio will have the right to sublease the Premises to another franchisee with Landlord's prior reasonable approval, provided the franchisee meets Barrio's then-current standards and requirements for franchisees and agrees to operate the Restaurant as a Barrio restaurant pursuant to a Franchise Agreement with Barrio. Upon receipt by Landlord of an assumption agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions, and agreements on the part of Tenant to be performed under the Lease, Barrio shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by Landlord.

5. Notice and Cure Rights to Barrio. Prior to exercising any remedies against Tenant under the Lease (except in the event of imminent danger to the Premises), Landlord shall give Barrio written notice of any default by Tenant, and commencing on receipt thereof by Barrio, Barrio shall have fifteen (15) days, in addition to the cure period under the Lease for such default, to cure such default. Landlord agrees to accept cure tendered by Barrio as if the same was tendered by Tenant, but Barrio has no obligation to cure such default. Landlord agrees that all such notices to Barrio must be sent by overnight courier to the following address, or such other address as may be provided by Barrio to Landlord in the future:

-
6. Non-disturbance from Mortgage Lenders. It shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under the Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations under the Lease beyond an applicable grace or cure period provided therein or herein.
 7. Barrio Right to Enter. Landlord acknowledges and agrees that Barrio or its designee may enter the Premises for all purposes permitted under the terms of the Franchise Agreement, including to inspect the Premises and the Franchised Business' operations, to manage the Tenant's business on Tenant's behalf under certain circumstances, or to remove any trade fixtures or signage upon

termination or expiration of the Franchise Agreement. If Barrio enters the Premises for any such purposes, it will do so without assuming any liability under the Lease and without incurring any liability to Landlord, except for any damages caused by Barrio's willful misconduct or gross negligence.

8. Amendments. Tenant agrees that neither the Lease nor this Addendum may be amended by the parties thereto without the prior written consent of Barrio.
9. Third Party Beneficiary. Barrio is a third-party beneficiary of the terms of this Addendum, or any other terms of the Lease applicable to Barrio's rights under the Lease, and as a result thereof, shall have all rights (but not the obligation) to enforce the same. Failure of Barrio to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.
10. Successors and Assigns. All of Barrio's rights, privileges and interests under this Addendum and the Lease shall inure to the benefit of Barrio's successors and assigns. Barrio may assign its rights under this Assignment to any designee. All provisions in this Addendum applicable to Tenant and Landlord shall be binding on any successor or assign of Tenant or Landlord under the Lease.
11. Execution. This Addendum may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement with the Lease. This Addendum and all other documents related to this Addendum may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically.

LANDLORD:

TENANT:

By: _____

By: _____

Title: _____

Title: _____

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OPERATIONS MANUAL TABLE OF CONTENTS



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BARRIO TACOS OPERATIONS MANUAL

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EXHIBIT D

LIST OF BARRIO FRANCHISEES

As of December 31, 2023, the end of our fiscal year, we had the following Barrio Restaurant franchisees. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Florida

Name	Address	City	State	Zip	Phone
Justin O'Driscoll	749 N. Alafaya Trail	Orlando	FL	32828	407-440-1025
Jason Crawford (Restaurant not open yet)	1822 E. 7 th Ave.	Tampa	FL	33605	216-650-4885

Massachusetts

Name	Address	City	State	Zip	Phone
Maggie Osborn	2 Merrimack Street	Haverhill	MA	01830	978-519-3967
Maggie Osborn	41 Lafayette Street	Salem	MA	01970	978-594-8854

Michigan

Name	Address	City	State	Zip	Phone
Jake Hawley	202 Albert Street	East Lansing	MI	48823	517-679-0063
Jake Hawley	37 Ottawa Ave. NW	Grand Rapids	MI	49503	616-888-8226
Jake Hawley	215 E. Michigan Ave.	Kalamazoo	MI	49007	231-421-1855
Jake Hawley	305 W. Front Street, Suite A	Traverse City	MI	49684	231-421-1855

North Carolina

Name	Address	City	State	Zip	Phone
Taral Thakker & Venkata Adurthi (Restaurant not open yet)		Raleigh	NC		980-229-3007

Ohio

Name	Address	City	State	Zip	Phone
Akshar Laximi	1416 W. 5 th Ave.	Columbus	OH	43212	614-665-9960
Akshar Laximi	1870 N. High St.	Columbus	OH	43201	614-761-1880
Katie Plevacic, Debo Elias, & Victor Kirallah (Restaurant not opened yet)	200 Park Ave. Suite 200	Orange Village	OH	44122	216-544-3918

Pennsylvania

Name	Address	City	State	Zip	Phone
Jason Beudert (1)	1000 Ross Park Mall Dr.	Pittsburgh	PA	15237	412-837-2146

South Carolina

Name	Address	City	State	Zip	Phone
Richard Kotlarek	4420 Devine Street	Columbia	SC	29205	803-451-0766
Richard Kotlarek	105 West Main Street	Lexington	SC	29072	803-490-0830

Texas

Name	Address	City	State	Zip	Phone
Wissam Saliba & Brian Kegley(Restaurant not open yet)		Dallas	TX		216-235-3421

Notes:

(1) Franchisee closed March 2024

Former Franchisees

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. The following Franchises were cancelled, terminated or voluntarily or involuntarily ceased to do business in the 2023 fiscal year, or have not communicated with us within 10 weeks of the issuance date of this disclosure document:

Texas

Name	Address	City	State	Zip	Phone
James Moyer (Restaurant never opened)	18702 University Blvd.	Sugar Land	TX	77479	281-865-0300

EXHIBIT E

**AUDITED PARENT FINANCIAL STATEMENTS
ACCOUNTANT'S CONSENT
PARENT GUARANTY**

BARRIO BROS, LLC et al.
Combined Financial Statements
December 31, 2023 and 2022

BARRIO BROS, LLC et al.

December 31, 2023 and 2022

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D'AMORE TATMANGROUP LLC

Certified Public Accountants & Business Advisors

Independent Auditor's Report

To the Board of Directors and Members
Barrio Bros, LLC et al.

Opinions

We have audited the accompanying combined financial statements of Barrio Bros, LLC et al. which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Barrio Bros, LLC et al. as of December 31, 2023 and 2022, and the results of its operations and its 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are required to be independent of Barrio Bros, LLC et al. 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Barrio Bros, LLC et al. ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Barrio Bros, LLC et al. 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 combined financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Barrio Bros, LLC et al. 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.

A handwritten signature in blue ink, appearing to read "D. Anne Tappan Group LLC". The signature is fluid and cursive, with a long horizontal stroke at the end.

Cleveland, Ohio
February 27, 2024

Barrio Bros, LLC et al.

Combined Balance Sheets

December 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents:		
Operating	\$ 1,218,256	\$ 9,342,066
Savings - money market	10,045,382	3,521,778
Accounts receivable	3,828,484	2,292,891
Other receivables	1,042,322	1,533,504
Inventory	252,882	263,661
Prepaid expenses	8,923	18,511
	<u>16,396,249</u>	<u>16,972,411</u>
Total current assets		
Property and equipment at cost:		
Right of use assets - building facilities	2,560,877	3,062,708
Building	408,184	-
Land	167,252	-
Leasehold improvements	1,419,777	1,405,877
Equipment	1,577,147	1,565,847
Furniture and fixtures	240,020	239,818
Trucks	326,870	326,870
	<u>6,700,127</u>	<u>6,601,120</u>
Less: accumulated depreciation	<u>(2,181,455)</u>	<u>(1,862,152)</u>
Property and equipment, net	4,518,672	4,738,968
Other assets:		
Deposits	20,161	24,331
Liquor permits - net	102,160	128,543
	<u>122,321</u>	<u>152,874</u>
Total other assets		
Total assets	<u><u>\$ 21,037,242</u></u>	<u><u>\$ 21,864,253</u></u>

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

Barrio Bros, LLC et al.

Combined Balance Sheets

December 31, 2023 and 2022

Liabilities and Members' Equity

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Current portion of note payable	\$ 20,422	\$ -
Current portion of operating lease obligations	522,124	501,831
Accounts payable	308,236	231,909
Note payable - VPI	-	228,435
Accrued payroll and payroll taxes	267,391	278,757
Accrued members' distributions	-	521,500
Accrued other expenses	960,245	688,385
Deferred gift card revenue	<u>1,029,125</u>	<u>914,566</u>
Total current liabilities	3,107,543	3,365,383
Long-term liabilities:		
Operating lease obligations, net of current portion	2,038,753	2,560,877
Note payable	<u>438,543</u>	<u>2,000,000</u>
Total long-term liabilities	<u>2,477,296</u>	<u>4,560,877</u>
Total liabilities	5,584,839	7,926,260
Members' equity	<u>15,452,403</u>	<u>13,937,993</u>
Total liabilities and members' equity	<u><u>\$ 21,037,242</u></u>	<u><u>\$ 21,864,253</u></u>

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

Barrio Bros, LLC et al.

Combined Statements of Operations and Members' Equity

For The Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>
Revenues:				
Food and beverages	\$ 21,907,909	92.3	\$ 23,855,586	94.4
Other revenue	<u>1,829,566</u>	<u>7.7</u>	<u>1,402,415</u>	<u>5.6</u>
Total revenue	23,737,475	100.0	25,258,001	100.0
Cost of sales	<u>7,042,852</u>	<u>29.7</u>	<u>8,088,158</u>	<u>32.0</u>
Gross profit	16,694,623	70.3	17,169,843	68.0
General and administrative expenses	<u>15,019,510</u>	<u>63.3</u>	<u>15,549,551</u>	<u>61.6</u>
Operating income	1,675,113	7.0	1,620,292	6.4
Other income (expense):				
BWC refunds	6,015	-	-	-
Other income	238,817	1.0	-	-
PPP loan forgiveness income	2,000,000	8.4	-	-
Employee Retention Credit	-	6.0	1,510,504	6.0
Interest income	577,601	2.4	16,770	0.1
Interest expense	<u>(75,863)</u>	<u>(0.3)</u>	<u>(21,713)</u>	<u>(0.1)</u>
Total other income - net	<u>2,746,570</u>	<u>17.5</u>	<u>1,505,561</u>	<u>6.0</u>
Income before income taxes	4,421,683	24.5	3,125,853	12.4
Income taxes	<u>396,517</u>	<u>1.7</u>	<u>267,266</u>	<u>1.1</u>
Net income	4,025,166	<u>22.8</u>	2,858,587	<u>11.3</u>
Members' equity - beginning of year	13,937,993		13,483,327	
Members' distributions	<u>(2,510,756)</u>		<u>(2,403,921)</u>	
Members' equity - end of year	<u>\$ 15,452,403</u>		<u>\$ 13,937,993</u>	

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

Barrio Bros, LLC et al.

Statements of Cash Flows

For The Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	\$ 4,025,166	\$ 2,858,587
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	345,686	410,281
PPP loan forgiveness income	(2,000,000)	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts and other receivables	(1,044,411)	(3,554,467)
Inventory	10,779	49,937
Prepaid expenses and deposits	13,758	8,852
Increase (decrease) in liabilities:		
Accounts payable	76,326	162,056
Accrued expenses and withholdings	260,494	321,496
Deferred gift card revenue	114,559	165,666
Net cash flows provided by operating activities	<u>1,802,357</u>	<u>422,408</u>
Cash flows used by investing activities:		
Purchases of property and equipment	(600,838)	(45,870)
Cash flows from financing activities:		
Forgiveness in note payable - VPI	(228,435)	-
Borrowings on note payable	458,965	-
Payments on note payable - financial corporation	-	(6,730)
Accrued members' distributions	(521,500)	521,500
Members' distributions	(2,510,756)	(2,403,921)
Net cash flows used by financing activities	<u>(2,801,726)</u>	<u>(1,889,151)</u>
Net decrease in cash and cash equivalents	(1,600,207)	(1,512,613)
Cash and cash equivalents at beginning of year	<u>12,863,844</u>	<u>14,376,457</u>
Cash and cash equivalents at end of year	<u>\$ 11,263,637</u>	<u>\$ 12,863,844</u>

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

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

Accounting Policies

The following accounting policies of Barrio Bros, LLC et al. (the "Company") are presented to facilitate the understanding of information presented in the combined financial statements. The combined financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP"), as found in the *Accounting Standards Codification* ("ASC") issued by the *Financial Accounting Standards Board* ("FASB"). Revenues are recognized when earned and expenses when incurred. The combined financial statements have been prepared using historical cost, amortized cost and fair value basis, as discussed in the applicable accounting policies.

Nature of Business Activities

Barrio Bros, LLC et al. is headquartered in Cleveland, Ohio. The Company is in the food industry and owns and operates several entities including restaurants and bars, a catering service, food trucks and a commissary. The Company also licenses its restaurant and bar concepts. The entities primarily operate in the Northeast region of the United States. However, including Ohio they have four other licensed locations in New Hampshire, Massachusetts and Michigan. The food concepts and catering operations have similar products and services and distribution methods. The commissary which houses the Company's main office is primarily responsible for food preparation which is distributed to the various restaurants and bar locations.

The following entities are included in the combined financial statements:

- | | |
|---------------------------------|------------------------------------|
| • <i>Barrio Bros, LLC</i> | • <i>Taco Heights, LLC</i> |
| • <i>Barrio Catering, LLC</i> | • <i>Tres Amigos Lakewood, LLC</i> |
| • <i>Barrio Commissary, LLC</i> | • <i>Willoughby Tacos, LLC</i> |
| • <i>Barrio Trucks, LLC</i> | • <i>Justin Hughes, LLC</i> |
| • <i>Dos Amigos, LLC</i> | • <i>Strongsville Tacos, LLC</i> |
| • <i>Kent Tacos, LLC</i> | • <i>Barrio Nation LLC</i> |

The Company started *Barrio Nation, LLC* in 2021. Barrio Nation, LLC offers franchise opportunities across the United States. The Company has twelve operating franchises as of December 31, 2023. There are also an additional eight franchises planned to be in operation in 2024.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Principles of Combination and Consolidation

All but one entity referred to above are wholly owned subsidiaries and consolidated with Barrio Bros, LLC. Justin Hughes, an affiliated entity is combined with the consolidated group for financial statement reporting purposes as of December 31, 2023 and 2022.

The Companies are related through common ownership. All significant intercompany transactions and balances have been eliminated in consolidation and combination as of December 31, 2023 and 2022.

Covid-19 Impact

The Covid-19 pandemic caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Although Covid-19 caused unprecedented business interruptions, along with significant impact on revenues, the Company experienced a rapid recovery in 2022 and 2023.

Recently Issued Accounting Pronouncements

From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specific effective date. Unless otherwise discussed, the Company believes that the impact of other recently issued accounting pronouncements will not have a material impact on the combined financial statements, or do not apply to the Company's operations.

The Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, "Leases (Topic 842)" as of January 1, 2022. This update includes a lease accounting model that recognizes two types of leases - finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. The Company will be required to record a "right of use" asset and a lease liability payable, as applicable. The Company evaluated the impact of this adoption including the use of practical expedients provided in the guidance. See Note 4 for additional information.

Revenue Recognition

The Company follows the provisions of ASC Topic 606, "Revenues from Contracts with Customers". ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Topic 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. *Identify the contract with a customer*
2. *Identify performance obligations*
3. *Determine the transaction price*
4. *Allocate the transaction price to the performance obligations in the contract*
5. *Recognize revenue when the performance obligations are satisfied*

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a restaurant guest or other customer. Revenues from restaurant operations are presented net of discounts, coupons, employee meals and complimentary meals and recognized when food, beverage and retail products are sold. Sales tax collected from customers are excluded from sales and the obligation is included in sales tax payable until the taxes are remitted to the appropriate taxing authorities. Catering service revenue is generated through contracts with customers whereby the customer agrees to pay a contract rate for the service. Revenues from catered events are recognized in income upon satisfaction of the performance obligation, which is generally the date the catered event is held. All customer payments, including non-refundable upfront deposits, are deferred as a liability until such time.

Revenues from gift cards are deferred and recognized in food and beverage sales upon redemption. As of December 31, 2023 and 2022, the deferred gift card revenue liability was \$1,029,125 and \$914,566, respectively, on the accompanying combined balance sheets.

The Company also determined that they have historical redemption information to recognize breakage income on gift cards. Based on management's review of historical redemption patterns using company wide data accumulated for several years, management estimates a certain percentage of gift card sales to be recorded as breakage income as it better reflects historical redemption patterns. Effectively, management has concluded that a portion of these gift cards may have a remote likelihood of redemption based on historical redemption patterns and thus the liability is derecognized for them.

Management continues to review historical gift card redemption information for each reporting period to assess the continued appropriateness of the gift card breakage rates and patterns of redemption. For the years ended December 31, 2023 and 2022, the Company recorded gift card breakage income of \$138,814 and \$91,160, respectively, which is included in other revenue on the accompanying combined statements of operations and member's equity.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Concentration of Credit Risk - Continued

The Company maintains its cash in commercial bank deposits and money market accounts, which at times, may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on its cash accounts. As of December 31, 2023 and 2022, the Company had \$919,404 and \$12,649,089, respectively, of cash balances in excess of the federally insured limit.

Cash and Cash Flow Information

For cash flow purposes, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company had no non-cash financing activities for the years ended December 31, 2023 and 2022.

Accounts receivable and Allowance for Doubtful Accounts

Accounts receivable as of December 31, 2023 and 2022, is \$3,828,484 and \$2,292,891, respectively. Of these totals \$3,479,464 and \$2,163,551, respectively, is due from franchises for start-up costs and fees per franchise agreements as of December 31, 2023 and 2022. The remaining balance in accounts receivable in the amount of \$349,020 and \$129,340 as of December 31, 2023 and 2022, respectively, is comprised of amounts due to the Company related to the sale of gift cards. The management of the Company has determined that the potential of bad debts is not material and has elected not to set up an allowance for doubtful accounts as of December 31, 2023 and 2022. If accounts become uncollectible, they will be charged to operations when that determination has been made. Collections on accounts previously written off will be offset against bad debt expense as applicable.

Inventory

Inventory is stated at the lower of cost or market determined on a first-in, first-out basis. See Note 2 for additional information.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Property and Equipment - Continued

Depreciation for financial reporting purposes is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Leasehold improvements	15- 39
Equipment	5- 7
Furniture and fixtures	5- 7
Trucks	5

Depreciation expense for the years ended December 31, 2023 and 2022 was \$319,303 and \$372,749, respectively.

The Company purchased the land and building that Tres Amigos Lakewood occupies. The purchase was completed in February 2023 at a cost of \$575,436. The related note payable is included in Note 7.

Other Assets

Other assets are comprised of liquor permits and lease deposits. The liquor permits with a cost of \$373,647 as of December 31, 2023 and 2022, are being amortized over ten years. Amortization expense for the years ending December 31, 2023 and 2022 was \$26,383 and \$37,532, respectively and is included in depreciation and amortization expense on the accompanying combined statements of operations and members' equity. Accumulated amortization for liquor permits as of December 31, 2023 and 2022 was \$271,487 and \$245,104, respectively.

Long-lived Assets

Long lived assets, such as property and equipment, and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of future cash flows of the related long-term asset. If the carrying value of the related asset exceeds the cash flow, the carrying value is reduced to its fair value. Based on the results of this analysis, the Company did not recognize any impairment of its long-lived assets for the years ended December 31, 2023 and 2022.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as they are incurred and amounted to \$109,138 and \$47,620 for the years ended December 31, 2023 and 2022, respectively. Advertising and marketing costs are included in general and administrative expenses on the accompanying combined statements of operations and members' equity.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Income Taxes

The Companies are all taxed as limited liability companies. The Companies except for Justin Hughes, LLC file Partnership tax returns. Justin Hughes, LLC files as an S-Corporation. Under subchapter K or subchapter S of the internal revenue code, the income of the Companies flow through to the members to be taxed at the individual level rather than the corporate level. Accordingly, these entities will have no tax liability.

The income allocable to each member is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the member could be changed if an adjustment in the income is determined by the taxing authorities.

Accounting Standard Codification, ASC 740-10, (*"Accounting for Uncertainty in Income Taxes"*) prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on management's evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in the Company's combined financial statements. The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions. In the event the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements in other income and expense. The Company had penalty and interest expense of \$28,032 and \$30,023 for the years ended December 31, 2023 and 2022 respectively, which is included in general and administrative expenses on the accompanying combined statements of operations and members' equity.

The federal income tax returns of the Company are subject to examination by the IRS, generally for three years after they were filed. There are no tax examinations currently in process.

Fair Value of Financial Instruments

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Other financial instruments consist of long-term obligations. The fair value of long-term obligations is estimated based on current interest rates offered to the Company for obligations with similar remaining maturities. The recorded value of these financial instruments approximated fair value at December 31, 2023 and 2022.

Occupancy Expenses

Occupancy expenses essentially include rent or lease payments, maintenance, insurance and utility costs. See Note 4 for additional information regarding operating lease agreements.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 1: Summary of Significant Accounting Policies - Continued

Common Control Leasing Arrangements

The Company has elected to use the U.S. GAAP private company common lease accounting alternative. In accordance with this alternative, the Company does not evaluate entities with certain common control leasing arrangements to determine if they are variable interest entities.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, the Company evaluates its estimates, including those related to accounting for depreciation and amortization, breakage income on gift card redemptions, inventory obsolescence and contingent liabilities arising from litigation in the normal course of business. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions.

Note 2: Inventory

The Company's inventory is comprised of food, beverages, and retail items. Most of the locations maintain these types of items. The inventory is carried at cost on the Company's accompanying combined balance sheets.

As of December 31, 2023 and 2022 the Company's total inventory was \$252,882 and \$263,661, respectively as follows:

	<u>2023</u>	<u>2022</u>
Food	\$ 105,960	\$ 121,480
Beverages	146,383	140,577
Retail items	<u>539</u>	<u>1,604</u>
Total inventory	\$ <u>252,882</u>	\$ <u>263,661</u>

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 3: Related Party Transactions

Justin Hughes LLC and Barrio Commissary LLC rent facilities from entities owned by a member of the Company. These leases are included in operating leases in Note 4. As of December 31, 2023 and 2022 these entities owed the member \$750,000 and \$480,000, respectively for rent payments.

Note 4: Operating Leases

The Company leases related and unrelated building facilities for various terms under long-term non-cancellable lease agreements.

As noted earlier, the Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* "(Topic 842)" for their long-term lease agreements. The Company did not have any existing capital leases that were deemed a financing lease under the new guidance. With respect to existing operating leases, the Company accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized \$3,062,708 of lease liabilities as of December 31, 2022. As of December 31, 2023 the remaining lease liabilities are as follows:

- 1.) Lease liability of \$2,560,877 (current portion = \$522,124), which represents the present value of the remaining lease payments of \$2,945,299, discounted using the Company's incremental borrowing rate of 6%.
- 2.) A right-of-use assets of \$2,560,877 which represents the lease liability.

The remaining lease payments on these leases are as follows:

<u>For the year ended December 31:</u>	<u>Amount</u>
2024	\$ 661,615
2025	670,420
2026	612,421
2027	570,829
2028 and thereafter	<u>430,014</u>
Total remaining payments	\$ <u>2,945,299</u>

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 4: Operating Leases - Continued

All other office and equipment leases were deemed short-term or immaterial to the overall operations of the Company. These leases have not been accounted for under the new lease guidance (ASC Topic 842).

Total office rent and equipment lease expenses for the years ended December 31, 2023 and 2022 was approximately \$729,339 and \$707,227, respectively.

Note 5: Note Payable - VPI City of Cleveland

The Company received a \$180,000 loan in 2016 through the City of Cleveland's "*Vacant Properties Initiative*" (VPI). The terms of the agreement required the funds to be used to finance the cost of construction build out and purchase of equipment with the redevelopment of a vacant building located in Cleveland, Ohio along with creating 25 full time positions while working on the project. The loan was secured with an open-end mortgage on the property. The Company was required to make quarterly interest payments at 6% for one year after the loan was funded. Interest accrued at 6% for a period of five years on the outstanding principal balance through November 2021. The outstanding principal portion is defined as the initial loan plus accrued interest. At the end of the term, the Company shall submit to the City of Cleveland's Director of Economic Development verification that the funds were used appropriately, and 25 full-time positions were created. The City did not accept the initial verification and imposed a non-compliance penalty. In December 2023, the Company received a release and discharge of the note with full forgiveness and deemed compliant by the City. The Company recorded loan forgiveness in other income for \$228,435 which includes interest.

Note 6: Note Payable - Paycheck Protection Program

The Company received a second draw loan for \$2,000,000 in 2021 with respect to the "Paycheck Protection Loan Program", (PPP) established under the enactment of the *Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act*. The loan must be used in the same manner as the funds received under the "Paycheck Protection Loan Program" (PPP) under the CARES Act. As of December 31, 2022 the loan was not forgiven and was included in long-term debt on the accompanying combined balance sheets. The Company did receive forgiveness as of December 31, 2023 and forgiveness of debt income of \$2,000,000 is included in other income on the accompanying combined statements of operations and members' equity.

Note 7: Note Payable and Long-term Debt

As noted earlier the Company purchased a building and land. The Company financed the purchase with a promissory note to the owner for \$475,000. The fifteen-year note calls for monthly payments of \$4,138 including interest at 6.5%. The balance on the note which matures in February 2038 was \$458,965 as of December 31, 2023.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 7: Note Payable and Long-term Debt - Continued

Current maturities for the note as of December 31, 2023 is as follows:

<u>Year ending December 31:</u>	
2024 (Current portion)	\$ 20,422
2025	21,789
2026	23,249
2027	24,806
2028	26,467
Thereafter	<u>342,232</u>
Total	\$ <u>458,965</u>

The long-term portion of the note payable was \$438,543 as of December 31, 2023.

Note 8: Retirement Plan

The Company has a 401(k) Retirement Plan which provides for elective deferrals and a matching contribution for eligible employees. Generally, an employee must attain the age of 21 and complete one year of service to be eligible to participate in the Plan. The Plan also has a discretionary profit-sharing provision. The Company did not make a matching or profit-sharing contribution to the Plan for the years ended December 31, 2023 and 2022.

Note 9: Other Matters

The Company applied for \$1,510,504 of refunds under the Employee Retention Credit ("ERC") program established by the CARES Act. The balance is included in other receivables on the accompanying balance sheet as of December 31, 2022. The income is recorded in other income and expense on the accompanying combined statements of operations and member's equity for the year ended December 31, 2022.

The Company received a partial refund of ERC in 2023. As of December 31, 2023, the Company has \$1,042,322 of ERC receivable and is reported as other receivables on the accompanying combined balance sheet as of December 31, 2023. The Company expects to receive these funds in fiscal 2024.

With respect to the program above, and in Note 6, laws and regulations over federal funds received by the Company as a result of the *Coronavirus Aid, Relief and Economic Security Act* (CARES) enacted in March 2020 and the *Combined Appropriations Act of 2021* (CAA) enacted December 2020 are complex and subject to interpretation. Potential non-compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Company believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing the Company's use of federal funds.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2023 and 2022

Note 9: Other Matters - Continued

The Company is being sued by a former employee along with other employees in a collective action lawsuit. The plaintiffs assert that the Company was in violation of the *Fair Labor Standards Act* and *Ohio Minimum Fair Wage Standards Act*. According to the Company, the case is in its early stages of discovery and cannot predict the outcome of this suit. The Company does not believe they are in violation of these acts and will vigorously defend these allegations.

Note 10: Subsequent Events

Management has reviewed the events and transactions for subsequent events from January 1, 2024 through February 27, 2024, the date the combined financial statements were available to be issued, and has determined that there were no material subsequent events requiring disclosure in the combined financial statements through this date.

BARRIO BROS, LLC et al.
Combined Financial Statements
December 31, 2022 and 2021

BARRIO BROS, LLC et al.

December 31, 2022 and 2021

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D'AMORE TATMANGROUP LLC

Certified Public Accountants & Business Advisors

Independent Auditor's Report

To the Board of Directors and Members
Barrio Bros, LLC et al.

Opinions

We have audited the accompanying combined financial statements of Barrio Bros, LLC et al. which comprise the combined balance sheets as of December 31, 2022 and 2021, and the related combined statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Barrio Bros, LLC et al. as of December 31, 2022 and 2021, and the results of its operations and its 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are required to be independent of Barrio Bros, LLC et al. 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Barrio Bros, LLC et al. ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

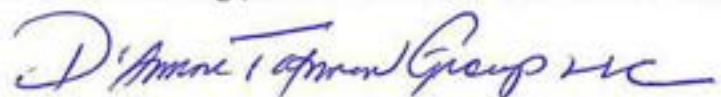
Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Barrio Bros, LLC et al. 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 combined financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Barrio Bros, LLC et al. 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.

A handwritten signature in blue ink that reads "D'Amore Tapscott Group LLC". The signature is written in a cursive, flowing style.

Cleveland, Ohio
April 18, 2023

Barrio Bros, LLC et al.**Combined Balance Sheets****December 31, 2022 and 2021****Assets**

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents:		
Operating	\$ 9,342,066	\$ 10,865,476
Savings - money market	3,521,778	3,510,981
Accounts receivable	2,292,891	147,629
Other receivables	1,533,504	124,299
Inventory	263,661	313,598
Prepaid expenses	18,511	27,363
	<u>16,972,411</u>	<u>14,989,346</u>
Total current assets		
Property and equipment at cost:		
Right of use assets - building facilities	3,062,708	-
Leasehold improvements	1,405,877	1,396,338
Equipment	1,565,847	1,549,516
Furniture and fixtures	239,818	239,818
Trucks	326,870	326,870
	<u>6,601,120</u>	<u>3,512,542</u>
Less: accumulated depreciation	(1,862,152)	(1,486,294)
	<u>4,738,968</u>	<u>2,026,248</u>
Property and equipment, net		
Other assets:		
Deposits	24,331	24,331
Liquor permits - net	128,543	142,966
	<u>152,874</u>	<u>167,297</u>
Total other assets		
Total assets	<u><u>\$ 21,864,253</u></u>	<u><u>\$ 17,182,891</u></u>

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

Barrio Bros, LLC et al.

Combined Balance Sheets

December 31, 2022 and 2021

Liabilities and Members' Equity

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Note payable - financial corporation	\$ -	\$ 6,730
Current portion of operating lease obligations	501,831	-
Accounts payable	231,909	69,853
Note payable - VPI	228,435	228,435
Accrued payroll and payroll taxes	278,757	256,251
Accrued members' distributions	521,500	-
Accrued other expenses	688,385	389,395
Deferred gift card revenue	914,566	748,900
Total current liabilities	3,365,383	1,699,564
Long-term liabilities:		
Operating lease obligations, net of current portion	2,560,877	-
Note payable - Paycheck Protection Program	2,000,000	2,000,000
Total long-term liabilities	4,560,877	2,000,000
Total liabilities	7,926,260	3,699,564
Members' equity	13,937,993	13,483,327
Total liabilities and members' equity	<u>\$ 21,864,253</u>	<u>\$ 17,182,891</u>

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

Barrio Bros, LLC et al.

Combined Statements of Operations and Members' Equity

For The Years Ended December 31, 2022 and 2021

	2022	%	2021	%
Revenues:				
Food and beverages	\$ 23,855,586	94.4	\$ 20,253,409	98.7
Other revenue	1,402,415	5.6	273,441	1.3
Total revenue	25,258,001	100.0	20,526,850	100.0
Cost of sales	8,088,158	32.0	6,506,761	31.7
Gross profit	17,169,843	68.0	14,020,089	68.3
General and administrative expenses	15,549,551	61.6	12,764,600	62.2
Operating income	1,620,292	6.4	1,255,489	6.1
Other income (expense):				
Grant income - State of Ohio	-	-	130,000	0.6
Other expense - net	-	-	(34,799)	(0.2)
PPP loan forgiveness income	-	-	1,969,300	9.6
Restaurant revitalization income	-	-	6,076,851	29.6
Employee Retention Credit	1,510,504	6.0	-	-
Interest income	16,770	0.1	27,942	0.1
Interest expense	(21,713)	(0.1)	(41,375)	(0.2)
Total other income - net	1,505,561	6.0	8,127,919	39.5
Income before income taxes	3,125,853	12.4	9,383,408	45.6
Income taxes	267,266	1.1	77,171	0.4
Net income	2,858,587	11.3	9,306,237	45.2
Members' equity - beginning of year	13,483,327		4,702,090	
Members' distributions	(2,403,921)		(525,000)	
Members' equity - end of year	\$ 13,937,993		\$ 13,483,327	

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

Barrio Bros, LLC et al.

Statements of Cash Flows

For The Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	\$ 2,858,587	\$ 9,306,237
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	410,281	334,913
PPP loan forgiveness income	-	(1,969,300)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts and other receivables	(3,554,467)	(10,982)
Inventory	49,937	(73,912)
Prepaid expenses and deposits	8,852	3,307
Increase (decrease) in liabilities:		
Accounts payable	162,056	678
Accrued expenses and withholdings	321,496	385,020
Deferred gift card revenue	165,666	439,578
Net cash flows provided by operating activities	422,408	8,415,539
Cash flows used by investing activities:		
Purchases of property and equipment	(25,870)	(747,565)
Increase in other assets	(20,000)	-
Net cash flows used by investing activities	(45,870)	(747,565)
Cash flows from financing activities:		
Increase in note payable - VPI	-	11,909
Payments on note payable - financial corporation	(6,730)	-
Long-term debt borrowings - Paycheck Protection Program	-	2,000,000
Accrued members' distributions	521,500	-
Members' distributions	(2,403,921)	(525,000)
Net cash flows (used) provided by financing activities	(1,889,151)	1,486,909
Net (decrease) increase in cash and cash equivalents	(1,512,613)	9,154,883
Cash and cash equivalents at beginning of year	14,376,457	5,221,574
Cash and cash equivalents at end of year	\$ 12,863,844	\$ 14,376,457

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

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies

Accounting Policies

The following accounting policies of Barrio Bros, LLC et al. (the "Company") are presented to facilitate the understanding of information presented in the combined financial statements. The combined financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP"), as found in the *Accounting Standards Codification* ("ASC") issued by the *Financial Accounting Standards Board* ("FASB"). Revenues are recognized when earned and expenses when incurred. The combined financial statements have been prepared using historical cost, amortized cost and fair value basis, as discussed in the applicable accounting policies.

Nature of Business Activities

Barrio Bros, LLC et al. is headquartered in Cleveland, Ohio. The Company is in the food industry and owns and operates several entities including restaurants and bars, a catering service, food trucks and a commissary. The Company also licenses its restaurant and bar concepts. The entities primarily operate in the Northeast region of the United States. However, including Ohio they have four other licensed locations in New Hampshire, Massachusetts and Michigan. The food concepts and catering operations have similar products and services and distribution methods. The commissary which houses the Company's main office is primarily responsible for food preparation which is distributed to the various restaurants and bar locations.

The following entities are included in the combined financial statements:

- *Barrio Bros, LLC*
- *Barrio Catering, LLC*
- *Barrio Commissary, LLC*
- *Barrio Trucks, LLC*
- *Dos Amigos, LLC*
- *Kent Tacos, LLC*
- *Taco Heights, LLC*
- *Tres Amigos Lakewood, LLC*
- *Willoughby Tacos, LLC*
- *Justin Hughes, LLC*
- *Strongsville Tacos, LLC*
- *Barrio Nation LLC*

The Company started Barrio Nation LLC in 2021. This entity will offer franchise opportunities across the United States. The Company has franchised eight companies as of December 31, 2022.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies - Continued

Principles of Combination and Consolidation

All but one entity referred above are wholly owned subsidiaries and consolidated with Barrio Bros, LLC. Justin Hughes, an affiliated entity is combined with the consolidated group for financial statement reporting purposes as of December 31, 2022 and 2021.

The Companies are related through common ownership. All significant intercompany transactions and balances have been eliminated in consolidation and combination as of December 31, 2022 and 2021.

Covid-19 Impact

The Covid-19 pandemic caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Although Covid-19 caused unprecedented business interruptions, along with significant impact on revenues, the Company experienced a rapid recovery in 2021 and 2022.

Recently Issued Accounting Pronouncements

From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specific effective date. Unless otherwise discussed, the Company believes that the impact of other recently issued accounting pronouncements will not have a material impact on the combined financial statements, or do not apply to the Company's operations.

The Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, "Leases (Topic 842)" as of January 1, 2022. This update includes a lease accounting model that recognizes two types of leases - finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. The Company will be required to record a "right of use" asset and a lease liability payable, as applicable. The Company evaluated the impact of this adoption including the use of practical expedients provided in the guidance. See Note 4 for additional information.

Revenue Recognition

The Company follows the provisions of ASC Topic 606, "Revenues from Contracts with Customers". ASC 606 eliminates industry-specific guidance and provides a single revenue recognition model for recognizing revenue from contracts with customers. The core principal of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

Topic 606 provides for a five-step model for recognizing revenue from contracts with customers as follows:

1. *Identify the contract with a customer*
2. *Identify performance obligations*
3. *Determine the transaction price*
4. *Allocate the transaction price to the performance obligations in the contract*
5. *Recognize revenue when the performance obligations are satisfied*

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a restaurant guest or other customer. Revenues from restaurant operations are presented net of discounts, coupons, employee meals and complimentary meals and recognized when food, beverage and retail products are sold. Sales tax collected from customers is excluded from sales and the obligation is included in sales tax payable until the taxes are remitted to the appropriate taxing authorities. Catering service revenue is generated through contracts with customers whereby the customer agrees to pay a contract rate for the service. Revenues from catered events are recognized in income upon satisfaction of the performance obligation which is generally the date the catered event is held. All customer payments, including non-refundable upfront deposits, are deferred as a liability until such time.

Revenues from gift cards are deferred and recognized in food and beverage sales upon redemption. As of December 31, 2022 and 2021, the deferred gift card revenue liability was \$914,566 and \$748,900, respectively, on the accompanying combined balance sheets.

The Company also determined that they have historical redemption information to recognize breakage income on gift cards. Based on management's review of historical redemption patterns using company wide data accumulated for several years, management estimates a certain percentage of gift card sales to be recorded as breakage income as it better reflects historical redemption patterns. Effectively, management has concluded that a portion of these gift cards may have a remote likelihood of redemption based on historical redemption patterns and thus the liability is derecognized for them.

Management continues to review historical gift card redemption information for each reporting period to access the continued appropriateness of the gift card breakage rates and patterns of redemption. For the years ended December 31, 2022 and 2021, the Company recorded gift card breakage income of \$91,160 and \$101,464, respectively, which is included in other revenue on the combined statements of operations.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies - Continued

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash accounts.

The Company maintains its cash in commercial bank deposit and money market accounts, which at times, may exceed federally insured limits. The Company believes it is not exposed to any significant credit risk on its cash accounts. As of December 31, 2022 and 2021, the Company had \$12,649,089 and \$13,853,167, respectively, of cash balances in excess of the federally insured limit.

Cash and Cash Flow Information

For cash flow purposes, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company had no non-cash financing activities for the years ended December 31, 2022 and 2021.

Accounts receivable and Allowance for Doubtful Accounts

Accounts receivable in the amount of \$2,292,891 as of December 31, 2022 is comprised of \$2,163,551 due from franchises for start-up costs and fees per franchise agreements. The remaining balance in accounts receivable in the amount of \$129,340 and \$147,529 as of December 31, 2022 and 2021, respectively, is comprised of amounts due to the Company related to the sale of gift cards. The management of the Company has determined that the potential of bad debts is not material and have elected not to set up an allowance for doubtful accounts as of December 31, 2022 and 2021. If accounts become uncollectible, they will be charged to operations when that determination has been made. Collections on accounts previously written off will be offset against bad debt expense as applicable.

Inventory

Inventory is stated at the lower of cost or market determined on a first-in, first-out basis. See Note 2 for additional information.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies - Continued

Property and Equipment - Continued

Depreciation for financial reporting purposes is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	15- 39
Equipment	5- 7
Furniture and fixtures	5- 7
Trucks	5

Depreciation expense for the years ended December 31, 2022 and 2021 was \$372,749 and \$299,549, respectively.

Other Assets

Other assets are comprised of liquor permits and lease deposits. The liquor permits with a cost of \$373,648 and \$353,648 as of December 31, 2022 and 2021, respectively are being amortized over ten years. Amortization expense for the years ending December 31, 2022 and 2021 was \$37,532 and \$35,367, respectively and is included in depreciation and amortization expense on the combined statements of operations. Accumulated amortization for liquor permits as of December 31, 2022 and 2021 was \$245,105 and \$210,682, respectively.

Long-lived Assets

Long lived assets, such as property and equipment, and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of future cash flows of the related long-term asset. If the carrying value of the related asset exceeds the cash flow, the carrying value is reduced to its fair value. Based on the results of this analysis, the Company did not recognize any impairment of its long-lived assets for the years ended December 31, 2022 and 2021.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as they are incurred and amounted to \$47,620 and \$59,060 for the years ended December 31, 2022 and 2021, respectively. Advertising and marketing costs are included in general and administrative expenses on the combined statements of operations.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies - Continued

Income Taxes

The Companies are all taxed as limited liability companies. The Companies except for Justin Hughes, LLC file Partnership tax returns. Justin Hughes, LLC files as an S-Corporation. Under subchapter K or subchapter S of the internal revenue code, the income of the Companies flow through to the members to be taxed at the individual level rather than the corporate level. Accordingly, these entities will have no tax liability.

The income allocable to each member is subject to examination by federal and state taxing authorities. In the event of an examination of the income tax returns, the tax liability of the member could be changed if an adjustment in the income is determined by the taxing authorities.

Accounting Standard Codification, ASC 740-10, ("*Accounting for Uncertainty in Income Taxes*") prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on management's evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in the Company's combined financial statements. The Company may, from time to time, be assessed interest or penalties by major tax jurisdictions. In the event the Company receives an assessment for interest and/or penalties, it will be classified in the financial statements in other income and expense. The Company had penalty and interest expense of \$30,023 and \$71,374 for the years ended December 31, 2022 and 2021 respectively, which is included in other income (expense) on the combined statements of operations and members' equity.

The federal income tax returns of the Company are subject to examination by the IRS, generally for three years after they were filed. There are no tax examinations currently in process.

Fair Value of Financial Instruments

Substantially all of the Company's current assets and liabilities are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument. Other financial instruments consist of long-term obligations. The fair value of long-term obligations is estimated based on current interest rates offered to the Company for obligations with similar remaining maturities. The recorded value of these financial instruments approximated fair value at December 31, 2022 and 2021.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 1: Summary of Significant Accounting Policies - Continued

Occupancy Expenses

Occupancy expenses essentially include rent or lease payments, maintenance, insurance and utility costs. See Note 4 for additional information regarding operating lease agreements.

Common Control Leasing Arrangements

The Company has elected to use the U.S. GAAP private company common lease accounting alternative. In accordance with this alternative, the Company does not evaluate entities with certain common control leasing arrangements to determine if they are variable interest entities.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, and related disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, the Company evaluates its estimates, including those related to accounting for depreciation and amortization, breakage income on gift card redemptions, inventory obsolescence and contingent liabilities arising from litigation in the normal course of business. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions.

Note 2: Inventory

The Company's inventory is comprised of food, beverages, and retail items. The inventory is carried at cost on the Company's combined balance sheets. As of December 31, 2022 and 2021 the Company's total inventory was \$263,661 and \$313,598, respectively as follows:

	<u>2022</u>	<u>2021</u>
Food	\$ 121,480	\$ 168,637
Beverages	140,577	161,678
Retail items	<u>1,604</u>	<u>8,557</u>
Total inventory	\$ <u>263,661</u>	\$ <u>313,598</u>

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 3: Related Party Transactions

Justin Hughes LLC and Barrio Commissary LLC rent facilities from entities owned by a member of the Company. These leases are included in operating leases in Note 4. As of December 31, 2022 and 2021 these entities owed the member \$480,000 and \$210,000, respectively for rent payments.

Note 4: Operating Leases

The Company leases related and unrelated building facilities for various terms under both long-term non-cancellable lease agreements.

As noted earlier, the Company adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* "(Topic 842)" for their long-term lease agreements. The Company did not have any existing capital leases that were deemed a financing lease under the new guidance. With respect to existing operating leases, the Company accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Company recognized the following as of December 31, 2022:

- 1.) Lease liability of \$3,062,708 (current portion = \$501,831), which represents the present value of the remaining lease payments of \$3,602,195, discounted using the Company's incremental borrowing rate of 6%.
- 2.) A right-of-use assets of \$3,062,708 which represents the lease liability.

The remaining lease payments on these leases are as follows:

<u>For the year ended December 31:</u>	<u>Amount</u>
2023	\$ 656,896
2024	661,615
2025	670,420
2026	612,421
2027 and thereafter	<u>1,000,843</u>
Total	\$ <u>3,602,195</u>

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 4: Leases - Continued

All other office and equipment leases were deemed short-term or immaterial to the overall operations of the Company. These leases have not been accounted for under the new lease guidance (ASC Topic 842).

Total office rent and equipment lease expenses for the years ended December 31, 2022 and 2021 was approximately \$706,832 and \$655,264, respectively.

Note 5: Note Payable - VPI City of Cleveland

The Company received a \$180,000 loan in 2016 through the City of Cleveland's "*Vacant Properties Initiative*" (VPI). The terms of the agreement required the funds to be used to finance the cost of construction build out and purchase of equipment with the redevelopment of a vacant building located in Cleveland, Ohio along with creating 25 full time positions while working on the project. The loan was secured with an open-end mortgage on the property. The Company was required to pay quarterly interest payments at 6% for one year after the loan was funded. Interest accrued at 6% for a period of five years on the outstanding principal balance through November 2021. The outstanding principal portion is defined as the initial loan plus accrued interest. At the end of the term, the Company shall submit to the City of Cleveland's Director of Economic Development verification that the funds were used appropriately and 25 full time positions were created. The City did not accept the verification and has imposed a non-compliance penalty. The Company is in the process of getting this penalty abated and outstanding balance forgiven. The balance on this note as of December 31, 2022 and 2021 was \$228,435.

Note 6: Note Payable - Financial Corporation

The Company had a note payable to a financial corporation for the purchase of a food truck. The note bearing interest at 3.9% and monthly payments of \$1,102 was paid off in May 2022. As of December 31, 2021 the outstanding balance was \$6,730.

Note 7: Long-term Debt Note Payable - Paycheck Protection Program

The Company received a second draw loan for \$2,000,000 in 2021 with respect to the "Paycheck Protection Loan Program", (PPP) established under the enactment of the *Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act*. The loan must be used in the same manner as the funds received under the "Paycheck Protection Loan Program" (PPP) under the CARES Act. As of December 31, 2022 the loan has not been forgiven as is included in long-term debt on the combined balance sheets.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 8: Restaurant Revitalization Program

The *American Rescue Plan Act* established the Restaurant Revitalization Fund to provide funding to help restaurants keep their doors open. This program administered by the US Small Business Administration (SBA) provided restaurants with funding equal to their pandemic-related loss up to \$10 million and as long as the funds are used for eligible uses are not required to be repaid. The funds were required to be used by March 11, 2023. If the funds were used by December 31, 2021 the Company was required to certify with the SBA that the proceeds were used on eligible expenses. The Company received \$6,076,851 under the program and according to management, the funds were used by December 31, 2021 and will not be required to be repaid. The Company has included these funds in other income (expense) on the combined statements of operations and members' equity for the year ended December 31, 2021.

Note 9: Grant Income

The Company qualified for the *Food and Beverage Establishment Grant* through the State of Ohio. This program was established to help restaurants affected by the pandemic and Covid-19. Each business location was eligible for \$10,000 to \$30,000 based on a decline in revenue during Covid effected years. These funds were not required to be repaid. The Company received \$130,000 in grant income for the year ended December 31, 2021 under the program recorded and is in other income (expense) on the combined statements of operations and members' equity.

Note 10: Retirement Plan

The Company has a 401(k) Retirement Plan which provides for elective deferrals and a matching contribution for eligible employees. Generally, an employee must attain the age of 21 and complete one year of service to be eligible to participate in the Plan. The Plan also has a discretionary profit-sharing provision. The Company did not make a matching or profit-sharing contribution to the Plan for the years ended December 31, 2022 and 2021.

Note 11: Other Matters

In May 2020, the Company received loan proceeds from a bank ("Lender") in the amount of \$1,969,300 through the "*Paycheck Protection Loan Program*" (PPP) established under Section 1102 of the CARES ACT which was enacted March 27, 2020. The funds were used for qualifying expenses as described by the CARES ACT and the loan was forgiven. The loan forgiveness income is included in other income (expense) on the statements of operations and members' equity for the year ended December 31, 2021.

BARRIO BROS, LLC et al.

Notes to Combined Financial Statements

December 31, 2022 and 2021

Note 11: Other Matters - Continued

The Company applied for \$1,510,504 of refunds under the Employee Retention Credit ("ERC") program established by the CARES Act. The balance is included in receivables – other on the accompanying balance sheets as of December 31, 2022. The income is recorded in other income and expense on the combined statements of operations and member's equity for the year ended December 31, 2022.

With respect to the programs above, laws and regulations over federal funds received by the Company as a result of the *Coronavirus Aid, Relief and Economic Security Act* (CARES) enacted in March 2020 and the *Combined Appropriations Act of 2021* (CAA) enacted December 2020 are complex and subject to interpretation. Potential non-compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory action. The Company believes it is in compliance with all applicable laws and regulations and believes there are no material contingencies related to laws and regulations governing the Company's use of federal funds.

Note 12: Subsequent Events

Management has reviewed the events and transactions for subsequent events from January 1, 2023 through April 18, 2023, the date the financial statements were available to be issued, and has determined that there were no material subsequent events requiring disclosure in the combined financial statements through this date.



D'AMORE TATMAN GROUP LLC

Certified Public Accountants & Business Advisors

CONSENT OF ACCOUNTANT

D'Amore Tatman Group LLC hereby consents to the use in the Franchise Disclosure Document issued by Barrio Nation LLC ("Franchisor") on April 30, 2024, as it may be amended, of our report dated February 27, 2024, relating to the combined financial statements of Franchisor's parent company Barrio Bros., LLC, for the years ending December 31, 2023, December 31, 2022, and December 31, 2021.

Dated: April 30, 2024.

D'Amore Tatman Group LLC

By

GUARANTY OF PERFORMANCE

This Guaranty of Performance is issued by Barrio Bros., LLC, an Ohio limited liability company (the "Guarantor"), in connection with the franchising activities of its affiliate, Barrio Nation LLC, an Ohio limited liability company (the "Franchisor"), and is effective as of the effective date of the Franchise Agreement to which it applies.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

1. Scope of Guaranty. The Guarantor absolutely and unconditionally guarantees to each franchisee of the Franchisor who receives the Franchise Disclosure Document to which this Guaranty is attached as an Exhibit to perform the duties and obligations of the Franchisor under its Franchise Agreement with such franchisee, as that Franchise Agreement may be amended, modified or extended from time to time. This Guaranty covers all of the Franchisor's obligations to such franchisee, but does not extend to third parties. This Guaranty continues with respect to each covered franchisee until all such obligations of the Franchisor under the applicable Franchise Agreement are satisfied or until the liability of Franchisor to such franchisee under the applicable Franchise Agreement has been completely discharged, whichever first occurs.
2. Amendment or Modification. This Guaranty may not be revoked or amended or modified by Guarantor.
3. Entire Agreement. This Guaranty constitutes the entire agreement of Guarantor pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, representations and discussions, whether oral or written, express or implied.
4. Successors and Assigns. This Guaranty will apply to, be binding in all respects upon, and inure to the benefit of the successors of Guarantor and the covered franchisees.
5. No Third Party Rights. Nothing expressed or referred to in this Guaranty will be construed to give any person or entity other than the covered franchisees of Franchisor any legal or equitable right, remedy, or claim under or with respect to this Guaranty or the Franchise Agreement.

6. Relationship of the Parties. This Guaranty does not constitute or create a joint venture, partnership, employment, agency or similar arrangement between the Guarantor and the Franchisor or any of its franchisees.
7. Governing Law. This Agreement will be governed by the laws of the State of Ohio, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction.

The Guarantor hereby executes this Guaranty of Performance to be effective as of April 30, 2024.

GUARANTOR:

Barrio Bros., LLC

By: 

Title: Director of Franchise Operations and Finance

EXHIBIT F

GENERAL RELEASE AGREEMENT

GENERAL RELEASE AGREEMENT
(for Renewals)

THIS GENERAL RELEASE AGREEMENT (“Release”) is made and entered into this _____ day of _____, 20____, by and between Barrio Nation LLC, an Ohio limited liability company (“**Barrio**”), and _____ (“**Franchisee**”), and each undersigned owner of Franchisee (individually, an “**Owner**,” and collectively, the “**Owners**”) (collectively, Barrio, Franchisee, and the Owners are referred to hereinafter as the “**Parties**”).

WITNESSETH

WHEREAS, the Parties previously entered into that certain Franchise Agreement dated _____, 20____ (the “**Agreement**”) granting Franchisee a single Barrio franchise for a specific Term (as defined in the Agreement); and

WHEREAS, Franchisee desires to renew the Agreement for an additional Term (as defined in the Agreement); and

WHEREAS, Section 2.4(c) of the Agreement requires Franchisee and each of its Owners to execute, as a condition to renew the Agreement, a general release from liability of all claims that Franchisee and its Owners may have against Barrio and its affiliates and their respective officers, directors, employees and agents; and

WHEREAS, the Parties desire to enter into this Release to comply with the requirements of the Agreement and preserve Franchisee’s eligibility to renew the Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other valuable consideration, the Parties hereby agree as follows:

1. Recitals. The foregoing Recitals are incorporated into and made part of this Release.

2. Release. Franchisee and each Owner, on behalf of themselves and their present or former affiliated entities, and their respective predecessors, successors, assigns, owners, heirs, and personal representatives, as applicable, and on behalf of all other persons or entities claiming by or through any of the foregoing (the “**Releasing Parties**”), hereby fully and unconditionally release and discharge Barrio and its present or former affiliated entities and their respective officers, directors, shareholders, partners, members, employees, contractors, agents, attorneys, representatives, heirs, and personal representatives, and each of their respective predecessors, successors and assigns (the “**Released Parties**”) from any and all liabilities, claims, demands, debts, damages, obligations and causes of action of any nature or kind, whether presently known or unknown, which the Releasing Parties may have had, now have or may now or hereafter have or assert against any such Released Parties on account of any matter whatsoever arising from the beginning of time through the date of this Release, whether such claims be known or unknown, knowable or unknowable, suspected or unsuspected, which were or could have been asserted by any such Releasing Party, including but not limited to any claims relating or pertaining to the

Agreement, the offering or purchase of the Franchise, business opportunity or similar statutes, and/or the business and franchise relationship between the parties (“Claims”).

Franchisee and each Owner hereby represent and warrant to Barrio that there has been no assignment or other transfer of any interest in any of its Claims and Franchisee and each Owner do hereby jointly and severally agree to forever defend, indemnify and hold harmless the Released Parties from any liability, claims, demands, damages, losses, costs, expenses or attorneys’ fees incurred as a result of any person asserting any interest in any of the Claims of any Releasing Party, and/or as a result of any voluntary, involuntary or other assignment or transfer of such party’s Claims. Franchisee and each Owner covenant and agree not to directly or indirectly initiate or file any legal action, arbitration or other proceeding against any Released Party that consists of or is otherwise based upon any Claim that is being released by this Release.

3. Miscellaneous.

A. This Release contains the entire agreement and all representations between the Parties hereto with respect to the subject matter hereof. This Release supersedes and cancels any prior understanding or agreement between the parties hereto whether written or oral, express or implied, with respect to the subject matter hereof. No modifications or amendments to this Release shall be effective unless in writing, signed by all Parties.

B. In case any one or more of the provisions contained in this Release, or any part thereof, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Release. In case any one or more of the provisions contained in this Release shall, for any reason, be held to be unreasonable, improper, overbroad or unenforceable in any manner, it is agreed that they are divisible and separable and should be valid and enforceable to the extent allowed by law. The intention of the Parties is that Barrio shall be given the broadest protection allowed by law with respect to this Release.

C. This Release shall be governed by the laws of the State of Ohio. Any litigation or court action arising under or related to this Release shall be filed in state or federal court in Cuyahoga County, Ohio.

D. In the event a court action is brought to enforce or interpret this Release, the prevailing Party in that proceeding or action shall be entitled to reimbursement of all of its legal expenses, including, but not limited to, reasonable attorneys’ fees and court costs incurred. The prevailing Party shall be entitled to reimbursement of all such expenses both in the initial proceeding or action and on any appeal therefrom.

E. This Release is binding on the Parties hereto and their respective successors, heirs, beneficiaries, agents, legal representatives, and assigns, and on any other persons claiming a right or interest through the Parties.

F. The undersigned individuals recognize that this Release is an important document that affects their legal rights. For this reason, the Parties may wish to seek independent legal advice before signing this document. The undersigned Parties acknowledge that they have had an

opportunity to seek such independent legal advice. They acknowledge that they have read and understand the provisions contained herein and acknowledge receipt of a copy of this Release.

G. This Release may be executed in any number of counterparts, all of which shall be deemed to constitute one and the same instrument, and each counterpart shall be deemed an original.

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Release as of the day and year first above written.

FRANCHISOR:

BARRIO NATION LLC
An Ohio limited liability company

By: _____
Its: _____

FRANCHISEE:

By: _____
Title: _____

OWNERS:

**Individually, and
on behalf of the Releasing Parties**

**Individually, and
on behalf of the Releasing Parties**

EXHIBIT G
TRANSFER AGREEMENT

TRANSFER AGREEMENT

THIS TRANSFER AGREEMENT ("**Agreement**") is made and entered into this _____ day of _____, 20____, by and between Barrio Nation LLC, an Ohio limited liability company ("**Barrio**"), and _____ ("**Franchisee**"), and each undersigned owner of Franchisee (individually, an "**Owner**," and collectively if more than one, the "**Owners**"), and _____ ("**Assignee**") (collectively, Barrio, Franchisee, the Owners and Assignee are referred to hereinafter as the "**Parties**").

WITNESSETH:

WHEREAS, Barrio and Franchisee previously entered into that certain Franchise Agreement dated _____ (the "**Franchise Agreement**"), granting to Franchisee that certain Barrio franchise located in _____ (the "**Franchise**");

WHEREAS, Franchisee and each undersigned Owner wish to Transfer (as defined in Section 14 of the Franchise Agreement) to Assignee all of its right, title and interest in and to the [Franchisee,] Franchise and the Franchise Agreement (the "**Transferred Interest**");

WHEREAS, Barrio is willing to consent to the above Transfer of the Transferred Interest, and the Parties desire that the Transfer be made, only in accordance with the following terms and conditions;

NOW, THEREFORE, in consideration of the mutual agreements, covenants and undertakings herein contained and other valuable consideration, the adequacy of which is acknowledged by all Parties, the Parties hereby agree as follows:

1. Recitals. The above Recitals and sections of the Franchise Agreement referred therein are hereby incorporated into and made part of this Agreement.

2. Transfer; Assumption; Consent to Transfer. Franchisee and each undersigned Owner does hereby Transfer to Assignee all of his, her or its right, title and interest in and to the Transferred Interest, and Assignee (jointly and severally if more than one Assignee), does hereby assume and agree to discharge all liabilities and obligations of the Franchisee arising under or in connection with the Franchise Agreement on or after the date hereof. Barrio hereby consents to the Transfer of the Transferred Interest as described in the Recitals, but such consent does not relieve Franchisee or any Owner from any liabilities or obligations arising under or in connection with the Franchise Agreement on or before the date hereof, or any covenants or obligations that by their terms survive Transfer or termination of the Franchise Agreement.

3. Conditions for Approval of Transfer. Franchisee and each undersigned Owner and Assignee hereby represent and warrant that the conditions for approval of Transfer as set forth in Section 14.5 of the Franchise Agreement, to the extent such conditions are not specifically addressed or resolved under this Agreement, have been fully and completely satisfied as provided in such Section 14.5 and to Barrio's satisfaction.

4. Release. Franchisee and each Owner hereby represents and warrants to Barrio and Assignee that Owners are the sole owners of Franchisee, and that Franchisee is the sole owner of all rights to the Franchise and under the Franchise Agreement, and no other person has any right, title or interest in or to the Franchise, the Franchisee, the Franchise Agreement, the Transferred Interest or any of the Claims being released herein.

Franchisee and each Owner, on behalf of themselves and their present or former affiliated entities, and their respective predecessors, successors, assigns, owners, heirs, and personal representatives, as applicable, and on behalf of all other persons or entities claiming by or through any of the foregoing (the “Releasing Parties”), hereby fully and unconditionally release and discharge Barrio and its present or former affiliated entities and their respective officers, directors, shareholders, partners, members, employees, contractors, agents, attorneys, representatives, heirs, and personal representatives, and each of their respective predecessors, successors and assigns (the “Released Parties”) from any and all liabilities, claims, demands, debts, damages, obligations and causes of action of any nature or kind, whether presently known or unknown, which the Releasing Parties, or any of them, may have against the Released Parties as of the date this Agreement is executed (“Claims”), except for any Claims that are prohibited by applicable law from being released hereby.

Franchisee and each Owner hereby represent and warrant to Barrio that there has been no assignment or other transfer of any interest in any of its Claims and Franchisee and each Owner do hereby jointly and severally agree to forever defend, indemnify and hold harmless the Released Parties from any liability, claims, demands, damages, losses, costs, expenses or attorneys’ fees incurred as a result of any person asserting any interest in any of the Claims of any Releasing Party, and/or as a result of any voluntary, involuntary or other assignment or transfer of such party’s Claims.

Franchisee and each Owner covenant and agree not to directly or indirectly initiate or file any legal action, arbitration or other proceeding against any Released Party that consists of or is otherwise based upon any Claim that is being released by this Agreement.

5. Restrictive Covenants. Franchisee and each undersigned Owner acknowledge and agree that the restrictive covenants set forth in Article 9 of the Franchise Agreement shall remain in full force and effect notwithstanding this Transfer, the execution of a New Franchise Agreement (pursuant to Section 7 below), or any deemed termination of the Franchise Agreement with respect to Franchisee and/or any Owner.

6. Subordination. Franchisee, each undersigned Owner and Assignee agree that all of Assignee’s obligations to make any installment payments to or for the benefit of Franchisee and/or an undersigned Owner in connection with the Transfer of the Transferred Interest as provided under this Agreement shall be subordinate to Assignee’s obligations under the Franchise Agreement or New Franchise Agreement (as defined below) to pay to Barrio or its affiliates any Continuing Franchise Fees, Advertising Fees, and other fees, payments or amounts due Barrio thereunder.

7. New Franchise Agreement. Assignee agrees that in connection with the Transfer of the Transferred Interest to it, Assignee shall sign at Barrio's request the form of Franchise Agreement (including applicable guaranties of Principal Owners) currently used by Barrio in selling and offering franchises like the Franchise (the "New Franchise Agreement"). If Barrio requires that a New Franchise Agreement be signed, it will replace the Franchise Agreement; provided, however, that unless otherwise expressly agreed by Barrio and Assignee, the Initial Term of the Franchise shall remain the same as is set forth in the currently-existing Franchise Agreement.

8. Breach. The Parties hereby agree that each of the matters stated herein are important, material, and confidential, and substantially affect the effective and successful conduct of the business of Barrio and its reputation, and goodwill. Any breach of the terms of this Agreement is a material breach of this Agreement, which will result in substantial and irreparable injury to Barrio, for which the breaching party may be preliminarily and permanently enjoined and for which the breaching party shall also pay to Barrio all damages (including, but not limited to, compensatory, incidental, consequential and lost profits damages) which arise from the breach, together with interest, costs and Barrio's reasonable attorneys' fees (through final unappealable judgment) to enforce this Agreement. This Agreement does not limit any other remedies available at law or in equity available to Barrio.

9. No Waiver. Barrio may waive a provision of this Agreement only in writing executed by an authorized representative. No party shall rely upon any oral representations as to a waiver of any provision of this Agreement. No waiver by a party of a breach by another party of any provision of this Agreement shall operate or be construed as a waiver of any subsequent breach by the breaching party.

10. Assignment. This Agreement is fully transferable by Barrio. Franchisee, each undersigned Owner and Assignee may not assign, convey, sell, delegate, or otherwise transfer this Agreement or any right or duty hereunder without obtaining Barrio's prior written consent.

11. Binding Agreement. This Agreement shall be binding upon the Parties' heirs and legal representatives. This Agreement shall be enforceable by the successors and assigns of Barrio, any person or entity which purchases substantially all of the assets of Barrio, and any subsidiary, affiliate or operation division of Barrio.

12. Tolling. To ensure that Barrio will receive the full benefit of this Agreement, the provisions of this Agreement will not run, for purposes of the prohibitions on any competition and solicitation, statute of limitations, or for laches, at any time that a party to this Agreement is actually acting in any way in contravention to this Agreement.

13. Headings. The paragraph headings of this Agreement are not a substantive part of this Agreement and shall not limit or restrict this Agreement in any way.

14. Choice of Law and Venue. This Agreement shall be construed in accordance with and governed for all purposes by the laws of Ohio. If any action or proceeding shall be instituted by any Party, or any representative thereof, all Parties and their representatives hereby consent and will submit to the jurisdiction of, and agree that venue is proper in Cuyahoga County, Ohio.

15. Severance and Reformation. In case any one or more of the provisions or restrictions contained in this Agreement, or any part thereof, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions or restrictions of this Agreement. In case any one or more of the provisions or restrictions contained in this Agreement shall, for any reason, be held to be unreasonable, improper, overbroad or unenforceable in any manner, it is agreed that they are divisible and separable and should be valid and enforceable to the extent allowed by law. The intention of the Parties is that Barrio shall be given the broadest protection allowed by law with respect to this Agreement.

16. Entire Agreement. No change, addition, deletion or amendment of this Agreement shall be valid or binding upon either party unless in writing and signed by the parties. Insofar as matters within the scope of this Agreement are concerned, this Agreement is the entire Agreement between the Parties and replaces and supersedes all prior agreements and understandings pertaining to the matters addressed in this Agreement. There are no oral or other agreements or understandings between the Parties affecting this Agreement. Notwithstanding the foregoing, nothing contained herein shall limit, modify or revoke any covenants or obligations contained in the Franchise Agreement that by their terms survive Transfer or termination of the Franchise Agreement.

17. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be deemed to constitute one and the same instrument, and each counterpart shall be deemed an original

18. Opportunity to Seek Independent Advice. The undersigned individuals recognize that this Agreement is an important document that affects their legal rights. For this reason, the Parties may wish to seek independent legal advice before accepting the terms stated herein. The undersigned Parties acknowledge that they have had an opportunity to seek such independent legal advice. They acknowledge that they have read and understand the provisions contained herein and acknowledge receipt of a copy of this Agreement.

IN WITNESS WHEREOF, the parties hereto affix their signatures and execute this Transfer Agreement as of the day and year first above written.

FRANCHISOR:

BARRIO NATION LLC
An Ohio limited liability company

By: _____
Its: _____

FRANCHISEE:

By: _____
Title: _____

OWNERS:

**Individually, and
on behalf of the Releasing Parties**

**Individually, and
on behalf of the Releasing Parties**

ASSIGNEE:

By: _____

-and-

_____, Individually

EXHIBIT H

MULTI-STATE ADDENDA AND RIDERS

ILLINOIS

Additional Disclosures Required in Illinois

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Failure to comply with these requirements will render you ineligible for renewal, and may be a default allowing the Franchisor to terminate your Franchise and/or withhold performance (including but not limited to removing your access to our website or any intranet, removing any information about your Franchise on our website or social media accounts, and removing you from any lists of approved Franchises for which any of the Franchisor's approved suppliers provide discounts or any national or other alliance programs lists that you are approved to participate in). The Franchisor does not provide any other benefits to you because of your use of designated or approved services and products, or suppliers.

You must open your Restaurant within 9 months after signing your Franchise Agreement. (Franchise Agreement – Section 3.3).

Barrio Nation, LLC

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

THIS ADDENDUM TO FRANCHISE AGREEMENT (the “Addendum”) is made and entered into this _____ day of _____, 20____, by and between Barrio Nation, LLC, an Ohio limited liability company (“Franchisor”), and _____, a _____ corporation/limited liability company/partnership (circle one), (“Franchise Owner”) (collectively, Franchisor and Franchise Owner are referred to hereinafter as the “Parties”), and is attached to and made part of that certain Franchise Agreement, dated _____, 20____, (the “Agreement”) between the Parties, and is to evidence that, in consideration of the mutual agreements contained herein and other valuable consideration, the parties hereby agree as follows:

1. Illinois law governs the Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon Termination and Non-Renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. In conformance with the NASAA Statement of Policy Regarding the use of Franchise Questionnaires and Acknowledgements, adopted September 18, 2022 and effective January 1, 2023, No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the Parties hereto affix their signatures and execute this Addendum as of the day and year first above written.

FRANCHISOR:

BARRIO NATION, LLC,
AN OHIO LIMITED LIABILITY COMPANY

BY: _____
TITLE: _____

FRANCHISE OWNER: _____

BY: _____
TITLE: _____

INDIANA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF INDIANA

Additional Disclosures Required in Indiana

With respect to the information disclosed in Item 8 of the Disclosure Document:

- a. Indiana Code (“IC”) Section 23-2-2.7-1(1) prohibits us from requiring you (if you are a resident of Indiana or a non-resident who will operate a franchise in Indiana) to purchase goods, supplies, inventories, or services exclusively from us or sources designated by us where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by us. However, the (i) publication by us of a list of approved suppliers of goods, supplies, inventories, or services, (ii) the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by us, and/or (iii) our reasonable right to disapprove a supplier does not constitute designation of a source. This above prohibition does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by us.
- b. IC Sections 23-2-2.7-1(4) and 23-2-2.7-2(6) prohibit us from obtaining money, foods, services, or any other benefit from any other person with whom you do business, on account of, or in relation to, the transaction between you and the other person, other than for compensation for services rendered by us, unless the benefit is promptly accounted for and transmitted to you.

With respect to the advertising-related information disclosed in Item 11 of the Disclosure Document, IC Section 23-2-2.7-1(11) prohibits us from requiring you to participate in any (i) advertising campaign or contest, (ii) promotional campaign, (iii) promotional materials, or (iv) display decorations or materials, at an expense that is indeterminate, determined by a third party, or determined by a formula, unless your Franchise Agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that you may be required to pay.

With respect to the information disclosed in Item 17 of the Disclosure Document:

- a. IC 23-2-2.7-1(5) prohibits us from requiring you to prospectively assign to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability imposed by the Indiana Franchise Act.
- b. IC section 23-2-2.7-1(7) prohibits the Franchise Agreement from permitting unilateral termination of your franchise if termination is without good cause or in bad faith. Good cause within the meaning of this paragraph includes any material violation of the Franchise Agreement.
- c. IC section 23-2-2.7-1(8) prohibits us from failing to renew your Franchise Agreement without good cause or in bad faith. This provision does not prohibit your Franchise

Agreement from providing that it is not renewable upon expiration, or that renewal is conditioned upon your meeting certain conditions specified in the Franchise Agreement.

- d. IC section 23-2-2.7-1(9) prohibits us from requiring you to covenant not to compete with us for a period longer than three (3) years or in an area greater than the exclusive area granted by your Franchise Agreement.
- e. IC section 23-2-2.7-1(10) prohibits the Franchise Agreement from limiting litigation brought for breach of the Agreement in any manner whatsoever.
- f. The choice of law provisions of the Disclosure Document and Franchise Agreement, are subject to the superseding provisions of IC sections 23-2-2.5 and 23-2-2.7.

VIRGINIA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR THE COMMONWEALTH OF VIRGINIA

Additional Disclosures Required in Virginia

With respect to the disclosures in Item 17 of the Disclosure Document, the following provision applies for franchises in Virginia:

Pursuant to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Illinois	<i>Pending</i>
Indiana	June 4, 2024
Maryland	<i>Pending</i>
Michigan	December 27, 2023
Virginia	<i>Pending</i>

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

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Barrio Nation LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Rhode Island requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Barrio Nation LLC 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 listed in Exhibit A of this disclosure document.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows:

The issuance date of this disclosure document is: April 30, 2024.

The franchisor is Barrio Nation LLC, located at 3190 West 63rd Street, Cleveland, Ohio 44102. Its telephone number is (216) 400-7141.

Barrio Nation LLC authorizes the agents listed in Exhibit A of this disclosure document to receive service of process for it.

I have received a disclosure document dated April 30, 2024, that included the following Exhibits:

Exhibit A	State Administrators/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Operations Manual Table of Contents
Exhibit D	List of Barrio Franchisees
Exhibit E	Financial Statements of Barrio Bros. LLC; Guaranty of Performance
Exhibit F	General Release Agreement
Exhibit G	Transfer Agreement

Date

Signature of Franchisee

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Barrio Nation LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Rhode Island requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Barrio Nation LLC 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 listed in Exhibit A of this disclosure document.

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows:

The issuance date of this disclosure document is: April 30, 2024.

The franchisor is Barrio Nation LLC, located at 3190 West 63rd Street, Cleveland, Ohio 44102. Its telephone number is (216) 400-7141.

Barrio Nation LLC authorizes the agents listed in Exhibit A of this disclosure document to receive service of process for it.

I have received a disclosure document dated April 30, 2024, that included the following Exhibits:

Exhibit A	State Administrators/Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Operations Manual Table of Contents
Exhibit D	List of Barrio Franchisees
Exhibit E	Financial Statements of Barrio Bros. LLC; Guaranty of Performance
Exhibit F	General Release Agreement
Exhibit G	Transfer Agreement

Date

Signature of Franchisee